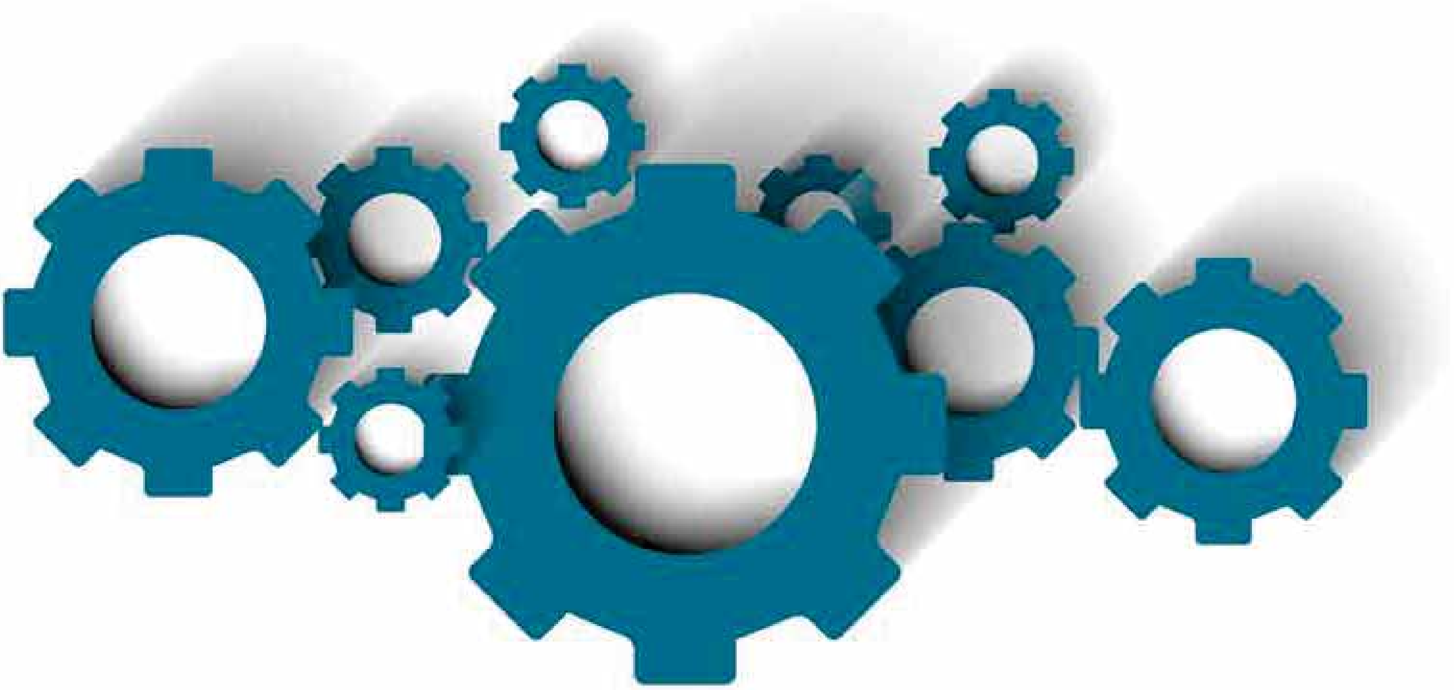
HEMAS HOLDINGS PLC

ANNUAL REPORT
2016/2017

ENGAGE. EMPOWER.



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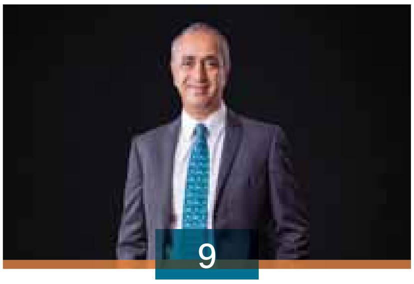
ENGAGE. EMPOWER.

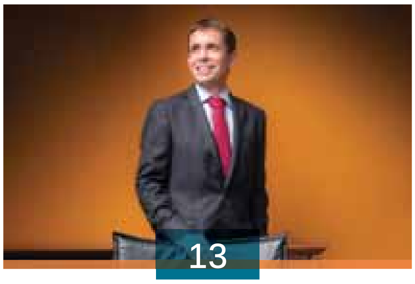
2016/17 signified a year of engagement and empowerment for Hemas Holdings PLC. This year we continued to strengthen our core values and competencies as we build momentum on our journey towards Vision 2020.

With the steady growth of our core businesses, development of new leadership, expansion of our regional presence, and new CSR initiatives, Hemas enriches the lives of everyone we touch.

We continue to believe that engaged and empowered teams can achieve the extraordinary.

FEATURED CONTENT





"Our teams have opened doors towards several new prospects this year. From launching a skin care range designed for Sri Lankan skin to venturing out into new geographies. By deepening our presence in logistics and maritime with global partnerships and venturing into the digital wellness space, we are continuing to invest in progress."

Husein N. Esufally

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As one of Sri Lanka's fastest growing blue chip conglomerates, Hemas Holdings PLC touches the lives of millions of loyal customers, everyday, via our renowned wellness, leisure and mobility services, and our range of high quality home and personal care products; helping to enrich lives, empower businesses and make a positive contribution to our nation's economic development.

For almost seven decades, your Company has delivered an award winning range of diversified products and services, while demonstrating the highest standards of good governance, value building and corporate sustainability.

Re-evaluation and refinement are key elements of growth, and during the past year, your Company has done both, reevaluating the areas in which we operate and refining our focus to those in which we can be the most effective, and do the most good. We divested our interests in Power and turned our full focus on the development of our wellness, leisure and mobility segments.

We see our future growth trajectory clearly. Investments and acquisitions will strengthen and add value to our businesses, ensuring that your Company continues to grow, delivering excellence, and setting the standard, in every sphere in which we operate.

OUR PURPOSE

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

WE WILL DO THIS BY:

- ☑ Being a national leader in personal care and healthcare solutions
- ☑ Investing in growth industries with potential for superior value creation
- ☑ Establishing a regional footprint

Through a team of passionate, capable and empowered people.

OUR VALUES

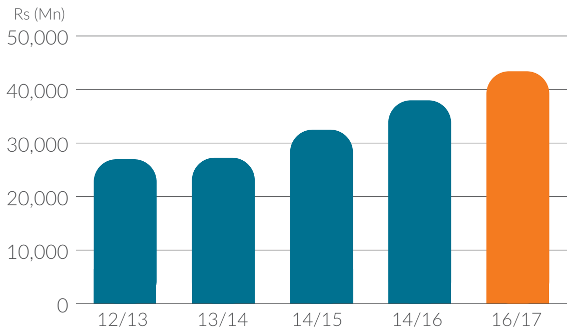
Hemas reveres its moral compass: its values. It is our values that hold us together in meeting success, in providing our customers with quality products and services that they deserve.

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

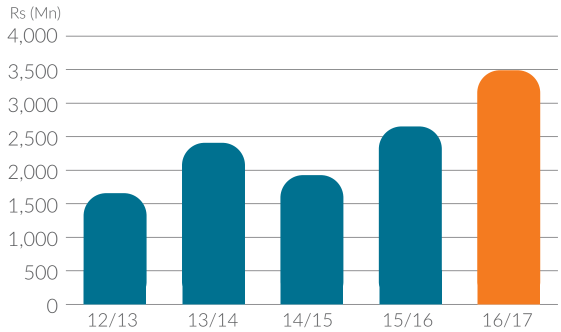
FINANCIAL HIGHLIGHTS

Year Ended 31 March		2017	2016	Change %
Operating Results				
Group Revenue	Rs.'000	43,404,452	37,976,564	14.3%
Operating Profit	Rs.'000	4,783,801	3,943,929	21.3%
Profit Before Taxation	Rs.'000	5,086,894	4,074,369	24.9%
Profit After Taxation	Rs.'000	3,753,850	2,925,970	28.3%
Profit Attributable to the Parent	Rs.'000	3,491,478	2,653,208	31.6%
Gross Dividend Paid	Rs.'000	801,619	629,800	27.3%
Cash From Operations	Rs.'000	3,005,374	4,250,945	-29.3%
Operating Results - Underlying				
Operating Profit	Rs.'000	4,696,703	3,943,929	19.1%
Profit Before Taxation	Rs.'000	4,999,796	4,074,369	22.7%
Profit After Taxation	Rs.'000	3,666,752	2,925,970	25.3%
Profit Attributable to the Parent	Rs.'000	3,405,484	2,653,208	28.4%
Financial Position				
Total Assets	Rs.'000	47,318,551	42,327,175	11.8%
Equity Attributable to Equity Holders of the Parent	Rs.'000	24,911,251	21,991,693	13.3%
No. of Shares	No.'000	572,733	572,545	0.0%
Gearing	%	16.0%	18.5%	-13.5%
Debt to equity ratio	%	19.1%	22.8%	-16.1%
Shareholder Information				
Return on Equity	%	14.9%	14.1%	5.6%
Earnings per Share	Rs.	6.10	4.71	29.4%
Dividend per Share	Rs.	1.40	1.10	27.3%
Dividend Payout	%	23.0%	23.7%	-3.3%
Net Assets per Share	Rs.	43.50	38.41	13.2%
Market Capitalization	Rs.'000	62,256,128	46,147,138	34.9%
Price Earnings Ratio	Times	17.83	17.10	4.2%
Market Price as at 31st March	Rs.	108.70	80.60	34.9%

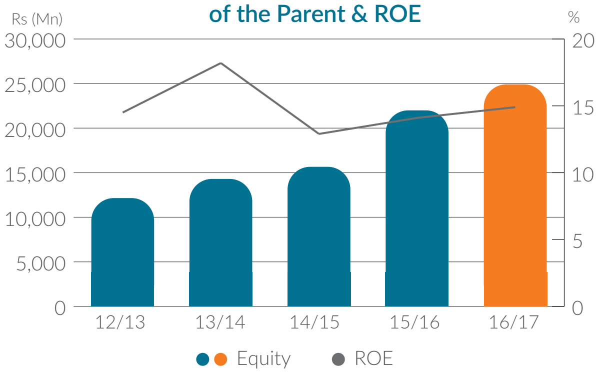
Group Revenue



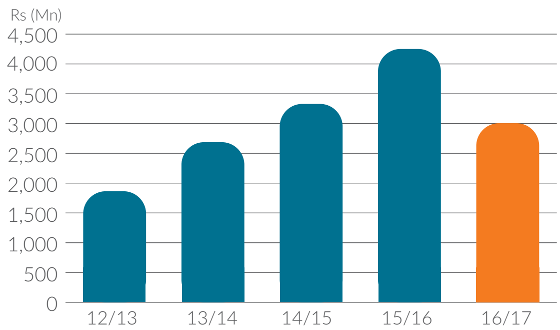
Earnings



Equity Attributable to Equity Holders of the Parent & ROE



Cash From Operations



GROUP REVENUE	EARNINGS BEFORE INTEREST & TAX
43Bn	4,784Mn

EARNINGS	CASH FLOW FROM OPERATIONS
3,491Mn	3,005Mn

CHAIRMAN'S REVIEW

HUSEIN N. ESUFALLY

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"Our businesses ventured into new markets and pursued bolder opportunities over the year, finding strategically important sources of long-term growth for your Company."

