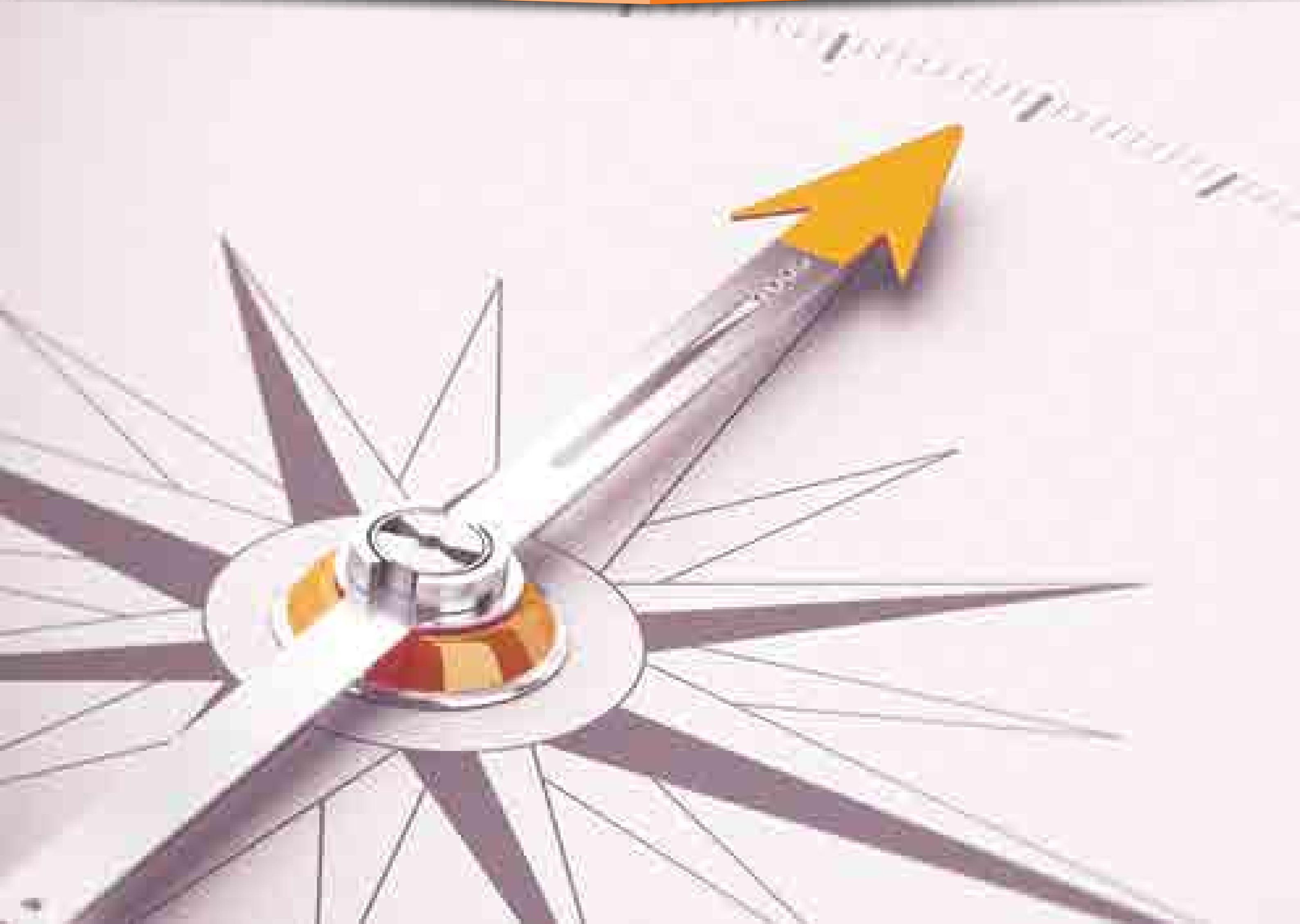
HEMAS HOLDINGS PLC

ANNUAL REPORT 2015/16

EXPLORE. ENGAGE.



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EXPLORE. ENGAGE.

At Hemas Holdings PLC, 2015/16 marks the second year of our progress in achieving our Vision 2020. Overall, it was a year of strong performance in our journey towards being leaders in Wellness, Leisure and Mobility, and enriching the lives of all who we touch. This year saw the exploration of new possibilities, and engagement with our stakeholders to continue the momentum towards our long term aspirations.

We believe great results are made possible by our many business partners and our team working together to achieve new frontiers of excellence. Focus upon employee wellness and future leadership, development of existing and foreign markets, as well as continued efforts in corporate sustainability, have delivered strong performance this year, and positions us well for success in the years to come. With our consumer business experiencing exceptional performance in Sri Lanka and Bangladesh, healthcare businesses driving revenue growth, and the developing profitability of leisure and mobility, we will continue to forge ahead, and continue enriching lives.

At Hemas Holdings PLC, we celebrate a spirit of progress and transformation as we explore and engage with the many business opportunities that we identify each year. Our journey has been a dynamic one, as we tirelessly sought out new enterprises to launch and develop into new and profitable industry sectors.

Over the years, your Company has seen exponential growth by the exploration of new geographies and strong customer engagement. In the year under review, we expanded our operation in Bangladesh, by positively engaging with new consumers that we met in our explorations. We dominate the local Fast Moving Consumer Goods (FMCG), Healthcare, Leisure and Transportation sectors, through our continued commitment to maintaining strong engagement with our loyal customers.

Our history shapes the way we think about the future, as we continue to generate organic as well as inorganic growth, to invest in the future and to deliver rising value to our stakeholders today. The year under review has been an excellent one and your Company remains well aligned with 'Vision 2020', our five-year strategic plan.

Hemas Holdings is a company renowned for its strong focus on social responsibility, transparency and best practices. We remain committed to these principles of good governance to evolve your Company further, as we remain confident that our focus on sustainable growth and long term value creation will keep us successful in 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.

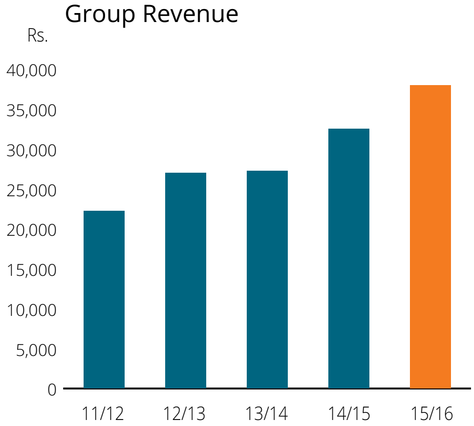
It is our values that hold us together in meeting success, and providing our customers with the quality products and services they deserve.

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

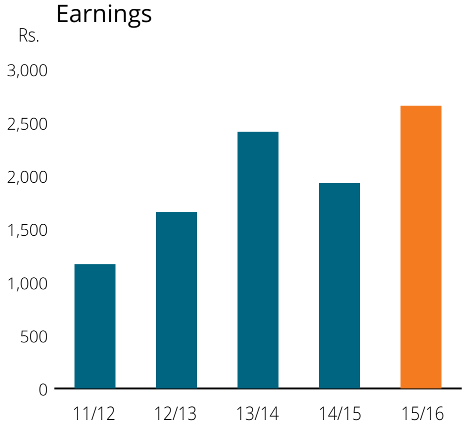
FINANCIAL HIGHLIGHTS

Year Ended 31 March		2016	2015	Change %
Operating Results				
Group Revenue	Rs. '000	37,976,564	32,496,953	16.9
Operating Profit	Rs. '000	3,960,549	3,371,176	17.5
Profit Before Taxation	Rs. '000	4,090,340	3,094,939	32.2
Profit After Taxation	Rs. '000	2,925,970	2,195,916	33.2
Profit Attributable to the Parent	Rs. '000	2,653,208	1,927,051	37.7
Gross Dividend Paid	Rs. '000	699,778	629,800	11.1
Cash from Operations	Rs. '000	4,250,945	3,329,052	27.7
Debt to Equity Ratio	%	22.8	36.7	-37.9
Operating Results - Underlying				
Operating Profit	Rs. '000	3,960,549	3,053,216	29.7
Profit Before Taxation	Rs. '000	4,090,340	2,776,976	47.3
Profit After Taxation	Rs. '000	2,925,970	2,072,740	41.2
Profit Attributable to the Parent	Rs. '000	2,653,208	1,856,603	42.9
Financial Position				
Total Assets	Rs. '000	42,327,175	34,438,320	22.9
Equity Attributable to Equity Holders of the Parent	Rs. '000	21,991,693	15,658,976	40.4
No. of Shares	No. '000	572,545	515,291	11.1
Gearing	%	18.5	26.9	-31.0
Shareholder Information				
Return on Equity	%	14.1	12.9	9.3
Earnings per Share	Rs.	4.63	3.74	23.8
Dividend per Share	Rs.	1.10	1.10	0.0
Dividend Payout	%	23.7	29.4	-19.3
Net Assets per Share	Rs.	38.41	30.39	26.4
Market Capitalization	Rs. '000	46,147,138	37,976,919	21.5
Price Earnings Ratio	Times	17.41	19.71	-11.8
Market Price as at 31st March	Rs.	80.60	73.70	9.4

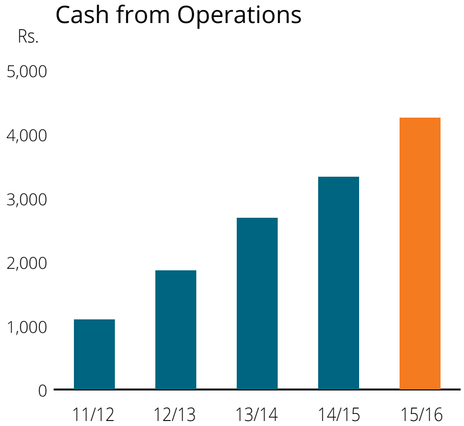
Group Revenue



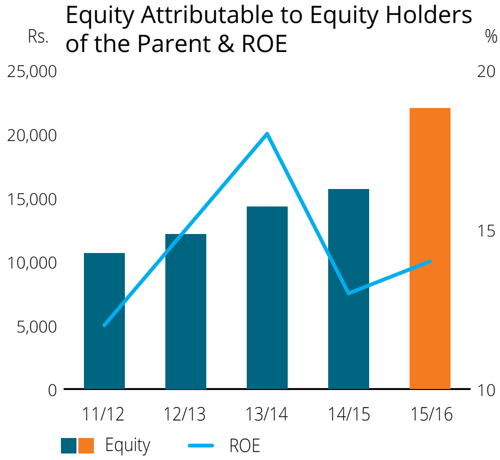
Earnings



Cash from Operations



Equity Attributable to Equity Holders of the Parent & ROE



38 Bn

Revenue

3,961 Mn

Earnings Before Interest & Tax

2,653 Mn

Earnings

4,251 Mn

Cash Flow From Operations

CHAIRMAN HUSEIN N. ESUFALLY

EXPLORE. ENGAGE.

I am happy to report that your company returned a strong performance for the year under review.

CHAIRMAN'S REVIEW

Exploration and Engagement is what we do best. Across all our businesses, your Company has worked hard to push the boundaries of customer interaction in order to elicit need gaps and develop winning solutions for the evolving consumer. Be it a new toothpaste aimed at youth, cutting-edge diagnostics for early detection of cancers, or a new hotel that caters to the more discerning tourist; these initiatives drove new growth across the Company and boosted revenues. Apart from driving hard to realize the full potential of our businesses in Sri Lanka, our compass has taken us to explore markets further afield, from Bangladesh to Thailand. As yet these initiatives are in its infancy, but, much energy has been devoted by management towards establishing a foothold in new markets that will drive growth in the future.

The past year has been filled with challenges both here in Sri Lanka and in the broader global context. Globally we continued to see depressed economic growth underpinned by low commodity prices, China's economic realignment, and long-standing conflict in the Middle East that resulted in a flow of migrants to Europe and beyond. This scenario is expected to continue into the coming year as persistent dampened aggregate demand will compel many global businesses to look hard for growth in new and underserved markets.

Following the Presidential election in January 2015, General elections were held in August 2015 which saw the United National Party emerge with the largest number of seats. The subsequent National Unity Government formed with other major parties on a platform of 'Good Governance' promised an era of transparency and economic empowerment to all Sri Lankans. The new administration led by Prime Minister Ranil Wickremesinghe was able to deliver some early wins, especially in the area of foreign policy and improved governance.

Much was expected on the economic front too, but, sadly this has not come to pass. A weak revenue position inherited by the new administration caused businesses to bear significant one off taxes and continued currency depreciation during the year. Post-budget uncertainty in fiscal policy further compounded challenges in the domestic business environment. This has been arrested to some extent by the recently concluded IMF Extended Fund Facility, which has calmed nerves and brought an element of stability to the economy. We are hopeful that this in turn

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will lead to better fiscal management and a more predictive policy environment. We are also optimistic that ad-hoc and reactive measures taken without adequate industry consultation will be a thing of the past.

Given the challenging environment, I am happy to report that your Company returned a strong performance for the year under review. Revenues grew by 16.9% to reach Rs. 38.0 Bn, driven predominantly by the strong performance of our Consumer and Healthcare sectors. Operating profits were up 17.5% over the previous year to Rs. 4.0 Bn. Earnings grew 37.7% to Rs. 2.7 Bn whilst Earnings per share grew 23.8% to Rs. 4.63. Cash flows registered Rs. 4.3 Bn, significantly enhancing your company's investment capacity. Your Company's Share Price remained robust, appreciating 9.4% to close at Rs. 80.60 on March 31st 2016, a year which the Colombo Bourse declined by 12.3%. This equates to a Total Shareholder Return of 10.9% for the period under review.

Some of the noteworthy initiatives that are worth mentioning are the continued growth of our FMCG business in Bangladesh, which now has a strong franchise through our Kumarika brand, distributed through our own network which will facilitate future new product introductions. In December 2015 we opened the 5 star Anantara Peace Haven Tangalle Resort which has received wide international acclaim and great reviews from delighted guests, especially for the high level of service. And most recently, we were appointed General Agents by the Evergreen Line which operates one of the largest container fleets in the world, and is the third largest mainline carrier to the port of Colombo. This will help drive the strategic expansion of our Logistics business.

Over the year, your Company actively pursued acquisition opportunities which have a strategic fit and could be value accretive. Whilst our balance sheet remains strong from

CHAIRMAN'S REVIEW

> Governance remains a high priority and the Board continuously engages in debate on how we can improve performance and effectiveness.

internal cash flows and the proceeds of the Rights Issue, we are mindful of deploying our investments and energies selectively into the right acquisition.

Talent management and development of all our employees continues to receive a high priority. Your company drove several initiatives towards ensuring a strong talent pool to manage our future growth, whilst aspiring to make Hemas one of the best employers in Sri Lanka.

With Sri Lankans more prone to non-communicable diseases and workplace stresses, your Company launched a major initiative to have a healthy and active workforce. Through the "Hemas Wellness-Mage Suwaya, Mage Sathutai" programme, all employees, and their families, were supported and encouraged to lead happier, healthier lifestyles.

Sustainability is a way of life at Hemas, and in the spirit of Abhimana, your Company conducted several programmes in workplace inclusivity, environmental responsibility and ethical business practices. In 2015, we opened our 41st "Piyawara" pre-school, a Hemas initiative that began in 2002 to foster the development of early childhood education around the island.

Governance remains a high priority and the Board continuously engages in debate on how we can improve performance and effectiveness. Whilst we have strengthened our process for evaluating the Board as a whole, we have also introduced a feedback and support mechanism for each Non-Executive Director, aimed at improving individual performance. We have also extended the Board performance discussion to Sector Boards, which play an increasingly important role in business oversight. I take this opportunity to express my sincere thanks, and that of the Board, to Mr Maithri Wickremesinghe who has been with us since our public listing. His contribution and wise counsel will be missed. To fill the resultant vacancy, Mr Saktha Amaratunga was appointed to the Board in January, 2016, and in addition, will also Chair the Audit Committee whose scope has been extended to cover Risk Management.

The year under review has surpassed our expectations, and I take this opportunity to congratulate the CEO and his team for the excellent results that are tracking well with our expectations for "Vision 2020". We are fortunate to have an engaged and effective Board, and I thank my colleagues for their invaluable contribution. Finally, let me express my sincere thanks to our customers, business partners and especially our shareholders for their continued confidence in the Company.

Husein N. Esufally
Chairman

26th May 2016

Some of the noteworthy initiatives that are worth mention is the continued growth of our FMCG business in Bangladesh, which now has a strong franchise through our Kumarika brand, distributed through our own network which will facilitate future new product introductions.

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GROUP CHIEF EXECUTIVE OFFICER STEVEN ENDERBY

EXPLORE. ENGAGE.

Great results come from having great business partners, a team driven by a strong desire to win and a constantly encouraging and vigilant Board.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Fellow stakeholders,

It is a pleasure to write to you at the end of another exciting year of strong performance on our journey towards our Vision 2020. I think the theme of our annual report, Engage and Explore, captures well three of our current key initiatives which illustrate the importance today of the multi faceted nature of business. We need a great and healthy team to deliver strong results, the capital to enable us to take bold steps and to ensure we are having a positive impact on our society and environment.

Engage – We are working hard to build and develop our current and future leadership team at Hemas. During the year we have been engaging with our leadership and putting more energy and resources than ever before into the development of our teams and will continue to do so in 2016/17. However success is determined not just by developing great leaders and strong teams, Wellness of our employees is a big part of what we believe in at Hemas. From our vantage point as Sri Lanka's leading private healthcare provider, we see the scale of non-communicable disease and its impact on the country. To a significant extent these diseases are preventable and that has led us to kick off Hemas Wellness Programme as we engage as a team and aim to become the healthiest workforce in Sri Lanka.

Explore - As we continue to grow, we are aware of the importance of having a strong capital base to continue our growth trajectory, while becoming increasingly focused on our presence in Healthcare and Personal care. During the year, we successfully raised Rs. 4.1 Bn of new capital through a rights issue to finance our expansion plans across these businesses. The capital raised was one of the most significant on the Colombo Stock Exchange in recent years, with the majority of capital being raised from world leading institutional investors. This capital and the strong cash generation by the business in 2015/16 has given us the capacity to explore new and larger opportunities than we have before.

Engaging and Exploring - Responsibility is by no means a new concept to Hemas and it has always been integral to how we conduct our business as we seek engage with the communities, of which we are part, and explore multiple ways of improving the sustainability of our operations. We launched our very first Hemas Group Sustainability Report during the year, providing insight into the Group's sustainability philosophy and initiatives in line with the Global Reporting Initiative G4 guidelines (GRI - G4). This

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report is our first attempt at compiling the many dimensions of responsible business at Hemas and how we go about giving meaning to our Vision of "enriching lives". A great example is the opening of our 41st 'Piyawara Pre-School' in Maduruketiya in rural Monaragala District. Equally importantly our first Piyawara, opened in Kurunegala in 2002 continues to meet the early learning needs of the local community.

Business Performance

The Group recorded strong performance during 2015/16 with Group Revenues growing by 16.9%, to Rs. 38.0 Bn. Group Earnings stood at Rs. 2.7 Bn, a growth of 37.7% over the corresponding period last year. Overall good performance in the prevailing economic environment is testament to the team's hard work and strong result orientation.

From a sectoral perspective the key highlights for the business during the year have been:

Our team at Consumer have delivered exceptional performance in 2015/16 with sales growth of 20.2%. Operating Margins for the year increased to 12.4% compared to 9.9% recorded last year. The sector earnings were driven by mainly volume growth across all our major brands in personal wash, personal care, feminine hygiene, home care and in both general trade and modern trade sales channels. Further, the introduction of new product variants in our Diva, Fems and Velvet brands directly complemented the higher volume growth. This is an outstanding outcome relative to market growth in personal care of 7% and home care of 3%, as per Lanka Market Research Bureau (LMRB). Profit growth has been driven by a combination of business growth and relatively weak commodity prices for key raw material inputs.

Our Consumer business in Bangladesh has maintained its high revenue growth, almost doubling last year's sales with the extended market reach through our recently established sales team starting to deliver. Our Bangladesh business now

CHIEF EXECUTIVE OFFICER'S STATEMENT

accounts for 12.9% of our overall Consumer sector sales and Kumarika is now the number two Brand in Value Added Hair Oils in Bangladesh.

J L Morison posted a significant Topline growth of 22.8% and an Earnings growth of 43.4%. In July 2015, J L Morison embarked on a new journey signing a five year buy-back agreement to supply critical pharmaceutical products to Government at highly competitive prices. We are participating fully in the strong growth in domestic pharmaceutical manufacturing, meeting the needs of both public and private sector healthcare providers. Our Healthcare and Over The Counter (OTC)/Consumer brands contributed towards the overall revenue growth, fuelled by a successful relaunch of existing flagship OTC brands.

Our Hospitals have recorded good growth across our three hospitals and the laboratory network in 2015/16, growing revenues by 31.9%. The business rapidly grew its chain of diagnostics laboratories, which now accounts for 34 labs and 500 collection centres across the country. Our newest strategic initiative, the 'Hemas Wellness Centre' commenced at Orion City and Central Bank, setting a novel trend in the private healthcare sphere offering a comprehensive range of service in the wellness front as well as required outpatient services inclusive of doctor consultations, laboratory diagnostics, and pharmacy services.

Looking back over the past year, there has been much to be proud of in 2015 for our impressive Leisure sector performance. Leisure posted a Total Revenue of Rs. 3.4 Bn, reflecting a 13.0% YoY growth and occupancy averaged 79%. Occupancy during traditional "off peak" periods grew as a result of our sustained focus on developing source markets that travel during summer. During December, we opened our newest hotel property, Anantara Peace Haven Tangalle Resort. We believe that this property is already establishing a new benchmark for luxury travellers to Sri Lanka seeking authentic cultural experiences. The second Anantara resort in Kalutara is scheduled to be opened for guests by July 2016.

The Transportation sector continued to generate strong revenue growth of 17.2% led by the maritime and logistic segments. The growth of the logistics business was mainly due to the securing of new projects, warehouses operating with full capacity and our haulage business growing, driven by our car carrier operation and container depot operating well. However, it was a challenging first half for the

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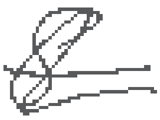
General Sales Agent (GSA) businesses, due to the decline in yields. Hemas Travels continued to serve a strong base of corporate clientele, despite a subdued year for outbound travel, while seeking out new and growing segments of first time outbound travellers.

Our IT solutions business N-able has also delivered a record year growing revenues by 16.1%. The increase in the service component in our revenue mix contributed to our growing reputation. Our acceptance by the top three telecom operators in Sri Lanka as a leading technology solutions provider has been particularly gratifying.

I would like to thank all who have contributed to making Hemas successful in 2015/16. Great results come from having great business partners, a team driven by a strong desire to win and a constantly encouraging and vigilant Board. I am privileged to play a leadership role in a business with all three.



Steven Enderby
Group Chief Executive Officer

26th May 2016

Hemas Holdings PLC and its subsidiaries achieved consolidated revenues of Rs.38Bn, a year-on-year growth of 16.9%.

Hemas Holdings PLC posts 37.7% Earnings growth for 2015-16.

We are participating fully in the strong growth in domestic pharmaceutical manufacturing, meeting the needs of both public and private sector healthcare providers.

We launched our very first Hemas Group Sustainability Report during the year, providing insight into the Group's sustainability philosophy and initiatives in line with the Global Reporting Initiative G4 guidelines (GRI- G4).

FINANCIAL REVIEW

For the financial year ended 31 March 2016, Hemas Holdings PLC and its Subsidiaries delivered consolidated revenues of Rs. 38.0Bn, reflecting a growth of 16.9% over last year. Group operating profits and profits attributable to the parent were Rs 4.0Bn and Rs. 2.7Bn respectively, recording a growth of 17.5% and 37.7% respectively. Internal cash generation within the Group has also been very healthy to report an operating cash flow of Rs. 4.3Bn, surpassing the Rs. 4.0Bn mark for the first time, with a year on year growth of 27.7%.

Consolidated Group Revenue

Consolidated Group revenue for the year under review was Rs. 38.0Bn, a year on year growth of 16.9% compared to Rs. 32.5Bn last year. As shown in Table 1, growth was mainly driven by FMCG, Transportation, Healthcare and Leisure sectors, which recorded growth rates of 20.2%, 17.2%, 16.0% and 13.0% respectively. Out of the 16.9% revenue growth for the year, FMCG and Healthcare sectors have contributed 14.2% in absolute terms. In other words, these two sectors have contributed 84.5% to year on year growth in relative terms.

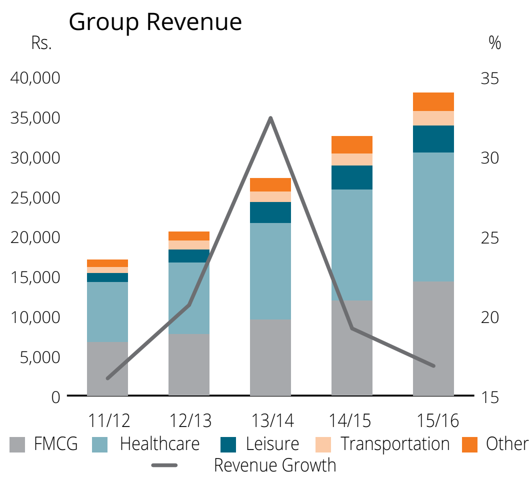


Table – 1 Revenue Analysis

			Contribution to Growth		
	Revenue Mix	Growth	Absolute	Relative	Revenue Mix
	14/15	15/16	15/16	15/16	15/16
FMCG	36.6%	20.2%	7.4%	43.9%	37.7%
Healthcare	42.8%	16.0%	6.8%	40.6%	42.5%
Leisure	9.3%	13.0%	1.2%	7.2%	9.0%
Transportation	4.7%	17.2%	0.8%	4.8%	4.7%
Other	6.6%	9.4%	0.6%	3.7%	6.2%
Group	100.0%	16.9%	16.9%	100.0%	100.0%

Table 1 above analyses how the revenue mix has changed from 2014/15 to 2015/16 and the contribution by each Sector towards the growth in consolidated revenues.

As far as the revenue mix is concerned, the FMCG sector has marginally increased its contribution to the Group revenue from 36.6% to 37.7% on the back drop of strong performances by the domestic business, recording a growth of 15.1% and the Bangladesh operation, recording 80.2% growth over the last year. As a result, the FMCG sector lead the table in terms of revenue growth. The Sector performance was further boosted by the results of J L Morison Son & Jones (Ceylon) PLC that recorded a revenue growth of 9.2% over last year's revenue in this category.

The Healthcare sector, the largest sector of the Group recorded a revenue growth of 16.0% over last year. The Pharmaceuticals distribution segment of the sector recorded a steady growth of 8.2% whilst the Hospital segment reported a significant revenue growth of 31.9% maintaining its high growth momentum for the consecutive second year, which was aided by the strong performance of all three hospitals and rapid growth in its chain of diagnostic laboratories and collection centres across the country. Further, the newest strategic initiative, "Polyclinics" too helped maintaining the high revenue growth. Furthermore, the strong revenue growth of 39.6% by J L Morison Son & Jones (Ceylon) PLC in this category too helped the overall segments revenue growth and this was mainly driven by the five year buy-back agreement to supply critical pharmaceutical products to Government of Sri Lanka at highly competitive prices.

Transportation sector posted a revenue growth of 17.2% due to the strong performance of its logistics and maritime segments, where logistics business recorded a revenue growth of 26.6% over last year due to warehouses operating with full capacity and new revenue lines through custom brokerage distribution operations and haulage business growing with the car carrier operation performing well. The growth in the Maritime business was attributed to the increase in transshipment volumes through Sri Lankan ports. However, it was a challenging year for the GSA businesses, which recorded a modest growth of 7.3% due to low yield from ticketing income despite 29.3% increase in the number of pax they handled during the period under review.

The 13.0% revenue growth in the Leisure sector was equally driven by Hotels and Inbound, which posted a revenue growth of 12.2% and 13.9% respectively. Across all our hotels, we managed to maintain high occupancy levels (~79%) which was aided by the 18% growth in tourist arrivals to Sri Lanka and focusing on markets that travel during the traditional off-peak periods to strengthen the occupancy levels. The growth in Inbound was largely due to the growth in volumes they handled during the year.

Other Sector revenues were mainly boosted by N-able, the IT Services business of the Group, which posted a 16.1% revenue growth year on year.

Operating Profit

Group operating profit stands at Rs. 4.0Bn, a year on year growth of 17.5% as depicted in the chart below. Whilst the overall increase in administration expenses and selling & distribution expenses by 21.6% and 15.1% respectively have negatively impacted the operating profit, the 23.4% year on year growth in Gross Profit has managed to off-set the same to report a high Operating Profit growth. The relative increase in the operational expenses are due to increased operations in the FMCG and Healthcare sectors.

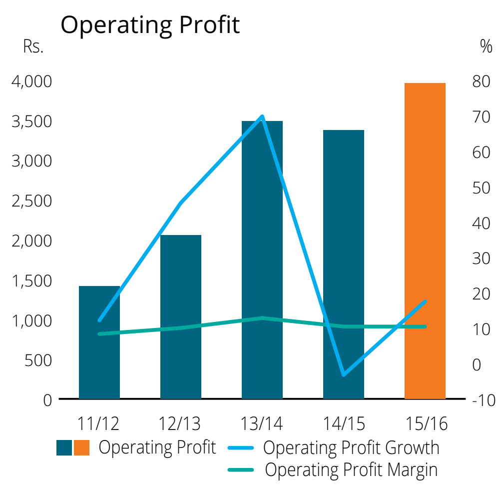


Table – 2 Operating Profit Analysis

	Operating Profit			Contribution to Growth		Operating Margin	
	14/15	15/16	15/16	15/16	15/16	14/15	15/16
	Rs. Mn	Rs. Mn	Growth	Rs. Mn	%	%	%
FMCG	1,175	1,768	50.5%	593	18%	9.9%	12.4%
Healthcare	1,395	1,780	27.6%	385	11%	10.0%	11.0%
Leisure	406	255	-37.2%	(151)	-4%	13.4%	7.5%
Transportation	461	499	8.2%	38	1%	30.4%	28.1%
Other	(66)	(342)	-418.2%	(276)	-8%	-3.1%	-14.6%
Group	3,371	3,960	17.5%	589	17%	10.37%	10.43%

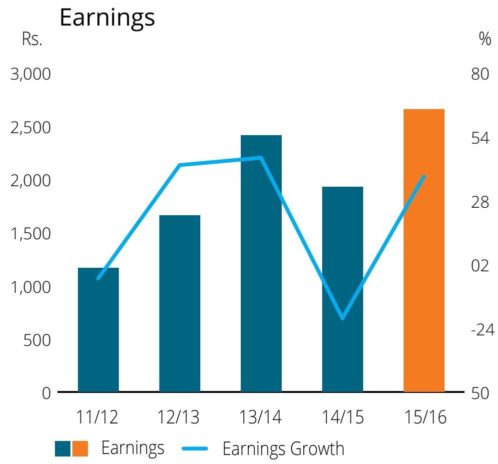
FINANCIAL REVIEW

Table 2 above illustrates the sector-wise operating profit analysis for the year under review. The Group recorded an absolute increase of Rs. 589Mn. The positive contribution to growth of Rs. 1.0Bn by FMCG, Healthcare and Transportation sectors has been offset by the negative contribution of Rs. 427Mn by Leisure and "Other" sectors. The significant negative impact by the "Other" sector has been influenced by the impairment losses of investments amounting to Rs. 54Mn and significant drop in fair value gains of investment properties in comparison to the previous year.

The FMCG and Healthcare sectors have shown a significant growth in operating profit. The Bangladesh operation recorded close to five-fold growth largely due to increase in operating margins as results of cost leverage with high revenue growth and FMCG domestic operation also recorded a 22.3% growth against last year. Healthcare sector growth of 27.6% is derived from the 7.0% growth in Pharmaceutical distribution segment and a strong growth of 182.7% by Hospitals, whilst, Hotels and Inbound delivered a 11.1% and 92.0% increase in operating profits respectively, the pre-opening expenses and significant exchange losses of the newly opened hotel property, Anantara Peace Haven Tangalle Resort and Spa has significantly dragged down the overall Leisure sector's operating profit. The absolute growth of Rs. 46Mn in Logistic and Maritime business was offset by the drop in profit in rest of the Transportation sector. Hence the sector recorded only an 8.2% increase in operating profits.

Group Earnings

As shown in the chart above, Group recorded a significant increase of 37.7% in earnings. FMCG and Healthcare sectors recorded strong earnings growth of 37.2% and 22.8% respectively. However, the year on year growth of 117.8% of Leisure sector has dragged the overall earnings slightly by 1.0%. Further, year on year increase of 250.3% in Interest Income due to the income earned through investing excess cash generated by the operations and money collected through Rights too significantly contributed the overall increase in earnings while negating the impact of 65.3% increase in taxes.



Finance Cost, Taxation and NCI

As shown in Table 3 below, the net finance cost of Rs. 276Mn has been converted to a net finance income of Rs. 130Mn due to high interest income earned by investing excess cash and cash collected through Rights.

Income tax expense has grown by 65.3%, from Rs. 704Mn to Rs. 1,164Mn bringing down the Group earnings by Rs. 460Mn or earnings growth by 21.0%. The increase is largely due to taxes in respect of current year amounting to Rs. 424Mn, taxes in respect of previous year amounting to Rs. 46Mn, deferred tax of Rs. 73Mn which offsets the decrease in dividend tax of Rs. 77Mn. Increase in the current year tax has been mainly contributed by FMCG amounting to Rs. 284Mn, due to the expiry of the tax concessionary period in Bangladesh operation and domestic operation tax rate being changed to 20% from the previous year 10% as per the BOI agreement. Hemas Pharmaceuticals, J L Morison, Hemas Holdings and Hospitals have recorded increases in the tax charge by Rs. 60Mn, Rs. 44Mn, Rs. 38Mn and Rs. 21Mn respectively. The increase in these companies were due to the increased operational results whilst the increase in Hospitals was due to expiration of tax holiday period of Wattala Hospital.

Table – 3 Reconciliation of Operating Profit and Earnings

	Results		Growth	Contribution to Growth	
	14/15	15/16	15/16	15/16	15/16
	Rs. Mn	Rs. Mn	%	Rs. Mn	%
Operating Profit	3,371	3,961	17.5%	590	27%
Net Finance Cost	(276)	130	-147.0%	406	19%
Profit Before Tax	3,095	4,090	32.2%	995	46%
Income Tax Expense	(704)	(1,164)	65.3%	(460)	-21%
Profit After Tax	2,196	2,926	33.2%	730	38%
Non-Controlling Interest	269	273	1.5%	4	0%
Group Earnings	1,927	2,653	37.7%	726	38%
Net Interest Cover	12.2	(30.5)			
Effective Tax Rate	22.7%	28.5%			

Profit attributable to non-controlling interest (NCI) grew only by 1.5% on the reported numbers and excluding previous year impact due to discontinued operations, NCI grew by 26.4%. (i.e. Rs. 216Mn to Rs. 273Mn) which was stemming from Healthcare sector due to decrease in losses of Hospitals and increasing profitability of J L Morison amounting to Rs. 24Mn whilst the increase in profits of Hotels and Logistics business have contributed Rs. 32Mn and Rs. 8Mn respectively. As a result, the Group earnings have been impacted by Rs. 57Mn.

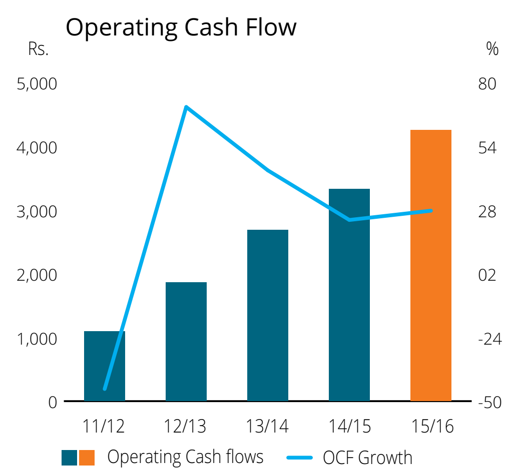
Cash Flow

The Group posted consolidated operating cash flows of Rs. 4.3Bn, up by 27.7% from the previous year's Rs. 3.3Bn. The growth is largely driven by the cash profit after adjusting the non-cash items amounting to Rs. 1.1Bn in vis-à-vis previous year. The impact of large built up in inventory amounting to Rs. 778Mn was outweighed by the build up of Trade and other Payables amounting to Rs. 81Mn and largely improved Trade and Other Receivables collections amounting to Rs. 700Mn, resulting a negligible positive cumulative cash flow impact from working capital. However, the additional payments for taxes amounting to Rs. 54Mn and Super Gain Tax of Rs. 605Mn have dragged the already impressive operating cash flow slightly.

There is a net cash outflow of Rs. 952Mn from Investing activities compared to previous year inflow of Rs. 173Mn. The significant deviation was due to the positive impact from the net cash retained within the Group from divesting the power investment, amounting to Rs. 1.5Bn in the previous year.

Interest bearing loans have decreased by Rs. 634Mn during the year under review and with the dividends paid out during the year amounting to Rs. 731Mn and net cash inflow raised through the Rights Issue amounting to Rs. 4.1Bn, the resulting net cash inflow from financing activities amounts to Rs. 2.7Bn.

Due to the significant improvement in cash flow from operating activities and financing activities, the net cash inflow for the year stands at Rs. 6.0Bn as against the Rs. 3.3Bn reported previous year.



FINANCIAL REVIEW

Liquidity and Solvency

At Group level, net current assets have grown sharply by 90.7% year on year to close at Rs.11.3Bn. The significant increase was derived from sharp increase in surplus cash and inventory due to operational increases. The most significant increase of Rs. 4.0Bn was recorded by Hemas Holdings PLC (HHL) due to build-up of surplus cash as a results of rights issue. The increase in inventory was due to operational increases in Hemas Pharmaceuticals. The increase in surplus cash and inventory have resulted in a strong improvement in both Current Ratio and Quick Ratio from 1.48 to 1.84 and 1.14 to 1.45 respectively. Working capital cycle showed a marginal improvement by 5 days to stand at 31 days as a combination of improved collections of receivables and longer trade payment periods outweighing the negative impact from the increase in inventory.

Table – 4 Group Liquidity

	14/15	15/16	Increase
Current Assets (Rs. Mn)	18,180	24,708	35.9%
Current Liability (Rs. Mn)	12,271	13,437	9.5%
Net Current Assets (Rs. Mn)	5,909	11,271	90.7%
Current Ratio (Times)	1.48	1.84	
Quick Ratio (Times)	1.14	1.45	
Debtor Days	62	53	
Inventory Days	72	80	
Creditors Days	98	102	
Working Capital Cycle	36	31	

As shown in Table 5 below, there is no major deviations in the overall capital structure of the Group other than the significant increase in surplus cash due to cash generated from operations and cash raised from the rights issue. Both Parent's Equity and Non-Controlling Interest have increased due to the high operational results and also due to rights issue at Hemas Holdings. The decline in both short-term and long-term debts are due to settlement of liabilities during the period under review by Rs. 634Mn. The capital structure of the Group remains relatively conservative, with ample capacity to borrow to facilitate future investments with the current low levels of gearing.

The main reasons for the co-occurrence of a significant short-term debt balance along with a significant cash balance are the non-transferability of funds between certain entities due to different ownership structures and surpluses and deficits which are maintained in different currencies for operational and strategic reasons. Further, the surplus cash has been invested in tax-free money market instruments temporarily till the same is utilised for strategic purposes, where the interest income generated is well above the short term borrowing rates prevailed during the year under review. The net gearing ratio shows a very low figure due to high surplus cash. At present, the Group is well equipped in meeting its short-term and long-term commitments comfortably.

Table – 5 Group Capital Structure and Solvency

	14/15	15/16
	Rs. Mn	Rs. Mn
Long-term Debt	3,420	3,242
Short-term Debt	3,160	2,372
Total Debt	6,580	5,614
Surplus Cash	6,771	11,974
Net Debt (Total Debt less Surplus Cash)	(191)	(6,360)
Non-controlling Interest	2,264	2,662
Parent's Equity	15,659	21,992
Total Equity	17,923	24,653
Total Assets	34,438	42,327
Capital Employed (Total Debt + Total Equity)	24,503	30,267
Capital Employed less Surplus Cash	17,732	18,293
Net Gearing Ratio (Net Debt / Capital Employed less Surplus Cash)	-1.1%	-34.8%
Total Gearing Ratio (Total Debt / Capital Employed)	26.9%	18.5%
Long-term Gearing Ratio (Long-term Debt / Capital Employed)	14.0%	10.7%

Return on Capital

Return on Capital Employed (ROCE) for the year under review, increased to 16.8% from 14.7%. The increased operating efficiencies of the Group with revenue growth of 16.9% whilst operating margin being stable has outweighed the drag on ROCE due to the internal cash retained for future investments. Excluding the impact of rights issue, ROCE would increase further to 17.1%.

The Return on Equity (ROE) has increased from 12.9% to 14.1% during the year under review. The increase in the earnings have contributed towards maintaining a healthy ROE and it further increases to 14.3% when adjusted for the rights issue proceeds.

As shown in Table 6 below, both ROCE and ROE shows a steady increase over the past few years stemming from higher operating margin and stable asset to capital employed ratio.

Table – 6 Return on Capital

	10/11	11/12	12/13	13/14	14/15	15/16
Operating Margin	10.1%	9.8%	10.7%	8.8%	10.4%	10.4%
Asset Turnover	1.02	1.03	1.07	0.98	1.03	0.99
Asset/Capital Employed	1.31	1.33	1.34	1.38	1.30	1.40
Return on Capital Employed	13.5%	13.4%	15.4%	11.8%	14.7%	16.8%
Interest Cover	6.2	4.3	7.5	7.2	7.3	7.7
Effective Tax Rate	13.6%	17.1%	19.7%	22.4%	22.7%	28.5%
Gross Gearing	27.8%	25.0%	25.5%	25.9%	26.9%	18.5%
Return on Equity	14.6%	12.0%	14.6%	11.9%	12.9%	14.1%

FMCG

This key industry sector offers an extensive portfolio of established products and brands to serve various consumer needs.

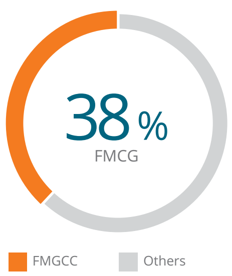
Hemas' Fast Moving Consumer Goods (FMCG) business sector manufactures and markets Personal Care and Home Care branded products. With the acquisition of J L Morison Son & Jones (Ceylon) PLC, in 2013, the scope of the sector was expanded to include the consumer portfolio of J L Morison.

The Consumer business recorded an outstanding year, achieving an impressive topline growth of 20.2% and earnings growth of 37.2%.

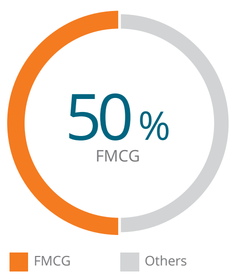
+37.2%

The Consumer business recorded an outstanding year, achieving an impressive topline growth of 20.2% and earnings growth of 37.2%.

Sector vs Group Revenue



Sector vs Group Profit



With a legacy and experience spanning over five decades, Hemas FMCG brands evoke trust in the minds of their consumers and cater to an increasing demand for high quality and value-for-money propositions. Our flagship brands - Baby Cheramy, Clogard, Kumarika, Fems, Velvet and Diva - have not only a strong foothold in their respective categories, but have also become popular household names among all Sri Lankans.

FMCG

FMCG's baby care brand, **Baby Cheramy** with a proud legacy of over 50 years, is the No. 1 baby care brand in Sri Lanka. In addition to our many islandwide campaigns, we launched a new initiative in 2015 to recognise and reward mothers for their abundance of love, through the 'Senehasa Pathurai, Thegi Uthurai' consumer promotion.

Baby Cheramy also launched the 'Baby Cheramy Mathru Sathkara' program to safeguard the health, nutrition and well-being of expectant mothers, with the aim of reaching 50,000 pregnant mothers through 85 pre-natal clinics across the island. These initiatives continue to help strengthen Baby Cheramy and retain its No. 1 position, delivering strong double digit growth for the brand.

In recent years Sri Lankan consumers have experienced a marked increase in the number of oral care product options available to them. Renowned for its continuous innovation, backed by the highest standards of quality and technology, Hemas capitalised on this market and consumer trend to be the first Sri Lankan company to develop and launch an all new **Clogard Gel** Toothpaste and Mouthwash product range infused with the goodness of nature and science. Both these successful new product ranges were the result of an intensive local and international research and development effort. Together with the toothbrush business, these new initiatives helped the Clogard brand achieve strong double digit topline growth outperforming the market and increasing its market shares.

Over the past few years, **Velvet** has been the market leader in the fiercely competitive Sri Lankan beauty soap segment, outshining long established local and multinational brands. In 2015, Velvet celebrated an impressive milestone, completing ten years in its very successful journey since the brand's launch, with a ten year anniversary promotion for millions of its loyal consumers.

In addition, Velvet also launched two new soap variants during the year; 'Water Lily & Sea Minerals' and 'Honey & Yogurt' to add to its attractive range while building and synchronising the Handwash range with its Beauty Soap portfolio. Velvet closed the year with a special brand equity building program 'Velvet Liyaka Mahima' launched on International Women's Day. These initiatives backed by strong above-the-line support, helped Velvet deliver yet another remarkable performance, growing well ahead of the market and recording strong market shares.

Hemas FMCG hair care brands, **Kumarika** and **Dandex** continued to strengthen their market position through 2015. Kumarika retained its position as the No. 1 branded Hair Oil in Sri Lanka and Dandex increased its share of the Anti-Dandruff shampoo segment. During the year Kumarika Oil launched a compelling new communications campaign and increased its product range by introducing a 50ml Stock Keeping Unit (SKU) to cater to shopper needs. We also enhanced formulations of Kumarika's shampoo range to offer consumers a superior experience, while Dandex continued to drive availability and trial. Both Kumarika and Dandex recorded high double digit topline growth and increased market shares.

Fems, the only brand of sanitary napkins in Sri Lanka to be accredited with the prestigious SLS certification, continued its impressive growth trajectory with record category beating topline growth for the second year in a row. Sustained media presence, the support and endorsement of Brand Ambassadors Ms. Pooja Umashankar and Ms. Pushpa Ramyani, superior consumer and trade promotions coupled with the "Fems Superior Campaign" contributed to the brand continuing its outstanding performance in topline and rapid market share gains.

Home care brand **Diva**, continued to perform extremely well and ended the year with double digit topline growth and

+80%

Our business in Bangladesh had an outstanding year, with topline growing by an impressive 80% and earnings growing five times over last year.

stronger market shares. The Diva Powder Flowers range, improved Diva Soap and Diva 'Idame Wasanawa' consumer promotion were instrumental in achieving the brand's tremendous success.

Our business results were complemented by several other achievements too. These included recognition at the prestigious Sri Lanka Marketing Awards; "The Effies" for our Marketing and Human Resource Initiatives, awarding of OHSAS 18001 certification for our factory and Runner-Up Award for Outstanding Innovation in the Feminine Hygiene Category for our brand Fems at Outlook Asia 2016 which honours innovation in personal hygiene products in the Asia Pacific.

Additionally, our gallant sales colleagues won two Golds, two Silvers and three Bronze medals at the SLIM NASCO Awards for their outstanding individual performance in the FMCG Cosmetic Category - a fitting tribute to their excellent contribution.

Our business in Bangladesh had an outstanding year, with topline growing by an impressive 80% and earnings growing five times over last year. The Kumarika brand continued to gain market share, beating Dabur Amla to occupy the No.1 position in the Non-Coconut Oil value-added segment. It currently stands at the No. 2 position, closely behind the market leading brand Cute, in the overall value added segment. The business benefitted from a full year of its own fully-fledged sales and distribution network, expanding its direct coverage to 103,000 outlets from 43,500 a year ago.

J L Morison Son and Jones (Ceylon) PLC

The OTC segment of J L Morison consisting of the FMCG portfolio, continued to perform well, led by our flagship brands Morison's Gripe Mixture, Morison's Lacto and Valmelix. Paracetol; a newly acquired brand, was successfully launched during the year, gaining quick acceptance and traction in the market.

Looking ahead, we will continue to grow our portfolio, addressing the evolving needs of our consumers and providing them with trusted, high quality and efficacious products. Encouraged by our success in Bangladesh we will look to expand our portfolio and sustain our growth momentum.

HEALTHCARE

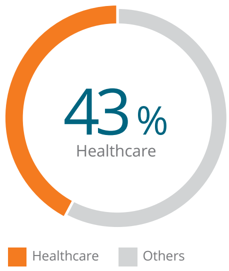
Quality standards, technological excellence and healthcare service innovation have driven success in this sector.

Hemas, the largest private organisation in the Healthcare industry, is the dominant distributor of pharmaceuticals, surgical and diagnostic products in Sri Lanka. We own and manage three state-of-the-art hospitals as per international standards and continue to invest in a chain of diagnostic laboratories. We are proud of J L Morison being one of the leading local manufacturers and suppliers of essential generic pharmaceuticals to the Government and Private sector. As a responsible entity and a leading healthcare provider, we strive to excel in quality, innovation, ethical

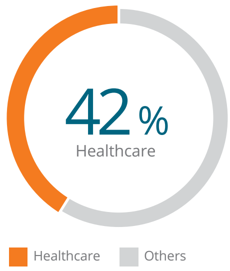
+31.9%

The Hospital Group achieved a revenue of Rs. 3.2Bn recording an impressive growth of 31.9% compared to the revenue reported last year.

Sector vs Group Revenue



Sector vs Group Profit



standards and cost effectiveness and thereby enrich the lives of the community we aim to serve.

Hemas Hospitals

During the year under review, the Hospital Group achieved a revenue of Rs. 3.2Bn recording an impressive growth of 31.9% compared to the revenue reported last year with strong performances in all our three hospitals and the laboratory network.

HEALTHCARE

The business rapidly grew its chain of diagnostics, which now accounts for 36 labs and collection centres including main labs, across the country. Three new laboratories - Akuressa, Tangalle and Moratuwa - were also opened to enhance the reach of the laboratory network. Further, more than 150 new tests were introduced during the year. The Hemas Hospital Wattala laboratory was upgraded to ISO 15189:2012 certification.

The business also invested in specialised services such as Orthopaedics, Gastroenterology, Urology, and Radiology as well as Emergency Services, to ensure the availability of the best equipment in these areas.

During the year the company followed a four-pronged approach in executing its Human Resources strategy, namely; effective recruitment, learning & development and talent management, employee engagement and supporting the business operations. Towards this end, measures were taken in creating Hemas Hospitals as a unique brand as top of the mind choice when selecting a company to apply for jobs, driving customer service as a Unique Selling Proposition (USP), introducing competency development for customer touch point staff, identifying future leaders in the hospital sector, conducting quarterly engagement events and managing staff cost within budgets.

During the year, Southern and Wattala Hospitals were re-accredited by the ACHSI and Hemas Hospital Thalawathugoda obtained its first accreditation. Due to the excellence in quality, we were also able to attract patients from Seychelles, and Hemas Hospital Thalawathugoda became the pioneer in serving international patients, seeing over 100 patients for the year. Furthermore our newest strategic initiative - Policlinics – was launched at Orion City and the Central Bank setting a novel trend in the private healthcare sphere. In January 2016 Hemas Hospitals launched its landmark mobile application facilitating instant access to several valuable healthcare services and information, thereby addressing a growing need of the customers served. The App provides a myriad of functions from accessing over 500 consultants, paying bills, keeping tabs and monitoring the general health of the user.

Several initiatives were taken with regard to clinical excellence during the year 2015/16. Improvements were made to the incident reporting system encouraging all staff to report incidents. Furthermore clinical indicators were tracked and monitored on a regular basis for better clinical performance.

Our flagship hospital, Hemas Wattala recorded a revenue growth of 25% compared to last year with occupancy of 63%, while achieving 1,464 baby deliveries, an increase of 14% from last year, thereby establishing its leadership in Obstetrics and Gynaecology. Furthermore the hospital commenced its bed expansion project during the year, adding 27 new beds to its present capacity. This will be completed during the 2016/17 financial year. The hospital also built a 3 Bedded High Dependency Unit under optimum space utilisation project during the year. Plans were also laid to build a Centre of Excellence (COE) in Orthopaedics and Gastroenterology. The hospital also invested in a laser lithotripsy machine to build the surgical procedure capability in Urology.

In a landmark partnership in national healthcare, Hemas Hospitals also signed a Memorandum of Understanding (MOU) with the government-owned National Insurance Trust Fund (NITF) to be the preferred hospital for its members. Through the partnership, government sector employees who are entitled to NITFs health insurance scheme called "Agrahara", can avail themselves of high quality private healthcare services at special discounted rates from any of the Hemas Hospitals.

Hemas Southern reported a profit for the first time since its inception and is expected to drive profit growth from the next financial year onwards.

Since its inception, our third and the latest addition, Hemas Hospitals Thalawathugoda has achieved encouraging occupancy levels and continues to win the patronage of the community. Hemas Hospital Thalawathugoda became the key hospital in the hospital chain to serve international patients.

Our commitment to the training and development of our entire staff continued during the year under review,

and multiple education programs were conducted on a consistent basis across all our hospitals.

Our hospitals continue to assure high level of service standards to patients through our qualified nursing staff who receive training of international standards and hands-on experience at the Hemas Nursing School.

Hemas Hospitals championed a corporate wellness initiative that is being rolled out across the Group and other corporates, to help engage employees in activities that will enable them to perform at their best and maintain better health and well-being.

Overall, the year was filled with a host of activities around improving patient care, patient safety, training and system development that will hold us in good stead for the future. With a good leadership team in place and improved consultant engagement, we believe that we can be optimistic about the future. Improving disposable incomes will also have a positive impact on the footfall at private sector hospitals which augurs well for Hemas Hospitals.

Hemas Pharmaceuticals

Hemas Pharmaceuticals and Hemas Surgical & Diagnostics, the leading pharmaceutical distributor in Sri Lanka is a fully owned subsidiary of Hemas Holdings PLC. The year was off to a shaky start with the pharmaceutical market contracting by 0.64% during the first quarter. Nevertheless, the market recovered significantly during the latter half of the year to post a growth of 20.15% aiding the Company to increase the market share to 21.64% (Source: IMS) thus retaining our market leadership position. The Company outperformed the market, posting a revenue growth of 8.2% for the period under review.

The Company's bottomline was significantly impacted by the exchange rate volatility experienced during the year. The Rupee depreciated by over 8% against the US Dollar, with the pressure created by Central Bank's decision to float the currency in September together with foreign fund outflows that took place during the year. The impact was intensified with the prevailing price control regulations introduced in early 2014. Further, the delay of instructions on a pricing mechanism by the National Medicine Regulatory Authority also negatively influenced the Company's margins.

HEALTHCARE

The interest rate hike, while contributing to reduce the pressure on the Rupee, increased the cost of the Company's working capital. We expect the pressure on both the interest rate and the Rupee to ease off with the possible disbursement of the IMF funds during the year.

As a responsible pharmaceutical distributor, we believe in distributing high quality and safe products to our customers. Thereby we support the government's initiative to reform the healthcare industry by way of the National Medicine Regulatory Authority (NMRA) Bill passed in early 2015. The NMRA is currently looking to introduce and gazette new regulations to smoothen the transition of operations from the Cosmetic Devices and Drugs Regulatory Authority Sri Lanka (CDDA) to the NMRA in the coming year.

During the year under review, Hemas was successful in contracting Jenburkt, a pharmaceutical manufacturing and marketing agency based in India. The company's portfolio includes Food, Neuro and Osteoarthritis supplements, which we believe would help augment Hemas' performance in the ensuing years.

As the leader in the pharmaceutical industry, our commitment is to strive towards excellence in product quality, product safety, as well as process efficiency in bringing quality healthcare to all citizens in Sri Lanka at an affordable price.

+21.64%

The market recovered significantly during the latter half of the year to post a growth of 20.15% aiding the company to increase the market share to 21.64% (Source: IMS) thus retaining our market leadership position.

J L Morison Son and Jones (Ceylon) PLC

J L Morisons delivered solid performance in 2015/16, supported by the growth of our core segments, efficiency and capacity gains at our plant and the strength of our newly restructured distribution network. These factors helped counter a stronger US Dollar and economic slowdown. Revenue grew by 22.8% in 2015/16 in comparison to the same period last year, while earnings grew by 43.4%.

J L Morison has grown consistently post-acquisition in 2013 achieving revenue and earnings growth while maintaining and growing a solid portfolio of market-leading products and a healthy Research and Development (R&D) pipeline. Our efforts make us confident that we can continue to strengthen our market position in 2016/17.

As a healthcare leader in Sri Lanka, our aim is to provide efficacious, affordable, high-quality medicines. We manufacture over sixty formulations belonging to different therapeutic groups inclusive of medicines which address the rising burden of non-communicable diseases such as diabetes and cardiovascular disease. J L Morison's portfolio of OTC (Over-The-Counter) products has been trusted for generations and comprises well-loved household names. Apart from the manufacture of pharmaceuticals and OTC products, J L Morison imports and distributes internationally renowned products from reputed companies via our islandwide distribution network.

Pharmaceuticals manufactured at the J L Morison's plant are distributed to the private sector through pharmacies and doctors islandwide as well as to the public sector through the Medical Supplies Division (MSD) and the State Pharmaceutical Corporation. An encouraging milestone was the signing of the five year buy-back agreement with the Government of Sri Lanka to provide essential medicines to the Medical Supplies Division (MSD).

The Healthcare sector is a vital component of our Group portfolio of businesses. Our Healthcare business is a steadily growing business over the past few years and even in 2016/17 we have plans to grow, based on the solid foundation we have built, despite many challenges faced by the Sector. As a socially responsible Company, ensuring that the people of Sri Lanka receive high quality healthcare solutions, is an utmost priority for us.

LEISURE

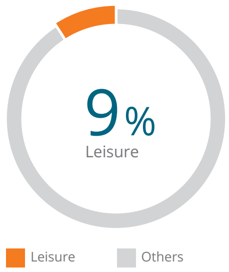
The Leisure sector continues to expand its portfolio while focusing on world-class standards and sustainable tourism.

Hemas Leisure sector comprises the Serendib Leisure Group of hotels which includes four award winning properties, Anantara Peace Haven Tangalle Resort and Diethelm Travel Sri Lanka , the local branch of the International Diethelm Travel Group, which boast over half a century of experience in the inbound tour arena.

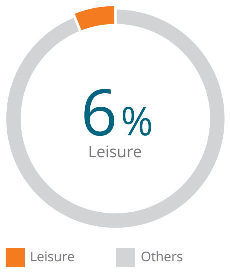
The Leisure Sector contributed a combined 8.0% of Group turnover.

In partnership with Minor Hotels (Thailand), Hemas Holdings PLC launched Sri Lanka's latest internationally branded five star resort - the Anantara Peace Haven Tangalle Resort.

Sector vs Group Revenue



Sector vs Group Profit



Hotel Group's turnover grew by 12.2% over the previous year, owing to strong growth shown by AVANI Bentota Resort & Spa and Hotel Sigiriya. Sales from online channels continued to grow during the year, resulting in higher yield and occupancy. Club Hotel Dolphin too had a good year, accounting for half of the annual Group revenue. Profit before tax of the Hotel Group grew by 13.8% over last year.

LEISURE

Macro Environment

Tourist arrivals to Sri Lanka grew by 18% in 2015 with India, China and the United Kingdom accounting for a majority of these numbers. Occupancy during traditional "off peak" periods grew as a result of our sustained focus on developing source markets that travel during summer.

Across the Group, the occupancy averaged at 79%, improving by a percentage point over the previous year with Total Revenue per Room (TRevPar) growing by 9%.

The Hotel Group turnover was positively impacted with the depreciation of the Sri Lankan Rupee during the fourth quarter along with the recovery of the Euro after it dropped to record lows during the previous fiscal year.

Sri Lanka saw a record growth in hotel room inventory with several internationally recognised hospitality brands launching flagship properties across the island, leading to stiff price competition among existing players. With a keen focus on maintaining and uplifting service and brand standards, it has been ensured that the Hotel Group's share grew throughout the year and efforts have been recognised with several service accolades including:

Club Hotel Dolphin - the ITS Red Star Award, TUI Top Quality Award, TripAdvisor Certificate of Excellence Hall of Fame Award

Hotel Sigiriya - TripAdvisor Certificate of Excellence Hall of Fame Award

AVANI Kalutara Resort - the TripAdvisor Certificate of Excellence Award

AVANI Bentota Resort & Spa - the World Luxury Award for the Best Beach Resort

In partnership with Minor Hotels (Thailand), Hemas Holdings PLC launched Sri Lanka's latest internationally branded five-star resort - the Anantara Peace Haven Tangalle Resort.

The 152 room and villa resort has been widely acclaimed as one of the world's most exciting hotel openings for 2015/16 in leading travel, lifestyle and consumer publications and was regarded as the Hotel Group's pinnacle achievement in 2015.

With a project value of approximately USD 50 Mn, the exclusive Tangalle property boasts of 120 rooms and 32 stand-alone private pool villas, six restaurants and bar venues, an exclusive Anantara Spa, a 25 metre swimming pool, fully equipped cardio-gym, tennis and badminton courts. The opening was well received with very positive feedback received from the patrons.

Future Outlook

Riding on the success of Anantara Peace Haven Tangalle Resort, the second Anantara resort is scheduled to welcome its first guest by July 2016 and will continue to provide travellers with authentic Sri Lankan experiences. Surrounded by tropical gardens and towering coconut palms, 141 guest rooms, suites and pool villas will feature a private balcony or terrace with garden, ocean or river views.

At a Group level, increased effort will be on emerging markets while strengthening our presence in the traditional segments to ensure that occupancy is maintained throughout the year. With the rapidly increasing inventory and competition throughout the island, 2016 will see a dedicated focus on training and development to enhance existing service standards keeping in line with international expectations while ensuring the growth and retention of star performers.

Diethelm Travel Sri Lanka

Diethelm Travel Sri Lanka (DTSL), the inbound arm of Hemas Holdings PLC, continues to excel in providing high quality tailor-made travel experiences, to satisfy customer needs and budgets, holding its position as a premier travel destination management company in the country.

With a total volume of 1.8 million tourists, the industry depicted a growth rate of 18% in total arrivals as at 31st December 2015.

Owing to the growth in the industry and many government and private sector initiatives as well as other internal efforts and strategies, the Company registered a year on year growth of 21% in volume, 13.9% in turnover and 61.4% in Profit Before Tax in the 2015/16 financial year. In Sri Lankan operations the pax count, turnover and Profit Before Tax progressed since the year 2014/15 at 108%, 97% and 106% respectively with the company year on year growth surpassing that of the industry.

The long term strategies implemented in 2014/15 paid dividends as we continue to grow tremendously in the Chinese, Japanese and some European markets. Our focus on the Asian market, particularly China, Japan and the Middle East together with other strides in the European market worked well enabling DTSL to progressively grow further in volume and profits.

All markets equally contributed towards achieving the set goals of 2015/16; Asian market through volume count and Business to Business (B2B), European markets through profits. The improved value additions and service standards to all our clients are and will remain to be a key element factoring the performance headway of the Company.

DTSL takes great pride in winning the 'Dnata Travel' account as well as venturing into partnership with 'Khiri Travel'. With the development of the new reservation system making steady progress, we believe this will tremendously contribute towards centralising all revenue lines and making pathways into new revenue opportunities alongside many other new projects and strategies, as we look forward to a promising 2016/17 year.

As we continue to expand our product portfolio while raising the bar high in quality standards, we also aspire to be mindful of sustainable tourism ethics, hence minimising the impact on our environment.

The Group's Leisure sector is a vital component of the portfolio and is set to be one of the areas of significant investment and growth. With its unique combination of historical, cultural, natural and commercial attributes, Sri Lanka has immense untapped potential. We believe that the country has yet to be comprehensively and advantageously marketed as a destination and call for industrywide cooperation to ensure that this potential is reached.

TRANSPORTATION

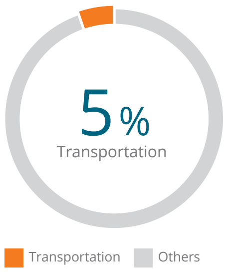
The Group continues to seek opportunities to expand this sector in Sri Lanka and beyond.

The Transportation sector having rapidly expanded its service offering consists of the aviation business both in the passenger and cargo segments, our maritime business providing feeder operations and agency services for international shipping partners, our outbound travel agency services via Hemas Travels and our logistics business unit comprising integrated logistic services. The sector's vision of 'What We Do...We Do Best' is resonated by providing the best in class service levels in the areas we operate.

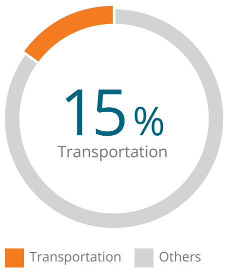
+17.2%

During the year under review the Sector contributed 15% to the overall Group profitability while turnover increased by 17.2% to Rs. 1.8Bn

Sector vs Group Revenue



Sector vs Group Profit



During the year under review the sector contributed 15% to the overall Group profitability while turnover increased by 17.2% to Rs. 1.8Bn and Profit After Tax of Rs. 430Mn, resulting in an increase of 6.3% compared to the previous year.

Taking into consideration the changes in the political landscape of Sri Lanka during the past year, there is a sense of optimism for a renewed focus on foreign direct investment and, in turn, for transportation-led industries. A national level strategy to unlock value from the existing large

TRANSPORTATION

scale infrastructure projects and the Western Megapolis project augurs well for the industry along with renewed ties with India, the lifting of the European Union fishing ban and the re-instatement of GSP+ should result in increased business across all segments.

The global Aviation industry continued to grow and much of this growth was driven by low cost carriers. However, robust margins still remained elusive with enduring price pressure, resulting in a decline in airline yields, (Source: PWC) while increasing competition within the local industry created yield pressure, impacting industry margins.

The aviation segment of our business performed marginally with single digit growth stemming from a challenging year.

As the past year witnessed the entrance of new players, existing competitors increasing their frequency and capacity along with yield reductions were the primary factors for the subdued performance. Despite these factors, Hemas remained the largest General Sales Agent (GSA) operator both in passenger and cargo segments. It is noteworthy that despite the Europian Union (EU) ban on edible fish, our airline cargo sales recorded a growth during the past year. Our regional plans continued apace with the acquisition of LTU Asia Aviation Services (Co) Ltd, a Thailand-based aviation service provider. The previous year also saw our airline principal Malaysia Airlines continue its restructuring plans with more responsibility being undertaken by the local office.

Our outbound travels business encountered a difficult year with negative growth across the industry. Increasing consolidation of sub-agents along with the emergence of an online travel player and a subdued global travel environment were some of the challenges during the past year. Despite these headwinds, the business managed to secure new corporate accounts and gained new accolades from its airline partners. It is worth noting that the industry is evolving with consumer booking patterns increasing via online bookings, a trend that our Travels business is positioned to capitalise on in the years ahead.

The slowdown in Chinese and European recovery, together with the slower growth in emerging markets had a negative impact on the Maritime industry (Source: Telegraph UK). From a local perspective, an increase in Sri Lanka's container handling throughput at the Colombo Port resulted in transhipment volumes increasing by 5% during the year.

Although the local maritime environment was challenging with reduced feeder rates due to freight rate reductions and new feeder operators entering the market, we had a busy year with the commencement of a new feeder operation - HC Line to Male. The business also commenced operations as a NVOCC agent for Asian Tiger Shipping and our break bulk business completed a positive year while Far Shipping Lanka commenced an additional service to Yangon. Far Shipping also secured ISO 9001 : 2008 certification for designing and implementing process to run the operation efficiently.

Looking ahead, we are optimistic of the industry going forward with Colombo International Container Terminals (CICT) estimated to bring in more business resulting in higher feeder operations via an increase in transhipment volumes.

Our logistics business enjoyed a positive year in 2015 with increased volumes stemming from the container depot which functioned at its optimum level of efficiency. Growth in Third Party Logistics (3PL) operations also experienced an upward turn with the Company securing 3PL contracts while seeing significant value creation for customers. Hemas Logistics was awarded the contract for the warehouse management and distribution of Sathosa, Sri Lanka's largest retail operation to date. The Company also set up its first regional distribution centre in Kurunegala which opened avenues for islandwide distribution.

Although projects of Logistics stagnated moderately due to the change in the ruling party of the country, the business reaped benefits from the automotive logistics division. It also opened a customs brokerage unit which empowered the business to secure a larger customer base. Looking ahead we are confident of being able to exploit

opportunities in the 3PL space, due to our competitive positioning as a trustworthy 3PL service provider armed with a strong network.

As the political climate consolidates and the positioning of the country for investment continues apace, we are optimistic about opportunities for the Sector to expand within Sri Lanka coupled with our regional focus. We are committed to providing all our clients the best-in-class service as we expand our services and strengthen our status in existing ones.

BOARD OF DIRECTORS

Husein Esufally
Non-Executive Chairman

Mr. Husein Esufally started his career with the Group's FMCG (Fast Moving Consumer Goods) business, where he steered the Company for a period of 19 years, during which, the business established a strong consumer franchise. Thereafter, he served for 13 years as the Chief Executive Officer of the Hemas Group until he relinquished his position in March 2014. Presently, he serves as the Non-Executive Chairman of Hemas Holdings PLC, whilst also chairing the Boards of its FMCG and pharmaceutical manufacturing subsidiaries.

Mr. Esufally was recently appointed as the Non-Executive Chairman of Janashakthi Insurance PLC. He also serves on the Boards of several other companies and is involved in several social projects.

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, Mt Lavinia.

Steven Enderby
Executive Director / CEO

Mr. Steven Enderby joined Hemas in March 2013 to head the Group's efforts in Mergers and Acquisitions. He took up the Office of Deputy CEO and Director of Hemas Holdings PLC in November 2013 and was appointed the Chief Executive Officer of the Company on 01st April 2014.

Mr. Enderby has had a successful track record in the private equity space with Actis, a leading global emerging markets fund, until his retirement in 2011 as an Actis Partner. Some of the most successful private equity transactions he led include South Asia Gateway Terminal, Ceylon Oxygen and Millennium Information Technologies. He has also served on the Boards of leading companies in Sri Lanka and India such as John Keells Holdings, Lion Brewery and Punjab Tractors.

He is a Fellow of the Chartered Institute of Management Accountants, and holds a Degree in Economics and Accounting from Queens University Belfast, and a Master's Degree in Development Studies from the University of Melbourne.

Abbas Esufally
Non-Executive Director

With over 35 years' experience in the tourism industry, Mr. Abbas Esufally has played a pivotal role in expanding the Group's Leisure interest. He serves as a Group Director of Hemas Holdings PLC, Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC as well as Diethelm Travel Sri Lanka (Pvt) Ltd, Sri Lanka's premier Destination Management Company. He also serves on several other listed and unlisted company boards.

He has played an active part in the growth and development of the country's tourism industry. Mr. Esufally serves as the Chairman of the Mercantile Service Provident Society of the Ceylon Chamber of Commerce and is a Member of the Advisory Committee of the Tourist Hotels Association of Sri Lanka and a Member of the Advisory Council appointed by the Hon. Minister of Tourism.

Mr. Esufally is a Fellow Member of both the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka. He is an all Island Justice of Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.

Pradipta Mohapatra
Independent Director

Mr. Pradipta Mohapatra sits on the Boards of 15 publicly quoted and unquoted companies in India, USA, South Asia and in Europe. He had a 25-year long career at India's USD 4Bn revenue RPG Group, serving first as Managing Director for a decade and thereafter as a Director on the main board of the group for the next 15 years. He has provided oversight to a number of companies in retail, entertainment, telecom and technology business sectors. He has coached CEO and CXO-level executives in organisations such as Accenture, Deutsche Bank, HSBC, Ericsson, Cummins, Levis Strauss and Raymond.

He is a Graduate in Chemical Engineering and has studied Management at the Harvard Business School. He was also invited to be a Fellow of the Chartered Management Institute, UK.

Mr. Mohapatra has served as Chairman, Confederation of Indian Industries, Southern Region and as President, Madras Management Association and also is the Co-founder and Chairman of Coaching Foundation India Limited and Chennai Business School Limited.

Murtaza Esufally
Executive Director

Mr. Murtaza Esufally counts more than 25 years of experience in senior management levels. He is the Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd, and is the Non-Executive Chairman of the Centre for Poverty Analysis.

He holds a Master's Degree in Business Administration from the Melbourne Business School of the University of Melbourne. He is a Barrister of the Lincoln's Inn and holds a Bachelor of Law Degree from the University of Essex, UK.
Mr. Esufally is an Attorney-at-Law of the Supreme Court of Sri Lanka.

BOARD OF DIRECTORS

I.A.H. Esufally
Non-Executive Director

Mr. Imtiaz Esufally serves as the Chairman of the Transportation Sector of the Group and serves as a Member of the Hemas Audit Committee. He served as the Chairman of Hemas Power PLC until its disposal in 2014.

Mr. Esufally holds a Bachelor of Arts (Honours) Degree in Accounting and Economics from the University of Kent, UK. He counts over 25 years' of management experience and has been in the forefront of the Transportation Industry.

Malinga Arsakularatne
Executive Director

Mr. Malinga Arsakularatne was appointed as the Managing Director of the Group's newly formed Leisure, Travel and Aviation Group. Prior to this appointment Mr. Arsakularatne served as the Chief Financial Officer of the Company for over 8 years.

Mr. Arsakularatne has 19 years of experience in investment management, corporate finance and business strategy. He also serves on the Board of Serendib Hotels PLC. Mr. Arsakularatne also holds directorships in other unlisted subsidiary companies within the Hemas Group and also serves as a Non-Executive Director of NDB Capital Holdings PLC and SLIIT.

Mr. Arsakularatne 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 (CIMA), UK and a Past Board Member of the CIMA Sri Lanka Division. He holds a BSc in Computer Science & Engineering from the University of Moratuwa, an MSc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Mr. Arsakularatne is also a Member of the Board of Management of the Group.

Ramabadran Gopalakrishnan
Independent Director

Mr. Ramabadran Gopalakrishnan has over 48 years of experience in professional management with 31 years in Unilever and 17 years in TATA. He has served as Chairman of Unilever Arabia, as Managing Director of Brooke Bond Lipton India, and as Vice Chairman of Hindustan Unilever Limited. After his Unilever career, he joined Tata Sons as a Director. He retired from TATA in December 2015 and currently serves as an Independent Director on the boards of the Indian subsidiaries of Akzo Nobel and Castrol India.

Mr. Gopalakrishnan studied physics at Calcutta University, Engineering at IIT Kharagpur and completed an Advanced Management Program at the Harvard Business School. He is a Past President of the All India Management Association.

Dr. Anura Ekanayake
Independent Director

Dr. Anura Ekanayake is a former Chairman of the Ceylon Chamber of Commerce, the Industrial Association of Sri Lanka and The International Natural Rubber Council. He has had an illustrious career in public service serving 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. Dr. Ekanayake held directorships in all 23 regional plantations companies and also served on the Tea Research Board, Postgraduate Institute of Agriculture and Plantation Housing and Social Welfare Development Trust.

He left his two decade long public service and joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations for 8 years. He serves at present on a number of boards of listed companies and non-listed companies.

Dr. Ekanayake, holds a B.A. (Hons) and MSc (Agriculture) from the University of Peradeniya and a Ph.D in Economics from the Australian National University. He is also a Fellow Member of the Institute of Certified Professional Managers. Dr. Ekanayake is a firm advocate of developing human capital and people transformation.

Dinesh Weerakkody
Independent Director

Mr. Dinesh Weerakkody is the Chairman of the National Human Resource Development Council of Sri Lanka and Cornucopia Sri Lanka. He is an Advisor to the Ministry of National Policies and Economic Affairs. He was also the Chairman of the Government -appointed Committee to review the Banking Sector and NBFI consolidation and the Committee appointed to review the budgetary allocation for education. He is a former Chairman of Commercial Bank Ceylon PLC and the Employees' Trust Fund Board of Sri Lanka. He serves in a number of private sector Boards including Glaxo SmithKline Sri Lanka, CIC Holdings and Ceylon Tobacco PLC.

Mr. Weerakkody is a Graduate in Business Administration, a Fellow of both CIMA (UK) and CMA (Sri Lanka), Professional Member of the Singapore Human Resource Institute and holds an MBA from the University of Leicester, UK. He was also conferred an honorary membership by the Institute of Personnel Management of Sri Lanka.

Mr. Weerakkody is a Council Member of the Employers' Federation of Ceylon and the Institute of Directors and is also a Member of the CIMA Asia Pac Advisory Board.

Saktha Amaratunga
Independent Director

Mr. Saktha Amaratunga joined the Board in January 2016. Mr. Amaratunga is currently a Commissioner of PT Agro Indomas Indonesia and is also a Member of the Upstream and Downstream Audit Sub Committee of Goodhope Asia Holdings Ltd a subsidiary of the Carson Cumberbatch Group.

He was previously Regional Audit Controller (Asia Pacific) for British American Tobacco. He has more than 20 years' experience with British American Tobacco, having performed senior finance roles for the Group in Sri Lanka and the United Kingdom, and also being the Finance Director of British American Tobacco operations in the Czech Republic, Sri Lanka, Switzerland, Japan and Malaysia (IT Shared Services Organisation).

He has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development. He is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and also a Member of CPA Australia.

Mr. Maithri Wickremesinghe who served on the Board as an Independent Director, retired from the Board with effect from 31st December 2015.

BOARD OF MANAGEMENT

Mr. Harith Perera
Managing Director of Diethelm Travel

Harith is the Managing Director of Diethelm Travel Sri Lanka (DTSL) and Diethelm Travel The Maldives (DTTM). He joined Hemas FMCG in 1997 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. Harith is currently the Vice President of Sri Lanka Association of Inbound Tour Operators (SLAITO) and former Vice President of PATA, Sri Lankan Chapter. He is a Member of the Chartered Institute of Marketing (CIM), UK and has an MBA from the University of Southern Queensland, Australia.

Mr. Riad Ameen
Legal Consultant

Riad is the Legal Consultant to Hemas Holdings PLC. He holds a Bachelor's Degree in Law (LL.B) from the University of London and a Master of Laws Degree (LL.M) 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 10 years. Riad has been a civil law practitioner for the past 18 years.

Mr. Sanjeewa Samaranayake
Chief Financial Officer of Hemas Holdings PLC

Sanjeewa is the Chief Financial Officer of Hemas Holdings PLC and 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 Jayewardenepura. 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 the prestigious "Platinum Honours Award" and the "Diamond Service Award" for Most Outstanding Business Leader of the Year by the Postgraduate Institute of Management Alumni at the inaugural event.

Ms. Kasturi Chellaraja Wilson
Managing Director-Pharmaceuticals, Logistics and Maritime

Kasturi is the Managing Director of the Group's Logistics and Maritime sectors and she was newly appointed as the Managing Director of the Group's Pharmaceutical business with effect from 01st April 2016. She is a Fellow of the Chartered Institute of Management Accountants, UK and currently serves as Board Member of CIMA, Sri Lanka. She counts for over 27 years' of managerial experience in multiple industries and functions spanning from auditing, consulting, logistics, leisure and travel. Kasturi joined Hemas in 2002 as the Finance Director of Hemtours (Presently, Diethelm Travel) and in 2005 she was appointed the Head of Shared Services for the Group and subsequently as the Chief Process Officer of the Group in 2007.

Mr. Ranil De Silva
Managing Director of Serendib Hotels PLC

Ranil is the Managing Director of Serendib Hotels. He is a Fellow of the Chartered Institute of Management Accountants of UK, an Associate of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing of UK. He is also a Director of Dolphin Hotels PLC, Hotel Sigiriya PLC and an Independent Director of Singer Sri Lanka PLC, Singer Industries PLC and Regnis Lanka PLC.

Mr. Roy Joseph
Managing Director of Hemas Manufacturing (Pvt) Ltd

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

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

Trihan is the Managing Director of J L Morison Son & Jones (Ceylon) PLC. He is an Associate of the Chartered Institute of Management Accountants, UK and holds an MBA with Distinction from Keele University, UK. Trihan 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.

Mr. Chandima Cooray
Chief Process Officer

As the Chief Process Officer at Hemas Holdings PLC, Chandima leads IT, Digital and Shared Services teams, helping businesses get the best out of technology and create digital-led business models. Chandima has accumulated 20 years of experience in applying Information Technology across multiple industries, improving business performance. Prior to joining Hemas, Chandima was with MAS Holdings, Sri Lanka for 14 years and 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. Chandima 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 and is currently reading for his MBA in Circular Economy with University of Bradford, UK.

Mr. Dimuth De Alwis
Group Human Resource Director

Dimuth functions as the Group Human Resource Director. He joined Hemas FMCG in 1999 and worked as the Head of Human Resources from 2006 to 2008. He joined Hemas Hospitals as the Head of Human Resources in 2008 and was subsequently promoted to the Head of Group Human Resources in 2010 and in 2011 to the role of Director. Dimuth 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 the Institute of Personnel Management. He is also a Member of the Association of Human Resources Professionals, Sri Lanka.

Dr. Himesh Fernando
Director- Innovation

Himesh joined Hemas in 2014 to lead Strategic Innovation for growth of the organization. Prior to joining Hemas, Himesh has worked in the Biotechnology industry in Oxford UK, and at the Sri Lanka Institute of Nanotechnology (SLINTEC) in both Business Development and Scientific Research. He obtained his Doctorate from the University of Cambridge in the field of cancer research and has a BSc Honours from the University of Colombo in Molecular Biology and Biochemistry. He holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a Member of the Chartered Institute of Marketing, UK.

Dr. Lakith Peiris
Managing Director, Hemas Hospitals

Lakith Joined Hemas on 01st April 2015. He is a well-known leader in the healthcare industry having been the CEO of one of the most successful city hospitals over the past 7 years. He has over 20 years' experience in top management at a host of healthcare related MNCs including B|Braun Asia Pacific, Lifeserv and ConvaTec A Bristol Myers Squibb Company of USA amongst others. He holds a Doctorate in Business & Management, an MBA from University of Western Sydney, Australia, and further, he is a Certified Professional Marketer from the Asia Pacific Marketing Federation and holds a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing. Lakith has memberships in several professional Associations and Federations. He is a Member of the Private Health Services Regulatory Council of the Ministry of Health and also serves the Regulatory Council in various sub-committees.

Ms. Ruwani Hettiarachchi
Director Strategy, Hemas Holdings PLC

Prior to her role in Hemas, Ruwani was the CEO and Founder of Vox & Co. a boutique strategy consultancy firm and was Head of Research & Consulting at Stax, a U.S. based strategy consulting firm for 6 years. She is also a Director of Colombo Academy of Hospitality Management at SLIIT. Ruwani has an MA in Economics from the University of Edinburgh.

The Board of Management also includes Messers Steven Enderby, Malinga Arsakularatne and Murtaza Esufally, whose profiles are given in the 'Board of Directors' section.

CORPORATE GOVERNANCE

Introduction

Corporate Governance consists of the various duties, obligations and rights that control and direct a corporation. In this section of our Report, we set out how we manage Hemas to ensure that strategies and plans are in place to make us accountable to our Shareholders, our local and international customers and business partners, our employees and the societies we work within.

At Hemas, we understand that having a common governance framework plays an important role in helping the Board of Directors gain a better understanding of their oversight role. We believe this would contribute to effective governance and address governance risk and help evaluate how the responsibilities of the Company's management measure against the Board's oversight responsibilities.

It begins with the recognition that, it is not a set of rules, but a framework supporting the core values, which guides actions and decisions of the Company while supporting the culture and behaviours that we wish to foster. We believe that our values are the driving force across the Group and is our guiding force for Good Governance.

DIRECTORS

Board Leadership

Principle A 1

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

Our Board comprises of an optimal mix of professionalism, diversified knowledge and experience, entrepreneurial financial skills, business acumen and broad practical insight which enables the Members to impart substantial knowledge and independent judgement towards decision making and providing effective leadership to the Group.

All Directors are collectively responsible for the long term success of the Company. The Independent Non-Executive Directors neither participate in the day-to-day management of the Company nor partake in any business dealings/ relationships with the Company, which enables them to be free from any conflict of interest.

The annual agenda of the Board is pre-determined to ensure that all matters relevant to the effective operation of the Company, come to the Board for review at appropriate intervals. In addition, the Board's intervention is sought on a range of matters including business, financial, legal and corporate affairs, on an on-going basis.

During the year ended 31st March 2016, the Board considered a wide range of matters, including:

- the Group's strategy and key priorities in line with its Year 2020 Vision ;
- 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 annual budget and long term plans for the Group;
- the interim and full-year results;
- opportunities for business development and expansion;
- risk management and controls within the Group;
- succession planning and employee retention;
- reports from the Audit, Remuneration, and Nominations and Governance Committees; and
- a review of the effectiveness of the Board, matters reserved for the Board and the Terms of Reference of Board Committees.

The Board is essentially supported in its work by the Audit Committee, Remuneration Committee, and Nominations and Governance Committee which cover in detail a range of important matters such as risk and control, remuneration and incentive schemes, succession planning and Human Resources. The mandates of the Committees are set out hereinafter in this Report.

The Board monitors compliance with policies and achievements against objectives by holding the 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. In a constantly evolving and challenging business environment, the Board recognizes that the Company's Corporate Governance framework needs to continue to evolve and adapt so that it remains fit for the 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 in face of the changing and challenging business environment.

BALANCE OF POWER

Principle A 2

There should be a clear division of responsibility at the head of the Company to ensure a balance of power

The Board delegates to the Chief Executive Officer the responsibility of formulating and after approval, implementing, the Group's strategic plans, and the management of the day-to-day operations of the Group. The Chief Executive Officer leads the development of strategy and oversees all aspects of the performance and management of the Group.

Although the Chief Executive Officer retains full responsibility for the authority delegated to him by the Board, he is supported in his day-to-day efforts and attempts by the Board of Management, which he chairs. Members of the Board of Management attend Board Meetings to present items as and when required and also meet with the Board Chairman to discuss matters which are specific to their respective businesses.

Detailed Profiles of the Members of the Board of Management are set out on pages 42 and 43 of the Annual Report.

THE CHAIRMAN'S ROLE

Principle A 3

The Chairman should preserve order and facilitate the effective discharge of Board functions

The Chairman leads the Board, developing the Board's forward agenda and preparing in detail for meetings to maximize the efficiency of Board output. His aim is that Board meetings should allow full and free discussion, taking account of the interests of the Group's various stakeholders whilst promoting high standards of Corporate Governance. Chairing Board Meetings, the Chairman encourages expression of the broadest range of views, including those which may challenge the Management. He seeks to foster open and trusting relationships between Executive and Non-Executive Board Members and is regularly rewarded with robust, incisive and good humored debate.

The main responsibilities of the Chairman and Chief Executive Officer include;

Chairman:-

- Facilitates the effective contribution of Non-Executive Directors and the engagement between Executive and Non-Executive Directors.
- Ensures the regular flow of accurate and relevant management information to enable the Board to make sound decisions and monitor business performance.
- Ensures that an annual evaluation of the Board is conducted.
- Leads the performance evaluation of the Chief Executive Officer and ensures that Committee Chairmen conduct evaluations of their Committees.
- Ensures, with the support of the Nominations and Governance Committee, effective Board succession planning.
- Ensures effective communication with Shareholders so that the Board develops a clear understanding of their views.
- Ensures the effective functioning of all Board Committees.

CEO:-

- Leads the development of the Company's strategic direction and implements the agreed strategy.
- Identifies and executes new business opportunities.
- Runs the business, through the Executive Management, on a day-to-day basis and reports to the Board on performance and significant developments.
- Builds and maintains an effective Senior Management team.
- Maintains in conjunction with the Chief Financial Officer and Investor Relations Team, an effective dialogue with stakeholders and investors.
- Manages the Group's risk profile and implements and maintains an effective framework of internal controls.

FINANCIAL ACUMEN

Principle A 4

The Board should ensure the availability of Members with financial acumen

The Board comprises Members with a broad range of expertise and experience, including corporate finance, accountancy, management, international business, marketing, economics, law, regulation, human resources, corporate governance and risk management.

The Board's Directors specialize in a multitude of disciplines, and some of whom have served on the boards of large

CORPORATE GOVERNANCE

multinational organisations, possess the skills and capability necessary to enable them to provide constructive debate, scrutinize performance and help develop Board strategy with a global perspective and outlook.

The detailed profiles of the Board of Directors are set out on pages 38 to 41.

BOARD BALANCE

Principle A 5

The Board should have an appropriate balance of Executive and Non-Executive Directors

The Board currently comprises of eleven Directors, eight of whom, including the Chairman are Non-Executive Directors. 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.

Both the size and balance of the Membership supports the Board in bringing a substantial focus on strategic and long term issues. We do not anticipate further substantial changes in the 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.

INFORMATION TO THE BOARD

Principle A 6

The Board should be provided with timely and appropriate information

There is considerable importance placed on keeping the Board's knowledge of the business substantive and current. Of parallel importance, is the need for Directors to keep up-to-date with relevant regulatory developments, Corporate Governance trends and changes in investor expectations, some of which impact, in particular, on the Non-Executive role.

The Directors' seek clarification or interpretation or additional information where they consider such information necessary to make informed decisions. In addition, all Directors are aware that they may, if they consider it necessary, seek independent professional advice in relation to the discharge of their role.

The Company convenes at least five Board Meetings a year for which detailed Agendas are prepared by the Company Secretary in consultation with the Chairman. Comprehensive discussion papers on each of the topics for discussion are circulated to the Directors at least seven working days prior to a Meeting to enable the Directors to facilitate its effective conduct.

All Directors receive a detailed hands-on induction on appointment, and the Company continuously provides necessary resources for developing and updating the Board's knowledge and capabilities.

APPOINTMENTS TO THE BOARD

Principle A 7

There should be a formal and transparent procedure for the appointment of new Directors to the Board

A formal and transparent procedure exists for all appointments to the Board. A Nominations and Governance Committee comprising three Non-Executive Directors, including two independent Directors and attended by the Board Chairman, meet as required to review and make recommendations to the Board on the suitability of the appointment and re-appointment of Directors to the Company and its Subsidiaries and to regularly review the structure, size, composition and competencies of the respective Boards.

Steps are 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 the Management, and have the opportunity to form first-hand relationships with the Senior Management, especially, the Board of Management.

RETIREMENT AND RE-ELECTION

Principle A 8

All Directors should be required to submit themselves for re-election at regular intervals

The Non-Executive Directors are generally appointed for an initial period of three years, subject to remaining independent in terms of the Listing Rules and submit themselves to be re-elected by Shareholders at regular intervals at the Company's Annual General Meeting and may be re-appointed for further periods of three years. The Board makes a careful assessment of the time commitment required from the Board Chairman and Non-Executive Directors to discharge their roles effectively. The commitment to the appropriate time requirement is discussed with potential candidates as part of the recruitment process. The independence of each Non-Executive Director is reviewed annually by the Board Chairman as part of the performance review process.

BOARD EVALUATION

Principle A 9

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 Board Chairman and supported by the Company Secretary. A questionnaire is completed by Members of the Board and the results are thereafter considered in detail by the Board.

A performance evaluation of the Board was carried out last year, at which an assessment of the Board's performance was made against key drivers of effectiveness including strategy development, the decision making process, Board and Management relationships, Board processes, Meetings and succession planning. Feedback was also sought on the operation of the Board Committees and on the contributions of individual Directors. The review indicated that overall, the Board and its Committees were operating effectively.

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

DISCLOSURE OF INFORMATION ON DIRECTORS TO SHAREHOLDERS

Principle A 10

Shareholders should be kept advised of relevant details in respect of Directors

Brief profiles of the Board of Directors are disclosed on pages 38 to 41.

The Directors' Interest in Contracts with the Company is set out on pages 130 to 133.

It is expected that all Directors attend scheduled Board Meetings and relevant Sub-committee Meetings, unless they are prevented from doing so by prior commitments. Where Directors are unable to attend Meetings, they receive, in advance, the papers scheduled for discussion at the relevant Meetings, giving them the opportunity to raise any issues and give any comments to the Chairman prior to the Meeting.

Following each Meeting, the Chairman briefs any Member not present, on the discussions and decisions taken at the Meeting. Directors refrain from participating in matters relating to them which may constitute a conflict of interest.

CORPORATE GOVERNANCE

The table below provides a record of the Directors' individual attendance at Board and Sub-committee Meetings, in person or by telephone;

	Board	Audit Committee	Remuneration Committee	Nomination and Governance Committee	Related Party Transactions Review Committee
No. of meetings held	5	5	4	2	2
Husein Esufally	5		4	1	
Abbas Esufally	5			2	
Imtiaz Esufally	5	3			1
Murtaza Esufally	5		4		
Maithri Wickremesinghe *(Resigned w.e.f. 31st Dec, 2015)*	4	3		1	
Pradipta Mohapatra	3		3		
Ramabadran Gopalakrishnan	4			2	
Dinesh Weerakkody	3	3			1
Dr. Anura Ekanayake	5		4		
Steven Enderby	5	4	4		2
Malinga Arsakularatne	5	4			2
Saktha Amaratunga *(Appointed w.e.f. 01st January, 2016)*	1	1			2

CHIEF EXECUTIVE OFFICER'S PERFORMANCE

Principle A 11

The Board should assess the performance of the CEO at least annually

The performance of the Chief Executive Officer 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 B 1

Companies should establish a transparent and formal procedure for developing policy on executive remuneration

During the year 2015/16, the 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 is approved by the Board on the recommendation of the Remuneration Committee. The Remuneration Committee determines the 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/or Board Sub-committees.

Remuneration packages for senior management are based on a salary survey conducted by the external auditors of the Company. 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 B 2

Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain Directors

The Company is primarily interested in providing a reasonable and competitive total compensation package to its Directors in a manner that will facilitate the achievement of corporate objectives. The Company strives to offer market-based compensation packages to individuals possessing the experience and the competencies needed to improve the overall performance of the Group.

Principle B 3

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 with 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 C 1

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 a good relationship with Shareholders is of prime importance. The Members of the Board are present at the Annual General Meeting and are willing to answer questions raised by the Shareholders.

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

This year, the AGM will be held on 30th June 2016 at the Auditorium of The Institute of Chartered Accountants of Sri Lanka at No. 30A, Malalasekera Mawatha, Colombo 07.

Principle C 2

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 Officer and Chief Financial Officer.

The Chief Executive Officer 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.

Analyst presentations, including those following the announcement of interim results and preliminary year-end results and presentations made to institutional investors are available on the Company's website, www.hemas.com.

This Annual Report produced for the year ended 31st March 2016, is also available to all Shareholders on the Company website 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 Annual General Meeting provides an opportunity for private Shareholders to raise any questions they may have to the Company.

Principle C 3

Directors should disclose to shareholders all proposed material transactions

There is no materially significant related-party transactions, pecuniary transactions or relationships between the Company and the Directors, the Management, subsidiary companies or related parties except for those disclosed in the Financial Statements for the year ended 31st March 2016.

ACCOUNTABILITY AND AUDIT

Principle D 1

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.

CORPORATE GOVERNANCE

The Financial Review from pages 14 to 19 provides a fair assessment of the Group's performance and results for the year and plans for the future.

All subsidiaries of the Group are governed by their respective Boards of Directors having the rights and obligations to manage the companies concerned in the best interest of the respective stakeholders. The Company monitors the performance of its subsidiary companies using, inter alia, the following means:

(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 D 2

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. 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 pages 111 to 115.

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. The Board has reviewed the internal control procedures in existence and is satisfied with its effectiveness.

Principle D 3

The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles

The Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the Group's financial reporting. The Company's 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.

The Management has assessed the effectiveness of Hemas' internal control over financial reporting. Based on this assessment, the Management concluded that, as at 31st March 2016, 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 D 4

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 in discharging their duties. The Code provides guidance on key issues which may arise and the procedure to be adopted if the rules are breached.

The Group operates a Whistleblowing Policy and a confidential telephone and email service which enables employees to report, anonymously if they choose, any instances of inappropriate behaviour or malpractice within the Company or the businesses such as bribery or corruption, fraud and any other act or conduct that may be deemed illegal or unethical. All complaints made are treated as confidential and are investigated by the relevant department and if the identity of the complainant is known, the complainant is kept updated. If the complaint is serious in nature, the same will be escalated to the Chief Executive Officer.