CHAIRMAN'S REVIEW

Hemas Holdings has always been a place of empowerment. This quality has been vital as our businesses ventured into new markets and pursued bolder opportunities over the year, finding strategically important sources of long-term growth for your company.

Our teams have opened doors towards several new prospects this year. From launching a skin care range designed for Sri Lankan skin to venturing out into new geographies. By deepening our presence in maritime and logistics with global partnerships and venturing into the digital wellness space, we are continuing to invest in progress.

With consumers at heart and Sri Lanka's unique and valuable assets in mind, we have pushed on with these new initiatives to continue our journey forward as a thoughtful, exploratory and innovative entity.

The surprises of this past year's global political changes have been largely unprecedented in modern times. Populist sentiment gripping North America and the United Kingdom presents uncertainty to the European Union, global trade and Sri Lanka's largest trading partners. Global political change and reviving commodity prices could strengthen advanced economies and in turn stimulate global demand.

South Asia appears to be growing at a steadier pace. In India, there have been solid moves towards reform with last November's banknote demonetization and implementation of a national Goods and Services Tax (GST). Economic growth continues to be robust in Bangladesh, driven both by exports and growing private investments.

Domestically, the past financial year has been an intensely challenging one for your company. Our expectations of well-implemented reforms and renewed investor sentiment for our country has not materialised in this past year.

Indecisive tax policy implementation created much confusion with an increased rate of Value Added Tax (VAT) being imposed in May 2016, only to be subsequently withdrawn and imposed again in November 2016. Furthermore, the imposition of VAT on private healthcare services placed an additional burden on patients. Whilst we appreciate the need for expanding tax revenues, it is our view that taxes on consumption and those on life-saving services are regressive and impede consumer confidence and business growth.

202%
Shareholder Return (TSR) over 36 month period

34.9%
Share price appreciation

With the establishment of the National Medicines Regulatory Authority (NMRA), regulatory mechanisms covering registration of pharmaceuticals have been made more efficient. However, price ceilings have posed challenges for manufacturers who have not been offered reprieve from a depreciating currency. Additionally, we hope that the NMRA will consider reinstating regulations which once covered the personal care industry. A sensible regulatory regime will provide much needed quality assurances to consumers, and provide an enabling environment for domestic manufacturers.

The domestic pharmaceutical manufacturing industry has benefitted from positive collaboration with the State as a part of its long term sourcing strategy. This has helped the industry to raise the bar on quality, acquire the latest know-how and invest in capacity enhancement to expand the supply of affordable and high quality medicines to Sri Lankan consumers as well as export markets.

On the trade front, several new bilateral agreements are being negotiated with global economic giants, especially China and India. Whilst we support the broader notion that our economy needs to liberalize, we encourage the government to work with the private sector to form a focused strategy through which Sri Lankan industries can penetrate overseas markets. Beyond simply eliminating trading barriers; this effort will require a deeper understanding where capacity enhancement, technical know-how and research will be required. Collaborating to identify the home industries and foreign markets where Sri Lanka's competitive advantage can travel is vital for success in this endeavor.

CHAIRMAN'S REVIEW

Under these challenging circumstances, I'm happy to report that your company delivered a solid performance for the year under review. Group revenues grew by 14.3% to reach Rs. 43.4Bn underpinned by good growth in our Pharmaceutical Distribution and Home and Personal Care (HPC) segments. Your company's Operating Profits and Earnings grew 21.3% and 31.6% to Rs. 4.8Bn and Rs. 3.5Bn respectively. Your company's share price appreciated 34.9% to close at Rs. 108.70 on 31st March, 2017, performing significantly better than the S&P 20 index over the same period which grew at 7.3%. Long-term investors have benefitted with a Total Shareholder Return (TSR) of 201.9% over a 36 month period.

Performance in times of adversity is a result of the hard work of our teams and there have been several milestones this year that have made a positive impact on the Group. Our HPC business had a strong year with our key brands continuing to deliver great value to the Sri Lankan consumer and gain market share. It was an active year from the standpoint of new product development, most notably the launch of new *Velvet* skincare and *Kumarika* hair care ranges. In Bangladesh, *Kumarika* is now the leading value added hair oil, thus providing us with a robust platform to build out a new phase of growth.

Our Pharmaceutical business was resilient despite this year's difficult environment and we strengthened our leadership in the two major therapeutic categories, namely diabetes and cardiovascular disease. J.L. Morison's has begun its journey from generic pharmaceuticals to branded products and has commenced work on a new state-of-the-art plant with a view to building on its position as a leading high quality manufacturer, whilst creating a platform for penetrating export markets.

Businesses under our Leisure, Travel and Aviation operations were brought under a single cluster to provide focus, build collaboration and exploit synergies in an industry that is continuously evolving and growing rapidly. Startup losses at Anantara Peace Haven impacted sector results, but, we are optimistic that the hotel will make a positive contribution going forward in view of outstanding customer reviews and industry accolades.

Our Logistics and Maritime business had a good year and we are optimistic that the industry will find new space to grow as Sri Lanka's natural position as a gateway to South Asia comes to fruition. To that end, we have commenced development of a modern logistics park with a global partner in an endeavor to bring cutting edge logistics solutions to domestic businesses.

This year was a noteworthy one on the people front as we launched the first "Hemas Future Leaders Programme"—an innovative career development project together with the Indian Institute of Management, Bangalore. As a company doing business in the wellness space, we believe our employees should benefit from our capabilities, and to that end, our Group-wide wellness Initiative seeks to encourage staff at all levels to make the necessary lifestyle changes which we support by providing knowledge and resources on nutrition, healthcare and fitness.

In addition to our ongoing Corporate Social Responsibility (CSR) efforts, this year we spearheaded the development of *Ayati*, the first National Centre for Children with Disabilities in partnership with the Faculty of Medicine at the University of Kelaniya, Ragama. *Abhimana*, a programme launched in 2014 to make sustainability a way of life at Hemas champions mindfulness of the impact we have on the broader community across our businesses. This year, we also sought to bring attention to the human-elephant conflict and the need to rehabilitate orphan elephants by supporting the work of the Elephant Transit Home in Udawalawe. Our Sustainability report provides more information on your company's efforts to enrich the lives of those around us.

We continue to work hard to strengthen Governance and improve Board effectiveness, which we believe should be a collaborative effort by all stakeholders, in the context of a dynamic business environment. Our approach is shaped by feedback received through an Annual Board evaluation, discussions with each Non-Executive Director, and views from the Chief Executive Officer (CEO) and Senior Management. Over the year, we have reconstituted our Board Sub-Committees with a view to expanding their role and increasing value addition. Further, we continue to strengthen the composition of our subsidiary Boards in order that the operational businesses can benefit from domain experts who would be better placed to provide guidance and oversight. We are saddened this year to have lost a member of the Board, Mr Pradipta Mohapatra. Over the years, Mr Mohapatra provided us with wise counsel and enriched deliberations with his unparalleled experience, and we will miss him immensely.

This past year, though filled with unexpected challenges has been a positive one overall for the company. We are now at the halfway mark towards our Vision 2020 and our journey so far has been one of learning, achievement and continued empowerment. Your company operates in sectors that offer high growth potential in Sri Lanka, and buoyed by our early success in Bangladesh, we have prioritized and redoubled our efforts to grow overseas too. As we seek to accelerate the pace of growth, your company is fortunate to have a CEO and Management Team who are experienced, energized and competent as they have amply demonstrated over the past year. My sincere thanks go out also to each and every member of the 'Hemas family' for their contribution and commitment under challenging conditions.

We are fortunate to have an engaged and experienced Board, and I sincerely thank my colleagues for their guidance and willingness to contribute. Finally, I also thank our treasured customers, our numerous partners and our shareholders for their continued confidence in the company and our journey ahead.

Husein Esufally
Chairman, Hemas Holdings PLC

16 May 2017

GROUP CHIEF EXECUTIVE OFFICER

STEVEN ENDERBY

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"2016/17 has had a number of highlights for us as we continue to pursue strong growth in our core sectors. We have continued to make good progress in the development of our Bangladesh business with Kumarika achieving market leadership in the value added hair oil category."

CHIEF EXECUTIVE OFFICER'S STATEMENT

I would like to start my review by thanking all those who have contributed to making 2016/17 another successful year for Hemas Holdings. We value the role played by our many trade partners, suppliers and principals, Government, shareholders and most importantly our customers across the length and breadth of Sri Lanka and increasingly in Bangladesh.

2016/17 has had a number of highlights for us as we continue to pursue strong growth in our core sectors.

The ongoing growth of our Consumer business in Sri Lanka has seen us not only increase market share in key categories but also enter new categories including the new *Velvet* skincare range designed specifically for Sri Lankan skin. We have continued to make good progress in the development of our Bangladesh business with *Kumarika* achieving market leadership in the value added hair oil category.

Our Pharmaceutical distribution business has performed well given the challenges presented by new price regulation. At hospitals, the team have worked hard to deliver improved profitability despite the introduction of VAT on specified hospital services in November 2016. At J. L. Morison's we have continued to grow and are now positioning ourselves for the future as we plan our new manufacturing facility at Homagama. This two year project has commenced construction in April 2017.

This story is repeated at Logistics, where good growth and great opportunity have encouraged us to enter into a joint venture with GAC and together build a high quality warehousing facility and container yard, which we aim to have operational by this time next year. This will complement the acquisition of the Evergreen shipping agency for Sri Lanka, in April 2016, which has given us a strong position in another key growth sector of the economy.

In our Leisure, Travel and Aviation businesses we have been busy driving performance at our new property while developing our strategy for future growth in this rapidly developing industry. We have also re-organised ourselves. We have brought these businesses together under Mr Malinga Arsakularatne's leadership and restructured the group ownership of key Leisure and Travel assets.

As illustrated by these highlights, 2016/17 has been a year of solid progress for us. At the heart of this has been great performance by our engaged and empowered teams. The development of a team capable of meeting the competitive challenges of today and being fully equipped for leading Hemas in the future has been a major focus. We are convinced that the only long-term sustainable advantage for Hemas lies in our people, having great teams grown within and performing at a level above our competitors. While the results of this year's staff engagement survey show we are making progress, we have also launched a number of new initiatives.

We initiated our first development program to prepare Hemas Future Leaders in partnership with Indian Institute of Management Bangalore in June 2016. 29 of our team participated in this 9 month programme designed to sharpen their leadership competencies and to prepare them for future leadership positons in the Group. In our journey towards becoming a healthier work force, Hemas launched its first wellness programme in May 2016 aiming to significantly improve our health indicators across the Group. We have some distance to go but there are already some very encouraging individual stories on the difference being healthy can make to our professional and personal lives.