All members of the Board and the Senior Management of the Company have confirmed their compliance with the Code of Conduct for the year ended 31st March 2016.

Principle D 5

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) & (b)	Disclosure Relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	√	Corporate Governance Report
	Disclosure Relating to Directors	The basis for determination of independence of NEDs, if criteria for independence is not met.	√	Corporate Governance Report
7.10.3 (c)	Brief Resume of each Director in the Annual Report	A brief resume of each Director should be included in the Annual Report, including his area of expertise	√	Board of Directors
Rules Relating to Remuneration Committees				
7.10.5 (a)	Composition of the 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.	√	Corporate Governance Report
7.10.5 (b)	Disclosure of the functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role.	√	Corporate Governance Report.

CORPORATE GOVERNANCE

CSE Rule No.	Applicable Rule	Requirement	Status of Compliance	Reference to Annual Report
7.10.5 (c)	Disclosure in the Annual Report	The Report should include the names of the Remuneration Committee members, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	√	Corporate Governance Report, the Annual Report of the Directors and the Remuneration Committee Report.
Rules Relating to Audit Committees				
7.10.6 (a)	Composition of the Audit Committee	The Committee should Comprise of Non-Executive Directors, a majority of whom should be independent. The Chairman of the Committee should be a Non-Executive Director. The Chairman or a Member should be a member of a recognized professional accounting body.	√	Corporate Governance Report, the Annual Report of the Directors and the Audit Committee Report.
7.10.6 (b)	Functions of the Audit Committee	• Overseeing the preparation, presentation and adequacy of the disclosures in the Financial Statements in accordance with the SLFRSs and LKASs. • Overseeing compliance with financial reporting related regulations and requirements. • Overseeing the processes to ensure that internal controls and risk management are adequate to meet the Sri Lanka Auditing Standards. • 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 Report should include; the names of the Members of the Audit Committee, the basis of determination of their independence and a report of the Audit Committee setting out the manner of compliance by the Company in relation to the functions of the Committee.	√	Annual Report of the Directors and Audit Committee Report.

Institutional Investors

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 comprehensible assessment of the position of the Company 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 concerns of all stakeholders.

Communication with institutional investors 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 information considered relevant to investors.

Other Investors

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 for 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.

SUSTAINABILITY REPORT

Sustainability a way of life through ABHIMANA

SUSTAINABILITY REPORT

Report Profile, Scope and Boundary

This is the second sustainability report published by Hemas Holdings PLC; our first Sustainability Report was published in August 2015. The information contained herein provide details of the sustainability and corporate citizenship initiatives pertaining to the operations of Hemas Holdings PLC and its subsidiaries in Sri Lanka.

Unless otherwise specified, the information in this report is relevant to the twelve months ending 31st March 2016. However reference may be made to historical information to provide comparison and context wherever necessary.

The report was prepared with information from internal sources, validated by senior management. The financial information contained in this report has been prepared in accordance with the Sri Lanka Accounting Standards and audited by Messrs Ernst and Young. The sustainability information has not been externally assured prior to publication.

This report has been prepared in accordance with the G4.0 Core Sustainability Reporting Guidelines. The GRI Index can be found on page 234.

Do get in touch with us for further information and to provide feedback on our sustainability initiatives as well as this report by contacting us at

Group Sustainability Division & Corporate Communications Division
Hemas House
No 75, Braybrooke Place
Colombo 02.
Email: shiromi@hemas.com

More information may also be found on the following websites :
www.hemas.com
www.hemasoutreach.com

Our Sustainability Journey

2002
Piyawara – the Strategic CSR Project is launched in partnership with the Children's Secretariat of the Ministry of Child Development and Women's Affairs.

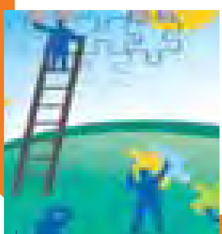
2007
The Hemas Group introduces "Hemas Way" - a Code of Conduct for employees.

2010
A formal stakeholder engagement process is undertaken by Hemas Pharmaceuticals as a pilot programme, in partnership with STING Consultants.

2011
Formal adoption of a Holistic Corporate Sustainability approach for Hemas, in partnership with STING Consultants.

2011
Hemas Pharmaceuticals publishes its first Sustainability Report.

2012
The Group Sustainability Framework is rolled out along with the relevant policies and guidelines.



2013
Formal stakeholder engagement processes begin in the FMCG and Leisure sectors.

2014
Abhimana is launched with the objective of making Sustainability a lifestyle at Hemas.

2015
First Sustainability Report, in line with the GRI G4 reporting guidelines published by Hemas Holdings PLC.

SUSTAINABILITY REPORT

Sustainability as a Business Priority

Hemas Holdings is founded on the vision of 'Enriching Lives' – our sustainable business philosophy is thus constructed out of the multiple dimensions envisaged by this vision. Over the years, we have transformed the uncompromising commitment of our founders to principled and ethical business to a culture that exemplifies a passionate and deeply entrenched belief in always doing the best we can, with the ultimate aim of building a business that is sustainable and valuable over the long term.

In this journey, 2015/16 has been a significant one during which we launched a more formalised and structured approach to the identification, measurement and management of key sustainability performance parameters; the metrics envisioned in the "Hemas Enriching Lives Plan" are expected to provide critical management information and thereby strengthen our value creation and engagement efforts.

While this business-integral responsibility focus will help keep sustainability at the top of the corporate agenda, our efforts to enrich lives through transformative community investment will continue to be driven by the Hemas Outreach Foundation. Its flagship Piyawara project is now in its fourteenth year and has been hailed as one of the most successful public-private partnerships ever undertaken in Sri Lanka.

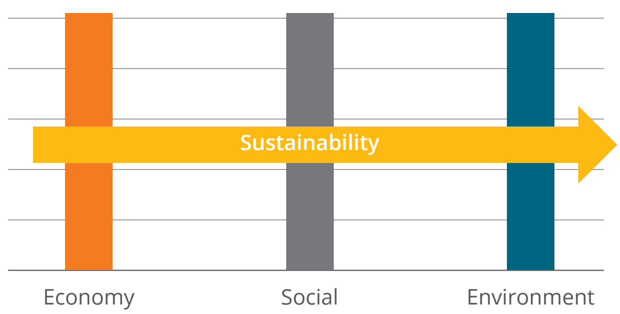
This report, the second sustainability report published by Hemas Holdings PLC, marks the first instance when it is presented together with the Annual Report and Financial Statements of the company.

Sustainability	Policies	Hemas Outreach Foundation
Business Level	Group Level	Philanthropy
➤ Responsible Corporate Behaviour ➤ Engage key stakeholders ➤ Identify key sustainability issues & develop initiatives to mitigate ➤ Reporting initiatives	➤ Sustainability ➤ Environment ➤ Social ➤ Workplace ➤ Human Rights	Holistic Approach to Early Childhood Development in Sri Lanka in partnership with Ministry of Child Development and Women's Affairs

Responsible Behaviour
Comply with applicable legislations, regulations & code of best practice whilst considering social, ecological requirements and economical impact for all activities.

Engage Key Stakeholders
Understand stakeholder concern & develop policies to mitigate risk to ensure business sustainability

Issues & Initiatives
Identify issues impacting business stability. Formulate initiatives that address issues related to sustainability.



WELLNESS	LEISURE	MOBILITY

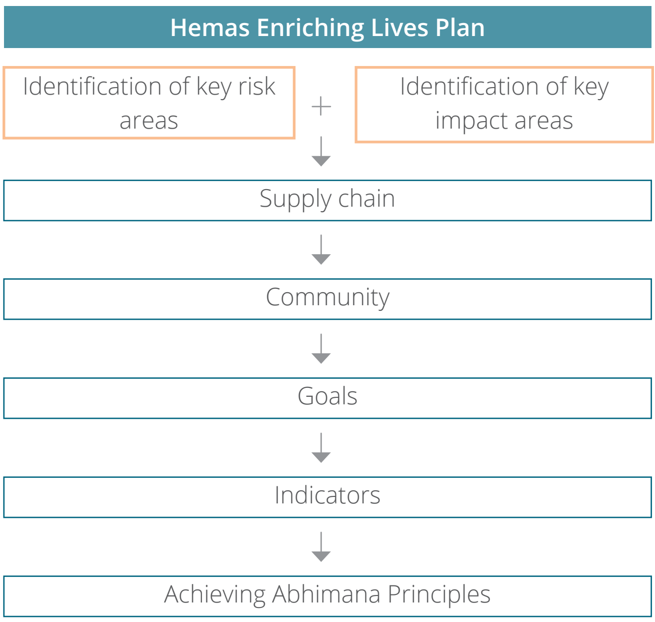
Hemas Enriching Lives Plan - Roadmap

- Identify objectives & develop sustainability framework.
- Identify key sustainability issues through stakeholder engagement process.
- Identify key sustainability issues and initiatives to mitigate.
- Develop policies and KPIs based on GRI.
- Implement and measure.
- Disclosure/reporting.

Implementation of the plan consists of six phases, and the Group is now in the final phase of measurement with the first full year of reporting expected to be 2016/17 financial year.

Enriching Lives Plan

The Hemas Enriching Lives plan was launched in April 2015 with the first step being the identification of the Group's key impacts and risks; the effort was led by the Sustainability team in partnership with the Group Risk team and was moderated by a third party consultant.



Impacts and risks were analysed and assigned a score, which resulted in the identification of 18 issues that were deemed the most material for Hemas Holdings.

	Impact on Organisation	Impact on Stakeholder	Aspect Boundary
Labour rights of outsourced/ contract workers	High	High	Internal
Occupational health and safety (including of outsourced/ contract workers)	Medium	High	Internal
Customer health and safety (product safety)	High	High	External
Training and skills development	Medium	Medium	Internal
Diversity	Medium	Low	Internal
Local hiring	Medium	High	External
Local sourcing	Medium	High	External
Employment creation – vulnerable groups	Low	High	External
Advertising and Promotion – stereotyping and responsible message	Medium	Low	External
Bribery and corruption	High	Low	External
Energy use	High	High	Internal
Water use	High	High	Internal
Waste management (operations and product/ packaging waste)	Medium	High	Internal
Environmental accidents	Medium	Low	External
Compliance	High	Low	Internal
Stakeholder engagement	Medium	High	Internal
Supply chain responsibility – labour practices, human rights, environment	High	High	Internal
Community impacts – economic, social, environmental	Medium	High	External

High ■ Medium ■ Low ■ Internal ■ External ■

SUSTAINABILITY REPORT

Our Approach

Identified key risk/impact areas together with the Risk team → Developed goals (38) and indicators (138). All goals are in line with UN SDG → Obtained BOM approval

↓

Workshop conducted for nominated representatives from all sectors → Explained each goal and indicator → Provided representatives with the Supplier Code of Conduct and the Responsible Advertising Checklist

↓

Rolled out Enriching Lives Plan → Obtained information on the progress for 2 quarters → Also requested for information on plans that will be put into place

In line with these 18 material issues, the Group developed goals that corresponded to each – resulting in the establishment of 38 goals in total; progress against the goals will be monitored through 148 indicators. The goals thus adopted are aligned to the UN Sustainable Development Goals (UN SDG).

Key risk/ impact area	Goal	UN SDG Goal
Social		
Labour rights of outsourced/ contract workers	100% of outsourced/ contract workers should be entitled to their labour rights, including earning at least minimum wage, payment of EPF/ETF, annual leave, etc.	UN SDG Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all.
Occupational health and safety (including outsourced/ contract workers)	10% of employees from each location of operation should be trained in basic health and safety, first aid, evacuation, etc. on an annual basis. (this should include representatives from outsourced worker categories). Trained staff should train others in their own departments.	UN SDG Goal 3: Ensure healthy lives and promote well-being for all, at all ages.
	100% of staff should have access to safety equipment, including first aid kits, fire extinguishers, and safety goggles, ear plugs, safety gloves etc., depending on the nature of their job.	
	Each location of operation to keep a record of all major and minor accidents occurring on site each month.	
	Each location of operation to keep a record of all major and minor accidents occurring off site each month - i.e., refers to road accidents for FMCG/ JLM/ Pharmaceuticals/ Transport.	
	75% of employees from each location of operations should be screened annually for NCDs (Non-Communicable Diseases (Voluntary process by employees).	

Key risk/ impact area	Goal	UN SDG Goal
Customer health and safety	100% of products should carry the necessary information to ensure customer health and safety, including ingredients, dates of manufacture and dates of expiry, warning on possible (common) allergens, recommended dosage/ quantity per use, instructions for use, methods of disposal (depending on the product).	UN SDG Goal 3: Ensure healthy lives and promote well-being for all, at all ages.
	100% of products should be stored in a clean and safe manner, ensuring contamination does not occur. This should be done in all locations of operation, and all supplier and distributor locations.	
	100% of food items purchased are from suppliers with (valid) certified food safety standards or (valid) relevant licenses from local authorities.	
	Customers should have access to safety equipment, including first aid kits, life jackets, etc., depending on the nature of the activity/excursion.	
	Each location of operation to keep a record of all accidents involving customers, occurring on site or off site each month.	
	100% of menu items should carry the necessary information to ensure customer health and safety, including warning on possible (common) allergens.	
Training and skills development	80% of staff in all locations of operation should have access to training per year, including job related training, soft skills training, leadership and motivational training, etc. While average hours of training per person should be at least 16 hours, each individual employee within the non-executive and labour categories should have a minimum of 8 hours of training per year.	UN SDG Goal 4: Ensure inclusive and quality education for all and promote lifelong learning.
Gender diversity	By 2020, 25% of employees across the Hemas Group (excluding the Hospitals sector) should be women . This includes employing women in the sales rep force of FMCG, JLM, and Pharma sector businesses.	UN SDG Goal 5: Achieve gender equality and empower all women and girls.
Economic		
Local employment	50% of employees at each location of operations (outside of Colombo City limits), should comprise of residents from the local community.	UN SDG Goal 1: End poverty in all its forms everywhere. UN SDG Goal 10: Reduce inequality within and among countries.
Local sourcing	By 2020, 25% of purchasing for each location of operations should be locally sourced (i.e., sourced from across Sri Lanka, as opposed to imported from overseas), while remaining in line with economic rationales. In the event that imports are more economical, each location of operations should take steps to find innovative solutions to overcome this problem in order to achieve this goal.	UN SDG Goal 12: Ensure sustainable consumption and production patterns.

SUSTAINABILITY REPORT

Key risk/ impact area	Goal	UN SDG Goal
Employment creation – vulnerable groups	By 2017, minimum 0.5% of employment for each Sector to comprise of individuals representing vulnerable groups (e.g., visually impaired individuals, hearing impaired individuals, individuals with physical disabilities, autistic individuals, individuals with mild down syndrome, ex-soldiers, rehabilitated combatants).	UN SDG Goal 1: End poverty in all its forms everywhere. UN SDG Goal 16: Promote just, peaceful and inclusive societies.
	For FMCG, generate work for women in the community (in rural areas), with an emphasis on women who could be considered to be in a vulnerable position, including widows, single parents, etc. (e.g., Hemas Diriya programme), by enlisting them to sell the Company's products within their communities.	
Advertising & promotion - stereotyping (e.g., gender, race, religion, personal relationships) and responsible message	100% of all ads should be reviewed against the checklist provided on responsible advertising. All ads must be signed off by the Sector Head/ Marketing Head prior to release. This is done to ensure cultural sensitivity, a responsible message is communicated, and that stereotyping does not occur.	UN SDG Goal 12: Ensure sustainable consumption and production patterns.
Bribery and corruption	100% of staff to be trained on the Company's bribery and corruption policies (Hemas Way) each year.	
Environment		
Energy use	Energy consumed by each location of operations should be reduced.	UN SDG Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. UN SDG Goal 13: Take urgent action to combat climate change and its impacts.
	In the event that energy consumption increases due to increased operations, the location of operation in question must show other means by which energy consumption is being reduced.	
	All locations of operation should encourage teleconferencing for meetings.	
Water use	The volume of fresh water used by each location of operation should be reduced. e.g., by instead using recycled water or rain water.	UN SDG Goal 6: Ensure access to water and sanitation for all.
Waste management (operations and product/ packaging waste)	All locations of operation should segregate 100% of waste generated and should monitor volumes of waste generated per month.	UN SDG Goal 12: Ensure sustainable consumption and production patterns. UN SDG Goal 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Key risk/ impact area	Goal	UN SDG Goal
	Goal for Year 2 - Waste going to landfills should reduce by 15% per year by increasing the volume of waste that is reused/ recycled.	
	Goal for 2020 - 50% of packaging for all products should be made using biodegradable materials (including biodegradable plastics/ polythene). Recycled content should increase.	
Supply Chain		
Supply chain responsibility – labour practices, human rights, and environment	Largest 25% of local suppliers and distributors for all locations of operation should sign the Supplier Code of Conduct biennially.	UN SDG Goal 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation.
	The largest 25% of local suppliers and distributors (and/or overseas suppliers if the sector decides this is appropriate) for each location of operations should be audited by the company for their labour practices and human rights standards, as well as their environmental standards (energy consumption, water consumption, waste management, emissions and effluents) once every year.	
Community		
Community impacts	100% of waste water should be treated prior to release, and treated waste water should be tested on a quarterly basis.	UN SDG Goal 3: Ensure healthy lives and promote well-being for all, at all ages. UN SDG Goal 11: Make cities inclusive, safe, resilient and sustainable.
	Garbage should not be dumped in the local community by any location of operations.	
	Regular community feedback should be obtained twice per year to understand if any negative impacts have occurred.	
Mandatory		
Environmental accidents	All locations of operation should treat all waste water, which should be tested on a quarterly basis.	UN SDG Goal 3: Ensure healthy lives and promote well-being for all, at all ages.
	All waste chemicals and other hazardous waste should be disposed of in a safe manner.	
	All chemicals, oils, etc., should be stored in a safe manner i.e., to avoid any risk of chemical reactions.	
	All locations should routinely monitor their operations to ensure that gas leaks, fuel leaks, chemical leaks and spills do not occur.	

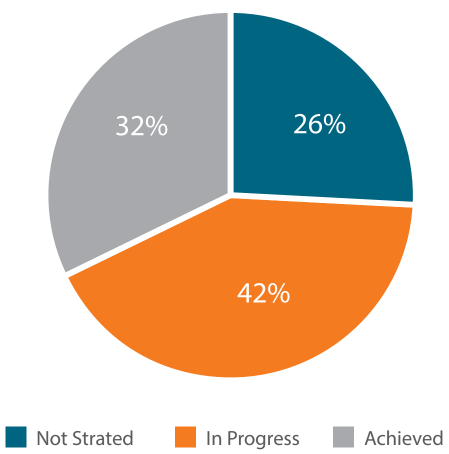
SUSTAINABILITY REPORT

Key risk/ impact area	Goal	UN SDG Goal
Compliance	All legal requirements related to the environment must be met by all locations of operation, including maintaining a valid EPL, regular waste water testing, regular emission testing, regular noise and air quality testing, etc.	UN SDG Goal 3: Ensure healthy lives and promote well-being for all, at all ages.
STAKEHOLDER Stakeholder engagement	Each sector must prioritize its key stakeholders and engage with prioritized stakeholder groups through a two way communication process once every 2 years.	

The Board of Management, the highest executive-level decision making body, formally approved the goals and indicators developed for roll out during the second half of the year. The roll out plan executed by the Sustainability team involved several aspects:

- Individual meetings with each sector business of the Group in order to create awareness of the process behind developing the Enriching Lives Plan and its role in the sustainability of the business.
- A half day workshop where nominated representatives from each sector were trained on the importance of the Plan, the goals and what they mean for the Group, indicators and how to measure and track performance, as well as how each sector can go about changing or updating its operations in order to achieve the established goals.

All sectors of the Group have been monitoring their performance against indicators since October 2015. The Group's progress with regards to achieving the Enriching Lives Plan during the second half of the 2015/16 financial year is as follows:



The Group has also developed a balanced scorecard to report on progress against its sustainability goals. However as this process began in October, a full year's worth of progress is not yet available and is therefore not reported. Detailed progress on achieving the Group's goals will be available in the 2016/17 Sustainability Report.

STAKEHOLDER ENGAGEMENT

Identifying the stakeholders of our multiple and diverse businesses has been a complex process; the Sustainability team together with the Senior Management teams therefore shortlisted all stakeholders who were considered as:

- Those who could potentially influence our businesses.
- Those who may be affected by our businesses.
- Those who bear legal, operational and financial responsibilities towards our businesses.

Stakeholders thus shortlisted were grouped and rated based on their overall degree of influence and importance to the business. The key stakeholder groups thus identified were:

- Investors
- Employees
- Customers
- Suppliers & Business Partners
- The Community
- The Environment

The Hemas corporate sustainability strategy and initiatives is built on creating value for these stakeholders through the prudent management of our impacts. In order to continuously gauge our impact on stakeholders and their relevance, we engaged with all these stakeholders through both formal and informal channels, with formal engagement exercises carried out through our external partner STING Consultants. The feedback thus obtained is prioritised according to relevance and potential impact: our strategic planning process ensures that we respond to the valid needs and concerns of our stakeholders while swift action is taken where corrective measures are deemed necessary.

The table that follows depicts the channels we employ to proactively engage with our key stakeholder group, as well as the topics and concerns we address through our stakeholder engagement mechanisms:

SUSTAINABILITY REPORT

CUSTOMERS	OUR BUSINESSES WORK WITH A CROSS SECTION OF CUSTOMERS FROM BOTH THE INDIVIDUAL AND B2B SEGMENTS
Reasons for Engagement	To understand customer needs better. To gauge product and service quality. To innovate and improve our products and services.
Methods of Engagement	Customer satisfaction surveys (ongoing) and Annual Engagement Survey. One on one interaction through customer meetings/progress reviews/visits (ongoing). Customer complaint hotlines/social media/marketing communication (ongoing). Industry exhibitions and trade fairs (ongoing).
Our Commitments	Product and service quality, affordability, and safety. Environmental and social responsibility. Distribution efficiency.

EMPLOYEES	THE EMPLOYEES WE ENGAGE BELONG TO BOTH THE EXECUTIVE AND NON-EXECUTIVE CADRE AND AT TIMES, ALSO INCLUDES THOSE PROVIDED TO US BY MANPOWER AGENCIES
Reasons for Engagement	To ensure we provide engaging and inspiring work and a safe workplace. To create awareness of Group strategy, key events, and sustainability. To ensure that we remain a preferred employer.
Methods of Engagement	Weekly and monthly management meetings, emails and newsletters. Joint Consultative Committees (ongoing). Performance reviews (bi-annual). Employee Engagement Survey (annual). Coffee Mornings and Chat with the CEO forums. Team building activities including get-togethers, sports tournaments, talent shows and CSR events (annual).
Our Commitments	Open door policy and transparency. Training and career development through strategic talent management. Occupational Health and Safety.

SUPPLIERS AND PARTNERS	THE PARTNERS OUR BUSINESSES WORK WITH INCLUDE PRINCIPALS, AGENTS AND SUPPLIERS BOTH IN SRI LANKA AND OVERSEAS
Reasons for Engagement	To ensure efficiency of the supply chain. To understand the needs/concerns arising out of business relationships To share best practices.
Methods of Engagement	Regular meetings, reviews and forums (ongoing). Annual registration and procurement committee meetings (annual/quarterly). Industry exhibitions, road shows and trade fairs (ongoing). Emails, reports and other publications, website (ongoing).
Our Commitments	Meeting contractual obligations. Technical assistance and knowledge transfer. Building long-term partnerships.

INVESTORS	THE INVESTOR STAKEHOLDER GROUP INCLUDES THE INSTITUTIONAL AND INDIVIDUAL SHAREHOLDERS AS WELL AS THE INVESTOR COMMUNITY CONSISTING OF ANALYSTS, FUND MANAGERS AND LENDING AGENCIES
Reasons for Engagement	To provide performance information in a timely and relevant manner. To share vision and strategy, and to demonstrate potential. To understand needs and concerns of investor community.
Methods of Engagement	Annual General Meeting/EGMs. Roadshows, Investor forums and presentations (annual). Annual report, quarterly reports, CSE disclosures, media releases. Website, emails, telephone (ongoing).
Our Commitments	Increasing shareholder returns. Generate lasting economic value. Good governance and transparency .

COMMUNITY	OUR BUSINESSES WORK CLOSELY WITH THE COMMUNITIES IN THE VICINITY OF THEIR OPERATIONS WHILE AT GROUP LEVEL, WE UNDERTAKE A NATIONWIDE FLAGSHIP COMMUNITY DEVELOPMENT INITIATIVE
Reasons for Engagement	To create positive partnerships that accelerate social development. To ensure minimal impact on shared resources. To facilitate preschool education in marginalised communities.
Methods of Engagement	Sourcing from suppliers within the local community (ongoing). Employees recruited from the local vicinity (ongoing). Community forums and awareness programmes (ongoing). Regular meetings with local authorities and community leaders (ongoing). Parent /teacher meetings at Piyawara Preschools (monthly).
Our Commitments	Extending opportunities that create positive socioeconomic impacts. Development of the local economy through local hiring and local sourcing. Responsible utilisation of shared resources. Increasing future national competitiveness through early childhood care and development.

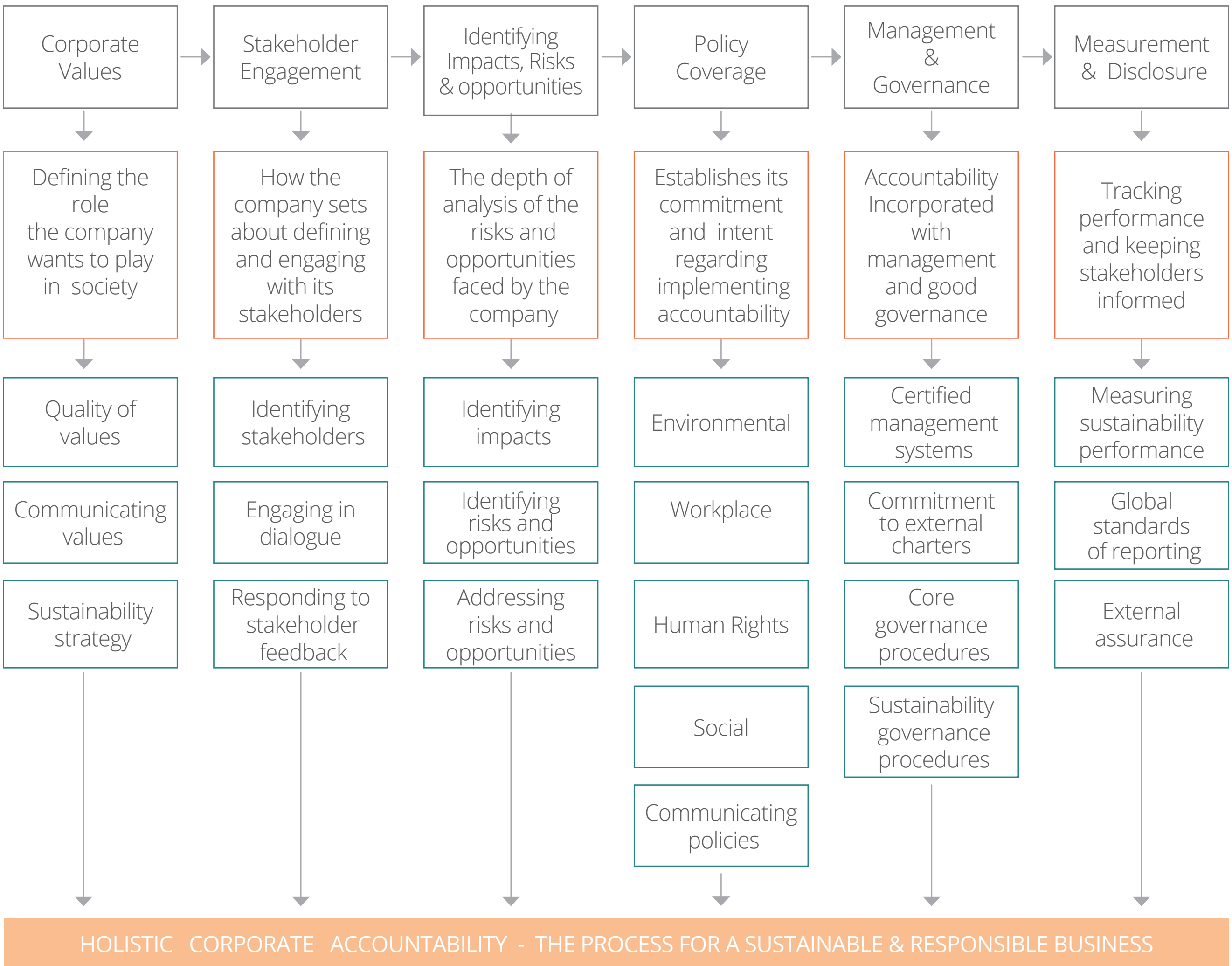
GOVERNMENT AND REGULATORS	THIS GROUP INCLUDES MINISTRIES, GOVERNMENT DEPARTMENTS AND INSTITUTIONS AS WELL AS LOCAL AUTHORITIES AND LEGAL/REGULATORY BODIES
Reasons for Engagement	To demonstrate compliance and create awareness. To contribute to dialogue on policy. To identify needs of local communities.
Methods of Engagement	Statutory reporting, and correspondence (monthly/quarterly/annually). Participation in chambers and industry associations (ongoing). Meetings, forums, presentations (ongoing).
Our Commitments	Ensure compliance with legal and regulatory requirements. Responsible corporate citizenship. Positive contribution to national and local economy. Public-private partnerships to execute community projects.

SUSTAINABILITY REPORT

Sustainability A Way of Life Through ABHIMANA

While we have now reached the home stretch of the implementation of Hemas Enriching Lives Plan, it is important to look back at the journey thus far, in order to provide context and to recognise the effort behind the comprehensive and exhaustive process undertaken over the past few years.

Having practiced our corporate ethos of 'Enriching Lives' from the very inception, the Group followed a value-driven sustainability approach that was grounded on the triple bottom line impacts of our businesses, as shown in the diagram below:



In June 2014, we launched the 'Abhimana' initiative among our employees, with the objective of incorporating good governance and responsibility into every action by creating a culture of corporate responsibility lived and practiced everyday by every Hemas team member, and constantly inculcated and reinforced through learning, sharing and collaborating across the Group.

Abhimana, a Sanskrit word for 'pride', was designed to be a reminder of the dignity and pride of a life responsibly lived; its logo is a word cloud, which personifies the simple values in life that are taken for granted and serves as a reminder that if one steadfastly lives by these values, the sustainability of any organisation is guaranteed. Every employee and stakeholder is encouraged to take ownership of Abhimana, and contribute new ideas and creativity to make a unique environment of practically applied corporate responsibility that ensures that Hemas and its stakeholders always do the right thing.

The pride we thus aim to generate via a culture of responsibility, manifests itself in;

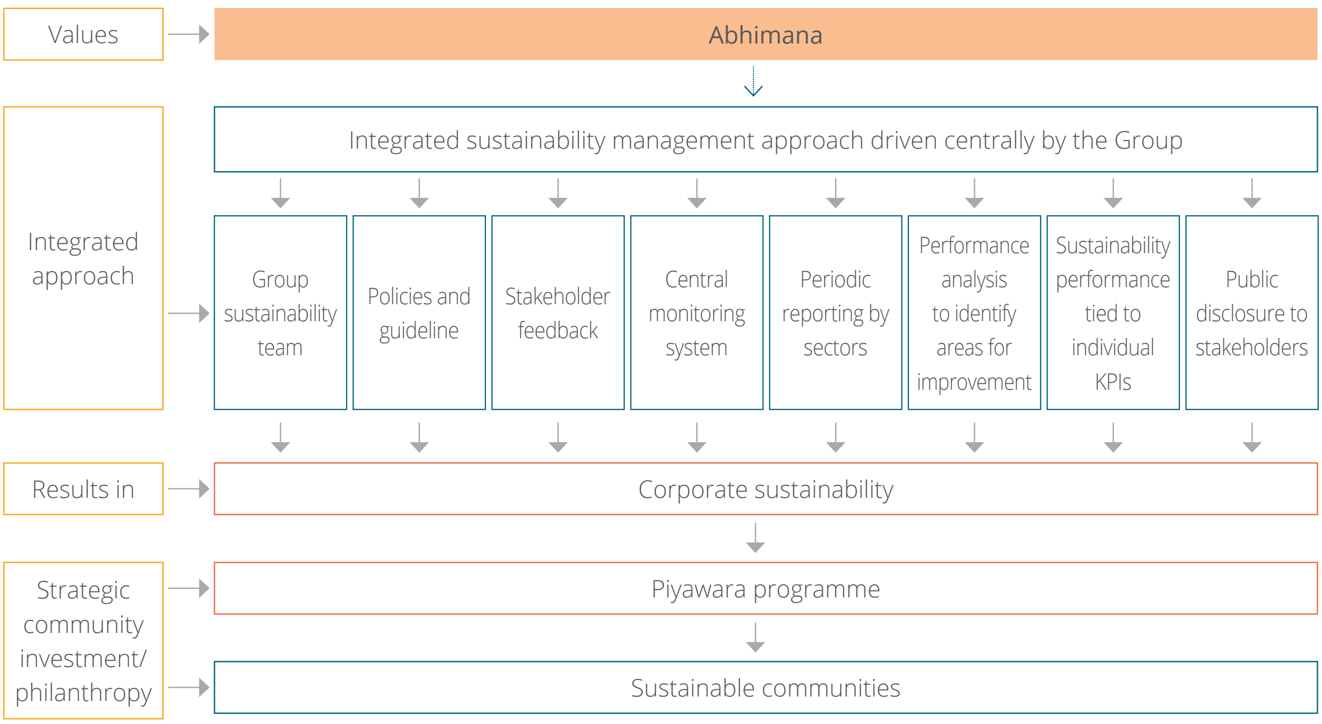
Employees: Proud to work for Hemas.

Partners and Stakeholders: Proud to be with Hemas.

Communities: Proud to host Hemas.

Consumers: Proud to use Hemas products & services.

Abhimana thus formally entrenched the goal of 'Enriching Lives' in the performance narrative of the Group. The Abhimana values drive the Hemas Group's integrated sustainability management approach which consists of eight strategic elements, as shown in the diagram below:



SUSTAINABILITY REPORT

ABHIMANA INITIATIVES – Taking pride in doing the right thing

Abhimana is managed by a team of volunteers spread across the Group's locations of operations; headed by Abhimana Champions, these volunteers are responsible for creating awareness and appreciation of living the Abhimana principles through activities and initiatives that touch each and every person associating with the 'Hemas' brand. When identifying and selecting initiatives two aspects were given priority, namely engaging with key stakeholders of the business and sensitising them on Hemas values.

The following Abhimana initiatives were undertaken during the reporting period :

Care to go Beyond by Hemas Pharma team

Hemas Pharmaceuticals held a screening and awareness session on Non-Communicable Diseases (NCD) for its employees and their spouses on the 20th November 2015. The project included awareness creation about Diabetes and the importance of screening for a healthy lifestyle. Over 80 persons took part in the programme, which coincided with World Diabetes Day 2015.

Hemas Pharma also continued its 'Little Minds' project, supporting the children of the Don Bosco School in Wattala for the second consecutive year. This was the 3rd Abhimana Initiative for the year 2015 by the Pharma team, and was focused on empowering and enriching the lives of "Little Minds", their families and teachers of the school, which is located in the vicinity of Hemas Pharma warehouse. Many of these low-income families that benefit from this initiative depend on fishing industry for their livelihoods and as such, school children are in danger of dropping out due to extreme poverty.

This year's "Little Minds" project provided books and stationery needs of 350 students and awarded a special gift for the student who won the All Island Speech Contest at the Inter School Speech Tournament 2015. In addition the team has conducted awareness sessions on Health and Diseases for students of grades 7 and above, as well for the teachers of the school. Awareness sessions were followed by an NCD screening programme for 65 teachers and parents of the school in December 2015.

JLM team members and the Managing Director at the community medical camp in Kotehena.

Happiness through Music at the Apeksha Hospital by Vishwa and the Corporate Office teams

The employees of Vishwa and the Corporate office came together to host a wonderful musical experience for patients and caregivers of the Apeksha Hospital, the National Cancer Hospital in Maharagama. The evening involved performances by popular local artists and the therapeutic effect of music was evident on the faces of the thrilled audience.

Community Medical Camp by JLM Team

Under Abhimana Project every year, JLM carries out free medical camps for the community in where we do business. In October 2015 the staff carried out their medical camp at the Rajamaha Viharaya temple in Kotehena where over 200 persons from the community around the area benefitted through this endeavour. Approximately 70 JLM employees took part in this programme. This was a touching moment for both the patients and caregivers who were JLM employees; a moment where producers of the medicines, themselves were able to hand over the medicinal products manufactured to the people in need.

The second Community Medical Camp under Abhimana Initiative was held in March 2016 at the Kelaniya church. This was organised in a special way such that we invited both the Baranaskanda Rajamaha Viharaya community and Kelaniya church community, who came together and benefitted from the medical camp. It was a memorable moment as both the religious leaders blessed the medical camp before it began. Around 25 employees actively engaged in setting up the medical camp and took care of the people in need. More than 125 persons were assisted through this camp.

Niyamuwo by Diethelm Travel Sri Lanka Team

The Niyamuwo project, undertaken by Diethelm Travel, is a training programme for Diethelm's Resort Representatives, National Guides, Chauffeur Guides and Chauffeurs on business etiquette and enhancing customer experiences. The project involved senior team members from the operations and management team sharing their knowledge and experience. The main objective of the project is to spread awareness about the importance of strong customer relationships among the chauffeurs and national guides as they are the face of Diethelm Travel business. Two such sessions were completed during the year.

Athwala by FMCG Team

The Hemas FMCG Abhimana team launched Phase 2 of its Athwala project in February 2016 at its Dankotuwa Factory. The programme was designed to nurture a stronger bond with the wider community who are at the heart of our businesses. The phase 2 targeted the Sector's top performing retailers of the Western province and their families. Over 40 families took part in the programme which comprised of two workshops and a factory visit. A leadership building workshop was designed for the children of the retailers, whilst a separate workshop on motivation and persistence for work-life balance was carried out for retailers and their spouses.

Group Level Abhimana Initiatives

- *Abhimana Protection Week*

  Abhimana protection is going beyond Occupational Health & Safety (OHS) to build awareness on the need for health and safety at workplace, cyber safety, and environment protection in and around Hemas. Every year, the month of April is dedicated to raising awareness of such OHS issues.

  The Abhimana Protection programme for 2015 included awareness sessions on four themes of protection.

Thai Pongal celebrations at MSJ Industries in Modara.

SUSTAINABILITY REPORT

Children at the Athwala Leadership Programme in Dankotuwa.

Hemas Travels employees' act – raising awareness about safety in the workplace at Hemas Fort.

They are Environment Protection, IT software Security, Workplace Safety, and Vehicle Safety. Furthermore, at each business location, employees volunteered to act in street dramas that helped spread awareness, with the Group CEO encouraging all employees through his message, "Let's not take safety for granted but make it a habit in everything we do. Safety is everyone's responsibility".

- *Abhimana Workshops*

  Over 40 workshops were carried out across the sector businesses during the year. Abhimana workshops are held annually at every business location at Hemas. In January 2016, the sustainability team met every employee who is part of Hemas Group creating awareness about the importance of responsibility and sustainability.

- *Celebrating Diversity across Hemas Group*

  Celebrating cultural diversity is a special moment in the Abhimana annual calendar. Under this we mark key cultural events of all national ethnicities and celebrate across sector businesses.

- *Commemorating World Diabetes Day*

  World Diabetes Day is the diabetes awareness campaign, led by the Abhimana Champions across the sectors. This is celebrated in November every year to promote healthy living at Hemas. The day was marked under the theme "Say NO to Diabetes" during the year and Abhimana champions generated awareness through street dramas at all business locations while disseminating coasters to employees with powerful messages.

Sri Lanka Tourist police conducting a workshop for the Diethelm Travel chauffeurs, guides, airport reps. and national guides – Project Niyamuwo.

STAKEHOLDER MANAGEMENT

Economic Value Creation

SUSTAINABILITY REPORT

Group Value Addition and Distribution from Continuing Operations

For the year ended 31st March	FMCG		Healthcare	
In Rs. '000	2016	2015	2016	2015
Value Generated				
Revenue	14,298,466	11,895,065	16,142,690	13,920,681
Share of result of Joint Ventures/Associates	-	-	-	-
Other Investment Income	105,474	40,334	7,799	8,806
Profit on Sale of Assets & Other Income	42,698	125,207	111,742	52,259
Valuation Gain from Investment Properties	-	-	-	-
	14,446,638	12,060,606	16,262,231	13,981,746
Value Distributed				
Operating Overheads	11,182,452	9,810,780	12,997,645	11,479,048
Employee Wages & Benefits	1,389,387	1,032,036	1,475,646	1,097,797
Payments to Providers of Funds	13,938	1,717	192,036	196,455
Payments to Government	402,237	142,572	381,034	237,315
Community Investments	1,139	2,808	738	885
	12,989,154	10,989,913	15,047,100	13,011,500
Value Retained for Expansion and Growth				
Depreciation	154,909	157,033	329,688	275,607
Amortisation	691	551	24,416	11,994
Profit after Dividends	1,301,884	913,109	861,027	682,645
	1,457,484	1,070,693	1,215,131	970,246

Leisure		Transportation		Others		Group	
2016	2015	2016	2015	2016	2015	2016	2015
3,417,627	3,024,409	1,778,320	1,517,730	2,339,461	2,139,068	37,976,564	32,496,953
(198,911)	24,519	110,556	110,264	-	-	(88,355)	134,783
13,485	9,628	25,889	27,850	489,820	96,804	642,467	183,422
134,141	54,960	9,374	10,810	22,945	21,428	320,900	264,665
-	-	-	-	37,227	281,624	37,227	281,624
3,366,342	3,113,516	1,924,139	1,666,654	2,889,453	2,538,924	38,888,803	33,361,447
2,504,541	2,244,081	902,708	780,548	1,976,267	1,940,286	29,563,613	26,254,743
593,023	454,000	495,316	396,342	762,982	566,884	4,716,354	3,547,059
113,158	61,730	40,284	24,396	884,030	772,569	1,243,445	1,056,867
67,284	63,480	61,231	60,430	252,584	200,403	1,164,370	704,200
283	166	1,016	485	2,642	702	5,819	5,047
3,278,289	2,823,457	1,500,554	1,262,201	3,878,505	3,480,844	36,693,602	31,567,916
158,271	163,783	90,503	72,839	158,141	131,745	891,512	801,007
2,439	1,950	848	671	16,651	12,270	45,045	27,436
(72,657)	124,326	332,234	330,943	(1,163,844)	(1,085,935)	1,258,644	965,088
88,053	290,059	423,585	404,453	(989,052)	(941,920)	2,195,201	1,793,531

SUSTAINABILITY REPORT

STAKEHOLDER MANAGEMENT

Customers

Across our businesses, we know our customers are paramount and serving them with ethics and integrity is our priority. Our diverse businesses cater to an equally diverse set of clientele, ranging from consumers of affordable mass market products, tourists seeking exotic experiences and patients looking for dependable healthcare to companies seeking technology solutions and B2B clientele looking for partners in the highly competitive transportation industry. In all of these relationships we are constantly listening to our customers, and looking for ways to ensure the highest levels of product and service quality, delivered with efficiency and responsibility.

Product Responsibility

Across the Hemas Group, there is emphasis on ethical and responsible marketing communications and as a Group, our philosophy is to be cautious in our marketing – ensuring that we promise only what we can deliver and that customers are always respected. This approach is especially important in communicating our Hemas products, where prior to delivering marketing/brands communication to the market, the Research and Development team as well as Legal teams are consulted on whether the claims made in communications are substantiated.

Hemas Hospitals made several improvements to the communication about its product and services by widening communication channels to include the heavy use of digital media including social media and web content. At Thalawathugoda and Wattala hospitals, digital screens were set up in public areas to communicate services offers, special offers, promotional and community activity. The quality department also communicates clinical performance indicators to patients and visiting doctors through a digital quality dashboard. In March 2016, the Hemas Health mobile App was launched allowing public access to health promotions, health advice, doctor appointments, self-health trackers, and even to give feedback about hospital services.

The Hemas FMCG sector strictly adheres to Cosmetic Regulations and the Consumer Affairs Authority on labelling requirements which are prescribed in applicable SLSI Product Standards. The sector is in compliance with ISO 9001 quality management system, OSHAS 18001, and adheres to the Goods Manufacturing Practice and Product Processes governed by SLSI. All products are licensed by the Cosmetics, Drugs and Devices Authority before being launched to market, ensuring their efficacy and safety.

The FMCG sector has an exhaustive product development process which includes internal panels and Consumer Oriented Research and Development panels to establish the desired product quality at the product development stage. Post launch, the Sector maintains a benchmarking mechanism to observe its competitive position on quality parameters of product and packaging. Market research focuses mainly on understanding consumer needs and expectations and on gauging the strengths of Hemas FMCG products versus competition in blind form. Research and market surveys are undertaken both internally and externally depending on the importance of the project. Post launch, the FMCG quality team carries out regular quality audits to obtain feedback from internal and external stakeholders; based on this, corrective measures are taken on concerns reported.

Our FMCG sector is consumer centric and advertising is thus a critical part of our business. The FMCG sector spends a significant part of its annual budget on advertising and promotions across all the products in order to create and sustain demand. In keeping with global trends, we have increased our presence on digital advertising platforms over the last few years, as they allow us to target our customer segments more effectively. The sector also carried out several brand activations for products such as Baby Cheramy, Velvet, and Clogard Gel during the year.

Club Hotel Dolphin has introduced the iConcierge App where two customer points are dedicated for customers to get in touch directly with the General Manager/Management to express their concerns with their stay while they are in the hotel. Also in the welcome card, in print-form in the room and via emails sent to clients, the management

SUSTAINABILITY REPORT

encourage customers to give their feedback directly where all the means of communication with the GM is available either to his direct office number, mobile number and WhatsApp number.

Listening to our customers

Hemas Pharmaceuticals follows a standard operating procedure to deal with customer complaints and suggestions; accordingly, issues are escalated to the principals and authorities wherever applicable. The SOPs are reviewed regularly with timely revisions and improvements. During the year, the sector revised its Product Recall Policy; as part of the effort, a mock recall was conducted by the regulatory team on the request of the Risk Management Team to see response times should a recall need arise.

Diethelm Travel obtains feedback from every client it serves through a Feedback Form on customer experience; the forms are then analysed and action taken to mitigate risk and to meet customer expectations. Negative feedback is dealt with immediately.

Hemas Hospitals implemented a Customer Relationship Management (CRM) system during the year to handle customer complaints both in the Thalawathugoda and Wattala Hospitals. Doctor's information and their comments on services and requirements are also updated in the CRM. The CRM offers a transparent approach on activities, tracks follow-up on actions and sends timely notifications to the Senior Management and respective teams. In December 2015, a trial digital system was implemented to receive feedback on front desk performance in Wattala. All inpatients and outpatients have the opportunity to provide feedback using electronic and print modes. The feedback received is analysed and necessary actions are taken to rectify issues. The system in place also ensures that the party who made the initial complaint is kept updated on the corrective mechanisms.

At Hemas Hospitals, the main aim during the year was to provide an end to end service in most facilities by way of enhancing equipment, processes and customer service. The sector also invested in reinforcing its quality and accreditation by recertifying the international accreditation from The Australian Council on Healthcare Standards International (ACHSI). The accreditation has enabled the hospitals to be more process oriented, transparent and customer centric in service delivery.

Hemas Hospitals has adopted a transparent approach to its pricing, with fixed price surgical packages for over 70 of the most common procedures such as baby delivery, hernia and appendectomy. The hospital also prepared, and prominently displayed a billing guide for the information of both doctors and patients. Similarly, the prices of the most common laboratory tests are displayed on digital screens at the laboratory counters.

The Hospital has put in place systems and procedures to ensure that patients are consulted and cost details are discussed, and written consent is obtained prior to carrying out expensive tests or procedures. The Thalawathugoda hospital also launched a home care service with a dedicated team, vehicle and a hotline to ensure timely attendance to the communities' medical requirements in addition to emergency calls for an ambulance. This also enhanced appropriate follow up care for its patients.

The FMCG sector introduced a Consumer Care helpline during the year, as an interface between the consumers and the company. The Consumer Care helpline offers the mediums of voice calls, text messages and emails to communicate ideas, feedback, business opportunities and trade inquiries.

Hemas Logistics is considered one of the fastest growing players in the industry with a reputation for high standards of service and efficiency. As a company that listens closely to the needs of its customers, the company further improved its yard turnaround times during the year and now offers one of the best efficiency levels in the industry.

All our Hotel properties have in place Guest Satisfaction Survey (GSS) software to manage customer feedback; the software sends an email to guests three days after their stay, to solicit an opinion of their experience. A printed GSS is also provided in all rooms and the information collected therein is analysed and reviewed, with corrective action taken where relevant. The Hotels also closely monitor online review sites such as Tripadvisor, to learn about guest experiences and any concerns raised.

DELIVERING THE BEST CUSTOMER CARE

Walk into Hemas Southern Hospital and the brightest face you'd usually see is that of Susira Krishantha, a member of our team since 2011. Susira exemplified the Hemas Values – taking pride in his job and going over and beyond his duty to show love, respect and consideration to patients, their families and his colleagues at the hospital. His positive attitude and energy are infectious – and has earned him a reputation for being dependable and responsible. The 37 year old father of one from Kamburugamuwa reaches out to people instinctively – even during his off-duty hours, and says his happiness comes from putting a smile on the faces of those he helps.

SUSTAINABILITY REPORT

STAKEHOLDER MANAGEMENT

Health & Safety

The Health and Safety of its employees and customers is a priority at Hemas and across the sectors, stringent systems and procedures are in place to ensure compliance and to minimise potential health and safety risks.

As a respected pharmaceutical company, Hemas follows a rigorous process to ensure the health and safety of its products, which are licensed and certified by the respective regulatory bodies. Hemas Pharmaceuticals complies fully with the National Medicines Regulatory Authority (NMRA), whereby the labelling regulations specified under the Food and Animal Feed Act are strictly adhered to in all pharmaceuticals and cosmetic products. The Pharma Warehouse is the main operations hub of the sector with the gamut of storage and distribution activities which are monitored and carried out as per Environmental Safety Standards. All expired medicines are destroyed at a location licensed for the purpose, and destruction certificates are issued for each batch. Hemas Pharmaceuticals maintains two cold chains which comply with the conditions set by each agency for drug storage; sensors are installed to monitor the recommended temperatures while windows are well sealed and covered to avoid direct sunlight and heat. Care is taken to ensure that drugs that cannot be stored together are stored at two different locations. The Pharmaceuticals installed a sound proof, silent generator in its warehouse during the year, under the recommendation of the Central Environment Authority.

As part of the year's wellness initiatives, an air quality check was carried out at the Hemas House executive floors in January 2016. Only registered caterers are appointed to manage the building's cafeteria which is checked frequently for food hygiene.

The FMCG production facilities constantly review the safety of chemicals used and practices a zero tolerance approach to product safety. A Material Safety Data Sheet (MSDS) is scrutinised for all materials used in FMCG manufacture and it is ensured that storage and usage are as per recommended guidelines.

The Hemas Hospitals have in place a Health and Safety Manual which includes occupational health and safety, hazard recognition, health benefits to the staff, procedure in case of workplace accident and the environmental care, electrical safety, biological hazard, bio medical waste management, disaster management, fire protections, mock drills and privacy rights of patients, staff, customers and visitors. Occupational Health and Safety at the Hospitals

Deputy Chief Fire Officer of Fire Service Department conducting floor-wise fire awareness sessions for staff.

is driven by a core team of 20 members representing all departments and locations. The team meets once in three months and discuss issues on the OHS and use an audit checklist to identify issues such as general health and safety at workplace, fire hazard, work areas and physical hazard, electrical, chemical, drug and substance hazard, equipment maintenance, manual lifting and moving, biological hazard and waste management. Furthermore, a weekly environmental inspection round is also carried out by the quality executive, chief nursing officer, infection control nurse, lab quality executive, pharmacy in-charge, maintenance engineer, and facility manager at each location. They are responsible for checks on the infection control process, waste, medication and storage management.

The Hospitals have strict quality controls in place to ensure the safety of its products and services; medicine and consumables are checked regularly while the cold chain is monitored closely. The Medication Safety Committee - a clinical team - is responsible for carrying out a monthly audit of the medicine administration practices. The Hospitals practice and adopt international best practices to ensure surgical safety and follows the World Health Organisation (WHO) surgical safety tool to ensure the correct procedure, correct patient, correct site, is operated on.

Clinical reviews monitor the parameters of sanitisation, patient transfer, nutrition, known allergies, falls management, and hospital acquired infections. Hemas Hospitals uses the WHO hand hygiene tool on 5 moments of essential hand hygiene, and audits are carried out monthly to ensure hospital acquired infections are kept to a minimum. The Hospitals commenced the issue of 70%

SUSTAINABILITY REPORT

alcohol hand rub solution to promote washing hands. Also among the infrastructure developments during the year was the building of positive and negative pressure isolation rooms at the Hospitals in Wattala and Thalawathugoda to accommodate patients with communicable diseases.

The incident reporting and review mechanism has been fortified with a view to address areas of concern and take preventive and corrective measures. Customer and employee feedback on service failures and near misses are taken very seriously when making improvements to create a better working environment.

Hemas Hotels practice high standards of food safety, including the close monitoring of cold room temperatures and temperatures of served food items as well as ensuring the proper packaging and storage of food. Every single employee that handles food is also required to undergo bi-annual health checks. 'Group Mystery Audits' are carried out annually to monitor and test health and safety aspects, with the findings circulated among management for necessary corrective action. Furthermore, all hotels are also subjected to a Health and Safety Audit by the Public Health Inspectors twice a year.

Hemas Logistics carries out annual checks on the vehicles in its container yards. The sector also recruited a security consultant who provides trainings on safety aspects of driving and other skills for employees at the Container yard in Welisara. Drivers are trained on how to manage the quality and service standards of their work whilst being mindful of their health and safety.

All vehicles used by Diethelm Travel (DTSL) are evaluated for safety against a checklist while vehicle audits are carried out twice a year. Chauffeurs, tour guides, and drivers who work with DTSL are vetted for their suitability and must be licensed by the Tourist Board. Drivers and guides are provided training on health and safety guidelines and expectations as well as emergency responses.

The FMCG sector has in place three employee driven committees addressing Health & Safety namely the Advisory committee, Safety committee and Fire Emergency Committee which conduct internal audits periodically. The factories observe the OSHAS 18001 standards. The weekly Factory Improvement Team (FIT) meetings also include fifteen minutes allocated to Health & Safety concerns. The sector has revised and improved systems and processes on Health and Safety aspects – and ensures that workers wear protective gear at all times. Hand wash stations have been installed at the manufacturing premises, and staff awareness has been created on the importance of personal hygiene and the need for safety accessories at the manufacturing plant.

J L Morison, which sells drugs and cosmetics, operates under the jurisdiction of the National Medicines Regulatory Authority (NMRA). Suppliers of its pharmaceuticals and cosmetics must provide a Certificate of Analysis (COA) which indicates all necessary data ensuring the safety of the products and materials. All raw material used in pharmaceutical/cosmetics products manufacturing must have the Material Safety Data Sheet (MSDS), which specifies safety precautions, how to use the product, the procurement details of the materials used, etc.

At JLM, it is imperative that the drugs we sell deliver the efficacy promised, and it is noteworthy that the government recognised the quality and efficacy of JLM products in July 2015, when it signed a five year buy-back agreement, which guarantees the purchase of all pharmaceuticals manufactured locally for the next five years. MSJ Industries received the Good Manufacturing Procedures certification during the year, which certifies the safety and health aspect of the goods manufactured in the plant.

STAKEHOLDER MANAGEMENT

Business Partnerships

SUSTAINABILITY REPORT

The Hemas Way of responsible business encompasses building strong and sustainable relationship of mutual benefit with our myriad business partners, from micro entrepreneurs to large conglomerates and multinational operators.

Procurement Policy

Hemas introduced a formal Group Procurement Policy in August 2013 which sets forth the guidelines and responsibilities of each department in ensuring the best interests of the Group are maintained during procurement. Purchases of goods and services above pre-determined limits also require the approval of the Procurement Committee, a four member committee with Senior Management representation.

Responsible Supply Chains

The industries we operate in have their own supply chain mechanisms – however, the overarching principles of fairness and transparency are applied across these supply chains during our dealings with them. We ensure that the partners we choose to work with share our philosophy of responsible business, and high standards of ethics and integrity. In every business, we have stringent systems and procedures in place to monitor and evaluate that quality and delivery matches our expectation and requirement. A sample of the supply chains of our businesses were presented in our first Sustainability Report for the 2014/15 financial year.

Sharing Best Practices

Hemas Pharmaceuticals strictly monitors the potential risks through the supply chain including during transportation and storage. The Pharmaceuticals also carries out a Health and Safety Audit at all distributor points to ensure they meet the requirements for safe medical storage and possesses all requisite licenses. In addition every year a Distributor Compliance Audit is carried out at all distributor warehouse locations. Following the audit, the Hemas Pharmaceuticals team shares insights, recommendations and suggestions for improvements with the distributors. Where such recommendations are made, regular follow ups take place on the status of implementation of the corrective measures.

J.L. Morisons (JLM) has a mutually beneficial relationship with its local suppliers - JLM provides suppliers with insights and expertise on quality management, conduct audits at the suppliers' factories/ premises and advises them on best practices and process improvements. Similarly, the local suppliers support the MSJ industries team by sharing their technical expertise and knowledge.

With the aim of engaging with our key buyers, Hemas FMCG has entered into partnerships with modern trade and General Trade partners to develop their capabilities and to assist with shelves. Hemas FMCG provides shelves and cupboards to small grocery stores resulting in a win-win for both the outlet owners and Hemas.

The FMCG sector works closely with its suppliers to enable them to grow in partnership with Hemas. During the year, we supported such a supplier to build a new plant for detergent manufacturing in Dankotuwa. The small entrepreneur had all the required technical expertise but did not possess the financial capability – the FMCG team stepped forward to support him financially to fulfil his entrepreneurial goal while adding value to the Company's growth. Similarly, the FMCG team partnered with a logistics service provider to establish a New Regional Distribution Centre (NRDC) to cater to the North Western market. This has reduced our fleet transportation management requirement as goods are directly transported to the NRDC in North Western province without the need to travel back to Colombo.

An out-grower scheme is in place for all the suppliers of herbal products used in FMCG manufacturing. This was introduced with the intention of partnering with small and medium entrepreneurs and farmers from the nearby villages in Dankotuwa. The FMCG sector has also sub-contracted few of its operations such as value addition and labelling to self-employed individuals. Such micro entrepreneurs are selected based on their competency and ability to meet our quality expectations. We provide guaranteed purchasing through annual contracts.

During the year, Diethelm Travel established new business partnerships with several leading operators including Dnata- the largest provider of travel services and products in the Middle East; Khiri Travel which operates in Thailand, Myanmar, Indonesia, Sri Lanka, and Indochina; Kuoni Travel – one of the oldest travel companies in the world and Schauinsland – Reisen the 6th largest tour company in Germany. The Company also opened a new Travel Centre at the OZO Colombo hotel.

Innovation at Hemas

The focus on innovation at Hemas is centred upon the desire to push beyond the boundaries that Hemas has been respected for. Hemas Group harnesses the Group's Open Innovation strategy by tapping into external sources for R&D and emerging technologies to fast-track growth for the years ahead.

Slingshot - a seed accelerator programme was launched during the year. Through Slingshot, we partner with external project teams, entrepreneurs, and early-stage startups that have a strategic fit to the Hemas Healthcare, Wellness and Leisure businesses. The Objective of Slingshot is to identify emerging high potential business opportunities at an early stage and provide financial and strategic support in return for an equity stake. A Slingshot committee was appointed - comprising of internal and external members, chaired by the Hemas Group CEO. The committee is responsible for identifying opportunities, selection of the opportunities to invest in and providing support for growth of the startup.

As a key step in building the external innovation network, Hemas has partnered with the Sri Lanka Institute of Information Technology (SLIIT), Sri Lanka Institute of Nanotechnology (SLINTEC), University of Colombo and Credence Genomics, a Genetic Testing Laboratory during the year. Through these partnerships, Hemas will leverage on the research talents of the undergraduate and post-graduate students and will provide assistance in guiding and encouraging a culture of innovation and entrepreneurship in the institutes and the company. The partnership also aims to increase opportunities for commercialisation of student's research projects.

SUSTAINABILITY REPORT

Hemas Pharmaceuticals

As Sri Lanka's Pharmaceuticals market leader with a heritage of six decades, Hemas prides itself on being one of the most streamlined and modernised organisations in the nation's pharmaceutical industry, with advanced sales and distribution operations. The operations are engineered to be ultra-efficient in delivering business partners with timely solutions in order to provide Sri Lankans with the world's most trusted brands of pharmaceutical, surgical and diagnostic products.

J L Morison (JLM)

J L Morison Son & Jones (Ceylon) PLC (JLM) is a fully Sri Lankan owned company with seven decades of experience in the country. JLM aims to offer wellness and a better quality of life to Sri Lankans through the provision of trusted pharmaceutical and OTC products that are efficacious and of high quality at an affordable cost. As one of the oldest and largest pharmaceutical manufacturers in Sri Lanka, JLM takes pride in providing for the healthcare needs of the private and public sector.

In addition to manufacturing high quality pharmaceutical and OTC products, JLM also imports and distributes internationally renowned healthcare, consumer and agro brands via an island-wide distribution network.

Diethelm Travel Sri Lanka (DTSL)

Diethelm Travel Sri Lanka is one of the leading Destination Management Companies in Sri Lanka with over 38 years of experience. We are committed in providing quality and customised Sri Lanka travel experiences for individual travellers and groups. The company strives to look for new ways of improving its offering while remaining committed to cater to evolving needs and expectations of customers and partners ranging from Asia to Europe. To achieve its ambitions, Diethelm works with a solid network of business partners.

SUSTAINABILITY REPORT

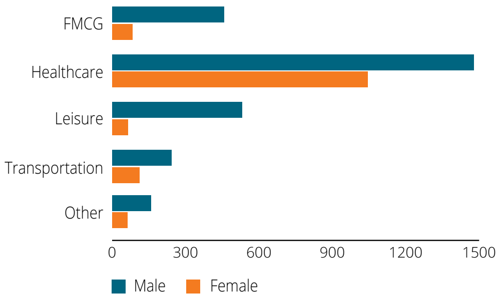
STAKEHOLDER MANAGEMENT

Employees

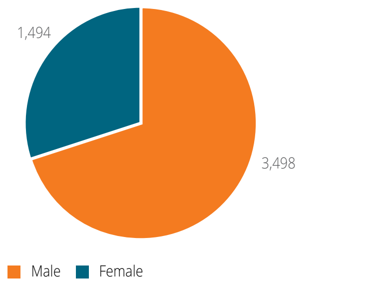
The success of Hemas has been crafted by our employees whose skills, talent and loyalty have driven performance while collectively espousing the values so integral to the Group. We know that achieving the future aspirations of the Group will depend entirely on our ability to build the talent that can take us there. We have thus shaped a human resource strategy to create the right combination of skills, attitude and fulfilment by recruiting the right fit, ensuring solid training and development, and retaining talent through reward and recognition. Our goal quite simply, is to create a workforce that thrives at Hemas.

Total Number of Employees

Hemas Group - Total No. of Employees, by Sector



Hemas Group - Total No. of Employees, by Gender



	FMCG			Healthcare			Leisure			Transportation			Other			Hemas Group		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
i) Total No. of Permanent Employees	458	82	540	1479	1044	2523	531	65	596	243	111	354	158	63	221	2869	1365	4234
ii) Total No. of Employees on Contract	0	0	0	37	50	87	316	52	368	251	3	254	25	24	49	629	129	758
Total No. of Employees	458	82	540	1516	1094	2610	847	117	964	494	114	608	183	87	270	3498	1494	4992
Total No. of Personnel from Manpower Agencies	398	163	561	45	55	100	23	0	23	0	0	0	1	7	8	467	225	692

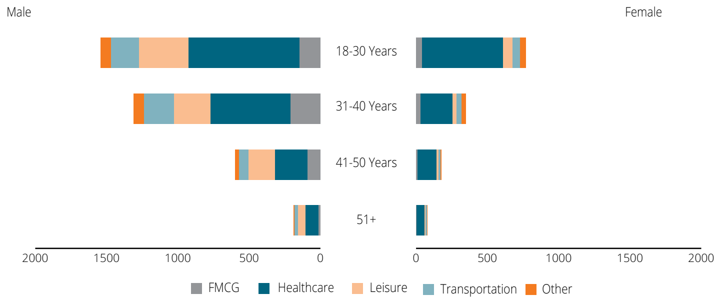
Total Number of Employees by Employment Grade

	FMCG			Healthcare			Leisure			Transportation			Other			Hemas Group		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Grade 1b	0	0	0	3	3	6	0	0	0	0	0	0	2	7	9	5	10	15
Grade 1a	311	22	333	1118	946	2064	708	61	769	315	7	322	24	2	26	2476	1038	3514
Grade 2	47	20	67	166	89	255	51	29	80	77	56	133	61	35	96	402	229	631
Grade 3	22	7	29	28	11	39	19	10	29	51	32	83	11	14	25	131	74	205
Grade 4	29	18	47	44	24	68	21	8	29	21	9	30	17	10	27	132	69	201
Grade 5	22	5	27	130	7	137	26	4	30	13	2	15	38	9	47	229	27	256
Grade 6	9	6	15	7	1	8	8	3	11	8	2	10	14	1	15	46	13	59
Grade 7	8	2	10	9	4	13	2	1	3	3	2	5	3	5	8	25	14	39
Grade 8	2	1	3	4	6	10	5	1	6	3	1	4	5	3	8	19	12	31
Grade 9	7	1	8	4	3	7	5	0	5	3	2	5	4	1	5	23	7	30
Grade 10	0	0	0	1	0	1	1	0	1	0	0	0	1	0	1	3	0	3
Grade 11	1	0	1	2	0	2	1	0	1	0	1	1	0	0	0	4	1	5
Grade 12	0	0	0	0	0	0	0	0	0	0	0	0	2	0	2	2	0	2
Grade 13	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1
Total No. of Employees	458	82	540	1516	1094	2610	847	117	964	494	114	608	183	87	270	3498	1494	4992

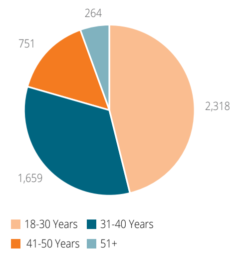
SUSTAINABILITY REPORT

Total Number of Employees by Age Group

Hemas Group - Total No. of Employees by Age Group and Gender



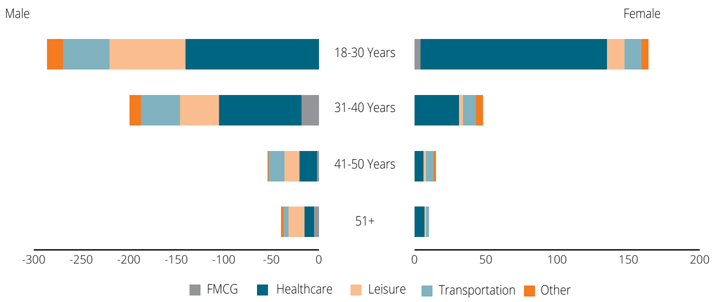
Hemas Group - Total No. of Employees by Age Group



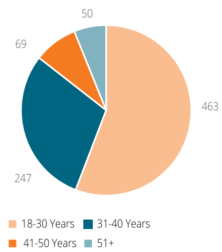
	FMCG			Healthcare			Leisure			Transportation			Other			Hemas Group		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18-30 Years	144	40	184	716	639	1355	346	65	411	198	56	254	72	42	114	1476	842	2318
31-40 Years	210	30	240	503	281	784	258	27	285	210	38	248	71	31	102	1252	407	1659
41-50 Years	91	9	100	210	119	329	189	17	206	64	12	76	31	9	40	585	166	751
50+	13	3	16	87	55	142	54	8	62	22	8	30	9	5	14	185	79	264
Total	458	82	540	1516	1094	2610	847	117	964	494	114	608	183	87	270	3498	1494	4992

Resignations by Sector 2015/16

Hemas Group - Total No. of Resignations by Sector and Gender



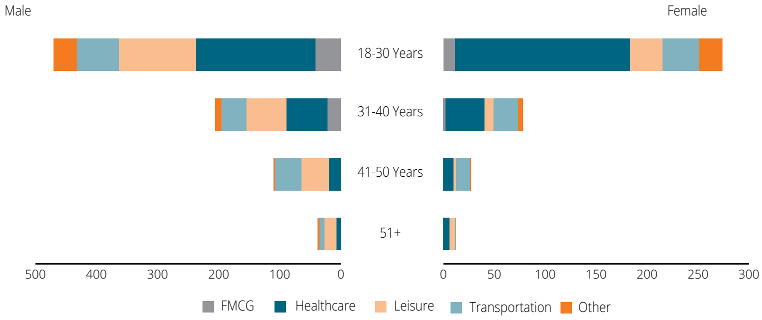
Hemas Group - Total No. of Resignations by Age Group



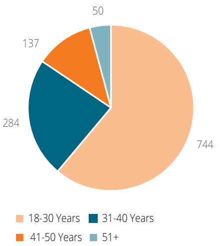
	FMCG			Healthcare			Leisure			Transportation			Other			Hemas Group		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18-30 Years	13	4	17	140	131	271	80	12	92	49	12	61	17	5	22	299	164	463
31-40 Years	18	0	18	87	31	118	41	3	44	41	9	50	12	5	17	199	48	247
41-50 Years	2	0	2	18	6	24	16	2	18	17	5	22	1	2	3	54	15	69
51+	5	0	5	10	7	17	17	1	18	5	2	7	3	0	3	40	10	50
Total	38	4	42	255	175	430	154	18	172	112	28	140	33	12	45	592	237	829

New Hires by Sector 2015/16

Hemas Group - Total No. of New Hires by Sector and Gender



Hemas Group - Total No. of New Hires by Age Group



	FMCG			Healthcare			Leisure			Transportation			Other			Hemas Group		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18-30 Years	41	11	52	196	172	368	126	32	158	69	36	105	38	23	61	470	274	744
31-40 Years	22	2	24	67	38	105	65	9	74	41	24	65	11	5	16	206	78	284
41-50 Years	0	0	0	19	10	29	45	2	47	44	14	58	2	1	3	110	27	137
51+	0	0	0	7	6	13	20	5	25	8	1	9	3	0	3	38	12	50
Total	63	13	76	289	226	515	256	48	304	162	75	237	54	29	83	824	391	1215

The Hemas Way

The Hemas Way is the Employee Code of Conduct which sets forth the expectation of a Hemas team member when living the Hemas Values. The Hemas Way is thus a personal commitment of how day to day business will be conducted and the behaviour expected when dealing with the company, customers, suppliers, colleagues, competitors and the broader community. Inherent in the Hemas Way are the highest levels of business ethics and personal integrity, and it is an indication of an employee's commitment to and compliance with all policies and guidelines that are in force within the Group (including but not limited to the Sexual Harassment Policy, Media Policy, IT Policy, Whistle Blowing Policy, Workplace Policy, Human Rights Policy, Social Responsibility Policy, Sustainability Policy and Environmental Policy).

Management Approach

Human Resource Management at Hemas takes place at two levels – at the centre where overall strategy, policy, guidelines and process formulation takes place and at the Strategic Business Unit (SBU) level which manages talent along the central guidelines, but with a high degree of independence. The Managing Directors and HR Heads of each SBU hold joint responsibility for Human Resource Management.

In 2014, the Group introduced a six year strategic plan for HR designed to propel us to be among the top ten most sought after employers in Sri Lanka. The strategy is built on four pillars of HR excellence.

- energise and engage employees with the vision.
- attract the best by building the Hemas brand among potential job seekers through smart recruitment strategies.
- nurture leadership within, through deliberate efforts to develop a pipeline of future leaders.
- simplify and add value through better processes.

In order to implement this strategy, the Group has also instituted internal improvements such as enhancing the capability of the HR team, appointing HR savvy leaders at SBU level, and creating a leadership and talent driven culture.

Diversity and Equal Opportunity

We believe in equal opportunity and offer opportunities strictly on merit; the Hemas culture celebrates diversity and follows a zero-tolerance approach to any form of discrimination based on gender, ethnicity, religion, age, sexual preference or disability. Pre-determined salary bands are in place and starting salaries are offered on merit while increments are based on performance qualifications; there is no discrepancy in the basic salary and remuneration offered to men and women.

SUSTAINABILITY REPORT

Recruitment and Selection

Recruitment and selection is based on a person's suitability for the role conceived both in terms of knowledge, skills and experience, and their fit with the role requirement and the Hemas culture.

Training and Development

Training and development is undertaken at both SBU level and at Group level. The performance appraisal system helps to identify skill gaps and each sector's training calendar includes a combination of technical competency building and soft skills development programmes.

The Group level Hemas Academy implemented a structured management development programmes for high performers across the Group with the objective of creating a pipeline of future leaders. Sector level initiatives are discussed below.

The FMCG Sector's Development Centre (DC) identified strengths and skill gaps of individuals vis-à-vis the required competencies of their roles, with a view to developing comprehensive Individual Development Plans for the next 2 to 3 years. This helps to focus on up-skilling the talent at FMCG and defining a sustained learning initiative. FMCG Partnered with SHRM India (Society of Human Resources Management) to design the process and delivery of the DCs which included bringing in certified professionals with industry experience as assessors. This sector alone delivered over 13,000 man hours of training during the year with 27 employees sent on overseas training, for exposure at exhibitions and market visits. Also, as an outcome of the employee engagement survey, 25 of our Senior Managers went through a series of development interventions on people management.

At Hemas Pharmaceuticals, a new initiative named, "Giving Wings to Aspirations" was introduced to support staff in their career development, personal aspirations and educational needs – this year, 88 back office employees benefitted from this programme. Hemas Pharma also offers specialised pharmaceutical training to upgrade the profiles of its 300 medical delegates. Initiatives in this regard included sponsoring selected candidates for a Certificate Course in Pharmaceutical Marketing and for training in Service Excellence, as well as providing student loans for higher studies. Apart from the general trainings employees were also given training in Managing Personal Finances, Stress Management.

During the year, J L Morison fortified its human resource systems, especially with regard to training and development. A formal training needs analysis was carried out to identify training needs for all categories of employees, based on a Career Development discussion. Two-day residential team workshops were held to discuss current issues and training requirements on team building, attitude and behavioural change. In May 2015, a Future Leader training programme named Project LeadSquared was launched with the objective of identifying potential future leadership talent through a set of assessments. The second phase to shortlist candidates for mentoring will take place in the 16/17 financial year. The year's training also included a personality development and leadership skills for supervisory category employees. The Idhiriya Project, launched in August 2015 is designed to encourage those who have stagnated in their careers to be more focused and become self-driven. This project is also linked with the educational loan benefit provided for staff.

New recruits of Diethelm Travel are given a 5 day familiarisation and education tour designed to give them an understanding of the tourism industry in Sri Lanka. Familiarisation tours are also organised for existing employees who undertake regular visits to research hotels and locations and to gather first-hand information on the customer experience.

Performance Management

100% of all employees in confirmed employment receive performance and career development reviews twice a year, with a mid-year review taking place in September each year followed by an year end review at the end of our financial year. The year-end appraisal includes a career discussion and a goal setting exercise for the following year.

Hemas Hot Shot Wins an Effie for Effectiveness!

Youth recruitment in Sri Lanka is not all fun and games. The country's unemployment rate is 4 times higher among youth and double among those educated up to Advanced Level. Every year, about 270,000 people seek jobs abroad. For the private sector which employs about 41% of the labour market, attracting the best talent becomes extremely competitive.

Hemas is after the trendsetters, rebels and thinkers - those tech savvy millenials who search, buy, learn, shop, cook and play almost exclusively on the internet. Seeking creative solutions to this recruitment challenge, Hemas along with creative partners Phoenix Ogilvy saw an opportunity in the popular online gaming space to gamify recruitment. The initiative, branded "Hot Shot" simplified the most laborious parts of the Company's recruitment process into 3 simple game stages – Rapid Fire, Prove Your Worth and Call The Shots.

The millennial-friendly game gave Hemas quality over quantity, and saved the HR team time and money. Candidates scored the highest results seen in over a decade. With Hot Shot, Hemas became the first Sri Lankan company to put a modern spin on the recruitment process, and it paid off!

On the strength of its effectiveness, Hot Shot won a coveted Bronze Effie at Sri Lanka's Effie Awards, which honour and recognize the most effective marketing communication ideas.

Grievance Handling

The Group practices an open door policy across its businesses, which has enabled the early resolution of many employee concerns. However a formal, step by step mechanism is in place for the escalation of grievances from an employee's own supervisor, to the supervisor's superior and then to the Managing Director of each SBU and/or Group HR.

Driving Performance Through Motivation

Employees of the FMCG sector are kept abreast of the vision for the business, current activities, future challenges and how people can actively participate in the business through quarterly and annual gatherings and communications with the leadership team. Similarly, Brand Awareness Sessions are carried out by the Brands team to ensure the non-executive cadre is aware of the Group's brands and various products categories and their performance and challenges.

The FMCG Sector's Cross Functional Teams (CFT) is a unique initiative built around the Brands. Majority of employees at Executive Grade and above are allocated into CFTs and each CFT representative carries 15% of their performance measurement against CFT objectives. CFT members undertake market visits, consumer surveys and make valiant efforts to increase availability and visibility of stocks. The CFT programme culminates in an annual 'MD's Pride Award' where CFTs make presentations to the Board of Management on the work carried out for the financial year - this is used as a very productive learning forum.

SUSTAINABILITY REPORT

November 2015 was declared a "Purpose Month" at JLM, where the company's purpose to its multiple stakeholders is given priority. JLM's purpose to the consumers is to offer wellness and a better quality of life through trusted products that are efficacious and of high quality at an affordable cost, providing value for money and are conveniently available. To the JLM employees, we offer the opportunity to work towards a greater purpose in Healthcare within an ethical, stable and respected organisation where one could expect equality, fairness and recognition and an environment that facilitates great achievement and strong career development. It is important that every employee unanimously believes in the purpose, and therefore a series of competitions were held throughout November 2015 to engage employees from across the Company.

Diethelm Travel has unique employee engagement projects which are conducted each quarter to strengthen employee bonds. The employee-driven programme involves the teams themselves presenting an activity plan for which the Company commits funds, which may be supplemented by fundraising if required. The activities are considered as an opportunity for young leaders to show their talent and potential to Senior Management. Among the year's quarterly events were "Capture your experience of Colombo in a video" and "The Hunt is on" Treasure Hunt.

The Hospital has been facing a scarcity of suitable skilled staff and in order to seek the best candidates for recruitment, launched an "Employee get Employee" scheme during the year. Under the scheme, if a current employee recommends a chosen candidate, he/she will get rewarded.

Listening to Employees

The FMCG sector has several employee driven initiatives at factories including committees such as the Safety Committee, Food Committee, Transport Committee, and Locker Committee. An Employee of the Month scheme was introduced at the FMCG sector for shop floor employees following the feedback from the Employee Engagement Survey. The objective of the scheme is to generate motivation for performance improvement through recognition and appreciation. Stand Up Meetings are conducted every morning on the factory floor to review the previous day's work, concerns, productivity and quality issues, and to discuss the production targets for the day. Employees appreciate the opportunity to raise concerns with the Management on a daily basis.

Hemas FMCG Bangladesh Team – Winner of the Game Changer Award at Hemas Awards 2015.

The Transportation sector – Head of HR carried out a regular one-on-one session with every employee of the sector to discuss their general career development etc. In this discussion employees also talk about any matters regarding their employment. This one hour session was held every Friday.

This was mainly done by the sector Head of HR to create employee bonding – to help them personally as well as professionally.

In JLM, the 'Coffee with MD' sessions were held every month. About 10 to 15 employees from across the departments are given the opportunity to sit with the JLM Managing Director and have an informal coffee chat session. The objective of these coffee sessions is to understand the employees' pulse on how and what they feel about the Company and work overall. The JLM Head of HR, JLM MD and a selected group of employees except for the relevant departmental heads will participate in the coffee sessions. The team has conducted over 15 coffee sessions during the reporting period between April 2015 and March 2016 both in Head Office, Kelaniya and MSJ Industries, Modara locations.

Collective Bargaining

Hemas recognised a worker's right to collective bargaining and currently works closely with four unions (3 in resort hotels and one at JLM). J L Morison has a collective agreement with its union, which includes 40% of its non executive cadre.

At the FMCG sector, two Joint Consultative Committees operate at the manufacturing premises and Finished Goods Stores. The JCC comprises of worker level employees, who

Employees at an outbound training.

The winning moment of our staff from Club Hotel Dolphin, AVANI Kalutara and Hotel Sigiriya at the 16th Edition of Culinary Art Food EXPO Chef Guild Exhibition 2015.

raise issues concerning productivity, quality and grievances during the monthly meetings with the management. Employees are encouraged to offer their ideas or concerns via a suggestion box; these are reviewed at the Advisory Committee Meeting.

The Joint Consultative Committee (JCC) at the Hemas Hospitals Sector meets at least once in 2 months. The minutes of each such meeting are circulated among all members of the forum. Issues brought forth at the meeting are either resolved immediately or given a timeline for resolution. It is emphasized that the JCC should be viewed as a forum where employees find mutually agreeable solutions instead of a forum for complaints.

Work Life Balance

During the year, several Group level initiatives were taken to strengthen employee relations; these included Fun Friday, a quarterly event where staff representing each sectoral business showcase their talents. The Group also organised Vision 2020, a session to drive the group's overall strategy. Across all of our sectors, the employee engagement activities include events such as annual sports days, Christmas parties and talent shows while most sector businesses also conduct an Annual Awards night to recognise and reward top performers. Throughout the year, a special effort is made to embrace diversity with all staff celebrating each other's religious festivals.

The FMCG Sector promotes employee fitness and wellness through gymnasiums at the Dankotuwa and Welisara complexes; Zumba classes are also conducted at a nominal fee.

The Transportation sector introduced a feeding interval of 90 minutes to new mothers during the 3 months following their maternity leave. A parenting skills workshop was also held for employees and their spouses while 3 programmes were held to provide work life balance management .

At our Hotel properties, staff facilities were upgraded including standardised cafeteria menus, gymnasiums for staff use, and new staff quarters.

Diethelm emphasises the importance of work life balance and during the year, conducted a training session for all staff on achieving work life balance and managing stress. The company also introduced a flexi hours work plan for employees, to be approved on needs basis depending on responsibilities and region of work.

At Hemas Hospitals, a blood donation camp was held with the participation of over 200 staff members as well as the members of the community in and around the Wattala Hospital. Staff engagement was also created at the Hospital through initiatives such as a debating competition, cooking programmes, sports days, quiz programmes, Speech Craft Programmes and English classes.

SUSTAINABILITY REPORT

INSPIRATIONAL WOMEN LEADERS OF HEMAS

Hemas has been at the forefront of empowerment of women in business – at the recently concluded 3rd World Women Leadership Congress and World CSR Congress in Mumbai, three of the top women leaders at Hemas were recognised for their outstanding leadership and achievements at an international level.

Kasturi Wilson, Managing Director Hemas Group Transportation sector was awarded the prestigious "Outstanding Women Leadership Achievement Award" for her excellent leadership and professionalism. Kasturi counts for over 26 years of managerial experience in multiple industries and functions spanning auditing, consulting, logistics, leisure and travel.

Dr. Samanthi De Silva was awarded "Women Leadership Achievement Award" for the distinct innovations and initiatives introduced by her at Hemas Hospitals, the first hospital in Sri Lanka to obtain International Accreditation. She joined Hemas Hospitals as the Head of Medical Services in 2008 and currently serves as the Group Medical Director of the Hemas Hospitals chain.

Shiromi Masakorala was recognised among the top "100 Most Impactful CSR Leaders (Global Listing)" for Strategic Perspective & Building Collaborative Relationships, Personal Credibility, Integrity & Ethics, Innovative Sustainable Solutions, Incorporating Ethical Values and Involvement in Communities & Protection of the Environment. Shiromi is the Head of Group Sustainability & Corporate Communications, Hemas Holdings PLC and Executive Director of the Hemas Outreach Foundation.

The World Women Leadership Congress (WWLC) recognises women leaders with vision, flair, acumen and professionalism to demonstrate their excellent leadership and management skills in the organisation, making changes and achieving results.

STAKEHOLDER MANAGEMENT

Community

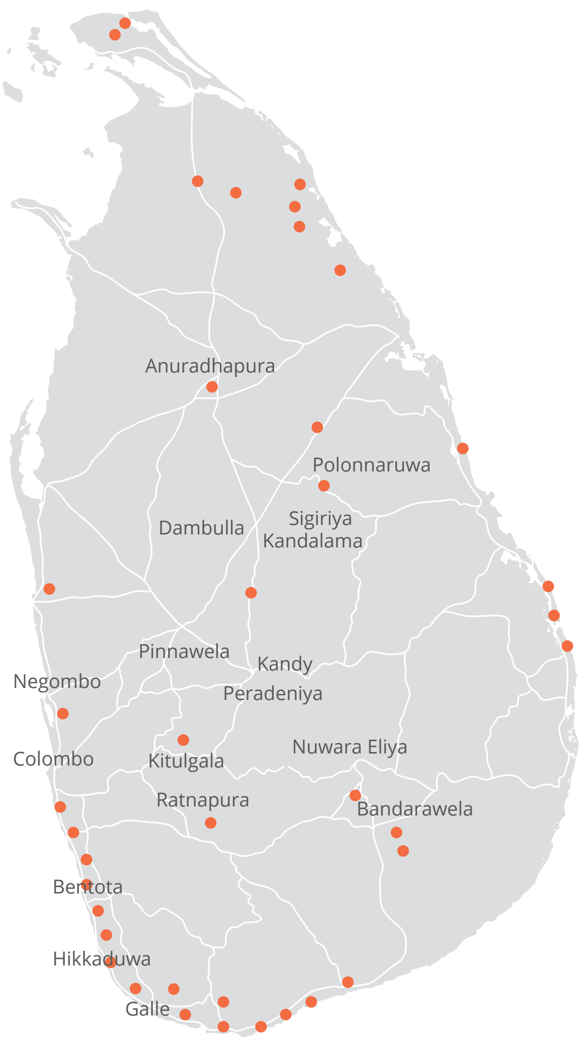
Community

Our "Enriching Lives" philosophy has instilled within Hemas a commitment to consider the best interest of the communities around us in everything we do.

The community commitment of the Hemas Group is typified by our flagship project 'Piyawara', a project that has been hailed as the most successful instance of addressing a national issue through an effective public-private partnership. Piyawara, now in its 14th year, has to date impacted over 35,000 children throughout the country, and at present, impacts 3,000 children on a daily basis.

Enriching Lives of Over 3,000 Children Over 100 Teachers

Piyawara Preschools in Sri Lanka....



1. Wadduwa
2. Kalutara
3. Bentota
4. Balapitiya
5. Ambalangoda
6. Hikkaduwa
7. Rathgama
8. Galle I
9. Galle II
10. Habaraduwa
11. Tissamaharama
12. Weligama
13. Matara I
14. Matara II
15. Tangalle
16. Hungama
17. Hambantota I
18. Hambantota II
19. Gampaha
20. Matale
21. Polonnaruwa
22. Anuradhapura
23. Dankotuwa
24. Kurunegala
25. Badulla
26. Ratnapura
27. Jaffna I
28. Jaffna II
29. Kalmunei
30. Ismailpuram
31. Navadanweli
32. Kantale
33. Ambalnagar
34. Kilinochchi
35. Mullaitivu Silawathi
36. Mullaitivu Teetakarei
37. Mullaitivu Kepapilaru
38. Boossa
39. Welioya
40. Monaragala, Malhawa
41. Monaragala, Madurukatiya

The Hemas 'Piyawara' project focuses on early childhood care and development, penetrating the segment by facilitating preschool education for children aged 3 to 5 years from marginalised communities. The long term objective of Piyawara is to increase Sri Lanka's national competitiveness by laying the foundation for successful primary education through child friendly preschools of a high standard island-wide.

Piyawara's mission is "to nurture young children with good care in order to provide a solid foundation of a life long journey"; and to achieve this, Piyawara focuses on the following aspects:

1. Improving infrastructure development - adding model schools to the national network or upgrading existing schools to meet minimum standards
2. Parental awareness programmes
3. Preschool teacher training programmes
4. Recreational facilities for children
5. Empowering children with special needs
6. Working towards eradicating child abuse in partnership with Sri Lanka Police
7. Emergency intervention during national disasters

The Piyawara project began in 2002, when the Hemas Group was seeking a single significant social issue with which to engage in the long term. The Ministry of Social Welfare encouraged Hemas to focus on Early Childhood Care and Development (ECCD) with our initial task being assistance towards the upgrade of existing preschools in 10 districts to model preschools over the course of two years. The project included ancillary activities such as teacher training and parental awareness, community involvement, medical clinics, and television programmes. The Boxing Day tsunami in December 2004 marked a turning point for Piyawara. The Hemas Group together with our partners rose to make an impact where it mattered, setting up 29 temporary preschools in makeshift camps around the country, including in the war zones of the North and East.

Piyawara is managed by the Hemas Outreach Foundation, registered as an approved charity in Sri Lanka. The Foundation is funded through donations from companies within the Hemas Group as well as its overseas business partners, in Europe and Germany in particular. The

41st Piyawara preschool opened in Madurukeitya, Monaragala in December 2015.

Hemas Outreach Foundation is managed by a Board of Independent Trustees appointed by Hemas Holdings PLC and audited by Ernst & Young, while its administration is undertaken by Hemas employees on a voluntary basis.

The Children's Secretariat of the Ministry of Child Development and Women's Affairs is our strategic partner while government authorities such as the Local Councils, Pradeshiya Sabhas, Municipal Councils and in remote regions the Rural Development Authorities partner with us in managing the schools once they are built. The local authorities ensure that the schools are staffed by qualified teachers and that routine maintenance is carried out. All Piyawara preschools are registered with the respective Divisional Secretariats.

The Piyawara preschools ensure that marginalised children in each preschool receive structured learning at a critical development stage, which they would otherwise have to forego. The children are provided the best of facilities and benefit from an activity based learning method. We have made every effort to make Piyawara preschools a model in preschool education, and the government has acknowledged that Piyawara preschools are now considered the standard. The Hemas Group builds each school and works in partnership with the government authorities to initiate teacher training and parental awareness and serves as a meaningful stakeholder in each preschool's progress. The model developed in partnership with our strategic partners, is of an inclusive preschool that promotes social integration and uplifts living standards. From the architecture and design of the schools, to their operation and the learning they impart, social compliance is a primary influencing factor.

SUSTAINABILITY REPORT

The preschools play a strong role within their communities and are sometimes even used as maternal and childcare centres. The parent-teacher associations at the Piyawara schools function with high levels of responsibility, ownership and accountability and are considered models that are followed by other districts.

The Hemas Group has engaged our business partners from overseas as well as our distributors and sales representatives locally in the Piyawara Project. The overseas business partners donate funds towards the project while the local supply chain gets involved in ground-level activities at project sites that are close to their regions of operation.

Positive engagement with stakeholders, especially with the local communities drives the continuity of the project. At local level, the Piyawara preschools, once built, are handed over to the local government authorities, which manage the teaching staff as well as general maintenance. We set up parent-teacher associations at all schools to create a sense of belonging and continue to monitor them. We also ensure the quality of teaching by providing teacher training.

At national level, the Project has now become entrenched in the ECCD framework of the country, as a model that is considered the benchmark. The recognition thus received has enabled us to expand the scope of the project and also to influence policy making in relation to ECCD in Sri Lanka. Hemas is now represented on the National ECCD Policy Body and the National Body on Provincial ECCD Committees. During disasters, Hemas sits on the main bodies of the Ministry of Child Development. The Executive Director of Hemas Outreach was appointed as a Director of the National Child Protection Authority (2012 - 2015).

The future of the Piyawara project includes plans for a Centre of Excellence for children with developmental disabilities where early identification and intervention will help a child achieve his or her full potential.

Awards and Recognition for Piyawara

Best Educational Project in Asia – Asia CSR Awards, Vietnam 2007 - Asian Institute of Management

Teachers at the Annual Piyawara Teacher training programme held in August 2015 in Jaffna,

Best Tsunami Project Sri Lanka 2007 – Ceylon Chamber of Commerce

Best Community Care Company in Asia /Best CSR Campaign in Asia – Singapore 2014. MORS sustainability research organisation.

JASTECA CSR Gold Award 2014 (Japan-Sri Lanka Technical and Cultural Association)

Appointed to the Government's National Committee on ECCD.

The launch ceremony of Fems Foundation on International Women's Day 2016.

Fems Foundation

In an initiative to add sustainable value to consumers, in March 2016 Fems launched a foundation dedicated to empowering women in Sri Lanka. The Fems Foundation is an initiative dedicated to the health, wellbeing and empowerment of women, and is a powerful platform to enhance their life skills and chances of future success.

The objective of the Foundation is to inspire, encourage and enable women of Sri Lanka to push past stereotypes and self-imposed limits to achieve their fullest potential. The Foundation was launched in collaboration with some of the leading national universities in Sri Lanka, with the involvement of undergraduate students who will be involved in the activities of the Foundation. In addition to educational sessions on feminine hygiene, the Foundation will also provide training in leadership development, career guidance and other life skills which will benefit the young students. The Foundation was ceremoniously launched to coincide with International Women's Day at the University of Sri Jayewardenepura.

Clogard School Activation Programme

The Clogard team has taken the initiative to promote oral health among children in schools in the North Central, North Western, Western and Southern Provinces. The team conducts dental clinics in schools with the aim of promoting good oral hygiene and creating a cavity-free future for all citizens. During the year under review, 40 such school activations were carried out reaching 11,200 children.

Baby Cheramy Mother Clinics

Baby Cheramy has been conducting islandwide mother clinics over the last eight years in association with the Ministry of Health. The Baby Cheramy brand provides information for pregnant mothers and young mothers on topics such as Early Childhood Care & Development, Breast feeding, Baby bathing and massaging and also session on Music Therapy for the pregnant mothers at these mother clinics. Thus far Hemas FMCG, Baby Cheramy brand has reached out to over 50,000 mothers. Hemas FMCG aims to reach around 50,000 pregnant mothers in the next 12 months covering 85 mother clinic programmes. This will be conducted across five provinces and eight districts.

JLM Community Project

JLM's CSR project for the year was the renovation of the Kethumathi Maternity Hospital in Panadura. In addition to the Company's monetary support, employees stepped forward to carry out the renovation themselves. They also donated mattresses and mosquito nets to the hospital.

Building Ecosystems Around Hotels

Our Hotels are central to the communities they operate in – in Waikkal, Bentota, Kalutara and Sigiriya. Over the years, the hotels have become integral to the socioeconomic growth of these rural economies – primarily through local hiring and local sourcing. Wherever possible, the hotels source its fresh produce requirements as well as small construction and transport requirements from individuals and small entrepreneurs in the vicinity – these include fruit and vegetable sellers, seafood suppliers, builders and machinery operators, and guides and taxi drivers. Building on their role as part of each community's ecosystem, the hotels also extend a hand in building and maintaining community infrastructure. We are also constantly looking at innovating our offering by including the community in the tourist experience – a successful example of this is the "Village Lunch" excursion in Sigiriya where guests experience a typical home-cooked village style meal prepared and enjoyed at the homes of families in the village of Diyakepilla.

SUSTAINABILITY REPORT

Taking the Lead in Preventing Sexual Exploitation of Children

The Code is an industry-driven initiative within the Leisure and Tourism Sector, which is a pledge to Protect Children from Sexual Exploitation in Travel and Tourism. It provides awareness, tools and support to the tourism industry to try to prevent the sexual exploitation of children. Club Hotel Dolphin has been a member of 'The Code' since 2012 and in 2013, became a TOP member – the only TOP member in the Sri Lanka Hotel industry.