We have also been working hard in sharpening our employee value proposition so that for both current and prospective employees we can be an employer who recognises and encourages the unique skills each of us bring not only to the workplace but also at home and in society more broadly.

Further, Hemas has always been a company where efforts have been made to create an inclusive environment. In an effort to go further on this path and make Hemas a great workplace for women, we have launched our women's network.

Sustainability remains a key focus area as we assess our impact on our environment and on society. By implementing the 'Enriching Lives' plan in 2016/17 we measure and evaluate our sustainability goals against social, environmental and economic impact we have on our communities we live in. It is a journey that demands continuous improvement.

CHIEF EXECUTIVE OFFICER'S STATEMENT

We have continued to grow our "*Piyawara"* pre school programme aimed at uplifting the lives of many in rural communities, opening the 41st preschool in Maduruketiya Monaragala and laying foundation for three more preschools in the coming year. We have also further developed our corporate social responsibility activities with the aim of establishing a center dedicated for children with disabilities. We have taken an important first step with the foundation stone laying for '*AYATI* - a Centre of Excellence for Children with Disabilities' and we look forward to working hard with all stakeholders on this critical project

Business Performance

The Group achieved a consolidated revenue of Rs. 43.4Bn, YoY growth of 14.3%, operating profits reached Rs.4.8Bn and earnings Rs. 3.5Bn, growth of 21.3% and 31.6% respectively. Market conditions remained challenging and volatile with lower than expected economic growth at 4.4%, unfavorable weather conditions, VAT uncertainty, and increasing inflation resulting in weakened domestic consumer demand.

Hemas Consumer delivered another strong year with a topline of Rs. 16.0Bn, a 12.0% YoY increase over the previous financial year. Operating profits were Rs. 2.1Bn, 17.3% YoY growth, whilst earnings grew at 15.7% to stand at Rs. 1.7Bn. Our strategic focus is centered on the growing premiumisation trend in our consumer markets and developing our position in high growth personal care categories. We launched a series of new products, including the *Velvet* bath and body range to expand our position in skincare and personal wash and the new *Kumarika* hair serum and shampoo. We also continued to increase the efficiency of our supply chain commissioning a new soap plant at our Sri Lankan manufacturing facility. Our local consumer sector growth is primarily driven by market share improvement. Relatively benign commodity prices during the first half of the year contributed towards the gross margin improvement of the sector.

We have taken a number of important steps in the development of our personal care business beyond the shores of Sri Lanka. During the year under review, our Bangladesh consumer business has maintained its high revenue growth. Our Bangladesh business now accounts for 15.2% of our overall Consumer sector sales and *Kumarika* achieved market leadership in the value added hair oil category in Bangladesh. We recently launched *Kumarika* facewash and shampoo and entered the feminine hygiene category.

Consolidated healthcare sector revenue stood at Rs.18.8Bn, a growth of 16.7%. Operating profit and earnings grew at 15.9% and 16.6% to achieve Rs.2.1Bn and Rs.1.4Bn respectively. During 2016/17 healthcare sector experienced challenges arising from new pharmaceutical price regulation and the introduction of VAT on specified hospital services.

New price regulations were introduced placing a maximum price on many major pharmaceutical products in October 2016. This has impacted our business in multiple ways and in particular has put pressure on operating margins. Our team did an exceptional job responding to the many business challenges that this challenging announcement presented and have succeeded in growing sales volumes. We will continue to search for areas of performance improvement as we look to restore margins in 2017/18.

Our hospitals delivered good growth over last year with its latest investments in bed expansion in Hemas Hospital Wattala, with 27 beds and a range of new surgical specialties (orthopaedics and neurosurgery) and medical equipment. We continue to make progress in improving profitability, with EBITDA margins improving to 15.0% from 13.0%. This remains a key focus as we look to improve productivity and cost structure. All three hospitals registered Q4 standalone positive profitability at the PAT level for the first time.

J. L. Morison's posted a YoY growth of 6.7% and operating profit growth of 21.8% for the year ended 31st March, 2017. In addition to developing the new manufacturing capacity, we continue to streamline our portfolio post acquisition. We exited from the agricultural supply operations, which have been part of J. L. Morison’s for many years. This enables the business to focus on excellence in Rx and OTC manufacturing. Additionally, we restructured our Rx Pharma distribution network to enable us to serve our customers better. Our Rx Pharma portfolio continued to do well benefiting from new product launches. Underlying revenue excluding agricultural operations grew by 13.7% and EBIT by 28.0%.

Our Leisure, Travel and Aviation (LTA) business recorded a total revenue of Rs.4.3Bn, reflecting 1.3% YoY growth. LTA is focused on developing a suite of offerings for the upscale traveler as part of their strategy. During the year under review, we unified ownership of our leisure investment property, travel and aviation businesses under one single entity 100% owned by Hemas Holdings PLC for better governance. Hotels sector performance was stagnated with a topline of Rs.1.8Bn during the year 2016/17. LTA experienced a decline in segmental profitability with losses at Anantara Peace Haven Tangalle Resort which is in its first full year of operations. Performance at Anantara Peace Haven Tangalle Resort is marginally behind our feasibility expectations. Travel and Aviation showed mixed results with some General Sales Agents (GSAs) delivering improvements in both yields and number of passengers handled while others faced competitive operating environments. Air cargo handling experienced a stronger growth compared to passenger growth over the last quarter and as a result, this segment recorded a growth in revenues of 7.8%. Our Travel and Aviation businesses have also been pushing hard in their search for new growth opportunities.

Hemas Logistics and Maritime sector recorded a growth of 103.4% over last year registering a topline of Rs.1.9Bn. This growth has been driven by our new maritime agency, Evergreen. The acquisition of this agency gives us a stronger position in the Logistics and Maritime space. At the same time, our Logistics business delivered good growth driven by 3PL operations which includes distribution for over 400 retail and modern trade outlets in the domestic market as well as the inland container depot operations. Hemas is further strengthening its presence in the logistics space by constructing a new state-of-the-art Logistics Park to consolidate warehousing, improve capacity and provide a range of new services to clients. This new investment is through a joint venture with GAC.

Further, our IT solutions business, N-Able during 2016/17 performed well to achieve a revenue growth of 9.7% and PAT growth of 9.0%.

Way forward

I look forward to 2017/18 as a year of investing. In addition to J.L. Morison’s new manufacturing plant and our new logistics park, we will also be entering new consumer categories in Bangladesh, exploring new geographies and investing in new technologies all aimed at providing us with growth for the future.

The achievements of 2016/17 were made possible by the hard work and clear thinking of our team across the Group and the wise counsel of our Boards of Directors, both at Hemas Holdings PLC and in our subsidiaries. Let’s see what we can deliver in 2017/18.

Steven Enderby
Group Chief Executive Officer

16 May 2017

FINANCIAL REVIEW

Hemas Holdings PLC and its subsidiaries (Group) achieved a consolidated year-on-year (YoY) revenue growth of 14.3% for the FY 2016/17, to reach Rs. 43.4Bn. During this year, Operating Profit grew by 21.3% YoY to reach Rs. 4.8Bn, Earnings grew by 31.6% YoY to reach Rs. 3.5Bn and internal cash generation within the Group saw healthy growth to post an Operating Cash Flow of Rs. 3.0Bn. Overall the Group has performed well to grow strongly during the year despite economic growth being lower than expected.

Consolidated Group Revenue

Group revenue experienced a robust growth, despite sluggish consumer demand resulting from drought affecting the income of about 30% of the agriculture-based households in the country combined with escalating prices due to rupee devaluation and increase in Value Added Tax (VAT). Consolidated Group revenue grew at 14.3% YoY to reach Rs. 43.4Bn compared to Rs. 38.0Bn last year. Table 1 highlights the contribution made by each sector towards Group revenue growth.

The Logistic & Maritime, Healthcare and Consumer sectors posted strong growth rates of 103.4%, 16.7% and 12.0% respectively, and the Leisure, Travel and Aviation sector posted a growth of 1.3% YoY. Continuing the trend seen in the previous year, YoY revenue growth of the Consumer sector and the Healthcare sector, collectively contributed 11.6% for the Group revenue growth of 14.3%.

Group Revenue

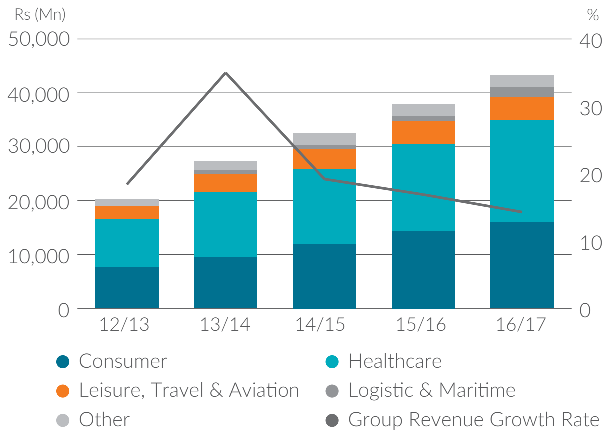


Table – 1 Revenue Analysis

Revenue Analysis	Contribution to Growth				
	Revenue Mix	YoY Growth	Absolute Growth	Relative Growth	Revenue Mix
	15/16	16/17	16/17	16/17	16/17
Consumer	37.7%	12.0%	4.5%	31.6%	36.9%
Healthcare	42.5%	16.7%	7.1%	49.7%	43.4%
Leisure, Travel and Aviation	11.2%	1.3%	0.1%	1.0%	9.9%
Logistic and Maritime	2.5%	103.4%	2.6%	18.1%	4.4%
Other	6.2%	-1.0%	-0.1%	-0.4%	5.3%
Group	100.0%	14.3%	14.3%	100.0%	100.0%

The revenue mix has not changed significantly from the previous year, but Consumer, Leisure Travel and Aviation and “Other” sectors recorded a marginal drop in their share of revenue. Although small in relative terms, the Logistics and Maritime sector has doubled their share of revenue.

Consumer sector saw an 8.6% growth in the domestic market and a 32.1% growth in Bangladesh operation. Diva detergent powder, Baby Cheramy diapers, Clogard toothpaste and Fems sanitary napkins contributed towards growth in sales of the Consumer domestic business. This growth momentum was further backed by improved performance of J. L. Morison Son & Jones (Ceylon) PLC (JLM).

Healthcare, being the largest sector of the Group, recorded a revenue growth of 16.7% YoY. Hemas Pharmaceutical Distribution business experienced a challenging year due to being adversely affected by the price control imposed by the Government for over 48 molecules. Hospitals recorded an overall revenue growth of 16.4%, led by the growth of Thalawathugoda hospital (27%). The growth of Wattala and Galle hospitals suffered slightly due to the introduction of 15% VAT but was compensated by the increase in capacity of the Wattala Hospital by 27 beds and a higher occupancy rate. J.L. Morison's further boosted the sector revenue by improving the production capacity of its plant and growing the Government Buy-back supplies business, although it exited from its Agro business during this year.

Leisure, Travel and Aviation (LTA) sector recorded only a marginal growth of 1.3%. Our representation business performed well during this period despite the runway closure at Katunayake Bandaranayake International Airport. Hotels of the leisure sector did not see an increase in revenue despite the increase in room rates due to lower occupancy rates.

Hemas Maritime and Logistics sector recorded a remarkable growth of 103.4% YoY, recording a topline of Rs. 1.9Bn and resulting in more prominence within the Group. The said growth stems mainly from the new maritime agency, Evergreen, consolidating the Group's position within the maritime industry. Logistics business too experienced high handling income due to volume growth and increased revenue from the renting of warehouses. Going forward, we plan to expand our footprint in logistics with the objective of operating the largest integrated logistics development project in Sri Lanka

Operating Profit

During the financial year under review, the Operating Profit of the Group grew by 21.3% to Rs. 4.8Bn and the Operating Profit Margin recorded an increase from 10.4% to 11.0%. Administration expenses recorded an increase of 15.5% while Selling and Distribution cost increased by 21.0% YoY. The increase in operating expenses are attributable to the increase in the volume of Consumer and Healthcare sectors. Operating Margins have improved due to low raw material prices, price increases in some categories of the Consumer sector, change of agency business models by Hemas Pharmaceuticals and contribution from the Evergreen Agency.

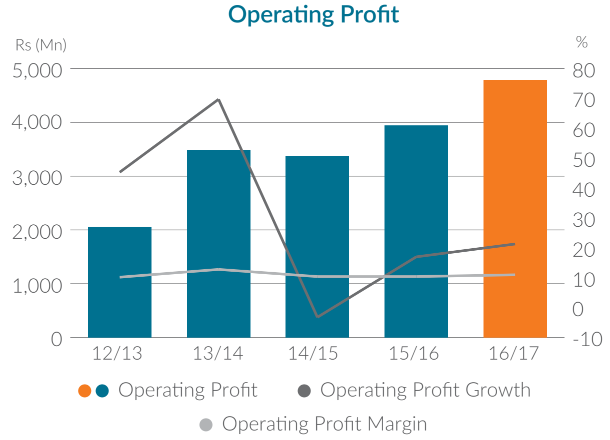


Table – 2 Operating Profit Analysis

	Operating Profit		Contribution to Growth			Operating Margin	
	15/16	16/17	16/17	16/17	16/17	15/16	16/17
	Rs Mn	Rs Mn	Growth	Rs Mn	%	%	%
Consumer	1,768	2,074	17.3%	306	7.8%	12.4%	13.0%
Healthcare	1,780	2,065	16.0%	285	7.2%	11.0%	11.0%
Leisure, Travel and Aviation	515	356	-30.9%	(159)	-4.0%	12.1%	8.3%
Logistic and Maritime	194	496	155.7%	302	7.7%	20.4%	25.7%
Other	(313)	(207)	33.9%	106	2.7%	-13.4%	-8.9%
Group	3,944	4,784	21.3%	840	21.3%	10.4%	11.0%

Table 2 given above depicts sector-wise operating profit analysis for the year under review. The Group recorded an absolute increase of Rs. 840Mn in operating profit with positive contribution of Rs. 999Mn by Consumer, Healthcare, Logistic and Maritime and "Other" sectors. It was impacted by the negative contribution of Rs. 159Mn recorded by Leisure, Travel and Aviation sector.

The significant Operating Profit growth of 155.7% reported by the Logistics and Maritime sector is driven by the contribution from Evergreen operation while Consumer and Healthcare sectors recorded a healthy growth in operating profit of 17.3% and 16.0% respectively. The growth of the Bangladesh operation contributed significantly to the operating profit growth of the sector recording 19.2% growth YoY. The operating profit of the Healthcare sector grew by 16% during

FINANCIAL REVIEW

the period under review. The Hospital business experienced remarkable Operating Profit growth of 107.7% despite demand being impacted by the introduction of VAT at 15% for many hospital services. J.L. Morison's reported a YoY growth of 21.8%, mainly due to the improved production capacity of the plant in the second half of the year, resulting a 36% growth in Government Buy-back supplies, contributing to overall pharmaceutical manufacturing growth. The Leisure, Travel and Aviation sector recorded a contraction of 30.9% mainly due to the underperforming of Hotel and Inbound operations. This had the effect of negating the positive contribution made by the Aviation operation which recorded 9.2% YoY growth. Hotel's Operating Margins were impacted due to reduced sales in high yield channels (Web, Destination Management Companies) and the slowdown of more attractive markets, coupled with initial losses of Anantara Peace Haven, Tangalle. The improved performance of "Other" sector stemmed mainly from the positive contribution from N-able, our IT Services Business and the profit of Rs. 80Mn from disposal of freehold land in Moratuwa which was recorded as an investment property owned by Hemas Holdings PLC.

The Group's Leisure Travel and Aviation sector underwent restructuring in order to realise operational efficiencies and make better usage of its property, plant and equipment. This resulted a profit of Rs. 5.2Bn for Hemas Holdings PLC and this being a common control transaction, the entire profit has been eliminated as a part of the consolidation adjustment

Group Earnings

The Group recorded a significant Earnings growth of 31.6% YoY. Consumer and Healthcare Sectors recorded a significant growth of 15.7% and 16.6% respectively. Finance income of the Group represents the interest income, which recorded a growth of 28.0% over last year. Further, Earnings growth improved due to Tax expenses growing at a lesser rate of 16.1% compared to Profit Before Tax (PBT) which grew at 24.9%.

Finance Cost, Taxation and Non Controlling Interest (NCI)

The Group reported a significant surplus cash balance of Rs. 10.6Bn at the end of the year, resulting in a net finance income of Rs. 303Mn which is an increase of Rs. 173Mn over last year as depicted in Table 3 below. This strong positive cash balance and the resulting net financing income is augmented by the proceeds generated through the Rights Issue and the cash generated through operations during the year under review. Even though the income tax charge has increased by Rs.185Mn compared to last year, the effective tax rate has decreased from 28.2% to 26.2% due to the increase in tax free interest income. However, the posted increase in tax expense is mainly due to the increased operational results of Hemas Maritime which resulted in tax expense increase of Rs. 47Mn. However, the expiration of the tax concession along with improved operations in Bangladesh has resulted an increased tax expense of Rs. 107Mn. The lower performance of Serendib PLC compared to last year resulted in the reduction of tax expenses by Rs. 16Mn.

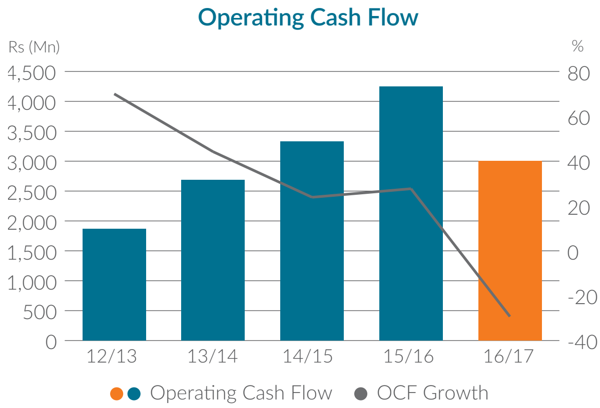
Table – 3 Reconciliation of Operating Profit and Earnings

	Operating Profit		Growth	Contribution to Growth	
	15/16	16/17	16/17	16/17	16/17
	Rs. Mn	Rs. Mn	%	Rs. Mn	%
Operating Profit	3,944	4,784	21.3%	840	31.7%
Net Finance Income	130	303	133.1%	173	6.5%
Profit Before Tax	4,074	5,087	24.9%	1,013	38.2%
Income Tax Expense	(1,148)	(1,333)	16.1%	(185)	-7.0%
Profit After Tax	2,926	3,754	28.3%	828	31.2%
Non-Controlling Interest	273	262	-4.0%	(11)	-0.4%
Group Earnings	2,653	3,491	31.6%	838	31.6%
Net Interest Cover	(30.3)	(15.8)			
Effective Tax Rate	28.2%	26.2%			

The profit attributable to Non-Controlling Interest (NCI) has decreased marginally due to the net impact of increases from new ventures and the changes in holding percentage of certain subsidiaries. The Logistics and Maritime Sector, Healthcare Sector and J.L. Morison's posted an increase of NCI of Rs. 37.9Mn, Rs. 18.5Mn and Rs. 9.4Mn respectively, while Leisure, Travel and Aviation Sector posted a reduction in NCI of Rs. 76.1Mn as a result of stagnated performance.

Cash Flow

Consolidated Group Operating Cash Flow recorded a YoY decrease of 29.3% to Rs. 3Bn due to changes in working capital. Trade and Other Receivables movement has significantly increased by Rs. 2.1Bn compared to last year resulting a drop in Operating Cash Flow. Trade and other receivables have increased mainly due to the delay in settlement of debtors by the Government.



Cash flow from Investing Activities posted a significant outflow with a growth of 132%, recording a value of Rs. 2.2Bn. The acquisition of property, plant and equipment resulted in an out flow of Rs. 1.8 Bn which is an increase of Rs. 727Mn over last year due to the expansion projects in Healthcare, Consumer sectors and J.L. Morison's. Additionally, Group has invested Rs. 719Mn in acquisition of lease hold rights of a land for the proposed logistic park. An inflow of Rs. 500Mn is reported as a result of disposal of property plant and equipment, and mainly from the disposal of investment property.

During the year under review, the cash flow from Financing Activities reported a net outflow of Rs 1.1Bn compared to previous year's net inflow of Rs. 2.7Bn which resulted due to the proceeds received from the Rights Issue. Disposal of 50% holding of Hemas Logistics (Pvt) Ltd generated an inflow while the dividend payment negatively impacted the cash flow from Financing Activities.

Positive Operating Cash Flow has been impacted by higher outflow of investing and financing activities resulting a net cash outflow of Rs. 291Mn.

Liquidity and Solvency

Group Current Assets and Current Liabilities posted a growth of 15.2% and 19.0% respectively, resulting a growth of 10.7% in Net Current Assets as shown in Table 4. The increase in Current Assets is mainly due to the increase in inventory levels of Hemas Pharmaceuticals, Consumer domestic operations and Bangladesh operations due to the increase in scale of operations. Group Trade Receivable balance reported a significant increase in Consumer domestic operation and N-able, the IT services business. The overall increase in Group Trade and Other Receivables and Inventory has been partly covered by the increase in Trade Payable from Hemas Pharmaceuticals. Cash and Cash Equivalent balance remains constant at Rs. 10.6Bn compared to last year. The Working Capital Cycle has increased by 6 days as a result of increase in Debtor Days and Inventory Days despite the significant increase in Creditor Days.