As a responsible tourism operator, Club Hotel Dolphin aims to generate awareness and highlight concerns with regard to child abuse in Sri Lanka, towards which it has a zero tolerance policy. Initiatives undertaken as part of the project include creating awareness workshops for internal staff as well as seminars for key members of the industry and surrounding communities. Staff and guests are both encouraged to be vigilant, particularly in relation to the activities and presence of possible paedophiles, and to report any suspicious activities, either to the hotel reception, or directly to Child Line Sri Lanka, or to the nearest branch of the Sri Lanka Tourist Police. Between 2013 to 2015, the hotel was able to report 15 such cases to these local authorities.

The initiative has enabled us to strengthen our relationship with the community around our hotels as we have helped keep their children safe, even extending the project to educate villagers and school children on the various aspects of child protection and abuse. During the 2015 calendar year, Club Hotel Dolphin, together with the Sri Lankan Child Protection Agency and the Sri Lankan Police, took the message to over 4,000 parents, children, religious bodies and teachers. Monthly training is conducted for internal staff to educate them of their role in identifying and preventing child abuse.

STAKEHOLDER MANAGEMENT

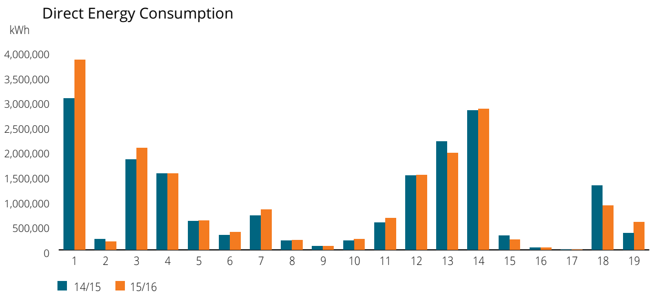
Environment

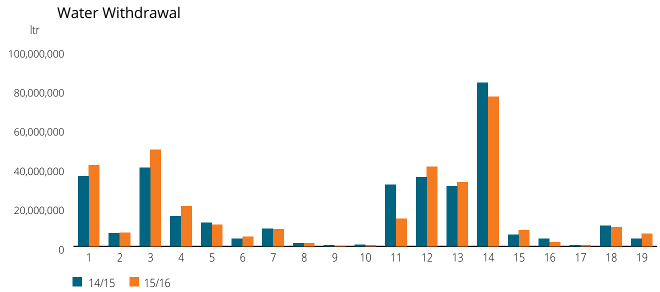
SUSTAINABILITY REPORT

Each employee of Hemas is a signatory to the Hemas Green Pledge – a promise that "We take responsibility; as individuals and collectively as part of the Hemas Group to minimise harmful practices and embrace emerging trends, that will help us leave a more gentle environmental footprint". The Group's Environmental Policy sets in place a Green Business philosophy which must be observed by all sectors. It is heartening to note that across businesses, there is a growing awareness and appreciation of environmental responsibility.

The table below shows the Group's Environmental Footprint as measured by the metrics of energy and water.

Location of Operation	Direct Energy Consumption (kWh)		Water Withdrawal (ltr)	
	2014-15	2015-16	2014-15	2015-16
1. Hemas Manufacturing Dankotuwa	3,051,075.00	3,823,032.00	35,792,000.00	41,552,000.00
2. Hemas Manufacturing Welisara	219,519.00	166,808.00	6,717,000.00	6,958,000.00
3. Hemas Hospital Wattala	1,819,012.00	2,053,518.00	40,234,000.00	49,415,000.00
4. Hemas Hospital Thalawathugoda	1,542,326.00	1,535,848.00	15,384,000.00	20,449,000.00
5. Hemas Southern Hospital – Galle	575,623.00	587,203.00	12,135,000.00	11,137,000.00
6. J L Morison, Kelaniya	292,501.00	359,180.00	4,005,000.00	4,888,000.00
7. J L Morison - MSJ Industries, Modara	690,099.00	813,096.00	9,115,000.00	8,809,000.00
8. Hemas Pharmaceuticals, Galle Road, Colombo 03	184,640.00	193,780.00	1,578,000.00	1,593,000.00
9. Hemas Pharmaceuticals, Lower Bagatale Road, Colombo 03	77,717.00	76,513.00	614,000.00	467,000.00
10. Hemas Pharmaceuticals, Hendala, Wattala	183,073.00	220,942.00	940,000.00	720,000.00
11. Hotel Sigiriya	553,606.00	640,939.00	31,482,000.00	14,236,000.00
12. AVANI Bentota	1,500,490.00	1,509,361.00	35,236,000.00	40,644,000.00
13. AVANI Kalutara	2,179,435.00	1,948,391.00	30,706,000.00	32,785,000.00
14. Club Hotel Dolphin, Waikkal	2,809,546.00	2,836,122.00	83,614,000.00	76,522,000.00
15. Hemas Logistics, Welisara	288,464.06	207,347.00	5,995,920.00	8,297,000.00
16. Hemas Logistics, Kelaniya, Wattala	40,847.00	43,132.00	4,010,000.00	2,204,000.00
17. Hemas Logistics, Hambantota	1,134.00	1,716.00	738,000.00	710,000.00
18. Hemas House	1,299,736.00	895,274.00	10,673,100.00	9,955,000.00
19. Hemas Fort	335,756.00	555,101.00	4,037,000.00	6,476,813.00
Total - Hemas Group	17,644,599.06	18,467,303.00	333,006,020.00	337,817,813.00





Eco-friendly Hemas FMCG factory in Dankotuwa.

At SBU Level, Hemas Logistics takes a proactive approach towards managing the dust and noise typically associated with such an operation. Providing a healthy and safe environment for both workers and the communities in the vicinity is a priority for the sector business, which has taken several measures to minimise the negative impacts. Among the initiatives was the moving the container repair centre 500m inwards and away from residential a boundary wall.

Employees of the Logistics business planted seedlings on a six acre plot outside the building to create a garden. The seedlings were provided by the Hemas Green Club. The plants in the garden are watered with water recycled from the facility.

Employees of JLM Group also participated in an initiative to plant 1000 indigenous plants in the Hakwatuna reservoir catchment area in Kurunegala in January 2016.

The FMCG sector made several interventions to reduce its environmental footprint during the year. These included the conversion of all lighting to LED; the appointment of an Energy Committee to recommend and create awareness on energy saving initiatives; the replacement of water pressure pumps with gravity flow tanks in places such as, canteen, locker and changing rooms; recycling water to be reused in flushing and upgrading the Effluent Treatment Plant and Sewage Treatment Plant. The sector also recycles its solid waste through incineration resulting in zero landfill. Where possible, we have introduced sky light systems that allow day time production work to be carried out sans electric lighting. The FMCG sector has installed sky lights in its napkin plant with plans to install similar skylights in the soap plant and warehouse in future.

The entire Dankotuwa factory premises was converted to a bio diversity zone focusing on native herbal plants. When selecting plants at the initial stage, only endemic and native plants were considered. The Herbal garden consists of 13 zones and has 106 native herbal species and around 1,200 plants located within the premises. The key objectives of the project is to develop knowledge on herbal plants among employees, visitors and school children, and to support marketing efforts by promoting natural ingredients-based Hemas FMCG products. The garden enables us to create a space for flora and fauna within an industrial complex, and has resulted in an aesthetically pleasing environment within the factory premises.

The FMCG sector's engagement in the Kalumukalana Forest Reservation Project continues and during the year, investments were made to put up notice boards and a bio-fence was created to raise awareness among communities. Preservation of Kalumukalana Reservation Forest Project is led by the Abhimana team together with Bujjampola villagers, local authorities such as Clergies of Vishudarma temple, senior officers of the Department of Forest Conservation and Central Environment Authority of Sri Lanka.

The FMCG sector continues to plant a jack tree forest in Dankotuwa in association with the area's assistant Government Agent office. The 5 acres of barren land was environmentally destroyed due to soil removal by the people in the vicinity. The land is now being re-cultivated by planting 1000 jack plants with Hemas supplying water and the necessary upkeep.

Hotel Sigiriya carried out an environmental impact assessment of its operations to prioritize the significant impacts. Annual Environmental targets and objectives were thus set to overcome impacts to the environment. During the year, Hotel Sigiriya obtained ISO 14001 and commenced Zero waste concept in order to mitigate the waste problem. It also continued its LED Conversion project to convert all CFL bulbs to LED bulbs in public and administrative areas while garden lights in the pool area were switched to solar power. Energy Committees were formed at AVANI Bentota and Kalutara, and Club Hotel Dolphin to monitor and improve energy performance at the properties. Wherever possible, all hotels have also switched to more eco-friendly chemicals and cleaning products and biodegradable materials.

SUSTAINABILITY REPORT

Relentless Efforts to Save Electricity

Hemas Holding's journey to conserve electricity is amply demonstrated by the example of its data centre where, in the space of just four years, electricity consumption has reduced by a dramatic 87%.

In October 2011, the Group's central server room was relocated to our new offices at Braybrooke Place; with the move, the Group built a Tier 1 standard data centre with 80+ physical servers. In the years since, in keeping with global trends the Group made a decision to reduce the number of physical servers through server virtualisation, which resulted in the 80+ servers being consolidated into two physical servers. Prior to virtualisation, the monthly electricity consumption was 12,868 units on average – this number fell by 20% post-virtualisation. Under the second phase of the project, we re-evaluated the hosting model and a decision was made to migrate SAP servers to SAP HANA datacenter and non-SAP servers to a host data centre – this resulted in a further 29% reduction of electricity consumption.

Having achieved the two milestones, we sought ways of further minimising the operation costs of the large data centre; having understood that we needed resources only to maintain operations at the Braybrooke building, we embarked on the third phase – to build a smaller server room designed with the concept of energy efficiency in mind. On vacating the previous data centre and moving to the smaller server room, we were able to further reduce the monthly electricity consumption by 38%.

During the four years from February 2012 to February 2016, the Group thus achieved an 87% reduction in electricity consumption – from 12,868 units to 1,645 units on average.

Hemas Green Club

The Hemas Green Club which was established in July 2013 has now grown to 88 members – many of them nature lovers and nature photographers. The Club also has 16 Honorary Members including the Board and Management of Hemas Holdings PLC.

The Hemas Green Club was established with the following objectives :

1. To reduce our carbon foot print through new innovations.
2. To build environmental awareness among our employees and introduce best practices.
3. To make a visible behavioural change in our employees towards Mother Nature.
4. To build team spirit among the Group for a common cause – "Protect Mother Nature".
5. To comply and complement the Group Environmental Policy.
6. To bring back the simplicity of life that we have abandoned over the years.

Towards these objectives, the Club undertook several new initiatives during the 2015/16 financial year, including projects to support Wildlife Conservation in Sri Lanka. Employee engagement initiatives driven by the Club were aimed at fostering the talents of the Hemas employees. The club also launched its first-ever merchandise campaign to raise funds. The Club is now working on a pilot project that sees the expansion of their engagement beyond internal stakeholders; the project to educate school children on the importance of waste management will be piloted at a few identified schools in the Western Province during the coming financial year.

Among the key activities and events for the year under review were the following:

Awareness Creation Workshops

The Green Club organised several interesting workshops during the year, on environmentally important topics ranging from biogas, rain water harvesting, and cyber security to e-waste management. The most popular workshop for the year was on Wild Elephants in Sri Lanka, which drew a capacity crowd. In September 2015, we organised the first photography workshop which was open for all amateur photographers, who enjoyed a session that included many technical tips and insights into cameras and photography.

Hemas Green Club - Dankotuwa team handing over 900 plants to be distributed in Northern and Eastern regions.

Adoption of Baby Abhiman

Officially adopted an abandoned baby elephant (see boxed story on page 108) who was named Baby Abhiman. Funds for his adoption were collected from Hemas staff though raffle ticket sales; the raffle draw will be an annual Green Club event over the next five years to support baby Abhiman with his milk and medicine. The Club also launched a merchandising drive to mark Abhiman's first birthday.

Green Excursions

The Hemas Green Club enthusiasts went on a wildlife safari to Udawalawe National Park on 7th and 8th of November 2015. The members had an opportunity to observe large herds of wild elephants, birds, water buffalo, water monitors, lizards, sambur deer and monkeys.

The Club successfully completed its first excursion for the year, a visit to Trincomalee and surrounding villages in March 2016. The members donated Kohomba and Kottamba plants to families living in the Kuchcheveli village in a bid to motivate and educate the villagers to plant more trees. In addition, the club donated segregated waste bins to four religious sites in Trincomalee – Girihandusaya, Seruwawila, Lankapatuna and Koneswaram.

SUSTAINABILITY REPORT

Hemas Photography Competition/Exhibition 2015

The Club organised a photography competition among employees on the theme of wildlife and nature; over 700 submissions were received from across the Hemas Group and over 70 shortlisted photographs were exhibited in December 2015.

Fundraising

A merchandising effort was undertaken to sell an official Hemas t-shirt in order to generate funds towards green initiatives.

Works of employees across Hemas Group displayed at the Hemas Photography Exhibition 2015 at Hemas House.

Abhiman

The Hemas Green Club adopted a baby elephant at the Athathuru Sevana Elephant Transit Home (ETH) in Udawalawe in 2015. The baby elephant was just three months old when he was caught in a trap at the Kopavali tank in Ampara. He was rescued by the Wild Life Department and was then brought to Udawalawe under the department's elephant conservation programme.

Hemas had shown interest in sponsoring a needy animal - conservation is one key aspect of the Hemas Environmental Policy and theGroup was keen to enable employees to become directly involved in environmental projects, beyond just observing policies. The Wildlife Department therefore informed us of the Baby Elephant who had a foot injury and other complications, necessitating expensive treatment. The Hemas Green Club took the initiative to adopt the elephant with the responsibility of meetings funds needed for his milk and medicine. The elephant was named Abhiman, in a reminder of our corporate values.

One year later, Abhiman has grown to be a healthy elephant and the Green Club keeps a close eye on his growth and development through frequent visits to ETH. Having been treated for six months, Abhiman was gradually introduced to the herd at ETH – today, he is a well-entrenched member of the herd and has a special bond with his foster mother, an elephant named Podi Manika. The mischievous Abhiman's rehabilitation will take the course of four years following which he would be released into the wild.

The Hemas Green Club raised funds for the maintenance of the elephant through raffle tickets and merchandising; employees are kept engaged with a quarterly update on progress via email and newsletter. In parallel, we also conduct awareness sessions on wildlife conservation to draw their attention to the plight of these innocent animals.

STAKEHOLDER MANAGEMENT

Shareholders

SUSTAINABILITY REPORT

Creating sustainable value for shareholders is the ultimate aim of a public company such as ours; such value encompasses strong fiscal performance, good shareholder returns, and exemplary corporate citizenship. It is imperative that shareholders' interests are preserved through ethical business, sound and visionary strategies, committed governance and stewardship and robust risk management frameworks.

Prudent financial management and stringent internal controls help maintain a system of checks and balances within Hemas, as evidenced in the results presented in this Annual Report. Across our sectors, we have also driven performance and productivity and adopted appropriate systems and processes, as well as technology and innovation to propel our business forward.

More information on Enterprise Risk Management may be found on pages 111 to 115 and the Hemas Holdings PLC Corporate Governance Report may be found on pages 44 to 53. Reports of the Board Committees can be found as follows - Audit Committee – pages 119 to 120, Remuneration Committee– pages 116 to 117, Nominations and Governance Committee – page 121.

In our pursuit of building a business that is considered a good investment for our shareholders, we have obtained many awards and certifications which endorse the high standards of business excellence.

RISK MANAGEMENT

THE PERSISTENT RISK MANAGEMENT CULTURE EMBEDDED ACROSS THE GROUP, ASSISTS HEMAS IN THE EXECUTION OF AN EFFECTIVE RISK MANAGEMENT PROCESS.

"Risk comes from not knowing what you're doing." Warren Buffett

Risk management plays a vital role in every Company and it is crucial to consider this process as a part of its operations. The Hemas Group adopts a holistic and systematic risk management framework as it understands its obligation towards its stakeholders. The risk management process at Hemas involves risk identification, analysis, impact and likelihood assessment of risks and responding with an appropriate strategy to either mitigate, transfer, accept or avoid the risk.

As a part of our risk management process, we focus on three main areas viz. Enterprise Risk Management (ERM), Business Continuity Planning (BCP) and Compliance. With the help of the three areas, potential risks are being evaluated and administered in an effective and efficient manner.

"Even a correct decision is wrong when it was taken too late." Lee Iacocca

Risk, in accordance with ISO 31000, is an effect of uncertainty on objectives. An effect in this case is a deviation from the expected - positive and/or negative, while objectives can have different aspects (such as financial, health & safety, and environmental goals) and can be applied at different levels (such as strategic, organization-wide, project, product and process). Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event and its consequence or likelihood. Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.

The ERM framework that we developed is effectively entrenched in all organizational practices and processes and particularly into the policy development process, business and strategic planning, and change management process.

To facilitate effective risk management, we have implemented a structured and transparent ERM process that enables us to identify, analyze, evaluate, treat, monitor and report risks to achieve the optimum trade-off between risks and return which enhances the organizational performance to achieve objectives.

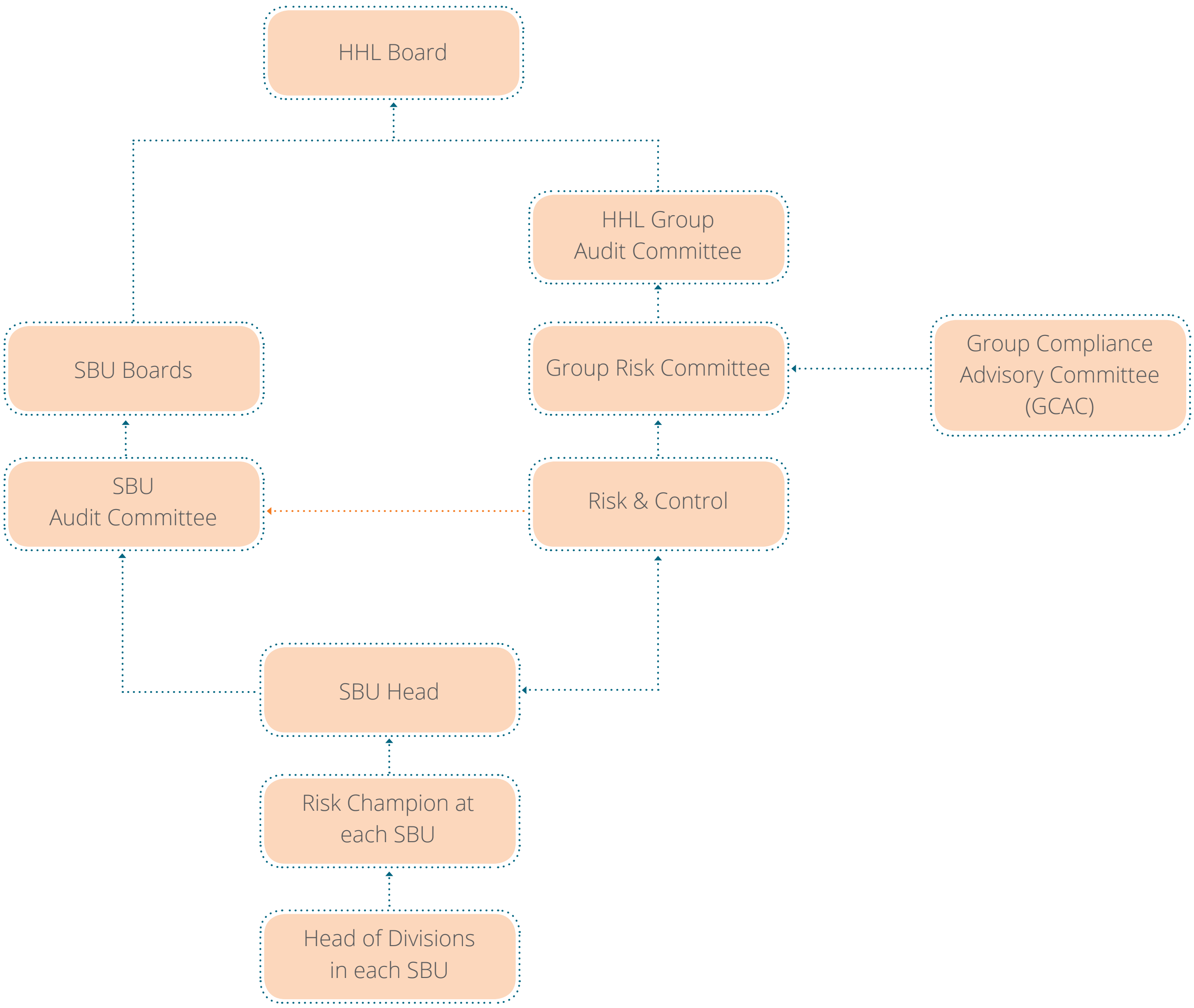
"While ERM is not a panacea for all the turmoil experienced in the markets in recent years, robust engagement by the Board in enterprise risk oversight strengthens an organization's resilience to significant risk exposures." COSO

The risk management function at Hemas is governed by the Group Risk Committee (GRC) and the Group Audit Committee. Risk highlights are brought to the attention of the Group Board for appropriate measures to be taken.

The Audit Committees established in the various Strategic Business Units (SBUs) act as an oversight, governing the work performed by SBUs in terms of risk management. Since risk management is embedded into the culture of each organization, individuals from both strategic and operational levels participate in the risk management process starting from risk identification to monitoring the implementation of risk responses. Thus, a combination of a top-down and a bottom-up approach is driven across the SBUs.

RISK MANAGEMENT

The risk management reporting structure at Hemas is as follows:



"For those organizations that choose to weather this economic storm with the aid of ERM, the benefits of their efforts today will likely remain long thereafter." Grant Thornton

Hemas acknowledges the dynamic business environment it operates in and is keen in executing an ERM system that is in line with ISO 31000 - Risk Management. This promises us with a structured governance system and provides a proper mechanism to identify risks in a timely manner and eventually promoting a risk culture.

A few of the risks pertinent to the Group, together with the response strategies adopted are depicted below.

	Risk		Response
1	Country Risk	Adverse impact arising due to the changes in politics or the environment in which the business operates	Analyzing PEST factors and developing appropriate strategies
2	Credit Risk	Potential losses arising due to customer bankruptcy	Efficient follow up and collection practices Adherence to business specific credit policies
3	Environmental Risk	Probability of negative outcomes, non-compliances and reputational risk occurring as a result of business operations causing damage to the environment	Development of Group policies in order to facilitate adoption of best standards on sustainability Adoption of GRI standards on sustainability reporting throughout the Group
4	Business Probity Risk	Unethical behaviour, fraud and error committed 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 code of conduct to employees
5	Exchange Rate Risk	Potential losses as a result of adverse movement in exchange rates	Centralized treasury management Establishment of a FOREX committee Managing exchange rates through appropriate financial risk management techniques such as hedging
6	Interest Rate Risk	Potential losses as a result of adverse movement in interest rates	Centralized treasury management Managing interest rates through appropriate financial risk management techniques
7	Investment Risk	Potential losses arising due to a possible difference between an investment's actual return from that of the expected	Detailed payback analysis before making an investment Diversify the investment portfolio by focusing on new markets and growth prospects
8	HR Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce	Implement a well-structured talent management process to identify critical employees and retain them in the long run Periodic employee satisfaction surveys to ensure that remuneration is in line with the market Investments in strengthening employee brand image

RISK MANAGEMENT

	Risk		Response
9	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
10	Market Risk	Loss of market share or market leadership in relevant segments due to intense competition, new entrants, changes to customer attitudes, economic conditions and position of our brands	Continuous focus on innovation Regular monitoring of customer/consumer trends Enhancing productivity/efficiency to improve price competitiveness Monitor market data and strengthen the market
11	Operational Risk	Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities	Business continuity plans to ensure the smooth operation of the businesses even at the time of disaster Internal audits on internal controls and compliance whilst ensuring independence and objectivity
12	Principal Risk (Business Partner Risk)	Loss of principals or business partners due to global mergers and acquisitions, intense competition and service level groups	Sound relationships with principals and business partners 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
13	Product and Service Risk	Probability of new product failures and declining demand for existing products/ services	Focus on product/service innovation Develop strategies to get closer to customers and be responsive to their needs
14	Project Risk	Risk arising as a result of not achieving project objectives	Developing project plans, resource analysis and allocation before commencing a project
15	Regulatory and Compliance Risk	Potential losses arising due to violations of or non-conformance with laws, regulations, prescribed practices, internal policies and procedures or ethical standards	The centralized legal division assists and advices the Companies across the Group on legal matters Proactive dissemination of regulatory information with regard to changes and new regulations Establishment of a Group Compliance Advisory Committee

	Risk		Response
16	Reputational Risk	Risk that the Group may incur losses due to damage to our credibility or the value of "Hemas" which is likely to impair stakeholder value	Maintenance of 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
17	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	Implementation of CSR projects at Group and Subsidiary level
18	Supply Chain Risk	Risk arising due to physical disruptions, environmental and industrial accidents or bankruptcy of key suppliers	Test product quality control of suppliers for effectiveness Review key suppliers periodically to ensure they meet the rigorous quality standards Expand the supplier portfolio and developing closer relationships
19	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 to mitigate the risk of system failures Comprehensive IT policy across the Group to ensure adequate systems in place
20	Technological Risk	Probability of technological changes	Analyze technological trends and update business operations and systems in a feasible manner
21	Quality Risk	Potential quality failures in products and services	Adequate quality control divisions across the Group to assure the quality throughout our processes Continuous quality management and assurance programs

Adopting these solid risk responses enables Hemas to systematically manage its risk in the most effective manner. The Enterprise Risk Management practiced Group-wide ensures that the actions are consistent with the Group's risk appetite/risk tolerance level, establishing limits for the main risk exposures currently faced by the Group.

BOARD REMUNERATION COMMITTEE REPORT

The objective of the Remuneration Committee is to assist the Board of Directors in the establishment of remuneration policies and practices in relation to compensation packages of the Company's Chief Executive Officer and other Senior Executives and Directors (both Non-Executive and Executive).

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

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

This section explains how the Committee discharges its responsibilities and gives details of the Committee's membership, its Terms of Reference and its activities during the financial year ended 31st March 2016.

The Terms of Reference of the Remuneration Committee are summarized below.

Composition:

The Committee comprises two Members of the Board of Directors who are Independent Non-Executive Directors. The Remuneration Committee invites such other persons to its Meetings as it deems necessary, including the Board Chairman since he is not a Member of the Committee, the Chief Executive Officer and other external advisors.

The present Committee:

Mr. Pradipta Mohapatra – *Independent Director (Committee Chairman)*

Dr. Anura Ekanayake – *Independent Director*

Invitees

Mr. Husein Esufally – *Board Chairman*

Mr. Steven Enderby – *Chief Executive Officer*

Mr. Murtaza Esufally – *Executive Director*

Mr. Dimuth De Alwis – *Group Human Resources Director*

Secretary

- The Company Secretary acts 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 the overall remuneration philosophy, strategy, policies and practices of the Company.
- Set and review all components of the remuneration of the Chief Executive Officer, Executive Directors and such other Senior Executives as the Board may determine.
- Review and approve the performance evaluation/ appraisal system for the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve as appropriate the terms of the employment contracts of the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve the terms of the Company's short term/long term incentive schemes including any share option schemes for employees and/or Directors.
- Review and approve the terms of the Company's superannuation and/or pension schemes.
- Review and approve all components of the remuneration of the non-membership and all other benefits arising from their directorships.
- 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.
- The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs.

Review of the Committee

- The Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed by the Board of Directors and the Chief Executive Officer and any other person the Board considers appropriate.

A summary of the Committee's activities during the financial year 2015/16 is as follows.

June 2015

- Recommendations for talent attraction, retention strategies and contingency plans for premature attrition.
- Approval of the performance bonuses for Grade 9 and above Director designates for the year 2014/2015.
- Review of key talent within selected sectors within the Group and recommendation of necessary developmental interventions.

August 2015

- Review of key talent within remaining sectors within the Group and recommendation of necessary developmental interventions.
- Review of succession plans of Key Executives in the Corporate Office and recommendation of necessary developmental interventions.

November 2015

- Review of plans to fill future leadership positions within the Group.
- Review and authorisation of a formal process to be followed for allocation of stock options.

February 2016

- Review of retirement policy framework for the Company and Group.
- Review of progress on Future Leaders' Program.

Pradipta Mohapatra
Chairman

15th May 2016

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

The Related Party Transactions Review Committee was constituted on 1st January 2016 and the Committee as noted below comprises two Independent Non-Executive Directors, one Non-Executive Director and one Executive Director;

Mr A. S. Amaratunga
Independent Non-Executive Director (Committee Chairman)

Mr. D. S. Weerakkody
Independent Non-Executive Director

Mr. I. A. H. Esufally
Non-Executive Director

Mr. Steven M. Enderby
Executive Director/CEO

The Chief Financial Officer, of the Company, Mr. Sanjeewa Samaranayake and the Group Financial Controller, Mr. Darshana Perera attend the Meetings by invitation and the Company Secretary serves as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs") of Hemas Holdings PLC and its listed subsidiaries, other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka ("Code") are consistent with the Code and that the required disclosures are made in a timely manner as required by the Code.

Accordingly, the Committee developed and recommended for adoption by the Board of Directors of Hemas Holdings PLC and its listed subsidiaries, a RPTs Policy which is consistent with the operating model and the delegated decision rights of the Hemas Group and which sets out, amongst others, the following:

- Definition and establishment of threshold values for each of the listed companies as per the Code which require discussion in detail; RPTs which have to be pre-approved by the Board and those that require immediate market disclosure, those that require Shareholder approval and RPTs which require disclosure in the Annual Report.
- The principles that guide RPTs which require pre approval of the Board and those transactions that do not require prior Board approval and therefore, can be reviewed retrospectively.
- Establishment of a process to identify the recurrent RPTs from the total RPTs.
- Guidelines which Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.
- Identifying instances where an immediate market disclosure of an RPT is required in line with the definitions of the Code.
- Introduction of standardised documentation that should be used by the listed companies in the Group presenting the RPT information to the Committee.

Further, in accordance with the RPT Policy, the criteria for identifying the Group's Key Management Personnel (KMP) was established and all Executive & Non-Executive Directors of Boards, and all members of the Senior Management teams (Company and its Subsidiaries) were identified as the KMPs in order to establish greater transparency and governance. Also, declarations were obtained from each Director and KMP of the Company for the purpose of identifying parties related to them and to provide annual disclosures.

The Committee held two Meetings during the financial year.

The RPTRC Charter, operational procedures, activities and the observations by the Committee have been communicated to the Board of Directors through verbal briefings and by tabling the minutes of the Committee Meetings at subsequent Board Meetings.

A declaration by the Board of Directors termed "Negative Statement" that no RPT falling within the scope of the Code was entered into by the Company during the financial year 2015/16 is given on page 122 of the Annual Report under the section 'Annual Report of the Directors'.

A. S. Amaratunga
Chairman, Related Party Transactions Review Committee

20th May 2016

AUDIT COMMITTEE REPORT

Role of the Committee

The main role and responsibilities of the Hemas Holdings Audit Committee include;

- 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;
- 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;
- 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;
- Assessing the independence and performance of the Company's External Auditors;
- Making recommendations to the Board pertaining to appointment, re-appointment and, in appropriate circumstances, removal of the External Auditors;
- Considering (if appropriate) the degree of any work undertaken by the External Auditor for the Group other than the statutory audit; and
- Approving the remuneration and terms of engagement of the External Auditors.

The Committee's responsibilities pertain to the Group as a whole, however, in discharging its responsibilities the Committee places reliance on the work of other Audit Committees within the Group without prejudicing the independence of those Committees. To the extent and in the manner it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action. To ensure adequate communication between the Committees, a process has also been established to update the other Committees in the Group with the outcomes from the Hemas Holdings Audit Committee and vice versa.

The internal auditors report to the Audit Committee.

Composition of the Committee and Meetings

The Board appoints the Members of the Audit Committee. Until 31st December 2015, the Audit Committee comprised of Mr. Maithri Wickremesinghe and Mr. Dinesh Weerakkody, two directors who qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange; and Mr. Imtiaz Esufally, a Non-Executive Director. Mr Maithri Wickremesinghe who was the Chairman of the Committee resigned with effect from 31st December 2015 and Mr. Saktha Amaratunga was appointed to the Audit Committee as the Chairman of the Committee with effect from 1st January 2016.

The Committee wishes to thank Mr. Maithri Wickremesinghe for the leadership and valuable guidance provided as the Chairman.

The Audit Committee met five times during the financial year ended 31st March 2016. Mr. Steven Enderby, Chief Executive Officer, Mr. Malinga Arasakularatne, Chief Financial Officer and Mr. Prasenna Balachandran, General Manager Risk & Control, were permanent attendees at these Meetings, while Mr. Darshana Perera, Group Financial Controller and the External Auditors attend the meetings by invitation.

The activities and views of the Committee are communicated to the Board of Directors each quarter through verbal briefings and by tabling the minutes of the Committee's Meetings.

Key Activities

The Audit Committee, inter alia, engaged in the following activities during the financial year under review;

Financial Reporting

The Committee reviewed and discussed with Management the un-audited quarterly financial statements and the full year financial statements prior to the recommendation of same to the Board. The Chief Executive Officer/General Manager and Chief Financial Officer/Head of Finance/Director-Finance of the respective companies provided confirmation to the Audit Committee that the said full year financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 therein, presented a true and fair view of the Company's state of affairs as at that date.

AUDIT COMMITTEE REPORT

The Committee continues to focus on the controls and risks related to the information systems that are used to prepare the Financial Statements. This will be an ongoing process as risks related to Information systems remain high not only locally, but globally as well.

The Committee also discussed with the Company's External Auditors the results of their examinations and the judgments used by them concerning the Financial Statements, as well as the acceptability of the Company's accounting principles.

Risk and Internal Controls

During the year, the Chief Executive Officer along with the General Manager, Risk and Control reported to the Committee the key risks and the process adopted by the Company to identify, evaluate, and manage them. The Committee continues to focus on plans to mitigate all significant risks that would impact the Company.

The General Manager, Risk and Control regularly reported to the Committee on the adequacy and effectiveness of internal controls within the Group. These comprise updates on audits conducted and include those performed in the unlisted subsidiaries within the Group. Further, the reporting process includes an update on compliance with the established policies and procedures of the Group and also compliance with laws and regulations. On a quarterly basis, the Committee also reviews the compliance reports prepared by all the companies in the Group.

The Committee monitors the performance of the Internal Auditors, their adherence to the Internal Audit Plan and the resourcing requirements.

The Committee also reviewed the Whistleblowing arrangements for the Group.

External Audit

The Committee meets the External Auditors regularly and monitors their independence and performance. Prior to the year end financial review, the Committee along with Management reviewed the scope of External Audit and agreed on the plan for the year-end audit. The External Auditor's reports with Management responses for the year under review were tabled at the Audit Committee Meeting. The Committee also met the External Auditors without Management being present, prior to the finalisation of the full year Financial Statements.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors.

The Audit Committee reviewed the performance 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.

Saktha Amaratunga
Chairman - Independent Director

Imtiaz Esufally
Member - Non-Executive Director

Dinesh Weerakkody
Member - Independent Director

25th May 2016

REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE (NAGC)

Composition of the Committee

The Committee consists of a majority of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director who possesses a wide range of knowledge and experience in all matters relating to business.

The Members

Mr. Ramabadran Gopalakrishnan - Independent Director (Committee Chairman)

Mr. Maithri Wickremesinghe - Independent Director (up to 31st December 2015)

Dr. Anura Ekanayake - Independent Director (from 01st January 2016)

Mr. Abbas Esufally - Non-Executive Director

The Chairman of the Main Board attends meetings as a standing invitee. The expertise and proficiency of the Membership can be found elaborated in the Directors' profiles set out on pages 38 to 41 of the Annual Report.

Number of Committee Meetings

The Committee formally met twice during the year under review.

Terms of Reference of the Committee

- Establish and review the process for creating of succession of the Chief Executive Officer and Chief Financial Officer.

- Establish the process for conducting the review of the Chief Executive Officer's performance annually.

- Ratification of Subsidiary Board appointments carried out by the Chief Executive Officer, in consultation with the relevant Subsidiary Board Chairman.

- Propose suitable guidelines for the appointment and re-appointment of Executive or Non-Executive Directors to the Main Board.

- Annually evaluate the performance and effectiveness of the Board and provide feedback to the Board Chairman on board effectiveness and the conduct of meetings to facilitate the Directors fulfilling their responsibilities in a manner that serves the interests of stakeholders and Shareholders.

- Monitor compliance with the Corporate Governance Guidelines.

- Carry out an annual evaluation of the effectiveness of the Committee's performance and make applicable recommendations.

Ramabadran Gopalakrishnan
Chairman

25th May 2016

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY AND THE GROUP

General

The Directors have pleasure in presenting their Report and the Audited Financial Statements of the Company and the Group for the year ended 31st March 2016 and the Auditors' Report on the Consolidated Financial Statements.

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

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 02.

This Report provides the information as required by the Companies Act, the Listing Rules of the Colombo Stock Exchange (Listing Rules) and recommended best practices on Corporate Governance.

This Report was approved by the Board of Directors on 26th May, 2016.

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, Financial Review and Sector Reviews 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 111 to 115 of the Annual Report.

2. Future Developments

The Group intends to continue to pursue a strategy of focusing on enhancing the performance of its core businesses of Wellness and Leisure products.

Further information on future developments is provided in the Chief Executive Officer's Review and Sector Reviews of the Annual 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 are given from pages 140 to 227 of the Annual Report.

4. Auditors' Report

The Group's External Auditors, Messrs. Ernst & Young, performed the audit on the Financial Statements for the year ended 31st March 2016. The Auditors' Report on the Financial Statements is given on page 139 of the Annual Report as required by Section 168 (1) (c) of the Companies Act.

5. Accounting Policies

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 146 to 163 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

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 31st March 2016 was Rs. 38.0Bn (31st March 2015 - Rs. 32.5Bn). An analysis of the income is given in Note 3 to the Financial Statements on page 164 of this Annual Report.

6.2 *Profit and Appropriations*

The Profit Before Tax of the Group for the year ended 31st March 2016 was Rs. 4.1Bn (2015 - Rs. 3.1Bn) and the Profit After Tax for the year ended 31st March 2016 was Rs. 2.9Bn (2015 - Rs. 2.4Bn) from continuing operations. The Profit for the period after discontinued operations for the year ended 31st March 2016 was Rs. 2.9Bn (2015 - Rs. 2.2Bn).

The details of Profit relating to the Group are given on pages 164 to 166 of the Annual Report.

6.3 *Dividend on Ordinary Shares*

6.3.1 *Interim Dividends*

An Interim Dividend of Rs. 0.40 per Ordinary share was declared and paid on 04th December 2015 for the financial year ended 31st March 2016 (Rs. 0.40 per share in 2014/2015)

6.3.2 *Final Dividend*

The Directors recommended a Final Dividend for the year of Rs. 1.00 per Ordinary Share which will be payable on 12th July 2016 to Shareholders registered as at 1st July 2016. The Total Dividend for the year under review will then amount to Rs 1.40 per Ordinary Share (2014/15 - Rs. 1.10).

Prior to recommending the Final Dividend and in accordance with Section 56 (2) and (3) of the Companies Act, the Board of Directors signed a Certificate stating that, in their opinion and 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 Annual General Meeting, to declare and pay the Final Dividend.

7. Provision for Taxation

Income Tax on taxable income arising from the operations of the Group has been calculated in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and deferred tax on all known temporary differences using the liability method have been calculated and disclosed in accordance with the Sri Lanka Accounting Standard LKAS 12 - Income Taxes.

Disclosures on Income Tax Expenses and Deferred Taxes are given in Note 7 to the Financial Statements on pages 167 to 169, of the Annual Report.

8. Reserves

The Group's total Reserves as at 31st March 2016 amounted to Rs. 16.3 Bn (2015 - Rs. 14.1Bn). The movement of the Reserves are given on page 143 under 'Statement of Changes in Equity' and in the Notes to the Financial Statements of the Annual Report.

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

Expenditure on capital nature assets for the year is as follows:

	2016 Rs. 000	2015 Rs. 000
Property, Plant and Equipment	1,100,899	1,187,533
Investment Property	18,538	-
Intangible Assets	134,693	53,521
Leasehold Rights	19,092	-

Details are given in the Notes to the Financial Statements from pages 146 to 227.

10. Market Value of the Properties

Land and Buildings of the Group are revalued by professionally qualified independent valuers and carried at revalued amounts as at 31st March 2016. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of freehold properties owned by the Group are given in Notes 11 and 12 in the Notes to the Financial Statements from pages 173 to 180.

11. Investments and Acquisitions

During the Financial year ended 31st March 2016, the Group made the below investments and acquisitions which are detailed in Notes 29 on page 206.

The Group acquired 40% of the shares in LTU Asia Aviation Services Co. Ltd, a company incorporated in Thailand with the intention of expanding its Aviation business in the Region.

ANNUAL REPORT OF THE DIRECTORS

12. Divestments and Disposals

- The Group divested all of its shares held in ACX International (Pvt) Ltd amounting to 49% of the total shareholding.

13. Creditor Payment

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

- Agree and confirm the terms of payment at the commencement of business with such suppliers;
- 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.

14. Directors

14.1 List of Directors

The Board of Directors of the Company as at the date of this Report comprises Eleven (11) Directors with extensive financial, governance and commercial knowledge and experience. The profiles of the Directors are set out in the 'Board of Directors' section from pages 38 to 41 of the Annual Report.

The names of the persons who held office as Directors of the Company as at 31st March 2016 and the names of persons, who ceased to hold office as Directors of the Company any time during the year 2015/2016, as required by Section 168 (1) (h) of the Companies Act are given below:

Mr. Husein Esufally - *Chairman*

Mr. Steven Enderby - *Chief Executive Officer*

Mr. Abbas Esufally - *Non-Executive Director*

Mr. Imtiaz Esufally - *Non-Executive Director*

Mr. Pradipta Mohapatra - *Independent Director*

Mr. Ramabadran Gopalakrishnan - *Independent Director*

Mr. Dinesh Weerakkody - *Independent Director*

Dr. Anura Ekanayake - *Independent Director*

Mr. Murtaza Esufally - *Executive Director*

Mr. Malinga Arsakularatne - *Executive Director*

Mr. Saktha Amaratunga - *Independent Director - Appointed w.e.f. 01st January, 2016*

Mr. Maithri Wickremesinghe - *Independent Director - Resigned w.e.f. 31st December, 2015*

14.2 Independence of the Directors

The Board has made a determination as to the independence of each Non-Executive Independent Director and confirms that four of the Non-Executive Directors meet the criteria for 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. Pradipta Mohapatra shall be deemed Independent, notwithstanding the fact that he has served on the Board since 2007.

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

14.3 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 on 30th June 2016 and being eligible, will offer themselves for re-election.

14.3.1 Recommendation for re-election/re-appointment

In terms of Article 84 of the Articles of Association, Messrs. Dinesh Weerakkody, Dr. Anura Ekanayake and Steven Enderby 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, Mr. Saktha Amaratunga, who was appointed during the year will be re-appointed with the unanimous consent of the Directors.

14.3.2 Board Sub-committees and Board of Management

Information on Board Sub-committees is given under "Corporate Governance" on pages 44 to 53 of this Annual Report.

In addition to the mandatory Board Sub-committees in operation, the Board of Management has been devolved with the responsibility of reviewing Group performance and providing oversight of Group's affairs.

The profiles of the Members of the Board of Management are set out on pages 42 and 43 of the Annual Report.

14.4 *Disclosures of Directors Dealing in Shares*

Directors' Interest in Ordinary Shares of the Company - Direct

	31.03.2016	31.03.2015
Mr. A.N. Esufally	2,283,585	2,283,585
Mr. H.N. Esufally	5,586,705	5,836,705
Mr. I.A.H. Esufally	4,424,000	4,424,000
Mr. M.A.H. Esufally	5,946,500	5,946,500
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	-	-
Mr. Saktha Amaratunga	-	-

Directors' Interest in Ordinary Shares of the Company - Indirect

	31.03.2016	31.03.2015
A Z Holdings (Pvt) Ltd	90,762,875	90,762,875
Saraz Investment (Pvt) Ltd	86,396,035	86,396,035
Blueberry Investment (Pvt) Ltd	85,781,250	85,781,250
Amagroup (Pvt) Ltd	85,780,665	85,780,665
Ms. Sabrina Esufally	250,000	250,000
Mr. Adam Esufally	250,000	250,000
Ms. Sakina Esufally	2,000,000	2,000,000
Ms. Razia Esufally	250,000	-

14.5 *Directors' Remuneration and Other Benefits*

Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31st March 2016 is given in Note 36 to the Financial Statements on page 221 of this Annual Report as required by Section 168 (1) (f) of the Companies Act.

14.6 *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 31st March 2016, other than those disclosed on pages 130 to 133 of the 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.

14.7 *Interests Register*

The Interests Register is maintained by the Company, as per the Companies Act. All Directors have made declarations as provided for in Section 192 (1) & (2) of the Companies Act. The related entries were made in the Interest Register during the year under review. The share ownership of Directors is indicated on page 233 of the Annual Report. Entries were made in the Interests Register on share transactions, Directors' Interest in Contracts and remuneration paid to the Directors, etc. The Interest Register is available for inspection as required by the Section 119 (1) (d) of the Companies Act.

ANNUAL REPORT OF THE DIRECTORS

15. Related Party Transactions

In terms of the Code of Best Practices on Related Party Transactions, there were no non-recurrent Related Party Transactions entered into during the course of the financial year, which exceeded the lower of the aggregate value of 10% of the Equity or 5% of the assets.

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 31st March 2016.

Details of all Related Party Transactions carried out during the year are disclosed on page 221 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 31st March 2016.

16. Registrars

SSP Corporate Services (Pvt) Ltd of No. 101, Inner Flower Road, Colombo 03 functioned as the Registrars for the Company during the financial year ended 31st March 2016.

17. Insurance and Third Party Indemnification

During the year under review and up to the date of approval of this Annual Report, the Company maintained liability insurance and third party indemnification provisions for its Directors.

18. Articles of Association

The Articles of Association of the Company may be amended by the passing of a Special Resolution.

19. Stated Capital

The Stated Capital of the Company as at 31st March 2016 was Rs. 5.7Bn comprising of 572,545,133 ordinary shares (2015 - 515,290,620 Ordinary Shares - Rs. 1.6Bn). Details of the stated capital are given in Note 21 to the Financial Statements on page 194 of the 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.

20. Share Information

Details of share related information are given on page 230 of this Annual Report and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on pages 4 and 5 of the Annual Report.

20.1 Issue of Shares

The Company made a Rights Issue of shares during the year under review for the issue of 57,254,513 shares to the value of Rs. 4,122,324,936 (at the proportion of One Ordinary Share for every Nine Ordinary Shares at a consideration of Rs. 72 per share) after obtaining approval from the Colombo Stock Exchange and by its Shareholders at the Extraordinary General Meeting held on 10th April 2015. The Rights Issue was successfully completed on 26th May 2015.

20.2 Issue of Listed Debentures

The Company issued Ten Million (rated AA- (lka) by Fitch Rating Lanka Limited) unsecured redeemable debentures carrying a coupon rate of 11% p.a. payable semi-annually, at the face value of Rs. 100 each on 29th April 2014 to raise Rupees One Billion to be matured on 29th April 2019.

21. Public Holding of Shares in the Company

The number of ordinary shares held by the public as at 31st March 2016 was 202,833,518 (2015 - 145,567,755) which amounted to 35.43% (2015 – 28.25%) of the Stated Capital of the Company.

22. 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.

23. Employee Share Schemes

23.1 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.

23.2 Employee Share Option Scheme

During the financial year under review, approval was obtained from the Colombo Stock Exchange and the Shareholders to establish an Employee Share Option Scheme (ESOS) to offer 13,900,000 ordinary shares being 2.4% (2.7% before the Rights Issue) of the total number of shares in issue to Executive Directors and Senior Executives of the Company and its Subsidiaries whom the Board deems to be eligible to be awarded the shares.