FINANCIAL REVIEW

Table – 4 Group Liquidity

	15/16	16/17	Increase
Current Assets	24,708	28,469	15.2%
Current Liabilities	13,437	15,994	19.0%
Net Current Assets	11,271	12,475	10.7%
Current Ratio	1.84	1.78	
Quick Ratio	1.45	1.39	
Debtor Days	53	62	
Inventory Days	80	86	
Creditor Days	103	112	
Working Capital Cycle	30	36	

The overall capital structure of the Group remains persistent as shown in Table 5. The overall Net Debt status has increased marginally due to the increase in surplus cash and the reduction in Total Debt as a result of debt settlement of Rs. 584Mn. Improved operational results of the Group has resulted a significant increase in Parent's Equity after paying dividends. The strong and healthy capital structure with low gearing improves the capacity to borrow for future strategic investments.

Table – 5 Group Capital Structure and Solvency

	15/16	16/17
	Rs Mn	Rs Mn
Long-term Debt	3,242	2,045
Short-term Debt	2,372	3,328
Total Debt	5,614	5,373
Surplus Cash	10,887	10,619
Net Debt (Total Debt less Surplus Cash)	(5,273)	(5,246)
Non-controlling Interest	2,662	3,218
Parent's Equity	21,992	24,911
Total Equity	24,653	28,129
Total Assets	42,327	47,319
Capital Employed (Total Debt + Total Equity)	30,267	33,502
Capital Employed less Surplus Cash	19,380	22,883
Net Gearing Ratio (Net Debt / Capital Employed less Surplus Cash)	-27.2%	-22.9%
Total Gearing Ratio (Total Debt / Capital Employed)	18.5%	16.0%
Long-term Gearing Ratio (Long-term Debt / Capital Employed)	10.7%	6.1%

The Group's surplus cash includes the cash generated from the Rights Issue which is invested in tax free money market investments and fixed deposits till the group utilize the same for intended strategic investments in Consumer and Healthcare sectors.

Return on Capital

Significant improvement in Return on Capital Employed (ROCE) and Return on Equity (ROE) compared to last year was largely due to improvement in operating efficiencies which resulted in higher margin and increased profitability. The significant ratios with the historical comparison are indicated in Table 6. Accordingly, Group reported a healthy ROE of 14.9% compared to last year's 14.1% while ROCE reported a growth from last year's 16.8% to 17.6% as a result of improved performance of the Group.

Due to lower gearing there is minimal change in the capital base for calculation of both ROCE and ROE.

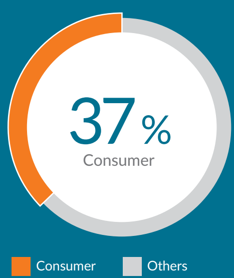
Table – 6 Return on Capital

	11/12	12/13	13/14	14/15	15/16	16/17
Operating Margin	9.8%	10.7%	8.8%	10.4%	10.4%	11.0%
Asset Turnover	1.03	1.07	0.98	1.03	0.99	0.97
Asset/Capital Employed	1.33	1.34	1.38	1.30	1.40	1.41
ROCE	13.4%	15.4%	11.8%	14.7%	16.8%	17.6%
Interest Cover	4.3	7.5	7.2	7.3	7.7	9.21
Effective Tax Rate	17.1%	19.7%	22.4%	22.7%	28.2%	26.2%
Gearing	25.0%	25.5%	25.9%	26.9%	18.5%	16.0%
ROE	12.0%	14.5%	18.2%	12.9%	14.1%	14.9%

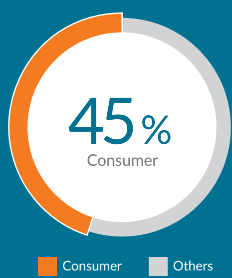
CONSUMER SECTOR

Hemas Consumer sector's success continues to be driven by its deep understanding of the Sri Lankan consumer coupled with strong commitment to offering superior quality and value to consumers.

Sector vs Group Revenue



Sector vs Group Profit



Hemas Consumer is a leading player in Sri Lanka's Home and Personal Care (HPC) sector. The business manufactures and markets a wide range of products across multiple categories. We take pride in using local insights to innovate and develop winning propositions for consumers which make our brands trusted household names with leading positions in the market.

The year under review was a very challenging one in which Hemas defended and strengthened its position amidst unprecedented competition in a sluggish market and uncertain economic environment. In order to sustain our growth momentum, Hemas launched several new product initiatives in its core categories and reinforced its presence in the high growth categories of Skin, Hair and Baby. The sector recorded an outstanding revenue growth of 12.0% and Earnings growth of 15.7%.

Hemas Consumer Brands success continues to be driven by its deep understanding of the Sri Lankan consumer coupled with strong commitment to offering superior quality and value to consumers.

Baby Cheramy, the No. 1 baby care brand in Sri Lanka has a proud legacy of over 50 years. Its position has been strengthened last year with a plethora of initiatives including the mega activation, "Maathru Sathkara", which has touched the lives of 50,000 mothers in a single year. This has helped deliver strong growth for the brand in equity, revenue and markat share.

Infused with the goodness of nature and science, *Clogard* Gel Toothpaste and Mouthwash have been well accepted by the Sri Lankan consumer and found a good connect with a new base of youthful, digital consumers. This has helped the brand strengthen its overall appeal and achieve very strong double digit growth.

Velvet has been the market leader in the intensely competitive Sri Lankan beauty soap market. The brand has succeeded in retaining its leadership position in this segment despite unprecedented competitive pressure by re-launching and introducing new variants for the discerning Sri Lankan consumer.

"Nature's way to beautiful hair", *Kumarika*, which is formulated with the goodness of natural ingredients, has been trusted by generations of Sri Lankan women. Its recently introduced array of hair oils, shampoos, conditioners and hair serum cater to every need of the modern woman, leaving her hair looking well-nourished, radiant and beautiful.

Fems, the first ever brand of sanitary napkins in Sri Lanka to be accredited with the prestigious SLS certification, continued its impressive growth trajectory with a record category-beating topline growth for the third successive year.

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

The re-organisation of our route-to-market operation to increase coverage and frequency, strengthening of trade relationship, in-store visibility and strategic investments to develop key channels have played a vital role in strengthening our edge in sales and trade marketing capabilities.

Kumarika hair oil has emerged as the leader of the value added hair oil segment in Bangladesh market enjoying a market share of over 20%. The significant revenue and share growth has been supported by expanding direct coverage to more than 132,000 retailers through our own distribution network. The brand proposition was further boosted with the introduction of two new variants of face wash. Customers' willingness to explore new variants and selective exploration of other categories has added exponentially to the growth of the brand.

Rs. 16.0Bn
Revenue

Rs. 2.1Bn
EBIT

Rs. 1.7Bn
Earnings

CONSUMER SECTOR

Delighting the consumer with custom-designed, high quality products that deliver great value has always guided Hemas Consumer sector.

The business of Hemas Consumer in Bangladesh saw some exceptional results during the year under review. The topline of the sector achieved a growth of 32.1%. The main brand operating in Bangladesh, Kumarika continued to gain market share, beating Dabur Amla to occupy the No.1 position in the value-added segment.

Hemas Consumer continue to invest in strengthening its talent pipeline with innovative and tailored initiatives in talent acquisition, development and retention. Greater emphasis on health and safety and employee well-being has led to greater employee engagement.

Hemas Consumer believes that no brand initiative would be successful without the correct support of suppliers. Regular supplier interactions and a transparent and systematic scoring approach to procurement have enabled our suppliers to become true partners in Research & Development (R&D), product development and manufacturing that have resulted in the smooth functioning of the operations of the sector.

Hemas Consumer is further boosted with the well-respected brand portfolio of J.L. Morison's Over-the-Counter (OTC) and consumer category which includes well-known brands such as Morison's Lacto Calamine, Morison's Gripe Mixture and Valmelix Cough Syrup. These brands have been trusted by Sri Lankan consumers for over six decades and have penetrated virtually every household in the country. All three brands saw strong growth during the year. The Company continues to see good traction in the recently acquired brand, Paracetol, which was launched in May 2015. Despite a highly competitive market space, we continue to be optimistic due to the near double digit market growth seen over the last five years in this segment.

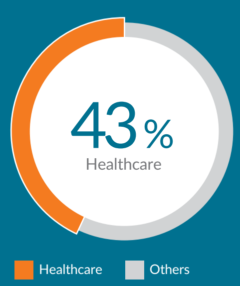
Hemas Consumer will continue to be a major driver of Group Revenue and Profits. Our commitment to enrich the lives of our consumers and delight them with value propositions continue to energise and inspire us. As we continue on this journey, increasing consumer connect and understanding, driving innovation in everything we do, investing in fast-growing categories and expanding our footprint in regional geographies will be key to sustaining our growth momentum.


kumarika
Dandex
PLUS
Baby Cheramy
New
Diva
Detergent Powder
1kg
Velvet
fems
active
fems
superior
Cavity Protection

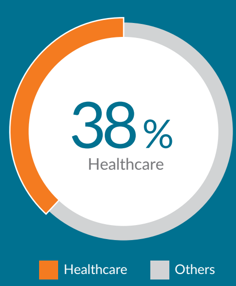
HEALTH CARE

Hemas is the largest private sector healthcare player, with a dominant presence across the entire healthcare value chain.

Sector vs Group Revenue



Sector vs Group Profit



Hemas is the largest private sector healthcare player, with a dominant presence across the entire healthcare value chain, and owns and manages three modern fully equipped Hospitals as per international standards. As a responsible entity and a leading healthcare provider, Hemas strives to excel in quality, innovation, ethical standards and cost effectiveness, thereby enriching the lives of the community we aim to serve. During the second half of 2016/17, our healthcare sector witnessed challenges arising from new pharmaceutical price regulation and the introduction of VAT on specified hospital services.

Our consolidated healthcare sector revenues stood at Rs. 18.8Bn, a growth of 16.7%. Operating Profit and Earnings grew by 15.9% and 16.6%, to achieve Rs. 2.1Bn and Rs. 1.4Bn respectively. Amidst various challenges, Hemas remains true to its promise of delivering the state-of-the-art services with the next generation technology to develop new methodologies in delivering superior healthcare to enrich lives.

Hemas Pharmaceuticals

Hemas Pharmaceuticals caters to the increasing needs of Sri Lankans supporting their health and well-being through a range of imported products. The company's range of trusted brands are made available island-wide through a distribution network that is ranked the best in the country. The portfolio entails a unique blend of globally reputed brands across Prescribed Medication (Rx), Surgical and Diagnostic solutions, Nutraceuticals and Over-The-Counter (OTC) categories.

The past year proved to be a challenging year for the company with the introduction of controlled prices for 48 molecules in October 2016 creating a downward pressure on the company's topline growth for the year. The repercussions of the price control was felt by all the stakeholders across the value chain posing a significant challenge in providing a continuous supply of high quality pharmaceuticals to the Sri Lankan market. The continuous depreciation of the Rupee and interest rate hikes have contributed towards augmenting the pressure on company margins, especially in an environment of controlled pricing. Over the year, the company successfully faced these challenges to close the year on a strong note and maintain it's market leadership position with a market share of 22.15% (Source: IMS).

As the leader in pharmaceutical distribution, the company has focused on driving growth through investments in technological solutions to facilitate strategic selling, share real time information, optimize workflows and provide analytical insights to aid our principals to drive growth in the domestic market.

Today, we have secured a leadership position in the Sri Lankan market as a trusted partner through our dedication to impeccable service and unrivalled business solutions. The standards we maintain ensure us a portfolio of top quality agencies that share and follow our values. These elements all come together in a business approach that allows us to successfully navigate through market forces, setting trends and reaching new milestones every year.

Rs. 18.8Bn
Revenue

Rs. 2.1Bn
EBIT

Rs. 1.4Bn
Earnings

HEALTH CARE

J. L. Morison Son and Jones (Ceylon) PLC (JLM)

As a leading player in the Healthcare industry, J. L. Morison, which was acquired by Hemas in 2013, is vested with the responsibility to help improve access to medicines for patients across Sri Lanka. At J.L. Morison's, our purpose is to offer our consumers wellness and a better quality of life, through trusted products that are of high quality at an affordable cost. Our strong commitment to this purpose motivates us to strive beyond expectations to patients, healthcare partners and society as we aspire to be a trusted leader in the pharmaceuticals and wellness space.

J.L. Morison's continued to deliver solid performance in 2016/17, supported by the growth of our core segments, efficiency and capacity gains at our plant and the strength of the restructured distribution network. These factors helped counter the exchange rate volatility and the economic slowdown. J.L. Morison's revenue grew by 6.7% in 2016/17 in comparison to the same period last year, while earnings grew by 50.1%.

Growth was mainly led by our pharmaceuticals manufacturing division which supplies pharmaceuticals to Government institutions and to the private sector. The strengthening and restructuring of our sales and distribution system contributed towards high growth in the private sector and J.L. Morison's is now a more focused company with leading positions in generic pharmaceuticals and OTC products.

We focus our investment on areas where we believe there are the most attractive opportunities, having considered patient need, market opportunity and scientific understanding. We concentrate on mechanisms that might slow down or reverse the course of diseases and present opportunities to achieve remission.

The factories of J.L. Morison's adhere to Good Manufacturing Practices (GMP) and continuous improvement initiatives on quality are in place with the help of our external consultants and internal GMP team. GMP ensures that products are consistently produced and controlled according to quality standards and is designed to minimize the risks involved in pharmaceutical production. Through our commitment to quality, we hope to reinforce the trust that our customers and society have placed in us.

In 2017/18 J. L. Morison's plan is to take further steps to improve the effectiveness and efficiency as an organisation, supporting future growth and innovation. These initiatives will be further boosted with the setting up of the new factory in Homagama, which will enhance production capacity by 5Bn tablets. Whilst Sri Lanka will no doubt face her own share of challenges, we remain optimistic about the medium and long term prospects for growth. The company has a strong position in a high growth industry, and our task is to focus on building competitive advantage in order to remain relevant in a fast changing environment.

Hemas Hospitals

Hemas Hospitals is the fastest growing hospital chain in Sri Lanka and is also the first hospital chain to obtain a patient and process led international accreditation and the only hospital chain to be accredited by the Australian Council for Health Standards International, setting a new benchmark in quality and patient safety in Sri Lanka.

At Hemas Hospitals, we strive for excellence in patient care. We take pride in our commitment to ensure that every visitor is provided with the highest standards in healthcare and hospitality. As a multi-specialty family hospital chain focusing on a range of services. We promise you the very best in high quality and affordable healthcare. We have taken the pioneering step of taking quality healthcare closer to the communities we serve in the suburbs of Colombo and South of Sri Lanka.

The year 2016/17 was a significant year for hospitals and a year that achieved many milestones aligned to the long-term vision of the hospitals group. All three hospitals increased capacity by adding 36 new patient rooms, theatre facilities, center of excellence in GE, Orthopedics, new clinics, and expanded capacity in dialysis, high dependency units, whilst introducing cutting edge technology in terms of high end equipment, instrumentation and analyzers.

During the year, the hospitals group revenue grew by 16%, EBITDA by 39% and its EBITDA Margin by 19%. Recording a noteworthy performance in a tough environment that included price controls and the introduction of VAT in healthcare for the first time.

At present, Hemas operates 9 high end operating theatres with state-of-the-art technology following best in class international protocols. We also run high dependency units, ICUs, and SICUs, that are of global standards with guided airflow systems and Microfilters. Our clinical outcomes and KPIs are amongst the best global models on par with international standards and best surgical safety practices in line with WHO/ ACHS recommendations. Amongst a plethora of milestones achieved during the last financial year Hemas Wattala launched a Bariatric Surgery program, Neuro Surgical, ENT and building surgical capability and signed retainer agreements with full time consultants. Further, Hemas Thalawathugoda achieved a total revenue growth of 27% significantly improving its surgical programme. Hemas Southern made strong improvements to its facilities, increased capacity and its Net Promoter Score, recorded very high levels of satisfaction and loyalty amongst its patient base.

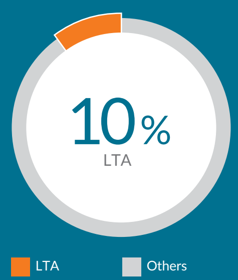
Amidst these challenges, Hemas hospitals group was recognized for its innovation, governance, and safety and quality standards. During the year, Hemas won the Excellence award in Hospital Management Asia (HMA) for Innovation in Hospital Management and Governance and the South Asian Business Excellence award for Innovation Quality of Service Delivery. It also emerged as winners at the National Occupational Health and Safety awards under “other sector” category, with a special achievement award for “systematic Hazard identification” and “outstanding line manager”.

Overall, the year was filled with a series of deeds around refining patient care, patient safety, training and system development that will hold us in good stead for the future.

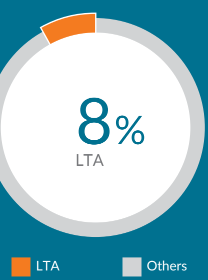
LEISURE, TRAVEL AND AVIATION

The Leisure, Travel and Aviation sector of Hemas is driven by Sri Lanka's evolving tourism industry, with a growing footprint and reputation for quality, management expertise and sustainability.

Sector vs Group Revenue



Sector vs Group Profit



Hemas Leisure, Travel and Aviation (LTA) is present across the entire tourism spectrum with a portfolio of hotels, inbound and outbound travel management services and airline representation.

The year in review was a challenging period for the industry. External factors such as "Brexit", subsequent depreciation of the Euro and Pound and continued security concerns in Western and Middle Eastern markets affected international tourism arrivals, whilst increase in local indirect taxation subdued domestic markets. With a continued commitment to superior service standards and providing differentiated experiences for guests, the sector was able to maintain its brand promise throughout the year.

Our LTA sector recorded a total revenue of Rs.4.3Bn, reflecting 1.3% YoY growth for the twelve months ended 31 March 2017. The Hotels sector performance stagnated with a topline of Rs.1.8Bn during the year 2016/17. Fall in segmental profitability during the year was compounded by losses at Anantara Peace Haven Tangalle Resort, which is in its first full year of operations. During Q4, we unified ownership of all our leisure investment property, travel and aviation businesses outside Serendib Hotels under one single entity, Leisure Asia Investments, 100% owned by HHL.

Hotels

From the golden sands of Bentota to the truly cultural experience of Sigiriya, the portfolio of Serendib Leisure captures the true essence of Sri Lankan hospitality.

Sri Lanka continues to be an in-demand tourist destination, however much development work needs to happen to catch up with emerging and popular Asian tourism hubs. The impact of Western and Middle Eastern security concerns slowed down global tourism overall, however, Sri Lanka stands to gain as one of the safest destinations in the world and a relatively affordable holiday. We are hopeful that improved relations with the West will generate greater confidence among travellers and the industry to continue to visit our beautiful island.

This year, our key focus in hotels has been to consolidate its overall present competitive positioning whilst developing the necessary strategic platform to propel future growth. The existing product portfolio is being developed to align more closely with rapidly growing traveller segments and preferences, offering a unique range of experiences, which will enable continued differentiation and premium pricing. The leisure business actively pursued new investment opportunities to extend our services, and reach into new travel segments.

Avani Bentota experienced a drop in occupancy from 74% last year to 71% in the year under review, but continued to grow revenue as a result, of higher room rates, despite the unfavorable exchange rate movements.

Club Hotel Dolphin, a favourite among Western European guests achieved an average occupancy of 79% during the year and the hotel's yield was impacted by the fall in value of the Euro and Sterling globally. Occupancy was impacted by a contraction in arrivals from emerging markets. All formal star class operators along the Negombo coast have been under margin pressure in the price competitive market. The hotel continued to focus on service delivery which garnered several industry accolades.

At Hotel Sigiriya, efforts have continued to improve product and service levels in order to grow market share in an increasingly competitive regional environment, where a number of new players offered introductory rates to capture share. This key market is growing to be a significant destination for travellers with a rapid expansion of new inventory over the past year. The hotel is focused on offering wellness services

Rs. 4.3Bn	Rs. 502.8Mn	Rs. 167.4Mn
Revenue	EBIT	Earnings

LEISURE, TRAVEL AND AVIATION

alongside with cultural experiences and caters to the strong demand from our emerging markets.

Anantara Peace Haven Tangalle Resort, the newest addition to our hotels portfolio, had an encouraging year. The property won accolades from numerous travel and leisure magazines including Condé Nast Traveller. Stretched across Sri Lanka's southernmost shore amidst a 21 acre coconut plantation, Anantara has set the benchmark in Sri Lanka for luxury experiences.The property offers the ultimate experience in peace and tranquility for a discerning traveller amidst lush foliage, crystal blue waters and stretches of white sandy beach. Our emphasis continues to be on improving returns, growing occupancies and deepening our position among fast growing upscale travellers.

Travels

The traditional tour operator business model is transforming rapidly with the advent of online platforms, offering enhanced products, real time availability and more flexible booking terms. In the competitive space of travels services, we believe that personalised offerings and experiences remains a competitive advantage. DTSL, our inbound travel arm recorded marginal growth in revenue. Online travel and good growth in emerging European markets partially mitigated the impact of the loss of a large intermediary account. Revenue growth was helped by a growing base of Chinese travellers; a segment which recorded a 145% growth during 2016/17.

During the year, DTSL established new partnerships with tour operators and agents from both European and Asian markets which we hope will drive future growth.