The Directors confirm that the Company or any of its subsidiaries have not granted any funding to employees directly or indirectly to exercise share options or to an Employee Share Option Scheme (ESOP).

24. 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 4,992.

25. 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.

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 this 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.

26. 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 31st March 2016 are indicated on page 232 of this Annual Report.

27. 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 stakeholders.

28. 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 the Financial Review section and also in Note 34 in the Notes to the Financial Statements.

29. Corporate Donations

During the year, the Group made donations to charity amounting to Rs. 5.8Mn (2015 - Rs. 5Mn).

The information given above on donations, forms an integral part of the Report of the Board of Directors as required by Section 168 (1) (g) of the Companies Act.

30. 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.

ANNUAL REPORT OF THE DIRECTORS

31. Environmental Protection

31.1 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.

31.2 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 pages 55 to 110 of the Annual Report.

32. Events After the Balance Sheet Date

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 31 in Notes to the Financial Statements on page 212 of this Annual Report.

33. 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.

34. Risk Management and System of Internal Controls

34.1 Risk Management

Specific steps that have been taken by the Company are detailed on pages 111 to 115 of this Annual Report.

34.2 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, providing the Management with 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 pages 119 and 120 of the 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.

34.3 Audit Committee

The composition of the Audit Committee and their Report is given on page 119 of the Annual Report.

35. Corporate Governance

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out on pages 44 to 53 of the Annual Report.

The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

36. 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 any material financial effect or otherwise.

37. Outstanding Litigation

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

38. Appointment of External Auditors

The Financial Statements for the year under review 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.

39. Auditors' Remuneration and Interest in Contracts with the Company

The Auditors, Messrs. Ernst & Young were paid Rs. 10Mn (Rs. 9Mn in 2015) as audit fees by the Company. Apart from that, the Company has engaged 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.

40. Relevant Audit Information

As at 26th May 2016, 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 and 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.

41 Annual General Meeting

The 13th Annual General Meeting of the Company will be held at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Thursday the 30th June, 2016 at 3.30 p.m. Shareholders who are unable to attend in person may submit questions beforehand via email to info@hemas.com

42. Notice of Meeting

Details of the Annual General Meeting are given in the Notice of Meeting on page 238 of the Annual Report.

43 Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this Report.

For and behalf of the Board,

Chairman

Chief Executive Officer

Secretaries

26th May 2016

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

Company	Directors	Nature of Transaction	Value 2016 Rs.000	Value 2015 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	-	645,653
	Mr. Steven Enderby	Services Rendered	106,095	107,914
	Mr. Malinga Arsakularatne	IT Charges	56,460	35,658
	Mr. Pradipta Mohapatra	Interest Expense	(165)	(2,443)
		Centralised Services	1,093	1,669
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	260,560	256,486
	Mr. Steven Enderby	IT Charges	22,494	21,081
	Mr. Malinga Arsakularatne	Interest Income	20,326	19,178
		Dividend Income	50,151	58,050
		Centralised Services	1,555	1,904
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Corporate Guarantee Charges	-	510
	Mr. Steven Enderby	Services Rendered	269	269
	Mr. Malinga Arsakularatne	IT Charges	11,954	8,256
		Interest Income	368	7,193
		Centralised Services	41	17
		Rental expenses	-	(540)
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Corporate Guarantee Charges	-	67
	Mr. Steven Enderby	IT Charges	2,043	1,854
		Interest Income	-	173
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	-	1,914
	Mr. Steven Enderby	Corporate Guarantee Charges	-	62
		IT Charges	6,583	5,851
Hemtours (Pvt) Ltd.	Mr. A. Esufally	Interest Income	3,252	-
	Mr. Steven Enderby	Dividend Income	-	171,683
	Mr. Malinga Arsakularatne	Interest Expense	(213)	(3,943)
Diethelm Travel Lanka (Pvt) Ltd.	Mr. A. Esufally	IT Charges	14,454	10,862
	Mr. Malinga Arsakularatne	Services Rendered	269	269
		Interest Expense	-	(420)
		Transport and Accommodation Charges	(2,282)	(2,246)
		Centralised Services	57	538
Diethelm Travel The Maldives (Pvt) Ltd.	Mr. A. Esufally	Centralised Services	-	77

Company	Directors	Nature of Transaction	Value 2016 Rs.000	Value 2015 Rs.000
Serendib Hotels PLC	Mr. A. Esufally	Interest Expense	-	(833)
	Mr. Steven Enderby	Corporate Guarantee Charges	2,304	2,262
	Mr. Malinga Arsakularatne	IT Charges	1,529	-
		Dividend Income	30,052	-
		Interest Income	3,091	-
Serendib Leisure Management Ltd.	Mr. A. Esufally	IT Charges	7,108	2,882
		Interest Expense	(536)	(3,417)
		Centralised Services	67	2,001
Dolphin Hotels PLC	Mr. A. Esufally	Dividend Income	78	52
	Mr. Malinga Arsakularatne (Resigned w.e.f 29 July 2015)	Interest Expense	(9)	(9,872)
		IT Charges	1,677	1,569
		Interest Income	2,611	-
Hotel Sigiriya PLC	Mr. A. Esufally	Interest Expense	(289)	(610)
	Mr. Malinga Arsakularatne (Resigned w.e.f 29 July 2015)	IT Charges	722	673
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	62,854	60,158
	Mr. A. Esufally	IT Charges	1,614	1,413
	Mr. I. Esufally	Dividend Income	27,000	8,550
	Mr. M. Esufally	Interest Expense	(527)	-
	Mr. Steven Enderby	Interest Income	2,718	7,845
		Centralised Services	3,089	3,482
Hemas Air Services (Pvt) Ltd.	Mr. I. Esufally	Services Rendered	28,130	35,973
	Mr. Malinga Arsakularatne	Interest Expense	(5,299)	(2,957)
	Mr. Steven Enderby	IT Charges	2,308	2,186
		Dividend Income	27,000	2,700
		Centralised Services	1,532	1,268
Hemas Travels (Pvt) Ltd.	Mr. I. Esufally	Air Line Ticket Sales	(17,648)	(28,271)
	Mr. Steven Enderby	Services Rendered	-	1,978
	Mr. Malinga Arsakularatne	Interest Expense	-	(2,274)
		IT Charges	10,847	6,409
		Dividend Income	20,250	90,000
		Centralised Services	397	97
Far Shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	IT Charges	-	-
		Interest Income	84	215
		Dividend Income	-	90,000
		Interest Expense	-	10
Far Shipping Agency Lanka (Pvt) Ltd	Mr. I. Esufally	IT Charges	2,186	1,825
		Centralised Services	-	153
		Interest Income	-	369

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2016 Rs.000	Value 2015 Rs.000
Exchange & Finance Investments Ltd.	Mr. Malinga Arsakularatne	Dividend Income	-	7,768
		Interest Expense	-	(157)
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	772	769
	Mr. Malinga Arsakularatne	Centralised Services	-	6
Hemas Transportation (Pvt) Ltd.	Mr. I. Esufally	Dividend Income	5,000	1,260
	Mr. Malinga Arsakularatne	Centralised Services	-	10
	Mr. Steven Enderby	Interest Expense	(1,304)	(143)
		Interest Income	252	-
Hemas Logistics (Pvt) Ltd.	Mr. I. Esufally	Rental Income	25,127	18,937
		Centralised Services	-	102
		IT Charges	4,246	2,468
		Interest Income	1,927	1,494
		Interest Expense	(72)	-
Peace Haven Resorts Ltd.	Mr. A. Esufally	Interest Income	41,763	28,636
		Centralised Services	-	22
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	269	269
	Mr. Malinga Arsakularatne	Interest Expense	(6,326)	(7,845)
		IT Charges	69	49
		Dividend Income	119,192	19,464
		Centralised Services	135	135
		Rental Expense and Service Charges	(33,615)	(31,321)
		Car parking expenses	(2,204)	(1,667)
		Interest Income	7	-
Vishwa BPO (Pvt) Ltd.	Mr. Steven Enderby	Services Rendered	404	404
	Mr. Malinga Arsakularatne	Shared Services Expenses	(11,138)	(12,666)
		IT Charges	4,161	3,641
		Interest Expense	(1,123)	(945)
		Dividend Income	9,360	7,927
		Centralised Services	66	54
Hemas Corporate Services (Pvt) Ltd.	Mr. Steven Enderby	Centralised Corporate Services	(18,373)	(15,601)
	Mr. Malinga Arsakularatne	Interest Income	-	1,307
		IT Charges	1,910	-
N-able (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	135	135
		IT Charges	1,273	656
		Interest Income	9,526	9,342
		Corporate Guarantee Charges	-	1,365
		Centralised Services	690	1,004
		IT Equipment and Services	(69,066)	(30,238)

Company	Directors	Nature of Transaction	Value 2016 Rs.000	Value 2015 Rs.000
J L Morison Son & Jones (Ceylon) Ltd.	Mr. H. Esufally	Corporate Guarantee Charges	638	339
	Mr. Steven Enderby	IT Charges	5,626	3456
		Interest Expense	(4,700)	(4,319)
		Centralised Services	676	54
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	26,468	35,281
		Dividend Income	855	134
		Interest Income	14	-
Hemas Marketing (Pvt) Ltd.	Mr. Malinga Arsakularatne	Interest Expense	-	(1,423)
Hemas Trading (Pvt) Ltd.	Mr. Malinga Arsakularatne	Interest Expense	-	(1,012)
Mowbray Hotels Ltd.	Mr. A. Esufally	Interest Income	407	295
Leisure Asia Investments Ltd.	Mr. H. Esufally	Interest Income	50	35
	Mr. A. Esufally			
	Mr. I. Esufally			
P H RESORTS (Pvt) Ltd.	Mr. A. Esufally	Interest Income	12,036	2,055
	Mr. Steven Enderby	Interest Expense	-	(10)
		IT Charges	2,919	-
Hemas Maritime (Pvt) Ltd.	Mr. I. Esufally	IT Charges	408	420
Jada Resorts & Spa (Pvt) Ltd.	Mr. A. Esufally	IT Charges	1,317	-
Mazu Shipping (Pvt) Ltd.	Mr. I. Esufally	IT Charges	248	-
		Interest Income	1,022	-
M S J Industries (Ceylon) Pvt Ltd.	Mr. Steven Enderby	Interest Expense	(37)	-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For the financial year ended 31st March 2016, Hemas Holdings PLC and its Subsidiaries delivered consolidated revenues of Rs. 38.0Bn, reflecting a growth of 16.9% over last year

FINANCIAL INFORMATION

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors (Board) of the Company is responsible for the adequacy of the Company's system of internal controls and for reviewing its design and effectiveness regularly. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatements of losses or frauds.

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies 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 Board of Management (BOM) assists the Board in the implementation of the Board's policies and procedures on Risk and Control by identifying potential risks and its implications; and in the design, operation and monitoring of the suitable internal controls to mitigate and control such risks identified.

Further, the Board has established various committees, such as the Audit Committee and the Remuneration Committee, to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

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 139 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, the financial position of the Group and the Company enabling them to ensure that the Group Financial Statements comply with applicable laws and regulations;
- establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process;
- 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
- maintaing the integrity of the statutory and audited information available to the public.

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 and 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

26 May 2016

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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Sri Lanka

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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, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and Scope and Limitations of the audit are as stated above.

b) In our opinion :

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- The financial statements of the Company give a true and fair view of the financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- The financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

26 May 2016

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Continuing Operations					
Revenue	3	37,976,564	32,496,953	682,418	656,735
Cost of Sales		(23,929,067)	(21,108,953)	-	-
Gross Profit		14,047,497	11,388,000	682,418	656,735
Other Operating Income	4	358,128	546,289	323,643	869,916
Selling and Distribution Expenses		(3,877,715)	(3,368,704)	-	-
Administrative Expenses		(6,479,006)	(5,329,192)	(736,528)	(689,167)
Share of Results of Joint Ventures	16	(67,027)	128,661	-	-
Share of Results of Associates	17	(21,328)	6,122	-	-
Operating Profit		3,960,549	3,371,176	269,533	837,484
Finance Cost	5	(512,676)	(459,659)	(221,589)	(230,887)
Finance Income	5	642,467	183,422	495,696	142,314
Profit Before Tax	6	4,090,340	3,094,939	543,640	748,911
Income Tax Expenses	7	(1,164,370)	(704,200)	(139,801)	(22,171)
Profit for the Year from Continuing Operations		2,925,970	2,390,739	403,839	726,740
Discontinued Operations					
Loss After Tax from Discontinued Operations	8	-	(194,823)	-	-
Profit for the Year		2,925,970	2,195,916	403,839	726,740

Attributable to:		2016	2015
Equity Holders of the Parent		2,653,208	1,927,051
Non-Controlling Interests		272,762	268,865
		2,925,970	2,195,916

	Note	Rs.	Rs.
Earnings Per Share	9	4.63	3.74
Earnings Per Share for Continuing Operations	9	4.63	4.22
Diluted Earnings Per Share	9	4.71	3.74
Dividend Per Share	10	1.10	1.10

The Accounting Policies and Notes on Pages 146 to 227 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Profit for the year	2,925,970	2,195,916	403,839	726,740
Other Comprehensive Income				
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods				
Net Loss on Available-for-Sale Financial Assets	(6,109)	(531)	(5,754)	(605)
Net movement on Cash Flow Hedges	(56,759)	153,964	-	-
Exchange differences on translation of foreign operations	27,386	1,342	-	-
Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods				
Actuarial (loss)/gain on defined benefit plans	30,720	(103,579)	2,629	(10,897)
Income tax effect	(6,140)	22,972	(736)	3,051
Revaluation of land and buildings	1,078,827	138,761	-	-
Income tax effect	(78,914)	-	-	-
Other Comprehensive Income for the year, Net of Tax	989,011	212,929	(3,861)	(8,451)
Total Comprehensive Income for the year, Net of Tax	3,914,981	2,408,845	399,978	718,289

Attributable to:		
Equity Holders of the Parent	3,437,078	2,063,130
Non-Controlling Interests	477,903	345,715
	3,914,981	2,408,845

The Accounting Policies and Notes on Pages 146 to 227 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31st March		2016	2015	2016	2015
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non Current Assets					
Property, Plant and Equipment	11	12,764,329	11,465,089	127,324	146,940
Investment Properties	12	1,735,779	1,763,665	700,480	675,750
Leasehold Right	13	115,751	109,545	-	-
Intangible Assets	14	852,339	755,953	97,590	27,299
Investment in Subsidiaries	15	-	-	4,550,098	4,532,536
Investment in Joint Ventures	16	1,323,506	1,235,763	-	-
Investment in Associates	17	359,064	383,561	-	-
Other Non Current Financial Assets	18	420,392	472,101	363,048	423,355
Deferred Tax Asset	25	47,829	72,731	-	-
		17,618,989	16,258,408	5,838,540	5,805,880
Current Assets					
Inventories	19	5,232,312	4,135,584	-	-
Trade and Other Receivables	20	7,462,326	7,214,110	490,752	1,229,648
Tax Recoverable		39,724	59,229	9,071	17,054
Other Current Financial Assets	18	84,861	393,884	1,036,966	1,129,426
Cash and Short Term Deposits	28	11,888,963	6,377,105	5,949,460	1,992,990
		24,708,186	18,179,912	7,486,249	4,369,118
TOTAL ASSETS		42,327,175	34,438,320	13,324,789	10,174,998
Equity					
Stated Capital	21	5,722,837	1,600,603	5,722,837	1,600,603
Other Capital and Revenue Reserves	22	58,542	35,681	279,893	257,032
Other Components of Equity		2,022,644	1,292,039	266	6,020
Retained Earnings		14,187,670	12,730,653	4,808,943	5,130,187
Equity Attributable to Equity Holders of the Parent		21,991,693	15,658,976	10,811,939	6,993,842
Non-Controlling Interests		2,661,619	2,263,623	-	-
Total Equity		24,653,312	17,922,599	10,811,939	6,993,842
Non Current Liabilities					
Interest Bearing Loans and Borrowings	23	3,241,655	3,420,154	1,447,947	1,680,698
Other Non Current Financial Liabilities	24	4,247	29,883	-	9,434
Deferred Tax Liability	25	424,484	260,979	63,066	53,002
Employee Benefit Liability	26	566,044	533,599	26,732	27,686
		4,236,430	4,244,615	1,537,745	1,770,820
Current Liabilities					
Trade and Other Payables	27	10,542,074	8,964,237	432,577	387,445
Income Tax Payable		523,074	146,207	92,560	-
Interest Bearing Loans and Borrowings	23	1,370,454	1,649,242	348,647	290,201
Bank Overdraft	28	1,001,831	1,511,420	101,321	732,690
		13,437,433	12,271,106	975,105	1,410,336
TOTAL EQUITY & LIABILITIES		42,327,175	34,438,320	13,324,789	10,174,998

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

Sanjeewa Samaranayake
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 146 to 227 form an integral part of these financial statements.

May 26, 2016
Colombo

STATEMENT OF CHANGES IN EQUITY (GROUP)

	Attributable to Equity Holders of the Parent									
	Stated Capital	Other Capital and Revenue Reserves	Other Components of Equity: Revaluation Reserve	Other Components of Equity: Exchange Reserve	Other Components of Equity: Available For Sale Reserve	Other Components of Equity: Cash Flow Hedge Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April 2014	1,600,603	400,289	1,120,802	(3,515)	7,370	(32,451)	11,207,426	14,300,524	3,329,111	17,629,635
Profit for the year	-	-	-	-	-	-	1,927,051	1,927,051	268,865	2,195,916
Other Comprehensive Income	-	-	138,761	1,227	(539)	69,985	(73,355)	136,079	76,850	212,929
Total Comprehensive Income	-	-	138,761	1,227	(539)	69,985	1,853,696	2,063,130	345,715	2,408,845
Dividends Paid	-	-	-	-	-	-	(566,820)	(566,820)	(30,388)	(597,208)
Transfer to/from During the Year										
- Overhaul Reserve	-	(291,924)	-	-	-	-	218,943	(72,981)	72,981	-
- Revaluation Reserve	-	-	(515)	-	-	-	515	-	-	-
- Deferred Tax Attributable to Revaluation Reserve		-	106	-	-	-	-	106	80	186
Transaction Cost on Issue of Shares	-	-	-	-	-	-	(6,188)	(6,188)	(1,281)	(7,469)
Adjustment in respect of changes in Group Holding	-	(72,684)	(9,192)	-	-	-	23,081	(58,795)	(1,452,595)	(1,511,390)
As at 31 March 2015	1,600,603	35,681	1,249,962	(2,288)	6,831	37,534	12,730,653	15,658,976	2,263,623	17,922,599
Super Gain Tax	-	-	-	-	-	-	(572,762)	(572,762)	(32,131)	(604,893)
Profit for the year	-	-	-	-	-	-	2,653,208	2,653,208	272,762	2,925,970
Other Comprehensive Income	-	-	736,711	27,102	(6,070)	(27,138)	21,134	751,739	237,272	989,011
Total comprehensive income	-	-	736,711	27,102	(6,070)	(27,138)	2,101,580	2,832,185	477,903	3,310,088
Rights Issue	4,122,234	-	-	-	-	-	-	4,122,234	-	4,122,234
Dividends Paid	-	-	-	-	-	-	(629,800)	(629,800)	(100,969)	(730,769)
Share based payments	-	22,861	-	-	-	-	-	22,861	-	22,861
Transaction cost on Issue of Shares	-	-	-	-	-	-	(66,749)	(66,749)	-	(66,749)
Adjustment in respect of changes in Group Holding	-	-	-	-	-	-	3,324	3,324	19,585	22,909
Reinstatement of fully depreciated assets	-	-	-	-	-	-	47,482	47,482	-	47,482
Write back of Unclaimed Dividend	-	-	-	-	-	-	1,180	1,180	1,477	2,657
As at 31 March 2016	5,722,837	58,542	1,986,673	24,814	761	10,396	14,187,670	21,991,693	2,661,619	24,653,312

The Accounting Policies and Notes on Pages 146 to 227 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (COMPANY)

	Stated Capital	Other Capital Reserves	Other Components of Equity — Available for sale Reserve	Retained Earnings	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April 2014	1,600,603	257,032	6,625	4,978,113	6,842,373
Profit for the year	-	-	-	726,740	726,740
Other Comprehensive Income	-	-	(605)	(7,846)	(8,451)
Total Comprehensive Income	-	-	(605)	718,894	718,289
Final Dividend Paid	-	-	-	(360,704)	(360,704)
Interim Dividend Paid	-	-	-	(206,116)	(206,116)
As at 31 March 2015	1,600,603	257,032	6,020	5,130,187	6,993,842
Super Gain Tax	-	-	-	(31,615)	(31,615)
Profit for the year	-	-	-	403,839	403,839
Other Comprehensive Income	-	-	(5,754)	1,893	(3,861)
Total Comprehensive Income	-	-	(5,754)	374,117	368,363
Rights Issue	4,122,234	-	-	-	4,122,234
Transaction cost of Rights Issue	-	-	-	(65,561)	(65,561)
Share based payments	-	22,861	-	-	22,861
Final Dividend Paid	-	-	-	(400,782)	(400,782)
Interim Dividend Paid	-	-	-	(229,018)	(229,018)
As at 31 March 2016	5,722,837	279,893	266	4,808,943	10,811,939

The Accounting Policies and Notes on Pages 146 to 227 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Profit Before Taxation from Continuing operations		4,090,340	3,094,939	543,640	748,911
Loss Before taxation from Discontinued operations		-	(177,007)	-	-
Adjustments for					
Depreciation	11	891,512	828,003	45,031	45,285
Profit on Disposal of Property, Plant and Equipment/ Intangible Assets/Leasehold Properties		(14,501)	(101,395)	(2,015)	(424)
Impairment of Property, Plant and Equipment/ Intangible Assets		4,015	1,500	-	-
Gain on Fair Value Adjustment of Investment Properties	12	(37,227)	(281,624)	(24,730)	(58,135)
Amortisation of Intangible Assets	14	45,045	26,620	16,573	10,637
Amortisation of Leasehold Rights	13	12,886	22,683	-	-
Write off/Impairment of Investment in Subsidiaries/Joint Ventures/ Other Financial Assets		53,603	-	53,603	39,456
Loss on Sale of Non Current Investment	4	2,139	300,077	-	299,154
Exchange Loss on Foreign Currency Borrowings	23	8,254	5,331	-	-
Provision for Share based payment expense	22	22,861	-	5,258	-
Finance Cost	5.1	512,676	459,659	221,589	230,887
Finance Income	5.2	(642,467)	(183,422)	(495,696)	(142,314)
Investment Income	4	-	-	(288,956)	(1,103,251)
Share of results of Associates	17	21,328	(6,122)	-	-
Share of results of Joint Ventures	16	67,027	3,287	-	-
Movement in Employee Benefit Liability	26	127,030	99,709	6,939	6,731
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(1,096,728)	(319,107)	-	-
(Increase)/Decrease in Trade and Other Receivables		(186,994)	(886,918)	752,177	(912,004)
Increase/(Decrease) in Trade and Other Payables		1,483,528	1,402,105	45,132	253,994
Increase/(Decrease) in Other Non Current Financial Liabilities		(25,636)	20,141	(9,760)	-
Finance Cost Paid	5.1	(383,064)	(458,233)	(221,263)	(230,293)
Finance Income Received	5.2	624,094	171,786	495,418	138,516
Income Tax Paid		(659,918)	(606,192)	(29,930)	(19,145)
Super Gain tax		(604,893)	-	(31,615)	-
Employee Retirement Benefit Paid	26	(63,965)	(86,768)	(942)	(23,751)
Net Cash flows from/(Used in) Operating Activities		4,250,945	3,329,052	1,080,453	(715,746)
Investing Activities					
Purchase of Property, Plant and Equipment	11	(1,100,899)	(1,187,533)	(48,633)	(30,672)
Investment in investment property	12	(18,538)	-	-	-
Investment in Intangible Assets	14	(134,693)	(53,521)	(86,864)	(14,744)
Acquisition of/Investment in Subsidiaries		45,493	(536,665)	(17,562)	(188,489)
Investment in Joint Ventures		(250,512)	(3,000)	-	-
Disposal/derecognition of Joint Ventures		-	531,753	-	-
Disposal of/(Investment in) Financial Assets		301,836	197,239	302,965	(24,298)
Dividend received from Joint Ventures		80,700	87,000	-	-
Investment in Lease Hold Right	13	(19,092)	-	-	-
Proceeds from Disposal of Investments		-	941,905	-	1,684,332
Proceeds from Disposal of Property, Plant and Equipment/ Intangible assets / Leasehold Properties		143,637	196,536	25,233	8,343
Investment Income Received		-	-	288,956	1,103,251
Net Cash flows from/(Used in) Investing Activities		(952,068)	173,714	464,095	2,537,723
Financing Activities					
Interest Bearing Loans and Borrowings (Net)		(634,355)	515,544	(383,582)	(261,151)
Transaction cost on subsidiary share issue		-	(7,469)	-	-
Transaction Cost of Rights Issue		(66,749)	-	(65,561)	-
Proceeds from Rights issue		4,122,234	-	4,122,234	-
Proceeds from/to Non-Controlling interest		3,222	(75,820)	-	-
Dividends Paid to Equity Holders of the Parent		(629,800)	(566,820)	(629,800)	(566,820)
Dividends Paid to Non-Controlling Interest		(100,969)	(30,388)	-	-
Net Cash flows from/(Used in) Financing Activities		2,693,583	(164,953)	3,043,291	(827,971)
Net Increase/(Decrease) in Cash and Cash Equivalents		5,992,460	3,337,813	4,587,839	994,006
Net Foreign Exchange Difference		28,987	(1,020)	-	-
Cash and Cash Equivalents at the beginning of the Year	28	4,865,685	1,528,892	1,260,300	266,294
Cash and Cash Equivalents at the end of the Year	28	10,887,132	4,865,685	5,848,139	1,260,300

The Accounting Policies and Notes on Pages 146 to 227 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Hemas Holdings PLC is a public limited liability Company listed on the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office and the principal place of business is situated at No. 75, Braybrooke Place, Colombo 02. Hemas Holdings PLC does not have an identifiable parent of its own.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2016 comprise Hemas Holdings PLC (the 'Company') and all its Subsidiaries, Joint Ventures and Associates whose Financial Statements 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 38 to the Financial Statements.

1.4 Date of Authorisation for Issue

The Consolidated Financial Statements of Hemas Holdings PLC for the year ended 31 March 2016 were authorised for issue, in accordance with a resolution of the Board of Directors on 26 May 2016.

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 Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the Accounting policies 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

(a) Subsidiaries

The Consolidated Financial Statements comprise the Financial Statements of the Parent and its Subsidiaries for the year ended 31 March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

I. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

II. Exposure or rights to variable returns from its involvement with the investee

III. The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

I. The contractual arrangement with the other vote holders of the investee

II. Rights arising from other contractual arrangements

III. The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, Liabilities, Income and Expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the Equity Holders of the Parent of the Group and to the Non-Controlling Interests, even if this results in the Non-Controlling Interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group Assets and Liabilities, Equity, Income, Expenses and Cash Flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)
Diethelm Travel The Maldives (Pvt) Ltd, with an equity control equal to 49% has been consolidated as a Subsidiary based on the contractual arrangement to govern the operating policies of that entity.

LTU Asia (Pvt) Ltd with an equity control equal to 40%, has been consolidated as a Subsidiary based on the contractual arrangement to govern the operating policies of that entity.

The following Subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Reporting Currency
Hemas Consumer Brands (Pvt) Ltd	Bangladesh	Bangladesh Taka (BDT)
Diethelm Travel The Maldives (Pvt) Ltd	Republic of Maldives	US Dollar (USD)
Nable Global (Pte) Limited	Singapore	US Dollar (USD)
LTU Asia (Pvt) Ltd	Thailand	Thai Baht (THB)

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 Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position separately from parent shareholders' equity.

The Financial Statements of the Subsidiaries are prepared for the same reporting period as the Group other than LTU Asia (Pvt) Ltd, a subsidiary company, whose financial year ends on 31 December. Further, when necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(b) Investment in Associates and Joint Ventures
An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A Joint Venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the Joint Venture. Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its Associates and Joint Ventures are accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

Under the equity method, the investment in an Associate or Joint Venture 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 the Associate or Joint Venture since the acquisition date. Goodwill relating to the Associate or Joint Venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the Associate or Joint Venture. Any change in OCI of those investees is presented as a part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the Associate or Joint Venture, 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 or Joint Venture are eliminated to the extent of the interest in the Associate or Joint Venture.

The aggregate of the Group's share of Profit or Loss of an Associate and a Joint Venture is shown on the face of the Statement of Profit or Loss and represents profit or loss before tax.

The Financial Statements of Associates and Joint Ventures 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 recognize an impairment loss on its investment in Associate or Joint Venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate or Joint Venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate or Joint Venture and its carrying value, and then recognises the loss in the "Share of results of Associates and Joint Ventures" in the Statement of Profit or Loss.

Upon loss of significant influence over the Associate or Joint Control over the Joint Venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate or Joint Venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The following Joint Venture has been incorporated outside Sri Lanka.

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

(c) 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'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 re-measured 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 the Statement of 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 re-measured and subsequent settlement is measured at fair value with changes in fair value either in the Statement of Profit or Loss 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.

2.1.4 Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year.

2.1.5 Comparative Information

The presentations and classification of the financial statements of the previous years have been amended for better presentation and to be comparable with those of the current year.

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) Apartment and Food and Beverages Sales

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

(d) 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 Statement of Profit or Loss.

(e) Dividends

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

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(f) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

(g) Others

Other income is recognized on an accrual basis.

2.2.2 Foreign Currencies

The Group 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 Statement of Profit or Loss 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 Statement of Profit or Loss. 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 Statement of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

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 Statement of Profit or Loss.

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 Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. 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 is recognized as an expense in the Consolidated Statement of Profit or Loss.

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 Company 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 Statement of Profit or Loss 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

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revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Group has adopted a policy of revaluing land and buildings by professional valuers at least every three years unless otherwise there are indications that the fair value of the land and building differs materially from its carrying values.

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 used by the Group/ Company are as follows:

Freehold Buildings	1.5% - 10%
Plant and Machinery	6% - 25%
Furniture and Fittings	7% - 25%
Office and Factory Equipment	10% - 33.33%
Computer Hardware	25% - 33.33 %
Motor Vehicles	16.66% - 25%
Crockery and Cutlery	50% - 100%

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 Profit or Loss 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 Statement of Profit or Loss.

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 Statement of Profit or Loss on a straight-line basis over the lease term.

Leasehold Right/Prepaid Lease Rental

Prepaid Lease rentals paid in advance to acquire land use right are amortised over the lease term. Details of the prepaid lease rentals are given in note 13 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 Statement of Profit or Loss 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 Statement of Profit or Loss 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 value for subsequent accounting is the fair value at the date of change. If owner occupied property becomes an Investment Property, Group/ Company account 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 Statement of Profit or Loss 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 Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

The principal annual rates used by the Group/ Company are as follows:

Software 10% - 33.33%
Development Expenses 10% - 33.33%

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

Gains or Losses arising from derecognition of an Intangible Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss 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

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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 use 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:

(a) Raw Materials - At Actual Cost on First-in-First Out/Weighted Average basis.

(b) Foods and Beverages Stocks - At Actual Cost on Weighted Average basis.

(c) 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.

(d) Consumables and Spares - At Actual cost on First-in-First Out basis.

(e) Goods In Transit and Other Stocks - At Actual Cost

(f) 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 and 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 or Loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Profit or Loss.

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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss.

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 Statement of Profit or Loss. The losses arising from impairment are recognised as finance cost in the Statement of Profit or Loss.

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 Statement of Profit or Loss 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 Statement of Profit or Loss over the remaining life of the investment using the Effective Interest Rate (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 Statement of Profit or Loss.

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,

(a) The rights to receive cash flows from the asset have expired

(b) 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 be required to repay.

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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 occurred, 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 Statement of Profit or Loss. 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 Statement of Profit or Loss. 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 Statement of Profit or Loss.

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 Statement of Profit or Loss, is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

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

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 Statement of Profit or Loss.

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 (EIR) method. Gains and Losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the 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 Statement of Profit or Loss.

De-Recognition
A financial liability is de-recognised 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 Statement of Profit or Loss.

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.

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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 that are 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 30.

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 Statement of Profit or Loss, 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 Statement of Profit or Loss as other operating expenses.

Amounts recognised as other comprehensive income are transferred to the Statement of Profit or Loss 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 Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, 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 *Cash and Short Term Deposits*

Cash and Short-Term Deposits in the Statement of Financial Position comprise cash at banks and on hand, short-term deposits and money market investments 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.

2.2.13 *Fair Value Measurement*

The Group measures financial instruments such as Financial Assets Held for Trading, Financial Derivatives, and Non-Financial Assets such as certain classes of Property, Plant and Equipment and Investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized under the respective notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as defined benefit obligations. Involvement of external valuers is decided upon annually after discussion with and approval by the Group's Board Audit Committee wherever necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board Audit Committee whenever necessary after discussions with the Group's external valuers decide which valuation techniques and inputs to use for each case.

At each reporting date the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

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

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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 Statement of Profit or Loss 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 Other Comprehensive Income.

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 Share Based Payment Transactions

Employees 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.

The Group applies SLFRS 2, Share based payments in accounting for employee remuneration in the form of shares.

(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 Statement of Profit or Loss 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(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 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.

Revaluation of Property, Plant and Equipment and Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss and Land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Group engaged an independent valuation specialist to assess fair value as at 31 March 2016 for investment properties and revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The valuation methodology adopted and the key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 11 and 12

Reinstatement of Fully Depreciated Property, Plant and Equipment

Group estimate the remaining useful life of the fully depreciated assets and reinstate the cost and accumulated depreciation at amounts which would

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have been reflected in the statement of financial position on the date of reinstatement had the entity measured depreciation from date of acquisition of the assets based on the total useful life including the estimated remaining useful life and adjust the difference under equity at the end of the period to bring the assets back on statement of financial position for the purpose of deriving economic benefits

Impairment of Non - Financial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss 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 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 Statement of Profit or Loss 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.

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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 21.3.

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.

2.4 Effect of Sri Lanka Accounting Standards issued but not yet Effective:

The following SLFRS issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in 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 09 - Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018

b) SLFRS 14 - Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

This Standard becomes effective for annual periods beginning 1 January 2016.

c) SLFRS 15 - Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

This Standard becomes effective for annual periods beginning 1 January 2017.

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.

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3. REVENUE

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of Goods	24,103,786	25,002,951	-	-
Rendering of Services	13,872,778	7,494,002	682,418	656,735
	37,976,564	32,496,953	682,418	656,735

Segmental information is given in Note 37 to these financial statements

4. OTHER OPERATING INCOME

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loss on Disposal of Non Current Investments	(2,139)	-	-	(299,154)
Gain/(Loss) on Disposal of Property Plant & Equipment / Intangibles / Leasehold Properties	14,501	101,395	2,015	424
Change in Fair Value of Investment Properties	37,227	281,624	24,730	58,135
Rental Income	1,104	1,856	7,697	6,900
Commission Income	44,804	33,751	-	-
Foreign Exchange Gain	178,578	66,441	-	-
Dividend Income from Investments in Related parties	-	-	288,939	1,103,241
Dividend Income on Available for Sale Investments	59	424	17	10
Sundry Income	83,994	60,798	245	360
	358,128	546,289	323,643	869,916

5. FINANCE COST AND INCOME

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
5.1 Finance Cost				
Interest Expense on Overdrafts	14,583	15,400	1,843	1,327
Interest Expense on Loans and Borrowings				
- Related Party	-	-	20,603	43,189
- Others	474,291	432,421	198,817	185,777
Foreign Exchange (Gain)/Loss-Foreign Currency Borrowings	-	2	-	-
Finance Charges on Lease Liabilities	6,245	10,410	-	-
Total Interest Expense	495,119	458,233	221,263	230,293
Fair Value Difference on Financial Assets Measured at Amortised Cost	17,557	1,426	326	594
Total Finance Cost	512,676	459,659	221,589	230,887

	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
5.2 Finance Income				
Interest Income on Loans and Receivables - Related Party	-	-	100,777	84,073
Interest Income on Loans and Receivables -Other	624,094	171,786	394,641	54,443
Total Interest Income	624,094	171,786	495,418	138,516
Unwinding of Fair Value Difference on Financial Assets Measured at Amortised Cost	18,373	11,636	278	3,798
Total Finance income	642,467	183,422	495,696	142,314

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6 PROFIT BEFORE TAX

Stated after Charging/(Crediting)

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Included in Cost of Sales				
Depreciation	260,176	205,711	-	-
Provision for Obsolete Stocks	50,246	48,676	-	-
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Cost - Gratuity	127,030	99,709	6,939	6,731
Defined Contribution Plan Cost - MSPS/EPF/ETF	240,638	229,254	16,354	14,455
Depreciation	631,336	622,292	45,031	45,285
Amortisation of Intangible Assets	45,045	26,620	16,573	10,637
Impairment Property, Plant and Equipment/ Intangible assets	4,015	1,500	-	-
Auditors' Fees and Expenses	11,444	10,239	1,448	1,575
Legal Fees	3,682	6,394	649	574
Donations	5,819	5,047	757	352
Write-off of Financial Assets	53,603	-	53,603	-
Impairment of Trade Receivables	38,625	23,693	(5,161)	6,693
Included in Selling & Distribution Cost				
Transport Cost	155,234	176,720	-	-
Advertising Cost	974,180	767,114	-	-

7. INCOME TAX EXPENSES

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Income Tax				
Current Income Tax Charge (7.1)	910,730	486,497	54,838	263
Adjustment in respect of current income tax of prior years	85,439	39,658	75,635	19,772
Share of Associate Company Income Tax	3,169	2,864	-	-
Share of Joint Venture Company Income Tax	12,802	18,508	-	-
Tax on Dividends	60,941	138,171	-	-
ESC Written off	-	492	-	-
Deferred Income Tax Expense/(Income)arising due to				
Origination and Reversal of Temporary Differences (Note 25)	91,289	18,010	9,328	2,136
	1,164,370	704,200	139,801	22,171

7.1 Reconciliation Between Income Tax Expenses and Accounting Profit

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accounting Profit Before Tax	4,090,340	3,094,939	543,640	748,911
Intra Group Adjustment/Share of Profits of Subsidiaries	768,447	1,209,144	-	-
Income not subject to Income Tax	(832,835)	(1,397,300)	(481,637)	(862,232)
Exempt profit	(79)	(53,669)	-	-
Aggregate Disallowed Expenses	1,801,463	1,367,463	196,084	193,812
Aggregate Allowable Expenses	(1,986,628)	(1,634,679)	(62,236)	(79,046)
Aggregate Disallowable Income	282,975	(16,580)	-	-
Adjustment for Tax Losses	221,001	(821)	-	(506)
Taxable Profit	4,344,684	2,568,497	195,851	939
Income Tax at 28%	462,103	339,375	54,838	263
Income Tax at 20%	222,536	3,338	-	-
Income Tax at 15%	90,559	-	-	-
Income Tax at 12%	62,977	64,572	-	-
Income Tax at 2% of Revenue	3,239	2,984	-	-
Income Tax at Other Rates	69,316	76,228	-	-
Current Income Tax Charge	910,730	486,497	54,838	263

NOTES TO THE FINANCIAL STATEMENTS

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% (2014/15- 28%) on taxable profit during the year 2015/2016 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
	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	10%	2 years ending 2016/2017
	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	20%	Open-ended
7.2.2	*Exemptions/Concessions Granted Under the Inland Revenue Act*			
	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	15%	Open-ended
	Hemas Capital Hospital (Pvt) Ltd	Entitled for a tax exemption period of 9 years as per Sec 17A	Exempt	9 years ending 2023/2024
	Unicorn Investments (Pvt) Ltd	Entitled for a tax exemption period of 3 years as per Sec 22	Exempt	3 years ending 2016/2017
	Hemas Integrated Logistics (Pvt) Ltd	Entitled for a tax exemption period of 6 years as per Sec 17	Exempt	6 years ending 2020/2021
	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 Private 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.

7.2.5 As per “Income Tax Act of Singapore “ tax is charged on the taxable profit of N-able Global (Pte.) Ltd.

7.2.6 Management has used its judgement on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm’s length prices and selection of appropriate pricing mechanism.

8. RESULTS FROM DISCONTINUED OPERATIONS

Disposal of Hemas Power PLC in 2014/2015

The Group divested 93,900,000 shares of Hemas Power PLC (presently known as Resus Energy PLC) at a total consideration of Rs 1,680 Mn on 5th December 2014. Hence, the power segment had been classified as a discontinued operation as required by SLFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. The results of the power segment as of the disposal date is as follows:

	2015 Rs. ‘000
Revenue	445,937
Cost of Sales	(68,836)
Gross Profit	377,101
Other Operating Income	14,540
Disposal loss on Heladhanavi	(148,588)
Administrative Expenses	(89,362)
Share of results of Joint Ventures	(131,948)
Operating Loss	21,743
Finance Cost	(62,941)
Finance Income	15,680
Loss Before Tax	(25,518)
Income Tax Expenses	(17,816)
Loss After Tax	(43,334)
Disposal loss on Power	(151,489)
Loss from Discontinued Operations	(194,823)
Attributable to:	
Equity Holders of the Parent	(247,551)
Non-Controlling Interests	52,728
	(194,823)

NOTES TO THE FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

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.

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

	Group	
	2016 Rs. '000	2015 Rs. '000
9.1 Earnings Per Share		
Amount Used as the Numerator:		
Profit for the Year	2,653,208	1,927,051
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	2,653,208	1,927,051
9.2 Earnings Per Share from Continuing Operations		
Amount Used as the Numerator:		
Profit for the Year	2,653,208	2,174,602
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	2,653,208	2,174,602
9.3 Diluted Earnings Per Share		
Amount Used as the Numerator:		
Profit for the Year	2,653,208	1,927,051
Net Profit Attributable to Ordinary Shareholders for Diluted Earnings Per Share	2,653,208	1,927,051

	2016 In '000	2015 In '000
Number of Ordinary Shares Used as Denominator:		
Number of Shares at the Beginning of the Year	515,291	515,291
Issue of rights	57,255	-
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	572,546	515,291
Adjusted Weighted Average number of Ordinary Shares in issue applicable to Diluted Earnings Per Share	563,003	515,291

10. DIVIDENDS PER SHARE

10.1 Dividends Paid

	2016 Rs. '000	2015 Rs. '000
Declared and Paid During the Year		
Dividends on Ordinary Shares		
Final Dividends	400,782	360,704
Interim Dividends	229,018	206,116
	629,800	566,820

10.2 Dividends Per Share

	2016 Rs. '000	2015 Rs. '000
Final Dividend out of 2014/2015 (2015-2013/2014) Profits	0.70	0.70
Interim Dividend out of 2015/2016(2015-2014/2015) Profits	0.40	0.40

The Final Dividends for 2014/2015 has been paid on 14 July 2015 and Interim Dividends for 2015/2016 has been paid on 04 December 2015.

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11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Freehold Land Rs. '000	Freehold Buildings Rs. '000	Buildings on Leasehold Land Rs. '000	Plant and Machinery Rs. '000	Furniture, Fitting & Other Equipments Rs. '000	Motor Vehicles Rs. '000	Capital Work-in-progress Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Cost or Valuation									
Balance at the Beginning of the Year	2,145,960	4,130,926	2,453,776	1,934,887	2,827,988	1,119,973	84,059	14,697,569	15,362,124
Additions	13,901	44,760	10,257	122,332	488,396	318,519	102,734	1,100,899	1,187,533
Acquisition of Subsidiary	-	-	-	-	3,130	-	-	3,130	653,187
Disposal of Subsidiary	-	-	-	-	-	-	-	-	(2,568,294)
Impairment		(4,015)						(4,015)	-
Revaluations	491,437	135,231	(118,377)	-	-	-	-	508,291	138,760
Disposals	(2,430)	(16,678)	(27,776)	(41,333)	(132,311)	(152,476)	-	(373,004)	(277,210)
Exchange Translation Difference	-	-	-	740	1,955	258	-	2,953	379
Transfer	(65,206)	611,948	(518,802)	(463,794)	575,800	-	(60,121)	79,825	201,090
Balance at the end of the Year	2,583,662	4,902,172	1,799,078	1,552,832	3,764,958	1,286,274	126,672	16,015,648	14,697,569
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	326,228	46,608	802,439	1,639,307	417,898	-	3,232,480	2,798,469
Charge for the year		111,379	49,261	131,175	433,894	165,803	-	891,512	828,003
Reinstatement of fully depreciated assets		-	-	(59,352)	-	-	-	(59,352)	-
Acquisition of Subsidiary		-	-	-	446	-	-	446	-
Disposal of Subsidiary		-	-	-	-	-	-	-	(193,114)
Revaluations		(331,498)	(239,115)	-	-	-	-	(570,613)	-
Disposals		-	(21)	(37,966)	(109,805)	(96,076)	-	(243,868)	(200,935)
Exchange Translation Difference		-	-	1,228	2,563	762	-	4,553	57
Transfer		(106,109)	143,267	(34,671)	(6,326)	-	-	(3,839)	-
Balance at the end of the Year	-	-	-	802,853	1,960,079	488,387	-	3,251,319	3,232,480
Carrying value									
At the End of the Year	2,583,662	4,902,172	1,799,078	749,979	1,804,879	797,887	126,672	12,764,329	
At the Beginning of the Year	2,145,960	3,804,698	2,407,168	1,132,448	1,188,681	702,075	84,059	11,465,089	

Reinstatement of fully depreciated assets.

The Group has re-estimated the remaining useful life of revenue generating fully depreciated assets and reinstated the accumulated depreciation at amounts which would have been reflected in the statement of financial position on 1 April 2015 had the entity measured depreciation from date of acquisition of the assets based on the total useful life including the re-estimated remaining useful life and adjusted the difference under retained earnings as recommended by LKAS - 16.