As Sri Lanka becomes home to global hotel chains such as Anantara, Movenpick and Shangri-La and a host of boutique properties, we expect to see a significant increase in demand from the luxury traveller. Diethelm Travels has pursued upscale travellers from non-traditional markets, seeking first-mover advantage from the Middle East, Eastern Europe, Far East and the Americas. Sri Lanka as a destination continues to benefit from its proximity to India, and its strong links with China where the growing urban middle class is set to generate more lucrative travel.

On the digital and technology front, the company established extensive links with online operators and went live with a new ERP system to improve .

Our outbound travel arm Hemas Travels grew in line with industry. Heightened price competition amongst airlines and operators intensified during the year. Security concerns in Europe, UK and North America impacted leisure travel to those regions;however, leisure and incentive travel to the rest of the world has seen a substantial growth, driving improved performance in Prime Destinations, the Leisure arm of Hemas Travels. The emergence of online players with aggressive promotional offers aggravated competitive intensity, though with new initiatives in the pipe line and a more robust focus on value added services, we are optimistic of future growth.

Representation

Sri Lanka's airline travel industry grew at 12% over the past year, and Hemas representation portfolio expanded during the year under review to broaden our geographic reach and deepen relationships with established strategic partners. Hemas Representation sector now covers Sri Lanka, Thailand and the Maldives.

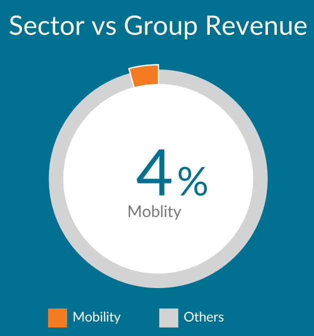
The General Sales Agency for Emirates, Malaysian Airlines and others recorded a satisfactory performance during the year, with passenger and cargo volumes recording double-digit growth and delivering up to expectations. Australia remains the key contributor to overall revenue followed by New Zealand, Philippines, Vietnam and Indonesia, while the majority of cargo volumes are destined for the US and Europe.

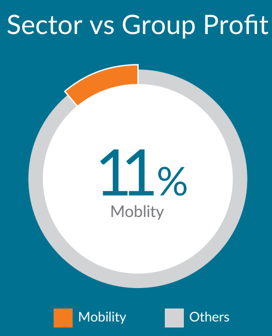
Our portfolio of representations also now includes Ukraine International Airlines, which started operations to Colombo in November 2016 together with the presence of China Southern Airlines, Alitalia, EVA Airways, Maldivian, Druk Air and Myanmar National Airlines. Simultaneously, the addition of Ground Supervision services also helped to further enhance our aviation offering in the Cargo and Passenger space while giving the sector a global reach.

The strategic focus for 2017/2018 will be to improve overall profitability; extra focus will be placed on achieving online penetration targets, which would help garner incremental sales.

MOBILITY

Outgrowing its past records, the mobility sector has successfully gained momentum to take the sector to greater heights, while contributing to the economic development of the country.





Enabling Hemas to leverage on Sri Lanka's growth momentum as one of South Asia's key markets and to grow in line with the pace of development that's driving the Asian region, the Mobility sector which comprises of Logistics and Maritime has recorded a positive growth during the year under review.

Outgrowing its past records, the Mobility sector has successfully gained momentum to take the sector to greater heights while contributing to the economic development of the country. During the past financial year, the sector contributed 10.8% to overall Group profitability while turnover increased by 103.4% to reach Rs. 1.9Bn and Profit After Tax reached Rs. 404.5Mn resulting in an increase of Rs. 245.3Mn compared to the previous year.

Fueling the development of the sector, all maritime businesses collectively played a major role in shaping the overall growth impetus. The most significant achievement in the Maritime segment was the appointment of Hemas as the agent for Evergreen Line which is the company's first main line representation. The first year of operations of the Evergreen Line which is the 3rd largest carrier calling to the Port of Colombo in terms of annual throughput has been testimony to the potential of the company to contribute to the overall growth of the segment.

FAR Shipping yet again proved its mettle by successfully responding to the growth in volume within the region by operating as the leading feeder service to the East Coast of India and the Bay of Bengal. The past year also witnessed the coming of age of HC Line, the feeder service which serves the Maldivian market.

Shadowing the expansion of the logistics sector of the island, the Logistics arm of Hemas grew to unprecedented heights. It was mainly driven by the 3PL operations which includes distribution for over 400 retail and modern trade outlets in the domestic market as well as the inland container depot operations. Sri Lanka itself is gearing for its vision for 2020 to position the country as a logistics, maritime and trading hub in the South Asian region. With massive developments taking place in the country, especially with the advent of large scale development projects surrounding the upcoming Colombo International Financial City and the Western Megapolis, opportunities are plentiful and the outlook is promising.

The market too is changing, with new Asian powers racing to be in the forefront and bringing with it a new dimension to logistics solutions. The sector is re-defining its take on solutions as customers demand bigger and better solutions which resonate the new era of logistics where value additions overtake volume and customisation overpowers value pricing.

Hemas Logistics has built a reputation as one of the major logistics service providers in Sri Lanka offering specialised end-to-end solutions. The company has the capacity and capability to deliver professional and comprehensive logistics solutions tailor-made to customer requirements. The diversified operations of the segment allow it to offer customers with one-stop-shop solutions to cater to their logistic needs.

The Logistics sector of Hemas is accelerating its progress with all verticals contributing to sector growth superseding a decline in profitability in haulage due to macro factors such as shrinking of margins and the unexpected drop in automobile logistics. The priority force of the segment remains to be 3PL solutions, which is aligned to our strategy of positioning Hemas Logistics as a leading logistics solution provider. The sector's existing container depot has maintained consistency in its operations by successfully running at full capacity throughout the year.

Rs. 1.9Bn
Revenue

Rs. 451.1Mn
EBIT

Rs. 335.5Mn
Earnings

MOBILITY

Hemas Logistics also entered into a strategic partnership with McLarens Holdings, which represents globally acclaimed logistics player, GAC in Sri Lanka with the aim of leveraging on the Government's plan to take Sri Lanka forward as a regional trading hub. When the island transforms into a hub, there will be several opportunities that will mushroom in the lines of entreport trade, multi-country consolidation and staging goods for re-exports. By this partnership, we will be able to fast track the company to develop its capabilities to exploit these opportunities in tandem with our partner.

The sector has embarked on a new project which comprises a 10 acre container yard and a state of the art warehouse complex in Muthurajawela. On completion, the project is expected to double the existing capacity and enable the company to expand its reach in volume, value and tertiary services to customers. The project will be the largest integrated logistics development in the country which will facilitate Hemas Logistics to provide end to end logistics services to domestic and regional markets. During the forthcoming financial year, the sector will look towards consolidating its activities into a single space with a view to delivering greater customer centricity.

Along with the pace of the country as it reaches its potential in the region and resonating the surging of Asia as the emerging capital of the world, the Mobility sector is looking beyond the shores of Sri Lanka. Establishing regional container yards, reaching frontier markets and positioning ourselves as a regional 3PL player are the pillars of success for a positive outlook for the sector.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CAPITAL
CAPITAL

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 appointed as the Non-Executive Chairman of Janashakthi Insurance PLC on 22.07.2015. 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. He has led many of the most successful private equity transactions in Sri Lanka including South Asia Gateway Terminal, Ceylon Oxygen and Millennium Information Technologies. Mr.Enderby is also Non-Executive Chairman of Ironwood Capital Partners Sri Lanka's leading private equity fund. He has also served on the Boards of many leading companies in Sri Lanka and India. 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) Limited, 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.

Murtaza Esufally
Executive Director

Imtiaz Esufally
Non-Executive Director

Mr. Murtaza Esufally counts more than 26 years of experience in senior management levels and has been assigned with a new role of Group Director Human Performance and Leadership. He is the Chairman of Hemas Hospitals (Pvt) Limited and Hemas Pharmaceuticals (Pvt) Limited, 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.

Mr. Imtiaz Esufally serves as a Group Director of Hemas Holdings PLC .He is also Chairman of the Group's Logistics and Maritime Sector and a Director of Serendib Hotels PLC. He further serves as a Member of the Hemas Audit Committee.

Mr. Esufally holds a Bachelor of Arts (Honours) Degree in Accounting and Economics from the University of Kent, UK. He counts over 30 years of management experience and has been in the forefront of the Transportation Industry.

BOARD OF DIRECTORS

Malinga Arsakularatne
Executive Director

Mr. Malinga Arsakularatne was appointed as the Managing Director of Hemas' newly formed Leisure, Travel and Aviation Group, in April 2016. Prior to this appointment Mr. Arsakularatne served as the Chief Financial Officer of the Company for over 9 years. Mr. Arsakularatne has 18 years of experience in investment management, corporate finance and business strategy.

He also serves on the Boards of Serendib Hotels PLC, Dolphin Hotels PLC and Hotel Sigiriya PLC. Mr. Arsakularatne also holds directorships in some of the other unlisted subsidiary companies within the Hemas Group and also serves as a Non-Executive Director of 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, MSc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Ramabadran Gopalakrishnan
Independent Director

Mr. Ramabadran Gopalakrishnan has over 50 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

Shaktha Amaratunga
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), and 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.

Mr. Shaktha 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 Limited 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 Organization). 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.

BOARD OF MANAGEMENT

Management and employees from across the Group

Mr. Harith Perera
Managing Director of Diethelm Travel

Harith is the Managing Director of Diethelm Travel Sri Lanka (DTSL), Diethelm Travel The Maldives (DTTM) and Hemas Travels. 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. He is also a board member of the Sri Lanka Tourism Promotions Bureau (SLTPB).

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 19 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 management 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 events.

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

Kasturi is the Managing Director of Hemas Pharmaceuticals and the Group's Logistics and Maritime sectors. She is a Fellow of the Chartered Institute of Management Accountants, UK and has served as Board Member of CIMA, Sri Lanka. She counts for over 28 years' of managerial experience in multiple industries and functions spanning from auditing, consulting, logistics, leisure and travel and pharmaceuticals. 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. In 2011 she was appointed as the Managing Director of the Transportation Sector and in 2016, Managing Director of the Pharmaceutical Distribution Business.

Kasturi is also a member of the Economic Policy Committee of the Ceylon Chamber of Commerce

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

Roy is the Managing Director of Hemas Manufacturing (Pvt) Limited. 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 currently serves as the President of the Sri Lanka Pharmaceutical Manufacturers' Association. Trihan is an Associate of the Chartered Institute of Management Accountants, UK and holds an MBA with Distinction from Keele University, UK. He has been with the Hemas Group since 2010. He began his career at NDB and moved to management consulting and academia. Trihan 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 Digital Officer

As the Chief Digital Officer at Hemas Holdings PLC., Chandima leads Information Technology, Digital and Innovation teams to help businesses within Hemas embrace more profitable and growth oriented business models and to deliver a great customer experience across all products/service touch points. Chandima has accumulated over 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 Fourteen years, lastly as the CEO for Sabre Technologies a fully owned subsidiary of MAS servicing technology startups in USA. Chandima started his career at Unilever as a management trainee and later was involved in a global project for 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.