11.1.1 Properties at Valuation

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

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Hemas Manufacturing (Pvt) Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2016
Land at Dankotuwa	16A-0R-12.8P	- Price per perch for land	Rs. 70,000 to 80,000	139,209	
Buildings at Dankotuwa	185,187 Sq.ft	- Price per Square foot for building	Rs. 2,000 to 5,500	656,789	
		- Depreciation Rate	15%		
Land of Industrial Property at Welisara	1A-0R-33.12P	- Price per perch for land	Rs 750,000 to 850,0000	96,560	
Buildings at Industrial Property at Welisara	55,094 Sq.ft	- Price per Square foot for building	Rs 1,500 to 5,500	165,031	
		- Depreciation Rate	40%		
Hemas Pharmaceuticals (Pvt) Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2016
Land at Hendala, Wattala	1A-0R-17.8P	- Price per perch for land	Rs 750,000 to 850,0000	106,750	
Warehouse Building at Hendala, Wattala	37,863 Sq. Ft	- Price per Square foot for building	Rs 2,750 to 5,500	146,106	
Hemas Hospitals (Pvt) Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2016
Buildings on Leasehold land at Wattala	102,219 sq.ft.	- Rate of return - Sensitivity	7% + 0.5% - Rs 1,252 Mn - 0.5% - Rs 1,396 Mn	945,300	
Hemas Southern Hospitals (Pvt) Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2016
Land at Galle	2R-23.83P	- Price per perch for land	Rs. 2,000,000 to 2,500,000	200,000	
Building at Galle	38,778sq.ft.	- Rate of return - Sensitivity	6% + 0.5% - Rs 490 Mn - 0.5% - Rs 580 Mn	331,000	

NOTES TO THE FINANCIAL STATEMENTS

11.1.1 Property, Plant and Equipment (Contd.)

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Hemas Capital Hospitals (Pvt) Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2016
Building at Thalawathugoda	60,512sq.ft.	- Rate of Return - Sensitivity	7% + 0.5% - Rs 866 Mn - 0.5% - Rs 967 Mn	565,600	
Mowbray Hotels Ltd					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2016
Land at Kandy	32A-1R-29P	- Price per perch for land	Rs 40,000 - 50,000	181,750	
Buildings at Kandy	11,134 sq.ft.	- Price per Square foot for building	Rs 2,500 - 3,500		
		- Depreciation Rate	40 - 70%	14,000	
Serendib Hotels PLC					
Sunil Fernando & Associate (Pvt) Ltd - Chartered Valuer		Investment Method			31-Mar-2016
Buildings on Leasehold land at Bentota	95,112 Sq Ft	Price Per Guest Room	Rs 15,000 - 20,000	568,917	
	75 Rooms				
Dolphin Hotels PLC					
Sunil Fernando & Associate (Pvt) Ltd - Chartered Valuer		Investment Method			31-Mar-2016
Land at Waikkal	14A 1R 15.8 P	Price Per Guest Room	Rs 15,000 - 20,000	505,076	
Buildings at Waikkal	213,799 Sq ft			1,364,275	
	154 Rooms				
Hotel Sigiriya PLC					
Sunil Fernando & Associate (Pvt) Ltd - Chartered Valuer		Investment Method			31-Mar-2016
Buildings on Leasehold land at Sigiriya	70,172 Sq ft				
	79 Rooms	Price Per Guest Room	Rs 10,000 - 15,000	319,202	
J. L. Morison Son & Jones (Ceylon) PLC					
Sunil Fernando & Associate (Pvt) Ltd		Investment Method			31-Mar-2016
Land - Aluthmawatha	2R 06.93 P	- Price per perch for land	Rs. 2.925 Mn	253,958	
Building - Aluthmawatha	43,911 sq.ft.	- Price per Square foot for building	Rs. 65 - 93	172,042	
M.S.J. Industries (Ceylon) (Private) Limited					
Sunil Fernando & Associate (Pvt) Ltd		Investment Method			31-Mar-2016
Land at Pethiyagoda, Kelaniya	7A 3R 0.25 P	Price per Perch for Land	Rs. 65,000 - 380,000	431,125	
Building at Pethiyagoda, Kelaniya	83,552 sq.ft.	Price per Square foot for Building	Rs. 15 - 45	188,875	

11.1.2 Owner occupied Investment properties

Details of the Investment Properties used by the group companies are as follows:

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Hemas Holdings PLC					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2016
Freehold Property at Welisara					
Land	1A-3R-8P	- Price per perch for land	Rs. 750,000 to 850,000	159,000	
Building	66,340 sq.ft.	- Price per Square foot for building	Rs. 1,750 to 5,250	220,400	
		- Depreciation Rate	32.5%		
Freehold Property at Handala					
Land	2R-4.13P	- Price per perch for land	Rs. 750,000 to 850,000	64,000	
Building	2,960 sq.ft.	- Price per Square foot for building	Rs. 3,250	5,000	
		- Depreciation Rate	50%		
Hemas Developments (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2016
Freehold Property at Baybrooke Place					
Land	1R-10P	- Gross monthly rental	Rs. 180 - 210	425,000	
Building	99,372 sq.ft.	- Gross monthly rental	Rs. 180 - 210	1,094,000	
		- Rate of return Sensitivity	6% +10% - 1,671 Mn		
			-10% - 1,367 Mn		

NOTES TO THE FINANCIAL STATEMENTS

11.1.2 Owner occupied Investment properties (Contd.)

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.		Estimated fair value would increase (decrease) if;
	Price per perch for Land	Price per perch increases (decreases)
	Price per square foot for building	Price per square feet increases (decreases)
	Depreciation Rate	Depreciation rate for building (decreases)/increases
Investment Method		
This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterized by the real estate market.		Estimated fair value would increase (decrease) if;
	Gross Monthly Rental	Gross Annual Rental increases(decreases)
	Years Purchase (Present value of 1 unit per period)	Years Purchase increases (decreases)
	Void Period	Void Period (decreases)/increases

11.1.3 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,101 Mn (2015-Rs. 1,187 Mn) by means of cash.

11.1.4 Carrying Value

	2016 Rs. '000	2015 Rs. '000
At Cost	3,444,474	4,038,435
At Valuation	9,284,939	7,313,158
On Finance Lease	34,916	113,496
	12,764,329	11,465,089

11.1.5 Details of the assets pledged as a security for Liabilities are given in Note 33

11.1.6 The Carrying amount of revalued Freehold Land & Buildings on leasehold land if they were carried at cost less depreciation, would be as follows,

	Cost	Accumulated Depreciation	Net Carrying Amount 2016	Net Carrying Amount 2015
	Rs.'000	Rs. '000	Rs. '000	Rs. '000
Freehold Land	348,553	-	**348,553**	443,366
Building on Freehold Land	4,086,245	(773,882)	**3,312,363**	2,351,559
Building on Leasehold Land	816,575	(139,398)	**677,177**	523,463
	5,251,373	(913,280)	**4,338,093**	3,318,388

11.1.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.885 Mn (2015-Rs.901 Mn).

11.2 Company

	Furniture and Fittings	Office Equipment	Computer Hardware	Motor Vehicles	Total 2016	Total 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation						
Balance at the beginning of the year	70,601	24,613	103,611	151,049	**349,874**	329,735
Additions	2,543	811	10,041	35,238	**48,633**	30,672
Disposals	(10,915)	(1,828)	(25,436)	(38,964)	**(77,143)**	(10,533)
Balance at the end of the year	62,229	23,596	88,216	147,323	**321,364**	349,874
Accumulated Depreciation						
Balance at the beginning of the year	25,250	12,144	85,472	80,068	**202,934**	160,263
Charge for the Year	8,320	2,386	11,648	22,677	**45,031**	45,285
Disposals	(7,693)	(1,701)	(25,047)	(19,484)	**(53,925)**	(2,614)
Balance at the end of the year	25,877	12,829	72,073	83,261	**194,040**	202,934
Carrying value						
At the end of the year	36,352	10,767	16,143	64,062	**127,324**	
At the beginning of the year	45,351	12,469	18,139	70,981	**146,940**	

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 49 Mn (2015-Rs. 31 Mn) by means of cash.

11.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 80 Mn (2015-Rs. 117 Mn).

NOTES TO THE FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES
12.1 Group

	2016 Rs. '000	2015 Rs. '000
At the Beginning of the Year	1,763,665	1,683,130
Addition (Subsequent Expenditure)	18,538	-
Net Gain on Fair Value Adjustment	37,227	281,624
Transfers	(83,651)	(201,089)
At the End of the Year	1,735,779	1,763,665

	2016 Rs. '000	2015 Rs. '000
Rental Income Derived from Investment Properties	114,532	132,422
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(28,477)	(42,951)
Direct Operating Expenses that did not generate Rental Income (Including Repair and Maintenance)	(19,054)	(18,250)
Net Profit Arising from Investment Properties Carried at Fair Value	67,001	71,221

12.1.1 Details of Investment Properties

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Hemas Holdings PLC					
Sunil Fernando & Associates (Pvt) Ltd		Market Comparable Method			31-Mar-2016
Freehold Property at Tangalle					
Land	1A-2R-26.26P	- Price per perch for land	Rs 285,000 - 315,000	79,878	
		Sensitivity	+5% - 83.8 Mn		
			-5% - 75.8 Mn		
Freehold Property at Moratuwa					
Land	0A-2R-38.76P	- Price per perch for land	Rs 1.3Mn - 1.6 Mn	172,202	
		Sensitivity	+5% - 163.6 Mn		
			-5% - 180.8 Mn		
Hemas South Colombo Hospitals (Pvt) Ltd					
Sunil Fernando & Associates (Pvt) Ltd		Market Comparable Method			31-Mar-2016
Freehold Property at Moratuwa					
Land	1R-22.85P	- Price per perch for land	Rs 1.75 Mn - Rs 2.25 Mn	125,700	

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Peace Haven Resorts Limited					
Sunil Fernando & Associates (Pvt) Ltd		Market Comparable Method			31-Mar-2016
Freehold Property at Tangalle	A19- R02-P34.16	Risk Yield	10%	1,358,000	
		Sensitivity	9% - 1,734,000		
			11%- 1,049,000		

12.2 Company

	2016 Rs. '000	2015 Rs. '000
At the Beginning of the Year	675,750	617,615
Net Gain/(Loss) on Fair Value Adjustment	24,730	58,135
Transfers		-
At the End of the Year	700,480	675,750
Rental Income Derived from Investment Properties	24,624	25,645
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(2,277)	(8,113)
Direct Operating Expenses that did not generate Rental Income (Including Repair and Maintenance)	(448)	(1,091)
Net Profit Arising from Investment Properties Carried at Fair Value	21,899	16,441

NOTES TO THE FINANCIAL STATEMENTS

12 INVESTMENT PROPERTIES (Contd.)

12.2 Company (Contd.)

Name of Professional Valuer / Company / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation Rs. '000	Date of the valuation
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2016
Freehold Property at Welisara					
Land	1A-3R-8P	- Price per perch for land	Rs 750,000 - 850,000	159,000	
Building	66,340 sq.ft.	- Price per Square feet for building	Rs. 1,750 to 5,250	220,400	
		- Depreciation Rate	33%		
Freehold Property at Handala					
Land	2R-4.13P	- Price per perch for land	Rs 750,000 -850,000	64,000	
Building	2,960 sq.ft.	- Price per Square feet for building	Rs. 3,250	5,000	
		- Depreciation Rate	50%		
Sunil Fernando & Associates (Pvt) Ltd		Market Comparable Method			31-Mar-2016
Freehold Property at Moratuwa					
Land	0A-2R-38.76P	- Price per perch for land	Rs 1.3Mn - 1.6 Mn	172,202	
		Sensitivity	+5% - 163.6 Mn		
			-5% - 180.8 Mn		
Freehold Property at Tangalle					
Land	1A-2R-26.26P	- Price per perch for land	Rs 285,000 - 315,000	79,878	
		Sensitivity	+5% - 83.8 Mn		
			-5% - 75.8 Mn		

13 LEASEHOLD RIGHT/PREPAID LEASE RENTAL

	Group 2016 Rs. '000	Group 2015 Rs. '000
At the Beginning of the Year	109,545	145,847
Additions/Acquisitions/(Disposals)	19,092	(13,619)
Amortisation	(12,886)	(22,683)
Balance at the end of the Year	115,751	109,545

13.1 Details of Leasehold Properties	Property	Extent	Lease period	Value Rs. '000
Serendib Hotels PLC	Land at Bentota	2A - 0R - 6P	50 Years	28,929
		1A - 0R - 37P	30 Years	
Hotel Sigiriya PLC	Land at Sigiriya	8A - 0R - 16P	30 Years	2,198
Hemas Hospitals (Pvt) Ltd.	Land at Wattala	227.5P	30 Years	35,280
	Land at Wattala	89P	15 Years	9,991
Hemas Capital Hospital (Pvt) Ltd.	Land at Thalawathugoda	154P	30 Years	28,243
	Land at Pannipitiya	17P	10 Years	2,500
Hemas Integrated Logistics (Pvt) Ltd.	Land at Welisara	6A	11 Years	8,609

14 INTANGIBLE ASSETS

14.1 Group

	Software Rs. '000	Brand Rs. '000	Development Expenses Rs. '000	Goodwill on Consolidation Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Cost or Valuation						
Balance at the Beginning of the Year	126,970	404,500	15,103	333,510	**880,083**	1,473,984
Addition	109,693	25,000	-		**134,693**	53,521
Acquisition of Subsidiaries	-	-		6,738	**6,738**	173,379
Disposal of Subsidiaries	-	-		-	**-**	(779,165)
Disposals	(66,052)	(2,000)		-	**(68,052)**	(41,636)
Balance at the End of the Year	170,611	427,500	15,103	340,248	**953,462**	880,083
Accumulated Amortization/ Impairment						
Balance at the Beginning of the Year	69,973	21,000	12,492	20,665	**124,130**	140,766
Amortisation	34,242	10,000	803		**45,045**	26,620
Disposal of Subsidiary	-				**-**	(8,367)
Impairment/ Derecognition		-		-	**-**	1,500
Disposals	(66,052)	(2,000)			**(68,052)**	(36,389)
Balance at the End of the Year	38,163	29,000	13,295	20,665	**101,123**	124,130
Carrying Value	132,448	398,500	1,808	319,583	**852,339**	755,953

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS (Contd.)

Group and Company annually carry out an impairment test on its intangible assets for Goodwill and Brands with infinite useful lives. Other intangible assets with finite lives are amortised over their useful economic lives.

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.

14.2 Company

	Software	
	2016 Rs. '000	2015 Rs. '000
Cost or Valuation		
Balance at the Beginning of the Year	61,537	46,793
Additions	86,864	14,744
Disposals	(6,182)	-
Balance at the End of the Year	142,219	61,537
Accumulated Amortization/Impairment		
Balance at the Beginning of the Year	34,238	23,601
Amortisation	16,573	10,637
Disposals	(6,182)	-
Balance at the End of the Year	44,629	34,238
Carrying Value	97,590	27,299

15 INVESTMENT IN SUBSIDIARIES

	Direct Holding			
	2016 %	2015 %	2016 Rs. '000	2015 Rs. '000
Non-Quoted Investments				
Hemas Corporate Services (Pvt) Ltd.	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd.	68%	68%	494,369	494,369
Hemas Manufacturing (Pvt) Ltd.	100%	100%	509,905	509,905
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%	100%	417,666	417,666
Hemas Transportation (Pvt) Ltd.	100%	100%	140,529	140,529
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%	50%	1,468,547	1,468,547
Vishwa BPO (Pvt) Ltd.	100%	100%	6,172	6,172
			4,158,056	4,158,056
Impairment of Investment in Exchange & Finance Investments (Pvt) Ltd			(9,412)	(9,412)
			4,148,644	4,148,644
Quoted Investments				
Serendib Hotels PLC	27%	27%	382,261	382,261
Dolphin Hotels PLC	1%	-	19,193	1,631
Total			4,550,098	4,532,536

15.1 Material Partly-Owned Subsidiaries

As per the SLFRS 12, Financial Information of subsidiaries that have material Non-Controlling Interest need to be disclosed separately. However, the Group concluded that there were no subsidiaries with material Non-Controlling Interest that require separate disclosure.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN JOINT VENTURES

Unquoted

	Holding 2016 %	Holding 2015 %	2016 Rs. '000	2015 Rs. '000
Cost				
HIF Logistics (Pvt) Ltd	49%	49%	10,780	10,780
ACX International (Pvt) Ltd	-	49%	-	10,676
H & M Shipping (Pvt) Ltd	50%	50%	30,000	30,000
PH Resort (Pvt) Ltd.	50%	50%	1,411,398	1,160,886
Far Shipping Agency Lanka (Pvt) Ltd.	60%	60%	3,000	3,000
			1,455,178	1,215,342
Disposed during the year				
ACX International (Pvt) Ltd			10,676	-
Heladhanavi Ltd			-	600,000
Cumulative Loss accruing to the Group Net of Dividend			(140,274)	(273,472)
Share of Reserve transfer of Joint Venture			229	374,235
Share of Net Assets Disposed During the Year			(2,303)	(680,342)
			(131,672)	20,421
Carrying Amount of the Investment			1,323,506	1,235,763

	2016 Rs. '000	2015 Rs. '000
Group Share of Joint Ventures' Statement of Financial Position;		
Current Assets	460,523	197,049
Non Current Assets	2,446,901	1,423,583
Current Liabilities	148,551	382,140
Non-Current Liabilities	1,435,367	2,729
Equity	1,323,506	1,235,763

	2016 Rs. '000	2015 Rs. '000
Group Share of Joint Venture's Statement of Profit or Loss;		
Share of the Joint Venture Revenue-Continuing Operations	327,785	174,309
Share of the Joint Venture Profit Before Tax - Continuing Operations	(67,027)	128,661
Share of the Joint Venture Profit After Tax - Continuing Operations	(79,829)	110,153
Share of the Joint Venture Profit After Tax - Discontinued Operations	-	(131,948)
Share of the Joint Venture Other Comprehensive Income -Discontinued Operations	-	3,804

16.1 Company

	Holding 2016 %	2015 %	2016 Rs. '000	2015 Rs. '000
Hemas International Freight (Pvt) Ltd.	49%	49%	30,044	30,044
Less - Impairment of Investment			(30,044)	(30,044)
			-	-

17 INVESTMENT IN ASSOCIATES

Unquoted

	Direct Holding 2016 %	2015 %	2016 Rs. '000	2015 Rs. '000
Jada Resort and Spa (Pvt) Ltd	19.9%	19.9%	361,800	361,800
Cumulative profit accruing to the Group net of Dividend			(2,736)	21,761
Carrying Amount of the Investment			359,064	383,561

	2016 Rs. '000	2015 Rs. '000
Group Share of Associate's Statement of Financial Position		
Current Assets	164,414	110,209
Non Current Assets	956,806	459,162
Current Liabilities	123,784	40,214
Non-Current Liabilities	399,437	63,624
Equity	598,000	465,533

	2016 Rs. '000	2015 Rs. '000
Group Share of Associate's Statement of Profit or Loss		
Share of the Associate Revenue	86,650	118,865
Share of the Associate Profit Before Tax	(21,328)	6,122
Share of the Associate Profit After Tax	(24,497)	3,258

NOTES TO THE FINANCIAL STATEMENTS

18 OTHER FINANCIAL ASSETS

Available-For-Sale investment — Quoted equity shares

The Company and Group has 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	
Summary	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Available For Sale Investments				
Quoted Equity Shares (Note 18.1.1 (a))	385	57,662	320	57,577
Unquoted Equity Shares (Note 18.1.1 (b))	17,593	17,551	-	-
Unquoted preference shares (Note 18.1.2)	375,478	375,478	354,478	354,478
	393,456	450,691	354,798	412,055
Loans and Receivables				
Loans to Company Employees	84,861	89,384	5,805	6,092
Loans Due from Related Parties (Note 18.1.5)	-	-	1,039,411	830,134
Refundable Deposits	26,936	21,410	-	-
	111,797	110,794	1,045,216	836,226
Held to Maturity Investment				
Loans to Associate/JV's (Note 18.1.4)	-	300,000	-	300,000
Unquoted Equity Investment held for sale	-	4,500	-	4,500
Total Other Financial Assets	505,253	865,985	1,400,014	1,552,781
Total Non-Current (Note 18.1)	420,392	472,101	363,048	423,355
Total Current (Note 18.2)	84,861	393,884	1,036,966	1,129,426

18.1 Other financial assets - Non Current

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Investment In Equity Securities - Non Current (Note 18.1.1)	17,978	75,213	320	57,577
Unquoted preference shares (Note 18.1.2)	375,478	375,478	354,478	354,478
Loans Due From Related Parties (Note 18.1.5)	-	-	8,250	11,300
Refundable Deposit	26,936	21,410	-	-
	420,392	472,101	363,048	423,355

18.2 Other financial assets - Current

	Group		Company	
	2016 Rs. '000	2015 Rs. '000s	2016 Rs. '000	2015 Rs. '000
Loans to Company Employees	84,861	89,384	5,805	6,092
Loans Due From Related Parties (Note 18.1.5)	-	-	1,031,161	818,834
Unquoted Equity Investment held for sale	-	4,500	-	4,500
Loans to Associate/Joint Ventures (Note 18.1.4)	-	300,000	-	300,000
	84,861	393,884	1,036,966	1,129,426

18.1.1 Investment In Equity Securities - Non Current

Group	No. of Shares		Carrying Value		Fair Value	
	2016	2015	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Quoted						
Overseas Realty (Ceylon) PLC	1,000	1,000	24	24	24	24
Eden Hotels Lanka PLC	127	127	3	3	3	3
Galadari Hotels PLC	2,000	2,000	17	26	17	26
Blue Diamond Jewelers PLC	1,300	1,300	1	1	1	1
Royal Palm Beach Hotels PLC	85	85	3	3	3	3
Mercantile Shipping Investments PLC	484,334	484,334	-	57,151	-	57,151
John Keells Holdings PLC	2,081	2,081	308	414	308	414
Sierra Cables PLC	9,900	9,900	29	40	29	40
			385	57,662	385	57,662

NOTES TO THE FINANCIAL STATEMENTS

18 OTHER FINANCIAL ASSETS (Contd.)

18.1.1 Investment In Equity Securities - Non Current (Contd.)

Group

	No. of Shares		Carrying Value	
	2016	2015	2016 Rs. '000	2015 Rs. '000
(b) Unquoted				
Rainforest Ecology (Pvt) Ltd	1,000,000	1,000,000	12,000	12,000
Cocacola Beverages Ltd	100	100	5	5
Ceybank Unit Trust	-	-	4,588	5,546
Pulz Solutions Pvt Ltd	150,000	-	1,000	-
			17,593	17,551
Total			17,978	75,213

Company

	No. of Shares		Carrying Value		Fair Value	
	2016	2015	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(c) Quoted						
Overseas Realty (Ceylon) PLC	500	500	12	12	12	12
Mercantile Shipping PLC	484,334	484,334	-	57,151	-	57,151
John Keells Holdings PLC	2,081	2,081	308	414	308	414
			320	57,577	320	57,577

18.1.2 Unquoted Preference Shares

Group

	No. of Shares		Carrying Value	
	2016	2015	2016 Rs. '000	2015 Rs. '000
Giddawa Hydro Power (Pvt) Ltd.	810	810	81,000	81,000
Jada Resort and Spa (Pvt) Ltd.	1,454,310	1,454,310	294,478	294,478
			375,478	375,478

Company

	No. of Shares		Carrying Value	
	2016	2015	2016 Rs. '000	2015 Rs. '000
Giddawa Hydro Power (Pvt) Ltd.	600	600	60,000	60,000
Jada Resort and Spa (Pvt) Ltd.	1,454,310	1,454,310	294,478	294,478
			354,478	354,478

18.1.3 ESOS Receivables

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the Beginning of the Year	-	318,487	-	111,518
Payment Made During the Year	-	(330,502)	-	(114,865)
Unwinding of Interest	-	12,015	-	3,347
Balance at the End of the Year	-	-	-	-

18.1.4 Loans to Associate/Joint Ventures

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
PH Resorts (Pvt) Ltd.	-	300,000	-	300,000
	-	300,000	-	300,000
Non Current	-	-	-	-
Current	-	300,000	-	300,000

18.1.5 Loans Due From Related Parties

		Company	
	Relationship	2016	2015
		Rs. '000	Rs. '000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	232,000	317,000
Hemtours (Pvt) Ltd	Subsidiary	51,107	-
Forbes Air Services (Pvt) Ltd.	Subsidiary	-	65,000
N-able (Pvt) Ltd.	Subsidiary	75,000	95,000
Peace Haven Resorts (Pvt.) Ltd	Subsidiary	591,147	291,047
Mowbray Hotels (Pvt) Ltd.	Subsidiary	6,197	4,077
Hemas Logistics (Pvt) Ltd.	Subsidiary	30,000	30,000
Hemas Integrated Logistics (Pvt) Ltd.	Subsidiary	8,250	27,300
FAR Shipping Lanka (Pvt) Ltd	Subsidiary	5,000	-
Hemas Hospitals (Pvt) Ltd.	Subsidiary	30,000	-
Leisure Asia Investments Ltd.	Subsidiary	710	710
Mazu Shipping (Pvt) Ltd	Subsidiary	10,000	-
		1,039,411	830,134
Non Current		8,250	11,300
Current		1,031,161	818,834

Terms & Conditions
Security : Unsecured
Repayment - Current : to be paid on demand within 12 months
Repayment - Non Current : repayment period beyond 12 months
Interest : Based on market rates

NOTES TO THE FINANCIAL STATEMENTS

19 INVENTORIES

	Group	
	2016 Rs. '000	2015 Rs. '000
Raw Materials	643,445	632,952
Work In Progress	65,553	85,861
Finished Goods & Other Stocks	4,462,340	3,391,101
Goods In Transit	234,390	159,905
Less: Provision for Obsolete Stocks	(173,416)	(134,235)
	5,232,312	4,135,584

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trade Debtors				
Related Parties (20.1)	-	-	186,351	280,360
Others	5,701,968	5,685,700	2,379	12,383
Less: Impairment of Debtors - Related Parties	-	-	(12,679)	(15,127)
Other	(174,943)	(140,879)	(2,203)	(4,916)
	5,527,025	5,544,821	173,848	272,700
Other Debtors				
Related Parties (20.2)	-	-	156,610	840,004
Others	1,198,464	758,479	86,037	25,232
Advances and Prepayments	747,183	916,595	74,257	91,712
Less: Allowance for impairment	(10,346)	(5,785)		-
	7,462,326	7,214,110	490,752	1,229,648

Group

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

			Past due but not impaired				
	Total Rs. '000	Current Rs. '000	< 30 Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	91-120 days Rs. '000	> 120 days Rs. '000
2016	5,527,025	3,244,303	1,312,702	598,779	214,130	53,905	103,206
2015	5,544,821	3,825,736	914,472	217,044	175,200	152,607	259,762

Company

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

			Past due but not impaired				
	Total Rs. '000	Current Rs. '000	< 30 Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	91-120 days Rs. '000	> 120 days Rs. '000
2016	173,848	100,176	15,314	12,218	9,410	9,264	27,466
2015	272,700	143,393	9,845	35,774	9,581	12,275	61,832

NOTES TO THE FINANCIAL STATEMENTS

20.1 Trade Dues From Related Parties

		Company	
	Relationship	2016 Rs. '000	2015 Rs. '000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	22,610	129,981
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	-	16
Vishwa BPO (Pvt) Ltd.	Subsidiary	432	269
Hemas Travels (Pvt) Ltd.	Subsidiary	5,511	2,857
Hemas Air Services (Pvt) Ltd.	Subsidiary	17,298	23,174
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	6	6
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	854	4,533
Hemas Hospitals (Pvt) Ltd.	Subsidiary	7,839	10,504
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	953	1,428
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	54	25,019
Hemas Aviation (Pvt) Ltd.	Subsidiary	140	77
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	33,955	16,863
Forbes Air Services (Pvt) Ltd.	Subsidiary	47,694	5,889
Hemas Developments (Pvt) Ltd.	Subsidiary	44	-
Hemtours (Pvt) Ltd.	Subsidiary	613	-
ACX International (Pvt) Ltd.	Joint Venture	-	145
Diethelm Travels Lanka (Pvt) Ltd.	Subsidiary	2,981	1,161
Serendib Leisure Management Ltd.	Subsidiary	3,917	2,770
Serendib Hotels PLC	Subsidiary	10,270	11,114
Leisure Asia Investments Ltd.	Subsidiary	104	54
Dolphin Hotels PLC	Subsidiary	859	1,133
Jada Resorts and SPA (Pvt) Ltd	Associate	727	-
Mowbray Hotels (Pvt) Ltd.	Subsidiary	951	543
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	84	-
Far Shipping Agency Lanka (Pvt) Ltd.	Joint Venture	356	339
Hemas Transportation (Pvt) Ltd	Subsidiary	-	11
N-able (Pvt) Ltd.	Subsidiary	3,118	22,779
Peace Haven Resorts Ltd.	Subsidiary	11	11
P H Resorts (Pvt) Ltd.	Joint Venture	14,886	3,137
J.L Morison Son & Jones (Ceylon) PLC	Subsidiary	4,297	4,408
Hemas Integrated Logistics (Pvt) Ltd	Subsidiary	610	1,109
Hemas Logistics (Pvt) Ltd.	Subsidiary	4,852	11,030
Mazu Shipping (Pvt) Ltd	Subsidiary	325	-
		186,348	280,360

20.2 Other Dues From Related Parties

		Company	
	Relationship	2016 Rs. '000	2015 Rs. '000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	68,387	672,999
Hemas Development (Pvt) Ltd.	Subsidiary	3	6
Hemtours (Pvt) Ltd.	Subsidiary	-	84,246
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	1,346	7,886
Forbes Air Services (Pvt) Ltd.	Subsidiary	1,233	1
Hemas Aviation (Pvt) Ltd.	Subsidiary	102	-
Hemas Travels (Pvt) Ltd.	Subsidiary	5,527	3,044
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	2,929	-
Diethelm Travel The Maldives (Pvt) Ltd	Subsidiary	44	1,785
Vishwa BPO (Pvt) Ltd.	Subsidiary	387	1,047
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	28	1
Hemas Hospitals (Pvt) Ltd.	Subsidiary	12,302	8,993
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	2,400	410
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	1,269	416
N-able (Pvt) Ltd.	Subsidiary	1,760	15,292
Peace Haven Resorts Ltd.	Subsidiary	5,822	5,822
P H Resorts (Pvt) Ltd.	Joint Venture	708	56
Hemas Air Services (Pvt) Ltd.	Subsidiary	1,709	1,396
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	9	9
Far Shipping Agency Lanka (Pvt) Ltd	Joint Venture	494	691
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	7,799	112
Leisure Asia Investments Ltd.	Subsidiary	4,241	4,241
Hemas Transportation (Pvt) Ltd.	Subsidiary	1,975	32
H & M Shipping Services (Pvt) Ltd	Joint Venture	1	1
HIF Logistics (Pvt) Ltd.	Joint Venture	123	-
Mowbray Hotels Ltd.	Subsidiary	5,482	5,482
Jada Resorts and SPA (Pvt) Ltd	Associate	51	-
Serendib Leisure Management Ltd.	Subsidiary	16,840	13,647
Serendib Hotels PLC	Subsidiary	780	668
Dolphin Hotels PLC	Subsidiary	-	2
J.L Morison Son & Jones (Ceylon) PLC	Subsidiary	6,762	6,526
MSJ Industries Ceylon (Pvt) Ltd.	Subsidiary	233	1,229
Hemas Logistics (Pvt) Ltd.	Subsidiary	4,084	3,249
Hemas Integrated Logistics (Pvt) Ltd.	Subsidiary	715	715
Concept Ventures (Pvt) Ltd.	Subsidiary	1,065	-
		156,610	840,004

NOTES TO THE FINANCIAL STATEMENTS

21 STATED CAPITAL

	2016 Number	2016 Rs. '000	2015 Number	2015 Rs. '000
21.1 Fully Paid Ordinary Shares				
Balance at the Beginning of the Year	515,290,620	1,600,603	515,290,620	1,600,603
Issue of Rights	57,254,513	4,122,234		
Balance at the End of the Year	572,545,133	5,722,837	515,290,620	1,600,603

The Company announced a Rights Issue of 57,254,513 shares to the value of Rs. 4,122,324,936/- (at the proportion of One Ordinary Share for every Nine Ordinary Shares at a consideration of Rs. 72 per share) after obtaining the principal approval from the Securities and Exchange Commission and by its shareholders on the Extraordinary General Meeting dated 10th April 2015 and has successfully completed on 26th May 2015

21.2 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.

21.3 Share-Based Payment Plans

Employee Share Option Plan

The Board of Directors, with the approval in principal of the Colombo Stock Exchange, and authorized by the shareholders on an Extraordinary General Meeting dated 10th April 2015, to create a Employee Share Option Scheme (ESOS) to offer 13,900,000 ordinary shares being 2.4% of the total number of shares in issue to Executive Directors and Senior Executives of the company and its subsidiaries whom the Board deems to be eligible to be awarded the shares

Accordingly, 3,053,750 employee share options were granted to the Executive Directors and Senior Executives of the company and its subsidiaries at the exercise price of Rs.82/- with a vesting period of one year starting from 27th July 2015 and exercise period of 3 years starting from 27th August 2016.

Under the Group's Employees Share Option Plan (ESOP), share options of the parent are granted to executives of the Group/Company generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using the "Black Scholes" option pricing model taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is four years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Total expense arising from share-based payment transactions	22,861	-	5,258	-

The following information were used and results were generated using Black Scholes model for ESOP granted.

	2016
Dividend yield (%)	1.50
Expected volatility (%)	1.75
Risk free interest rate (%)	5
Expected life of share options (Years)	4
Weighted average share price at the date of exercise of these options (Rs.)	82.00
Weighted average remaining contractual life for the share options outstanding (Years)	3
Weighted average fair value of options granted during the year (Rs.)	20.92
Exercise price for options outstanding at the end of the year (Rs.)	82.00

22 OTHER CAPITAL AND REVENUE RESERVES

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance at the Beginning of the Year	35,681	400,289	257,032	257,032
Adjustment in respect of changes in Group Holding	-	(72,684)	-	-
Share Based Payments	22,861	-	22,861	-
Net Gain/(Loss) Recognised Directly In Equity	-	(291,924)	-	-
Balance at the End of the Year	58,542	35,681	279,893	257,032

22.1 Group

Group's other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration and general reserves of other subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

22 OTHER CAPITAL AND REVENUE RESERVES (Contd.)

22.2 Company

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

22.3 Super Gain Tax

As per the provision of part III of the Finance Act No. 10 of 2015, the Group and the Company were liable for Super Gain Tax (SGT) of Rs 605 Mn and Rs 32 Mn respectively. The SGT has been accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for SGT issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015 since the Act requires to treat SGT as an expenditure for year of assessment 2013/14 and the Act supercedes the provisions of the Sri Lanka Accounting Standards.

23 INTEREST BEARING LOANS AND BORROWINGS

23.1 Group

	2016 Rs. '000	2015 Rs. '000
Balance at the Beginning of the Year	5,069,396	5,232,708
Obtained during the year	1,224,156	3,785,785
Transaction cost adjustment	112,055	(13,342)
Fair valuation adjustment	-	103,532
Disposed during the year	-	(637,558)
Repayments	(1,858,511)	(3,256,899)
Exchange differences through Income Statement	8,254	5,331
Exchange differences through Other Comprehensive Income	56,759	(150,161)
Balance at the End of the Year	4,612,109	5,069,396
Non Current	3,241,655	3,420,154
Current	1,370,454	1,649,242

23.1.1 Security and Repayment

Company	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2016 Rs. '000	2015 Rs. '000
Hemas Holdings PLC	Sampath Bank	Short Term Loan	AWPLR+0.5%	Repayable within 180 days	51,905	-
		Debenture	11% Fixed	Capital repayable in April 2019	1,045,489	1,043,478
	Commercial Bank	Term Loan	8.75% Fixed	Bullet repayment in May 2017	449,774	449,774
	NTB	Short Term Loan	AWPLR+0.5%	Capital repayable in full in April 2016	24,743	-
	NDB	Term Loan	8.75% Fixed	Repayable in 48 instalment years starting from Oct 2014	30,424	42,593
Hemas Pharmaceuticals (Pvt) Ltd.	SCB	Short Term Loan	8.85%	Repayable in April 2016	165,000	-
	SCB	Short Term Loan	6.75%	-	-	83,000
	SCB	Short Term Loan	5.85%	-	-	52,000
	SCB	Short Term Loan	5.75%	-	-	25,000
	CITI Bank	Short Term Loan	8.83%	Repayable in April 2016	60,000	-
		Short Term Loan	9.68%	Repayable in April 2016	57,000	-
		Short Term Loan	7.00%	-	-	172,000
	CITI Bank	Short Term Loan	7.10%	-	-	165,500
	NDB	Short Term Loan - Negative Pledge on working capital	"8.75%	Repayable in 48 instalments starting from Oct 2014	469,576	657,407
Hemas Hospitals (Pvt) Ltd	DFCC	Project Loan	AWDR+ 4%	Repayable in 84 instalments starting from Oct 2007	69,650	189,050
	Sampath Bank	Term Loan	6% Fixed	-	-	136,671
	Sampath Bank	Term Loan	AWPLR	Repayable in 60 instalments starting from Oct 2015	273,067	-
	Sampath Bank	Term Loan	AWPLR+1.5%	Repayable in 60 instalments starting from April 2016	106,600	-
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 42 instalments starting from Sep 2014	283,214	400,000
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 instalments starting from Nov 2014	82,500	110,000
	Cargills Bank Limited	Term Loan	8.25% Fixed	Repayable in 36 instalments starting from March 2015	144,201	-
	Union Bank of Colombo PLC	Term Loan	8.4% Fixed for 2 years AWPLR hereafter	Repayable in 48 instalments starting from Nov 2015	70,598	-

NOTES TO THE FINANCIAL STATEMENTS

23 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

23.1 Interest Bearing Loans And Borrowings (Contd.)

Company	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2016 Rs. '000	2015 Rs. '000
Hemas Southern Hospitals (Pvt.) Limited	HNB	Term Loan	8.5% Fixed for 5 years and remainder at AWPLR+.5%	Repayable in 60 instalments starting from Jan 2016	94,990	100,000
Hemas Capital Hospitals (Pvt) Ltd	HNB	Term Loan	8.5 Fixed	Repayable in 60 instalments starting from December 2014	146,560	186,640
Hemas Logistics (Pvt) Ltd	Mercantile Investments	Finance Lease	-	-	1,885	11,672
	Sampath Bank	Finance Lease	-	-	3,064	8,378
	Union Bank	Finance Lease	-	-	-	1,169
	Central Finance	Finance Lease	-	-	2,165	3,242
	Commercial Bank	Term Loan	PLR+1%	Repayable in 48 instalments starting from Nov 2013	7,917	12,917
	Commercial Bank	Term Loan	PLR+1%	Repayable in 48 instalments starting from Mar 2014	7,667	11,667
	Commercial Bank	Term Loan	PLR+1%	Repayable in 60 instalments starting from Nov 2014	7,167	9,167
	Commercial Bank	Term Loan	8.9% Fixed	Repayable in 48 instalments starting from April 2015	17,100	22,800
	Commercial Bank	Term Loan	8.75% Fixed for 2 years and remainder @ AWPLR+190	Repayable in 36 instalments starting from May2015	36,060	-
Hemas Integrated Logistics (Pvt) Ltd	SCB	Term Loan	3 months LIBOR + 4% (USD Loan)	Repayable in 54 instalments starting from April 2014	102,474	126,426
Diethelm Travel Lanka (Private) Limited	NTB	Finance Lease	-	-	-	1,586
Serendib Hotels PLC	HNB	Term Loan	At a Margin over 3 3 Months EURIBOR	Repayable in 60 Instalments starting from Oct' 2012	36,948	49,635
	HNB	Term Loan	At a Margin over 3 3 Months LIBOR	Repayable in 60 Instalments starting from Oct' 2012	20,583	31,502
	HNB	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from Dec' 2012	37,611	47,983
	HNB	Term Loan	At a Margin over 3 3 Months LIBOR	Repayable in 60 Instalments starting from Jan' 2013	20,423	29,992
	HNB	Term Loan	At a Margin over 3 3 Months EURIBOR	Repayable in 60 Instalments starting from Sep' 2013	53,206	63,977

Company	Lending Institution	Nature Of Facility	Interest Rate and Security	Repayment Terms	2016 Rs. '000	2015 Rs. '000
Dolphin Hotels PLC	Commercial Bank	Term Loan	1 Month GBP LIBOR	Repayable in 72 Instalments starting from Nov' 2012	69,576	78,396
	Commercial Bank	Term Loan	At a margin Over 1 Month Eur LIBOR p.a	Repayable in 72 Instalments from Nov' 12	143,739	174,655
N-Able (Pvt) Limited	SCB	Import Loan	8.7%		-	27,219
J. L. Morison Son & Jones (Ceylon) PLC	BOC	Term Loan	14.94% p.a	Repayable in 60 instalments starting from June 2011	219	3,219
	BOC	Trust Receipt Loan	8.41% p.a	Repayable in full after 4 months from the date of draw down on 31 Jan 2016	10,872	-
	HNB	Term Loan	12% p.a	Repayable in 60 instalments starting from April 2011	103	1,266
	HNB	Term Loan	AWPLR +2%	Repayable in 60 instalments starting from Sep 2011	1,230	2,041
	HNB	Finance Lease			-	415
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 instalments starting from April 2015	375,008	500,000
	Nation Trust Bank	Short Term Loan	8.85% Fixed	Repayable in full on 08 April 2016	31,800	-

NOTES TO THE FINANCIAL STATEMENTS

23 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

23.2 Company

	2016 Rs. '000	2015 Rs. '000
Interest Bearing Loans & Borrowings-Non Current		
Loans From Related Parties (Note 23.2.1)	32,259	246,153
Bank Loans	480,199	492,368
Debentures (Note 23.2.2)	935,489	942,177
	1,447,947	1,680,698
Interest Bearing Loans & Borrowings-Current		
Loans From Related Parties (Note 23.2.1)	162,000	152,600
Bank Loans	76,647	-
Debentures (Note 23.2.2)	110,000	101,301
Loans Due to Associate	-	36,300
	348,647	290,201

23.2.1 Total Loans From Related Parties

Subsidiaries	As at 01.04.2015 Rs. '000	Obtained During the Year Rs. '000	Repayment / Transfer Rs. '000	As at 31.03.2016 Rs. '000	Non Current Rs. '000	Current Rs. '000
Hemas Air Services (Pvt) Ltd.	41,789	110,000	(60,000)	91,789	5,791	86,000
Hemas Developments (Pvt) Ltd.	171,718	96,000	(246,998)	20,720	20,718	-
Hemas Manufacturing (Pvt) Ltd.	20,000	-	(20,000)	-	-	-
Vishwa BPO (Pvt) Ltd.	15,750	5,000	(10,000)	10,750	5,750	5,000
Dolphin Hotels PLC	4,100	-	(4,100)	-	-	-
Hotel Sigiriya PLC	5,000	-	(5,000)	-	-	-
Serendib Leisure Management Ltd.	36,500	-	(36,500)	-	-	-
Hemtours (Pvt) Ltd.	32,896	-	(32,896)	-	-	-
Hemas Transportation (Pvt) Ltd.	21,000	30,000	(30,000)	21,000	-	21,000
J.L Morison Son & Jones (Ceylon) PLC	50,000	35,000	(35,000)	50,000	-	50,000
	398,753	276,000	(480,494)	194,259	32,259	162,000

Subsidiaries	As at 01.04.2014 Rs. '000	Obtained During the Year Rs. '000	Repayment / Transfer Rs. '000	As at 31.03.2015 Rs. '000	Non Current Rs. '000	Current Rs. '000
Total Loans From Related Parties	662,803	313,000	(577,050)	398,753	246,153	152,600

Terms and Conditions

Treasury Loans
Security - Unsecured
Repayment Current - to be repaid on demand within 12 months
Repayment Non Current - repayment period beyond 12 months
Interest - Based on Market Rates

23.2.2 Debentures

	2016 Rs. '000	2015 Rs. '000
Balance at the Beginning of the Year	1,043,478	-
Interest	112,056	103,532
Issue Cost	-	(13,342)
Issued During the Year	-	1,000,000
Less: Repayments	(110,045)	(46,712)
Balance at the End of the Year	1,045,489	1,043,478
Non Current	935,489	942,177
Current	110,000	101,301

Terms and Conditions

The ten million, rated (AA-lka, by Fitch Rating Lanka Limited) unsecured redeemable debentures carrying a coupon rate of 11% p.a. payable semi-annually issued on 29th April 2014 are to be matured on 29th April 2019.

NOTES TO THE FINANCIAL STATEMENTS

24 OTHER NON CURRENT FINANCIAL LIABILITIES

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Other Financial Liabilities at Amortised Cost				
Rent Deposits/Advances	4,247	29,883	-	9,434
Total other Financial Liabilities at Amortised Cost	4,247	29,883	-	9,434

25 DEFERRED TAX

Group

	Deferred Tax Assets		Deferred Tax Liabilities	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at Beginning of the Year	72,731	58,581	260,979	273,055
Income/(Expense) arising During the Year	(6,186)	9,027	85,236	27,580
Income/(Expense) arising from Discontinued Operation	-	272	-	2,203
Recognised through Equity	(18,716)	8,728	78,269	(14,626)
Acquired/Disposed During the Year	-	(3,877)	-	(27,233)
Balance at the End of the Year	47,829	72,731	424,484	260,979

Company

	Deferred Tax Liabilities	
	2016 Rs. '000	2015 Rs. '000
Balance as at Beginning of the Year	53,002	53,917
Income/(Expense) arising During the Year	9,328	2,136
Recognised through Equity	736	(3,051)
Balance at the End of the Year	63,066	53,002

The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Revaluation of Land and Buildings to Fair Value	131,571	27,551	-	-
Revaluation of Investment Properties to Fair Value	61,306	60,109	61,306	60,108
Accelerated Depreciation for Tax Purposes	393,218	292,173	13,412	12,042
Employee Benefit Liability	(118,698)	(117,032)	(7,485)	(7,752)
Losses Available for Offset against Future Taxable Income	(38,859)	(50,384)	-	(5,784)
Others	(51,883)	(24,169)	(4,167)	(5,612)
	376,655	188,248	63,066	53,002

26 EMPLOYEE BENEFIT LIABILITY

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at Beginning of the Year	533,599	426,640	27,686	33,809
Disposal of Subsidiary	-	(9,561)	-	-
Charge for the Year (26.1)	127,030	99,709	6,939	6,731
Acturial (Gain) or Loss	(30,620)	103,579	(2,629)	10,897
Benefits Paid	(63,965)	(86,768)	(942)	(23,751)
Transfer		-	(4,322)	-
Balance as at the End of the Year	566,044	533,599	26,732	27,686

26.1 Post Employee Benefit Expense for

	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Current Service Cost	84,150	55,177	4,170	3,012
Interest Cost	42,880	44,532	2,769	3,719
Post Employment Benefit Expense	127,030	99,709	6,939	6,731

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2016. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2016	2015
a. Demographic Assumptions		
Retirement Age	55 Years	55 Years
Assumed Rate of Employee Turnover (%)	1	1
b. Financial Assumptions		
Discount Rate Assumed (%)	11	10
Future Salary Increase (%)	9	9

NOTES TO THE FINANCIAL STATEMENTS

26 EMPLOYEE BENEFIT LIABILITY (Contd.)

26.2 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.

Assumed change in Financial Assumptions	Group		Company	
	Effect on Profit or Loss	Performa Post Employment Benefit Liability	Effect on Profit or Loss	Performa Post Employment Benefit Liability
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
If Discount Rate Increased By 1%	50,835	(50,835)	2,143	(2,143)
If Discount Rate Decreased By 1%	(59,413)	59,413	(2,455)	2,455
If Salary Increment Rate Increased By 1%	(59,998)	59,998	(2,479)	2,479
If Salary Increment Rate Decreased By 1%	52,140	(52,140)	2,199	(2,199)

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables - Others	6,713,618	5,657,149	-	-
Other Payables				
Related Parties (27.1)	-	-	51,263	37,794
Others *	1,499,880	1,649,049	303,448	282,095
Sundry Creditors including Accrued Expenses	2,313,497	1,644,768	71,851	62,584
Dividend payables-unclaimed	15,079	13,271	6,015	4,972
	10,542,074	8,964,237	432,577	387,445

* Other Payables includes a balance of Rs.271 Mn representing surplus funds received from previously held ESOS trusts at the point of dissolution, which needs to be utilized for the welfare of the employees as per the trust agreement.

27.1 Non Trade Dues to Related Parties

		Company	
	Relationship	2016 Rs. '000	2015 Rs. '000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	1,739	-
Forbes Air Services (Pvt) Ltd.	Subsidiary	-	52
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	8,014	6,855
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	6,355	6,359
Hemtours (Pvt) Ltd.	Subsidiary	149	149
Vishwa BPO (Pvt) Ltd.	Subsidiary	4,522	9818
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	1,990	36
N-Able (Pvt) Ltd.	Subsidiary	3,652	1,360
Hemas Travels (Pvt) Ltd.	Subsidiary	2,742	1,191
Hemas Air Services (Pvt) Ltd.	Subsidiary	1,769	258
Hemas Developments (Pvt) Ltd.	Subsidiary	7,850	7,555
Hemas Hospitals (Pvt) Ltd.	Subsidiary	2,358	2,898
Serendib Leisure Management (Pvt) Ltd.	Subsidiary	226	283
Dolphin Hotels PLC	Subsidiary	-	106
Hemas Transportation (Pvt) Ltd	Subsidiary	404	93
Hotel Sigiriya PLC	Subsidiary	113	25
Hemas Logistics (Pvt) Ltd.	Subsidiary	5,377	-
J L Morison Son & Jones (Ceylon) PLC	Subsidiary	3,993	751
M S J Industries (Ceylon) Pvt Ltd	Subsidiary	10	-
Serendib Hotels PLC	Subsidiary	-	5
		51,263	37,794

NOTES TO THE FINANCIAL STATEMENTS

28 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
28.1 Favourable Balances				
Cash and Bank Balance	2,451,978	2,907,352	160,181	133,738
Money Market investments	5,711,098	2,421,692	5,654,667	1,781,000
Fixed Deposits, Treasury Bills and Repo Investments	3,725,887	1,048,061	134,612	78,252
	11,888,963	6,377,105	5,949,460	1,992,990
28.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,001,831)	(1,511,420)	(101,321)	(732,690)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	10,887,132	4,865,685	5,848,139	1,260,300

29 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

29.1 Acquisitions of Investment in Subsidiaries

29.1.1 The fair value of net assets acquired of LTU Asia (Pvt) Ltd during the year ended 31 March 2016 and Padiyapalalla (Private) Limited during the year ended 31 March 2015 were as follows,

	2016 Rs. '000	2015 Rs. '000
Assets		
Property, Plant and Equipment	2,684	653,187
Tax recoverable	954	-
Trade and Other Receivables	61,222	24,747
Cash and Cash Equivalents	64,724	406
	129,584	678,340
Liabilities		
Trade and Other Payables	96,966	274,238
Tax Payable	1,384	-
	98,349	274,238
Total Identifiable Net Assets at Fair Value	31,235	404,102
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	(18,741)	(40,410)
Goodwill Arising on Acquisition	6,738	173,379
Purchase Consideration transferred	19,232	537,071
Net cash Acquired with the subsidiary	(64,724)	(406)
Net cash flow on Acquisition	(45,493)	536,665

29.2 Disposals

29.2.1 Disposal of Interest in Joint ventures in 2015/2016

The Group disposed ACX International (Pvt) Ltd (Joint Venture entity) on 11 December 2015.

	2016 Rs. '000
Share of Joint Venture Disposed	
Total identifiable net assets at fair value/Share of Joint venture	(2,303)
Gain on Disposal of Interest in Joint ventures	2,303
Consideration Received	-

29.2.2 Disposal of Investment in Subsidiaries in 2014/2015

The Group disposed Hemas Power PLC on 05 December 2014.

	2015 Rs. '000
Assets	
Property, Plant and Equipment	2,374,409
Intangible Assets	748,347
Deferred Tax Asset	3,877
Other Non Current Financial Assets	47,736
Inventories	6,397
Trade and Other Receivables	276,442
Other Current Financial Assets	2,503
Income Tax Recoverable	10,033
Cash and Short Term Deposit	703,522
	4,173,266
Liabilities	
Interest Bearing loans and Borrowing	637,423
Employee Benefit Liability	9,561
Finance Lease Obligation	531
Non Current Financial Liability	148,268
Trade & Other Payables	88,790
Income Tax Payable	5,580
Differed Tax Liability	27,233
Bank Overdraft	7,896
Non-controlling interests	862,624
	1,787,906
Total identifiable net assets at fair value	2,385,360
Non-controlling interests	(596,340)
Equity Attributable to Equity Holders of the parent	1,789,020
Loss on Disposal	(151,489)
Consideration Received	1,637,531
Net cash disposed with the subsidiary	695,626
Net cash flow on disposal	941,905

NOTES TO THE FINANCIAL STATEMENTS

30 FAIR VALUE

Group

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

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Trade and Other Receivables	6,715,143	6,297,515	6,715,143	6,297,515
Other Financial Assets				
Loans to Company Officers	84,861	89,384	84,861	89,384
Refundable Deposit	26,936	21,410	26,936	21,410
Held to Maturity Investment	-	300,000	-	300,000
Unquoted Equity Investment held for sale	-	4,500	-	4,500
Available for Sale Investments	393,456	450,691	393,456	450,691
Cash and Short Term Deposits	11,888,963	6,377,105	11,888,963	6,377,105
Total	19,109,359	13,540,605	19,109,359	13,540,605
Financial Liabilities				
Rent Deposits/Advances	4,247	29,883	4,247	29,883
Interest Bearing Loans and Borrowings	4,578,226	5,035,513	4,578,226	5,035,513
Obligations Under Finance Leases	33,883	33,883	33,883	33,883
Trade and Other Payables	10,542,074	8,964,237	10,542,074	8,964,237
Bank Overdraft	1,001,831	1,511,420	1,001,831	1,511,420
Total	16,160,261	15,574,936	16,160,261	15,574,936

Company

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

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Trade and Other Receivables	416,495	1,137,936	416,495	1,137,936
Other Financial Assets				
Loans to Company Officers	5,805	6,092	5,211	5,335
Loans Due from Related Parties	1,039,411	830,134	1,039,411	830,134
Held to Maturity Investment	-	300,000	-	300,000
Unquoted Equity Investment held for sale	-	4,500	-	4,500
Available for Sale Investments	354,798	412,055	354,798	412,055
Cash and Short Term Deposits	5,949,460	1,992,990	5,949,460	1,992,990
Total	7,765,969	4,683,707	7,765,375	4,682,950
Financial Liabilities				
Interest Bearing Loans and Borrowings				
Loans due to Related Parties	194,259	398,753	194,259	398,753
Bank Loans	556,846	492,368	556,846	492,368
Debentures	1,045,489	1,043,478	1,045,489	1,043,478
Loans Due to Associate	-	36,300	-	36,300
Other Non Current Financial Liabilities				
Rent Deposit	-	9,434	-	9,434
Trade and Other Payables	432,577	387,445	432,577	387,445
Bank Overdraft	101,321	732,690	101,321	732,690
Total	2,330,492	3,100,468	2,330,492	3,100,468

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 credit worthiness 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 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

30 FAIR VALUE (Contd.)

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	31-Mar-2016 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value				
Available for Sale Financial Assets Equity Shares	393,456	385	-	393,071

	31-Mar-2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value				
Available for Sale Financial Assets Equity Shares	450,691	57,662	-	393,029

	31-Mar-2016 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Non Financial Assets Measured at Fair Value				
Land and Building	9,284,939	-	-	9,284,939
Investment properties	1,735,779	-	-	1,735,779

	31-Mar-2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Non Financial Assets Measured at Fair Value				
Land and Building	7,313,158	-	-	7,313,158
Investment properties	1,763,665	-	-	1,763,665

Company	31-Mar-2016 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value				
Available for Sale Financial Assets Equity Shares	354,798	320	-	354,478

	31-Mar-2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value				
Available for Sale Financial Assets Equity Shares	412,055	57,577	-	354,478

	31-Mar-2016 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Non Financial Assets Measured at Fair Value				
Investment properties	700,480			700,480

	31-Mar-2015 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Non Financial Assets Measured at Fair Value				
Investment properties	675,750	-	-	675,750

NOTES TO THE FINANCIAL STATEMENTS

31 EVENTS AFTER THE REPORTING PERIOD

31.1 The Board of Directors of the Company has declared a final dividend of Rs. 1/- per share for the financial year ended 31 March 2016 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 12th July 2016.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting date, the final dividend has not been recognized as a liability in the financial statements as at 31 March 2016.

31.2 Hemas Maritime (Pvt) Ltd was appointed as the Sri Lanka General Agent for Evergreen Marine Corporation, Taiwan effective 01 May 2016.

32 COMMITMENTS & CONTINGENCIES

32.1 Capital Commitments

	2016 Rs. '000	2015 Rs. '000
Hemas Hospitals (Pvt) Ltd.	211,988	11,265
Hemas Manufacturing (Pvt) Ltd.	237,568	-
	449,556	11,265

32.2 Contingencies

(a) Hemas Holdings PLC

The contingent liabilities as at 31 March 2016 on guarantees given by Hemas Holdings PLC, to banks on behalf of subsidiaries & joint ventures relating to facilities obtained, are as follows;

	2016 Rs. '000	2015 Rs. '000
Hemas Hospitals (Pvt) Ltd.	-	300,000
Serendib Hotels PLC	2,258	406,824
Hemas Capital Hospitals (Pvt) Ltd.	-	50,000
J.L. Morison Son and Jones (Ceylon) PLC	625	500,000
	2,883	1,256,824

(b) Hemas Travels (Pvt) Ltd.

The Company has obtained guarantees from Standard Chartered Bank favouring BSP and non BSP Airlines amounting to Rs. 140,000,000/-.

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

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

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

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

The Company has obtained guarantees from Standard Chartered Bank favouring M/S Asiatravel.com Holdings Ltd amounting to USD 10,000/-

The Company has obtained guarantees from Standard Chartered Bank favouring M/S Mystifly Consulting (India) Pvt Ltd amounting to USD 15,000/-

(c) Hemas Manufacturing (Pvt) Ltd
The Department of Inland Revenue has issued Income Tax assessments for the years of assessment 2008/2009, 2009/2010 and 2010/2011 disputing the qualifying payment relief claimed on factory relocation under the 300 enterprise programme.

The Tax Appeals Commission provided a determination confirming the assessment for 2008/2009 and the company filed a case against such determination at the court of appeal which is ongoing.

Appeals lodged for the years of assessments 2009/2010 and 2010/2011 are due for hearing at the Tax Appeals Commission.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions , and no provision has been made in the financial statements for the year ended 31st March 2016 in this regard.

(d) Serendib Hotels PLC
The Company has obtained Corporate Guarantee from Hemas Holdings PLC for Euro.1.315Mn (Equivalent to LKR. 208.5Mn) in favour of Hatton National Bank PLC.

The Company has obtained Corporate Guarantee from Hemas Holdings PLC for GBP 0.615Mn (Equivalent to LKR. 110.3Mn) in favour of Hatton National Bank PLC.

The Company has obtained Corporate Guarantee from Hemas Holdings PLC for Euro 660,000 in favour of Hatton National Bank PLC.

(e) Far Shipping Agency 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 General office of Merchant Shipping to obtain Shipping license amounting Rs. 500,000/-

NOTES TO THE FINANCIAL STATEMENTS

32 COMMITMENTS & CONTINGENCIES (Contd.)

(f) Hemas Air Services (Pvt) Ltd.

"The Company has obtained a guarantee from Standard Charted Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement / Passenger amounting to USD 76,000.

The Company has obtained a guarantee from Standard Charted Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement Cargo amounting to USD 514,000.

The Company has obtained a guarantee from Standard Charted Bank favouring Airport & Aviation Services (Pvt) Ltd amounting to Rs.12,615,000.

The Company has obtained a guarantee from Standard Charted Bank on behalf of Hemas Aviation (PVT) Ltd, favouring Island Aviation Services Ltd amounting to Rs.7,700,000.

The Company has obtained a guarantee from Standard Charted Bank on behalf of Hemas Aviation (PVT) Ltd, favouring Alitalia - Societa Aerea Italiana S.P.A amounting to EUR 75,000/-

"The Company has obtained a guarantee from Standard Charted Bank on behalf of Discover The World Marketing (Pvt) Ltd, favouring Discover momentum LLC amounting to USD 10,000."

The Company has obtained a guarantee from Standard Charted Bank on behalf of Hemas Aviation (PVT) Ltd, favouring China Southern Airlines Company Limited amounting to USD 15,000 .

(g) Forbes Air Services (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs. 1,009,000,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Airport & Aviation 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 provided following corporate guarantees to following Inter Companies;

Hemas Integrated Logistics (Pvt) Ltd	Rs.25,000,000 (12/11/2013)
Hemas Integrated Logistics (Pvt) Ltd	US$ 1,200,000 (12/11/2013)

(h) Hemas Aviation (Pvt) Ltd

The company has obtained a guarantee from Standard Charted Bank through Hemas Air Services (Pvt) Ltd , favouring Island Aviation Services Ltd amounting to Rs.7,700,000.

The company has obtained a guarantee from Standard Charted Bank through Hemas Air Services (Pvt) Ltd, favouring Alitalia - Societa Aerea Italiana S.P.A amounting to EUR 75,000/-

The Company has obtained a guarantee from Standard Charted Bank through Hemas Air Services (Pvt) Ltd, favouring China Southern Airlines Company Limited amounting to USD 15,000.

The Company has obtained a guarantee from HSBC Sri Lanka favouring Island Aviation Services Limited amounting to USD 50,000.

The Company has obtained a guarantee from Standard Charted Bank favouring China Southern Airlines amounting to USD 70,000.

(i) Discover the World Marketing (Private) Limited

The Company has obtained a guarantee from Standard Charted Bank through Hemas Air Services (Pvt) Ltd, favouring Discover momentum LLC amounting to USD 10,000.

The Company has obtained a guarantee from Standard Charted Bank through Hemas Air Services (Pvt) Ltd, favouring China Southern Airlines Company Limited amounting to USD 70,000.

(j) Hemas Maritime (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 250,000.

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

(k) Mazu Shipping (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 General Office of Merchant Shipping to obtain shipping license amounting to Rs. 500,000.

32.3 Lease Commitments

	2016 Rs. '000	2015 Rs. '000
Lease rental due on non cancellable operating leases:		
Within one Year	94,721	67,193
Two to five Years	469,923	393,063
More than five Years	1,248,370	1,330,336
	1,813,014	1,790,592

Lease Commitments	Leased property	Lessor
Hemas Hospitals Pvt Ltd	Land	Nihila Garments Pvt Ltd
Hemas Capital Hospitals Pvt Ltd	Land	Dhammika Eliyapura
Integrated Logistics Pvt Ltd	Land	Scanwell Logistics Colombo Pvt Ltd

NOTES TO THE FINANCIAL STATEMENTS

33 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	Carrying Amount of the Assets Pledged 2016 Rs. '000	Carrying Amount of the Assets Pledged 2015 Rs. '000	Included Under
Dolphin Hotels PLC	Freehold Land and Buildings	Primary Mortgage Bond No.3120 and No.1425 dated 12/07/2010 for Rs.146.3Mn and Rs.244.6Mn executed over Club Hotel Dolphin's Hotel premises at Waikkala owned by the company. Extent 5A-3R-2.6P (Lot 1 in plane No.3105) and (Extent 7A:3R:31P) to Commercial Bank of Ceylon PLC (EIB Loan of Rs.126.6Mn & Rs.234.6Mn and overdraft facility of Rs.20Mn & 10Mn) A supplementary Mortgage Bond in Euro executed in connection with Primary Mortgage Bond No.3120 and 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.	1,869,351	1,483,415	Property , Plant and Equipment
Hemas Hospitals (Pvt)Ltd	Buildings on Leasehold Land	Primary Mortgage up to the value of Rs 750Mn to DFCC Bank	1,013,630	1,110,030	Property , Plant and Equipment
Hemas Logistics (Pvt) Ltd	Trade Receivables	Primary mortgage for Rs.60 Mn over Trade Debtor Balance from Nations Trust Bank PLC	95,408	59,400	Trade and Other Receivables
	Property , Plant and Equipment	Mortgage over vehicles procured under the Bank Loans from Commercial Bank of Ceylon PLC	88,010	49,100	Property , Plant and Equipment
Hemas Integrated Logistics (Pvt) Ltd	Property , Plant and Equipment	Primary mortgage over the machinery up to $1,000,000/-	108,805	114,000	Property , Plant and Equipment
J L Morison Son & Jones (Ceylon) PLC and its Subsidiaries	Leased Assets Inventory Trade Debtors	Charged over leased assets on finance lease liabilities Documents of title to goods shipped Charged over trade finance facilities (import credit)	- 772,500 547,000	1,200 640,100 518,400	Leased Assets Inventory Trade Debtors
Deithlem Travels The Maldives (Pvt) Ltd	Fixed Deposit	Pledged upto the value of USD 5,000 to Bank of Ceylon	833	-	Cash & Short term Deposits

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group 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. Group's Senior Management provides assurance to the BOD 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group operating activities(When revenue or expense is denominated in a different currency from the group's functional currency) and net investment in foreign subsidiaries.

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 is disclosed in Note 18.

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, and loans given to SBUs.

NOTES TO THE FINANCIAL STATEMENTS

34 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 assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

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 20. 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 20 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.

Capital Management

Capital includes ordinary shares and preference shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2016 and 31 March 2015.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 financial liabilities based on contractual undiscounted payments.

Group	On Demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 5 Years Rs. '000	> 5 Years Rs. '000	Total Rs. '000
As at 31st March 2016						
Interest-Bearing Loans and Borrowings	-	-	1,370,454	3,241,655	-	4,612,109
Other Non-Current Financial Liabilities	-	-	-	4,247	-	4,247
Trade and Other Payable	-	10,542,074	-	-	-	10,542,074
Bank Overdraft	1,001,831	-	-	-	-	1,001,831
	1,001,831	10,542,074	1,370,454	3,245,902	-	16,160,261
As at 31st March 2015						
Interest-Bearing Loans and Borrowings	-	-	1,649,242	3,420,154	-	5,069,396
Other Non-Current Financial Liabilities	-	-	-	29,883	-	29,883
Trade and Other Payable	-	8,964,237	-	-	-	8,964,237
Bank Overdraft	1,511,420	-	-	-	-	1,511,420
	1,511,420	8,964,237	1,649,242	3,450,037	-	15,574,936

Company	On Demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 5 Years Rs. '000	> 5 Years Rs. '000	Total Rs. '000
As at 31st March 2016						
Interest-Bearing Loans and Borrowings	-	-	348,647	1,447,947	-	1,796,594
Other Non-Current Financial Liabilities	-	-	-	-	-	-
Trade and Other Payable	-	432,577	-	-	-	432,577
Bank Overdraft	101,321	-	-	-	-	101,321
	101,321	432,577	348,647	1,447,947	-	2,330,492
As at 31st March 2015						
Interest-Bearing Loans and Borrowings	-	-	290,201	1,680,698	-	1,970,899
Other Non-Current Financial Liabilities	-	-	-	9,434	-	9,434
Trade and Other Payable	-	387,445	-	-	-	387,445
Bank Overdraft	732,690	-	-	-	-	732,690
	732,690	387,445	290,201	1,690,132	-	3,100,468

NOTES TO THE FINANCIAL STATEMENTS

35 RECLASSIFICATION OF COMPARATIVE INFORMATION

Short Term Investments and Investments in Unit Trusts previously shown under Other Financial Assets have been reclassified to Cash and Cash Equivalents for better representation and to be in line with the current year presentation.

Group	As previously reported Rs. '000	Reclassification Rs. '000	Reclassified Rs. '000
Statement of Financial Position			
Other Non Current Financial Assets	1,060,198	(588,097)	472,101
Other Current Financial Assets	446,479	(52,595)	393,884
Cash and Short Term Deposits	5,736,413	640,692	6,377,105
Statement of Cash Flows			
Disposal of/(Investment in) Financial Assets	(443,453)	640,692	197,239
Net Increase/(Decrease) in Cash and Cash Equivalents	2,697,121	640,692	3,337,813
Cash and Cash Equivalents at the end of the year	4,224,993	640,692	4,865,685

36 RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Refer note no 38 for effective equity holding percentages of Group investments.

Non-recurrent related party transactions

There were no other non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no other recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2015 audited financial Statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Terms and conditions on loans obtained from related parties and loans granted to related parties are disclosed in Note 23.2.1 & 18.1.5 to these financial statements, respectively.

Details of significant related party disclosures are as follows:

36.1 Transactions with Related Entities

Guarantees

Guarantees given by the company to banks on behalf of related parties are disclosed in the note 32.2 in the financial statements.

Nature of Transaction	Subsidiaries 2016 Rs. '000	Subsidiaries 2015 Rs. '000	Joint Ventures 2016 Rs. '000	Joint Ventures 2015 Rs. '000	Associates 2016 Rs. '000	Associates 2015 Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Services Rendered	485,454	501,140	-	-	-	-	485,454	501,140
Bank Guarantee Fees	2,942	4,631	-	383	-	-	2,942	5,014
IT Charges	160,254	113,901	5,105	1,825	-	-	165,359	115,726
Rent	25,127	18,937	-	-	-	-	25,127	18,937
Loan Interest Income	88,741	76,915	12,036	2,424	-	-	100,777	79,339
Dividend Income	288,939	1,103,241	-	-	-	-	288,939	1,103,241
Treasury Loans Granted	(1,318,564)	(2,453,897)	(770,000)	(300,000)	-	-	(2,088,564)	(2,753,897)
Loan Interest Expense	(20,599)	(43,179)	-	(10)	-	(6,158)	(20,599)	(49,347)
Receipt of Services	(125,539)	(81,614)	-	-	-	-	(125,539)	(81,614)
Shared Service Fee	(11,138)	(12,666)	-	-	-	-	(11,138)	(12,666)
Purchase of Air Tickets and Foreign Currency	(17,648)	(28,271)	-	-	-	-	(17,648)	(28,271)
Treasury Loans Obtained	276,000	313,000	-	-	-	375,000	276,000	688,000
Repayment of Loans /Transfer	628,794	(570,051)	770,000	-	-	(338,700)	1,398,794	(908,751)
Other	9,388	12,458	-	153	-	-	9,388	12,611

36.2 Transactions with Key Management Personnel

The key management personnel are the all executive and Non-Executive Directors and all members of the senior management of Hemas Holdings PLC and its subsidiaries.

a.) Key Management Personnel Compensation

	Group 2016 Rs. '000	Group 2015 Rs. '000	Company 2016 Rs. '000	Company 2015 Rs. '000
Short Term Benefits	593,788	461,637	127,807	135,144
Post Employment Benefit	-	22,230	-	20,954

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

No significant transactions had taken place involving Key Management Personnel & their close family members.

NOTES TO THE FINANCIAL STATEMENTS

37 SEGMENTAL INFORMATION

Information based on the primary segments (Business Segment)

For the year ended 31 March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Revenue														
Segmental Revenue - Gross	14,457,927	11,918,244	16,290,946	14,053,227	3,417,627	3,024,409	1,783,201	1,517,730		-	3,365,410	3,065,899	39,315,111	33,579,509
Intra Segmental Revenue	(156,161)	(23,179)	(148,256)	(132,546)	-	-	(4,881)	-		-	(175,813)	(132,877)	(485,111)	(288,602)
Segment Revenue	14,301,766	11,895,065	16,142,690	13,920,681	3,417,627	3,024,409	1,778,320	1,517,730	-	-	3,189,597	2,933,022	38,830,000	33,290,907
Inter Segmental revenue	(3,300)	-		-		-		-		-	(850,136)	(793,954)	(853,436)	(793,954)
Total Revenue	14,298,466	11,895,065	16,142,690	13,920,681	3,417,627	3,024,409	1,778,320	1,517,730	-	-	2,339,461	2,139,068	37,976,564	32,496,953
Results														
Segmental Results	1,768,185	1,174,648	1,780,402	1,395,210	453,921	381,122	388,654	351,165		-	(379,485)	(347,376)	4,011,677	2,954,769
Finance Cost	(13,938)	(1,717)	(192,036)	(196,455)	(21,861)	(33,870)	(33,991)	(24,396)		-	(250,850)	(203,221)	(512,676)	(459,659)
Finance Income	105,474	40,334	7,799	8,806	13,485	9,628	25,889	27,850		-	489,820	96,804	642,467	183,422
Change in Fair Value of Investment Properties		-		-		-		-		-	37,227	281,624	37,227	281,624
Share of results of associate	-	-	-	-	(21,328)	6,122	-	-		-	-	-	(21,328)	6,122
Share of results of Joint Venture	-		-		(177,583)	18,397	110,556	110,264			-		(67,027)	128,661
Profit/(Loss) before Tax	1,859,721	1,213,265	1,596,165	1,207,561	246,634	381,399	491,108	464,883	-	-	(103,288)	(172,169)	4,090,340	3,094,939
Income Tax	(402,237)	(142,572)	(381,034)	(237,315)	(67,284)	(63,480)	(61,231)	(60,430)		-	(252,584)	(200,403)	(1,164,370)	(704,200)
Profit /(loss) from continuing Operations	1,457,484	1,070,693	1,215,131	970,246	179,350	317,919	429,877	404,453	-	-	(355,872)	(372,572)	2,925,970	2,390,739
Result of Discontinuing Operations		-		-		-		-		(194,823)		-	-	(194,823)
Profit / (Loss) for the year	1,457,484	1,070,693	1,215,131	970,246	179,350	317,919	429,877	404,453	-	(194,823)	(355,872)	(372,572)	2,925,970	2,195,916
Attributable to:														
Equity Holders of the Parent	1,452,361	1,058,701	1,187,608	966,891	(25,739)	144,922	398,803	380,171	-	(247,551)	(359,825)	(376,084)	2,653,208	1,927,051
Non-Controlling Interests	5,123	11,992	27,523	3,355	205,089	172,997	31,074	24,282		52,728	3,953	3,512	272,762	268,865
	1,457,484	1,070,693	1,215,131	970,246	179,350	317,919	429,877	404,453	-	(194,823)	(355,872)	(372,572)	2,925,970	2,195,916

As at 31st March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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
Assets and Liabilities														
Non Current Assets														
Property, Plant and Equipment	1,758,859	1,507,910	3,597,791	3,402,878	3,402,860	3,071,539	570,251	510,996	-	-	1,489,388	1,364,158	10,819,149	9,857,481
Investment Property	-	-	125,700	-	-	-	-	-	-	-	3,577,480	3,458,750	3,703,180	3,458,750
Other Non Current Financial Assets	5	5	965,440	864,285	12,013	44,913	612,515	565,465	-	-	395,132	616,409	1,985,105	2,091,077
Other Non Current Assets	2,619,242	2,619,829	2,832,225	2,803,392	2,319,047	2,547,026	469,006	267,728	-	-	6,482,824	6,144,217	14,722,344	14,382,192
Segmental Non Current Assets	4,378,106	4,127,744	7,521,156	7,070,555	5,733,920	5,663,478	1,651,772	1,344,189	-	-	11,944,824	11,583,534	31,229,778	29,789,500
Deferred Tax Assets													47,830	72,731
Eliminations/Adjustments													(13,658,619)	(13,603,823)
Total Non Current Assets													17,618,989	16,258,408
Segmental Current Assets														
Other Current Financial Assets	36,228	112,543	27,377	47,004	3,305	49,179	30,926	29,745	-	-	1,094,881	1,188,501	1,192,717	1,426,972
Segmental Current Assets	5,388,472	4,167,885	5,974,936	5,613,014	1,425,713	1,028,627	2,245,767	1,998,752	-	-	10,349,071	6,631,054	25,383,959	19,439,332
Tax Refunds													39,724	59,229
Eliminations/Adjustments													(1,908,214)	(2,745,621)
Total Current Assets													24,708,186	18,179,912
Total Assets													42,327,175	34,438,320
Non Current Liabilities														
Segmental Non Current Liabilities	110,102	96,219	1,737,287	1,415,863	301,665	394,010	208,314	256,014	-	-	1,851,641	2,496,227	4,209,009	4,658,333
Other Non-current Financial Liabilities	1,083,678	1,083,490	3,004	4,085	-	-	1,055	16,364	-	-	-	9,434	1,087,737	1,113,373
Deferred Tax Liability													424,597	260,979
Eliminations/Adjustments													(1,484,913)	(1,788,070)
Total Non Current Liabilities													4,236,430	4,244,615
Current Liabilities														
Segmental Current Liabilities	3,220,762	3,466,384	5,340,389	5,559,854	1,205,940	1,112,723	1,919,484	1,679,949	-	-	3,198,314	2,931,578	14,884,889	14,750,488
Income Tax Liability													523,074	146,207
Eliminations/Adjustments													(1,970,530)	(2,625,589)
Total Current Liabilities													13,437,433	12,271,106
Total Liabilities													17,673,863	16,515,721
Total Segment Assets	9,802,806	8,408,172	13,523,469	12,730,573	7,162,938	6,741,284	3,928,465	3,372,686	-	-	23,388,776	19,403,089	57,806,454	50,655,804
Total Segment Liabilities	3,330,864	3,562,603	7,077,676	6,975,717	1,507,605	1,506,733	2,127,798	1,935,963	-	-	5,049,955	5,427,805	19,093,898	19,408,821
Other Segmental Information														
Acquisition Cost of property plant and equipment	184,250	256,143	417,259	410,592	132,065	155,848	160,004	119,879	-	55,548	207,320	189,523	1,100,898	1,187,533
Depreciation of segmental assets	154,909	157,033	329,688	275,607	158,271	163,783	90,503	72,839	-	26,996	158,141	131,745	891,512	828,003
Provision for Retiring Gratuity	20,838	17,777	40,687	31,018	15,887	12,460	12,910	9,308	-	1,089	36,709	28,057	127,031	99,709
Impairment/Amortization of Intangibles	691	551	24,416	11,994	2,439	1,950	848	671	-	684	16,651	12,270	45,045	28,120

NOTES TO THE FINANCIAL STATEMENTS

38 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding 2016	Effective Holding 2015	Voting Power 2016	Voting Power 2015	Principal Activities
FMCG						
Hemas Manufacturing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Manufacture of FMCG Products
Hemas Marketing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Trading & Distribution of FMCG Products
Hemas Trading (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Import and sale of Food Products
Hemas Consumer Brands (Pvt) Ltd. Rupayan Center, 6th Floor, 72, Mohakhali C-A,Dhaka-1212	Subsidiary	100%	100%	100%	100%	Trading of FMCG Products
Unicorn Investment (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Research and Development Services
J L Morison Son & Jones (Ceylon) PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Importing and Distribution of Consumer Products
HEALTHCARE						
Hemas Pharmaceuticals (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Distribution of Pharmaceutical Products
Hemas Surgical & Diagnostics (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Distribution of Healthcare Products
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala.	Subsidiary	83%	83%	83%	83%	Hospital Services
Hemas Southern Hospitals (Pvt) Ltd. No.10, Wakwella Road, Galle, Sri Lanka.	Subsidiary	83%	83%	83%	83%	Hospital Services
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda.	Subsidiary	83%	83%	83%	83%	Hospital Services
Hemas South Colombo Hospitals (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	83%	83%	83%	83%	Hospital Services
J L Morison Son & Jones (Ceylon) PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Importing and Distribution of Pharmaceuticals and Medical Aid
M S J Industries (Ceylon) (Pvt) Ltd. P.O BOX 430,126 Aluthmawatha Road, Colombo 15	Subsidiary	89%	89%	89%	89%	Manufacturing and Trading Pharmaceuticals

38 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2016	2015	2016	2015	
LEISURE						
Leisure Asia Investments Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Investment Holding Company
Serendib Hotels PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	55%	55%	55%	55%	Operating a Tourist Hotel and Investment Holding Company
Hotel Sigiriya PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	34%	34%	55%	55%	Operating a Tourist Hotel
Dolphin Hotels PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	42%	41%	55%	55%	Operating a Tourist Hotel
Serendib Leisure Management Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	55%	55%	55%	55%	Provision of Hotel Management Services
Jada Resort (Pvt) Ltd No.40, St Sebastian's Road, Katukurunda, Kalutara	Associate	20%	20%	20%	20%	Operating a Tourist Hotel
Diethelm Travel Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	60%	60%	60%	60%	Destination Management Services
Diethelm Travel The Maldives (Pvt) Ltd. 4th Floor,Henvery Megama Sikka Golhi, Male, Republic of Maldives	Subsidiary	49%	49%	49%	49%	Destination Management Services
Hemtours (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Destination Management Services
Conventions Asia (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Event Management
Mowbray Hotels Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	89%	89%	89%	89%	Hotel Property
PH Resort (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Joint Venture	50%	50%	50%	50%	Hotel Property

NOTES TO THE FINANCIAL STATEMENTS

38 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding 2016	Effective Holding 2015	Voting Power 2016	Voting Power 2015	Principal Activities
TRANSPORTATION						
Forbes Air Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	GSA Emirates Airline
Hemas Air Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	GSA Malaysian Airline
Hemas Travels (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Travel Agent
Hemas Aviation (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Airline Representation
Exchange & Finance Investment (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Airline Representation
Discover the World Marketing (Pvt) Ltd No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Airline Representation
Far Shipping Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Shipping Agents
Far Shipping Agency Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Joint Venture	60%	60%	60%	60%	Shipping Agents
Hemas Transportation (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Shipping Agents
HIF Logistics (Pvt) Ltd	Joint Venture	49%	49%	49%	49%	Freight Forwarders
H & M Shipping (Pvt) Ltd	Joint Venture	50%	50%	50%	50%	Crew Boat Servicing
Hemas Maritime (Pvt) Ltd No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Break Bulk Casual Callers & Cargo Handling
Hemas Logistics (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	57%	57%	57%	57%	General Carries & Warehousing
Hemas Integrated Logistics (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	57%	57%	57%	57%	General Carries & Warehousing
Mazu Shipping (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	49%	-	49%	-	Shipping Agents
LTU Asia Aviation Services Co.,Ltd. 21st Floor, Vovawat Building, 849, Silom Road, Bangrak, Bangkok	Subsidiary	40%	-	40%	-	Airline Representation

38 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding 2016	Effective Holding 2015	Voting Power 2016	Voting Power 2015	Principal Activities
OTHER						
Hemas Corporate Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Corporate Secretaries
Hemas Developments (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Property Development
Vishwa BPO (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Financial & Accounting BPO
Peace Haven Resorts Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Hotel Property
N-able (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Enabling Information & Technology Solutions
N-able Global (Pvt) Ltd. 51 GOLDHILL PLAZA, #07-10/11,SINGAPORE	Subsidiary	100%	100%	100%	100%	Enabling Information & Technology Solutions
J L Morison Son & Jones (Ceylon) PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Importing and Distribution of Agro Chemicals
M S J Promotional Services Pvt Ltd No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Promotional Activities
M S J Cargos (Ceylon) (Pvt) Ltd. No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Wharf Clearing Activities
M S J Hotels (Ceylon) (Pvt) Ltd. No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	89%	89%	89%	89%	Hotel Industry
M S J Tours (Ceylon) (Pvt) Ltd. No:620,Biyagama Road, Pethiyagoda Kelaniya.	Subsidiary	89%	89%	89%	89%	Transport Service
Concept Ventures (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	-	100%	-	Venture Capital

TEN YEAR SUMMARY

Year Ended 31st March Rs'000	2016	2015	2014 Restated	2013 Restated
Operating Results				
Group Revenue	37,976,564	32,496,953	27,259,281	26,974,910
Profit Before Taxation	4,090,340	3,094,939	3,192,344	2,406,155
Taxation	1,164,370	704,200	469,673	472,422
Profit After Taxation	2,925,970	2,195,916	2,722,671	1,933,733
Profit Attributable to the Parent	2,653,208	1,927,051	2,409,276	1,657,655
Equity & Liabilities				
Stated Capital	5,722,837	1,600,603	1,600,603	1,600,603
Reserves	2,081,186	1,327,720	1,492,495	1,724,228
Retained Earnings	14,187,670	12,730,653	11,207,426	8,828,511
Non Controlling Interests	2,661,619	2,263,623	3,329,111	2,259,037
Non Current Liabilities	4,236,430	4,244,615	4,322,629	2,613,184
Current Liabilities	13,437,433	12,271,106	10,174,363	6,757,388
	42,327,175	34,438,320	32,126,627	23,782,951
Assets				
Property, Plant and Equipment	12,764,329	11,465,089	12,563,655	10,038,723
Investment Property	1,735,779	1,763,665	1,683,130	578,453
Leasehold Property	115,751	109,545	145,847	90,592
Intangible Assets	852,339	755,953	1,333,219	436,670
Investments (Joint Ventures, Associate & Others)	2,102,962	2,091,425	2,854,479	2,033,993
Deferred Tax Assets	47,829	72,731	58,580	39,596
Current Assets	24,708,186	18,179,912	13,487,717	10,564,924
	42,327,175	34,438,320	32,126,627	23,782,951
Key Indicators				
Earnings Per Share (Rs.)	4.63	3.74	4.68	3.22
Dividends Per Share (Rs.)	1.10	1.10	0.75	0.55
Dividend Cover (No. of Times)	4.2	3.4	6.1	5.8
Interest Cover (No. of Times)	7.7	7.3	7.2	7.5
Net Asset Per Share (Rs.)	38.41	30.39	27.75	46.15
Cash from Operating Activities (Rs.'000)	4,250,945	3,329,052	2,686,659	1,863,616
Current Ratio (No. of Times)	1.8	1.5	1.3	1.6
Gearing (%)	18.5	26.9	25.9	25.5
ROE (%)	14.1	12.9	18.2	14.5

Highlighted information is based on SLFRSs.

	2012	2011	2010	2009	2008	2007
	22,210,017	18,552,220	15,221,418	15,342,278	14,163,805	11,778,136
	1,521,080	1,569,345	1,094,719	856,932	1,259,455	1,407,185
	259,772	214,154	160,075	137,854	108,625	387,648
	1,261,308	1,355,191	934,644	719,078	1,150,830	1,019,537
	1,164,525	1,210,159	901,730	775,128	1,135,419	1,005,727
	1,600,603	1,468,426	1,369,223	1,369,223	1,329,013	1,329,013
	1,601,854	646,083	805,983	837,675	856,452	693,777
	7,447,822	6,613,376	5,516,910	4,821,392	4,248,232	3,251,349
	1,990,665	1,589,630	1,488,104	837,062	604,967	588,527
	1,938,996	2,203,470	1,570,430	2,000,989	1,155,771	1,597,455
	8,075,746	6,585,210	5,316,281	4,969,471	4,936,190	3,935,734
	22,655,686	19,106,195	16,066,931	14,835,812	13,130,625	11,395,855
	10,283,616	7,446,650	7,033,615	7,180,680	5,182,389	4,704,921
	474,685	1,309,965	1,261,410	1,178,710	1,178,710	963,710
	94,455	98,386	61,845	64,911	67,976	71,042
	461,499	491,318	333,073	191,214	173,622	155,563
	503,468	445,257	241,564	257,924	297,041	66,751
	35,621	35,014	22,805	21,832		
	10,802,342	9,279,605	7,112,619	5,940,541	6,230,887	5,433,868
	22,655,686	19,106,195	16,066,931	14,835,812	13,130,625	11,395,855
	2.27	2.36	1.76	1.51	11.13	9.90
	0.50	0.70	0.36	0.25	1.25	2.50
	4.5	3.4	4.9	6.0	8.9	4.0
	4.3	6.2	3.3	2.8	4.2	5.5
	20.70	17.30	15.10	13.80	63.51	52.32
	1,096,261	1,994,663	1,407,985	1,458,434	929,277	176,992
	1.3	1.4	1.3	1.2	1.3	1.4
	25.0	27.8	25.8	32.9	31.4	33.0
	12.0	14.6	12.3	11.5	19.4	21.0

DEBT INFORMATION

Debenture Trading

		2016	2015
Interest yield as at the date of last trade	%	9.30	10.47
Yield to maturity of trade done	%	9.30	10.47
Interest rate of comparable government security (Five year Treasury Bond Rate)	%	9.02	13
Debt to Equity Ratio	%	22.8	36.7
Interest Cover	Times	7.73	7.33
Quick Asset Ratio	Times	1.45	1.14

SHARE INFORMATION

Analysis of Shareholders According to The Number of Shares as at 31st March 2016

	RESIDENT			NON-RESIDENT			TOTAL		
Shareholdings	No.of Shareholders	No.of Shares	Percentage (%)	No.of Shareholders	No.of Shares	Percentage (%)	No.of Shareholders	No.of Shares	Percentage (%)
1 to 1000 Shares	2,990	1,252,762	0.22%	23	12,266	0.00%	3,013	1,265,028	0.22%
1001 to 10,000 Shares	1,134	3,617,763	0.63%	15	79,174	0.01%	1,149	3,696,937	0.64%
10,001 to 100,000 Shares	234	6,678,736	1.17%	14	400,819	0.07%	248	7,079,555	1.24%
100,001 to 1,000,000 Shares	53	18,022,990	3.15%	24	8,725,166	1.52%	77	26,748,156	4.67%
Over 1,000,000 Shares	14	379,290,477	66.25%	24	154,464,980	26.98%	38	533,755,457	93.23%
	4,425	408,862,728	71.42%	100	163,682,405	28.58%	4,525	572,545,133	100.00%

Categories of Shareholders

	No.of Shareholders	No. of Shares
Individual	4,238	37,319,044
Institutional	287	535,226,089
	4,525	572,545,133

Share Trading

	2016	2015
Market Price		
Highest Price	99.80	89.90
	05/08/2015	09/01/2015 & 16/02/2015
Lowest Price	71.00	37.70
	06/04/2015	01/04/2014
As at year end (Rs.)	80.60	73.70
No. of Trades	5,752	11,346
No of Shares Traded	33,111,693	105,534,776
Value of Shares Traded (Rs. Mn)	2,808	5,697
Market Capitalisation (Rs. Mn)	46,147	37,977

Computation of Public Shareholding

As at 31 March 2016

	No of shares
Issued Share Capital as at 31 March 2016	572,545,133
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	18,240,790
Spouses of Directors and Chief Executive Officer	-
Key Management Personal	-
Close Family Members (b)	2,750,000
Controlling Interest (c)	348,720,825
Over 10% Holding	-
Public Holding	202,833,518
Public Holding as a % of Issued Share Capital	35.43%
Total Number of Shareholders	4,525
Number of Persons Holding Shares Excluded when Computing Public Holding %	12
Number of Shareholders representing the Public Holding	4,513

SHARE INFORMATION

Major Shareholders

List of 20 Major Shareholders as at 31st March 2016

		2016	%	2015	%
		No Of Shares		No Of Shares	
1	A Z Holdings (Pvt) Ltd	90,762,875	15.85	90,762,875	17.61
2	Saraz Investments (Pvt) Ltd	86,396,035	15.09	86,396,035	16.77
3	Blueberry Investments (Pvt) Ltd	85,781,250	14.98	85,781,250	16.65
4	Amagroup (Pvt) Ltd	85,780,665	14.98	85,780,665	16.65
5	HSBC Intl. Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	55,368,238	9.67	37,153,700	7.21
6	HSBC International Nominees Ltd-JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets	14,964,257	2.61	2,379,832	0.46
7	HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC As Depositary of First State Indian Subcontinent	11,962,613	2.09	9,732,370	1.89
8	Pemberton Asian Opportunities Fund	10,000,000	1.75	10,000,000	1.94
9	HSBC Intl. Nom Ltd-SSBT-National Westminster Bank Plc As Depositary of First State Asia Pacific Susta	8,286,047	1.45	6,272,899	1.22
10	HSBC Intl. Nominees Ltd-JPMCB-Scottish ORL SML TR GTI 6018	8,006,561	1.40	5,149,500	1.00
11	HSBC Intl. Nom Ltd-SSBT-National Westminster Bank PLC as Depositary of First State Asia Pacific Fund	6,435,960	1.12	-	-
12	Mr. M.A.H. Esufally	5,946,500	1.04	5,946,500	1.15
13	Mr. H.N. Esufally	5,586,705	0.98	5,836,705	1.13
14	Mr. I.A.H. Esufally	4,424,000	0.77	4,424,000	0.86
15	HSBC Intl. Nom Ltd-JPMCB-Pacific Assets Trust PLC	4,344,132	0.76	3,051,800	0.59
16	HSBC Intl. Nom Ltd-State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Maste)	3,949,115	0.69	2,915,348	0.57
17	HSBC Intl. Nom Ltd-BBH-Grandeur Peak Emerging Markets Opportunities Fund	3,804,326	0.66	2,492,145	0.48
18	HSBC Intl. Nom Ltd-BBH-Matthews Emerging Asia Fund	3,687,573	0.64	-	-
19	HSBC Intl. Nom Ltd -SSBT -Wasatch Frontier Emerging Small Countries Fund	3,603,598	0.63	3,868,367	0.75
20	HSBC Intl. Nom Ltd-SSBT-National Westminster Bank Plc As Depositary of First State Global Emerging Market	3,317,420	0.58	-	-
		502,407,870	87.75	457,073,003	88.70

(a) Directors' Shareholding

	31 March 2016	31 March 2015
Mr. H.N. Esufally	5,586,705	5,836,705
Mr. A.N. Esufally	2,283,585	2,283,585
Mr. I.A.H. Esufally	4,424,000	4,424,000
Mr. M.A.H. Esufally	5,946,500	5,946,500
Mr. P.K. Mohapatra	-	-
Mr. R. Gopalakrishnan	-	-
Mr. A.S. Amaratunga	-	-
Mr. W.M. De Fonseka Arsakularatne	-	-
Mr. S.M. Enderby	-	-
Mr. D.S. Weerakkody	-	-
Dr. S.A.B. Ekanayake	-	-
	18,240,790	18,490,790

(b) Close Family Members

	31 March 2016	31 March 2015
Ms. Sabrina Esufally	250,000	250,000
Mr. Adam Esufally	250,000	250,000
Ms. Razia Husein Esufally	250,000	-
Ms. Sakina Imtiaz Esufally	2,000,000	2,000,000
	2,750,000	2,500,000

(c) Controlling Interest

	31 March 2016	31 March 2015
Saraz Investments (Pvt) Ltd	86,396,035	86,396,035
A Z Holdings (Pvt) Ltd	90,762,875	90,762,875
Blueberry Investments (Pvt) Ltd	85,781,250	85,781,250
Amagroup (Pvt) Ltd	85,780,665	85,780,665
	348,720,825	348,720,825

GRI G4 CONTENT INDEX

Custom Content Index - 'In Accordance' Core

This Content Index provides an overview of the G4 Standard Disclosures based on the selections made.

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General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
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DMA and Indicators	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	Identified Omission(s) In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	Reason(s) for Omission(s) In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	Explanation for Omission(s) In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
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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 existing 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 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 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 Thirteenth Annual General Meeting of Hemas Holdings PLC will be held at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Thursday the 30th of June, 2016 at 3.30 p.m. for the following purpose;

AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2016 together with the Reports of the Directors and Auditors thereon.
2. To re-elect as Director, Mr. Dinesh Weerakkody retiring by rotation in terms of Article 84 of the Articles of Association of the Company.
3. To re-elect as Director, Dr. Anura Ekanayake retiring by rotation in terms of Article 84 of the Articles of Association of the Company.
4. To re-elect as Director, Mr. Steven Enderby retiring by rotation in terms of Article 84 of the Articles of Association of the Company.
5. To re-appoint Mr. Saktha Amaratunga as a Director of the Company in terms of Article 72 of the Articles of Association of the Company.
6. To declare a final dividend of Rs. 1.00 per Ordinary Share as recommended by the Board.
7. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine and make donations to Charity.

By order of the Board of,
HEMAS HOLDINGS PLC

Hemas Corporate Services (Private) Limited
Secretaries

08th June, 2016.

Note:

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

A Proxy need not be a Member of the Company.

A Form of Proxy accompanies this Notice.

FORM OF PROXY

I/We ....

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

Mr. Husein Esufally	or failing him
Mr. Steven Enderby	or failing him
Mr. Abbas Esufally	or failing him
Mr. Imtiaz Esufally	or failing him
Mr. Murtaza Esufally	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. Malinga Arsakularatne	or failing him
Mr. Saktha Amaratunga	or failing him

Mr./Mrs. ....

of ....
as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Thirteenth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Thursday the 30th of June, 2016 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka 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 31st March 2016 together with the Reports of the Directors and Auditors thereon.	☐	☐
2. To re-elect as Director, Mr. Dinesh Weerakkody retiring by rotation in terms of the Articles of Association of the Company.	☐	☐
3. To re-elect as Director, Dr. Anura Ekanayake retiring by rotation in terms of the Articles of Association of the Company.	☐	☐
4. To re-elect as Director, Mr. Steven Enderby retiring by rotation in terms of the Articles of Association of the Company.	☐	☐
5. To re-appoint Mr. Saktha Amaratunga as a Director of the Company in terms of the Articles of Association of the Company.	☐	☐
6. To declare a final dividend of Rs. 1/- per Share as recommended by the Board.	☐	☐
7. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	☐	☐
8. To authorize the Directors to determine and make donations to Charity.	☐	☐

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

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

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should be deposited at No.75, Braybrooke Place, Colombo 02 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)*** Steven Enderby ***(CEO)*** Abbas Esufally Imtiaz Esufally Murtaza Esufally Pradipta Mohapatra Ramabadran Gopalakrishnan Dinesh Weerakkody Dr. Anura Ekanayake Malinga Arsakularatne Saktha Amaratunga
Secretaries	Hemas Corporate Services (Pvt) Ltd No. 75, Braybrooke Place, Colombo 2. Telephone: 011 4 731731 (hunting) Facsimile: 011 4 731777
Registrars	SSP Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 3. (w.e.f. 1st April 2014)
Lawyers to the Company	D L & F De Saram, Attorneys-at-law No. 47, Alexandra Place, Colombo 7.
Bankers	Commercial Bank of Ceylon PLC Deutsche Bank AG Hong Kong & Shanghai Banking Corp. Ltd Hatton National Bank PLC Standard Chartered Bank Nations Trust Bank PLC People's Bank Sampath Bank PLC National Development Bank PLC

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Sri Lanka.