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 Honour's 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 and a hospital administrator of repute. He has over 20 years' experience as the head of the organization at a host of healthcare related MNCs including B|Braun Asia Pacific, Lifeserv and ConvaTec A Bristol Myers Squibb Company of USA and as CEO of Lanka Hospitals (previously Apollo Hospital Colombo) 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

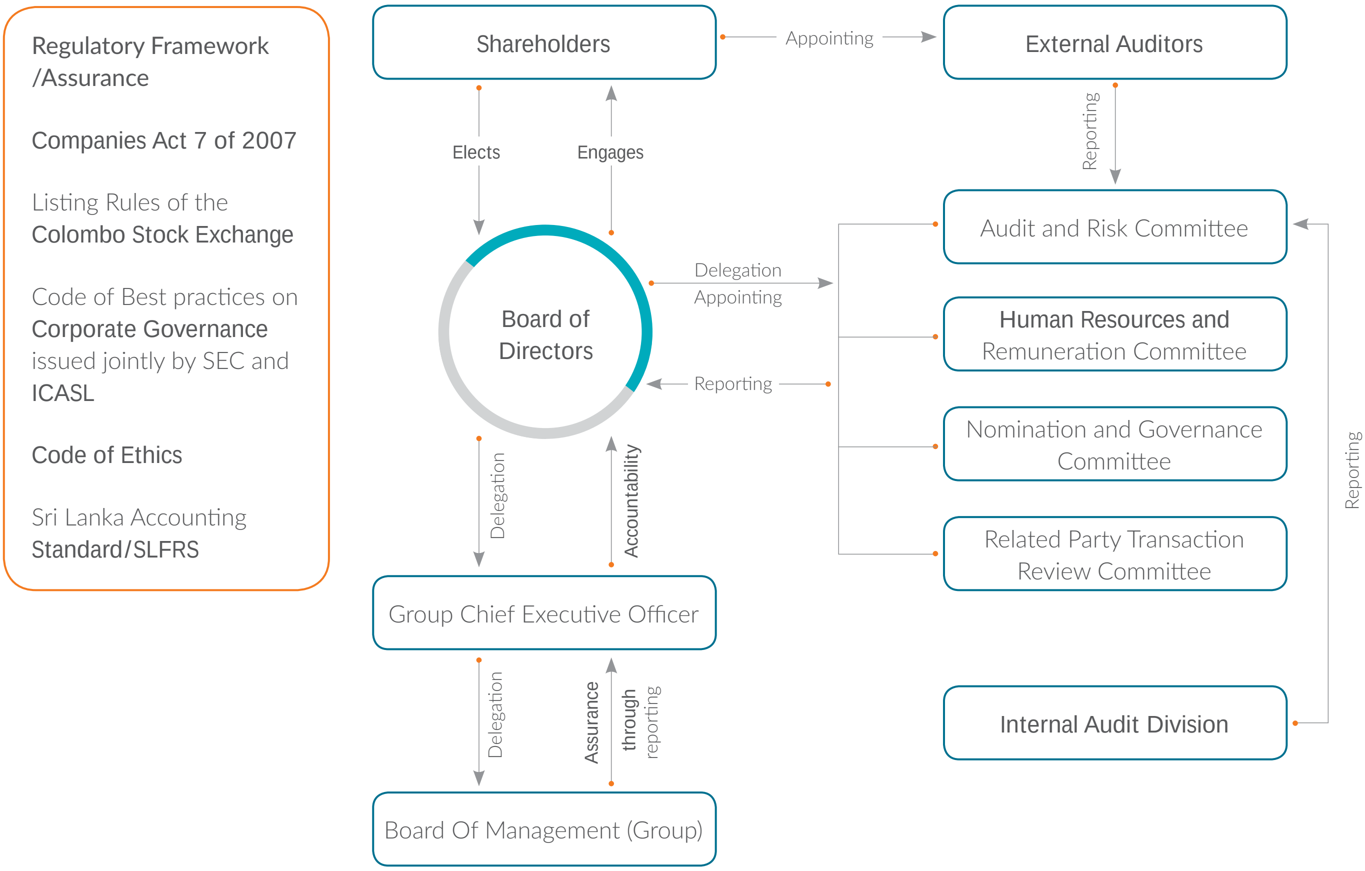
Prior to her role in Hemas, Ruwani was engaged with Vox & Co., a boutique strategy consultancy firm based in Colombo and helping clients navigate Sri Lankan markets. Before that, she was Head of Research & Consulting at Stax, a U.S. based strategy consulting firm for 6 years. She is also a Director of Colombo Academy of Hospitality Management at SLIIT. Ruwani has an MA in Economics from the University of Edinburgh.

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

CORPORATE GOVERNANCE

Introduction

Our Governance Framework



Corporate Governance (CG) is a framework of rules and practices by which an organization is directed, controlled and managed. The above CG framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Directors of Hemas Holdings PLC (HHL). At Hemas, the approach to CG is guided by ethical culture, stewardship, accountability, independence, continuous improvement, oversight of strategy and risk. The fundamental relationship amongst the Board, Management, Shareholders and other Stakeholders is established by our governance structure, through which the ethical values and corporate objectives are set, and plans for achieving those objectives and monitoring performance are determined.

To serve the interests of shareholders and other stakeholders, HHL's corporate governance system is subject to ongoing review, assessment and improvement. The Board of Directors proactively adopts good governance policies and practices designed to align the interests of the Board and Management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organization. Further the Board considers Good Governance practices to be precedent and endeavor to go beyond the legal requirement by implementing International best CG practices and stakeholder engagement, ensuring high standards of professionalism and ethics.

The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the Company is based on values.

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, with diversified knowledge and experience, entrepreneurial and financial skills, business acumen and broad practical insight, which enables the members to impart substantial knowledge and independent judgment 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 composition of the Board of Directors of HHL is given below:

Non-Executive Directors	Independent Non-Executive Directors	Executive Directors
Mr. H. N. Esufally	Mr. R. Gopalakrishnan	Mr. M. A. H. Esufally
Mr. I. A. H. Esufally	Mr. D. S. Weerakkody	Mr. S. M. Enderby
Mr. A. N. Esufally	Dr. S. A. B. Ekanayake	Mr. W. M. De F. Arsakularatne
	Mr. A. S. Amaratunga	

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

The Board, whilst receiving information on a structured and regular basis, meets once in every quarter in order to discharge its responsibilities. In addition, the Board together with the Board of Management meets once a year to plan outs its long term strategy and Annual Budget for the Group. During the Financial Year 2016/17, in addition to the Board Sub-Committee meetings, Seven Board Meetings and two Corporate Planning meetings were held, the attendance of which is summarized below:

	Board	Audit Committee	Human Resources & Remuneration Committee	Nomination and Governance Committee	Related Party Transactions Review Committee
No. of Meetings Held	7	4	6	3	5
H. N. Esufally	7		2		
A. N. Esufally	7			3	
I. A. H. Esufally	7	4			5
M. A. H. Esufally	7				
R. Gopalakrishnan	7			3	
D. S. Weerakkody	5	3			2
Dr S. A. B. Ekanayake	7		6	3	
S. M. Enderby	7				5
W. M. De F. Arsakularatne	7				
A. S. Amaratunga	7	4	2		5

Note : Mr H. N. Esufally and Mr A. S. Amarathunga were appointed to the Human Resources & Remuneration Committee on 16th November 2016 and the Late Mr P Mohapatra resigned from the Committee with effect from 16/11/2016.

CORPORATE GOVERNANCE

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 2017, 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 internal controls within the Group;
- succession planning and employee retention;
- reports from the Audit, Human Resources and Remuneration, Nominations and Governance, Related Party Transaction Review Committees; and
- review the effectiveness of the Board, matters reserved for the Board and the Terms of Reference of Board Committees.
- Regulatory dissemination of information to the public and conformity to the regulatory framework.

The Board is essentially assisted in discharging its responsibilities by the Audit Committee, Human Resources and Remuneration Committee, Nominations and Governance Committee and the Related Party Transactions Review Committee which cover in detail a range of important areas such as risk and control, Executive Directors remuneration and incentive schemes, succession planning, human resources, related party activities and governance. After each Committee Meeting, the Chairman of the Committee reports to the Board on the Committee activities and makes such recommendations as are deemed appropriate in the circumstances. The Charters of the Committees are reviewed annually to ensure appropriate allocation of responsibilities and that regulatory requirements and best practices are reflected. Each Committee assesses its effectiveness annually to ensure that it has effectively fulfilled its responsibilities as set out in the Charter. The reports of the Board Sub-Committees are included in this Annual 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, therefore continues to review structures and processes across the Group, in order to ensure they remain effective, and to make timely changes when needed to enhance the way the Group operates in the face of changing and challenging business environment.

Hemas Corporate Services (Private) Limited provides company secretarial services to the Company and they are responsible for ensuring Board procedures are followed and applicable rules and regulations are complied with. The Directors have direct access to their advice and services.

The meetings calendar is prepared annually in advance to ensure that participation of all the Directors, and the Board Papers are circulated to the Board/Sub-Committees Seven days prior to the Meeting. Hence, the Directors have sufficient time to review Board Papers and call for clarification/additional information and to follow up with the Senior Management after the meeting on any issues arising from the meeting.

Further, to enhance Board effectiveness, HHL has a Directors, orientation process for newly appointed Directors which assists them in understanding the nature and operations of the Company and its Group, the role of the Board and its committees and the contribution expected of the Director.

Principle A 2

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

The posts of Chairman and Chief Executive Officer is held by two separate individuals thereby there is a clear demarcation of roles and responsibilities between the Board and the Executive Management which fosters an environment of

Transparency, Accountability, Confidentiality and Trust that the Board is able to constructively challenge and provide guidance to the management.

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 operations by the Board of Management, which is chaired by the Chief Executive Officer.

The 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 is responsible for preserving good Boardroom Governance and encourage positive contributions from both Executive and Non-Executive Directors for the effective discharge of the Board's responsibilities. The Chairman considers the views of all Directors on any matter put before the Board and ensures that the Board is in complete control of the affairs of the Company.

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.

The Chairman also 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 are;

- 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.
- 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 Sub-Committees.

FINANCIAL ACUMEN

Principle A 4

The Board should ensure the availability of Members with financial acumen

The Board is constituted of members specialized in a multitude of disciplines and experience in Corporate Finance, Accountancy, Management, Marketing, Economics, Law, Human Resources, Corporate Governance and Risk Management. Hence they are able to provide constructive debate, scrutinize performance and help develop Board strategy with a global perspective and outlook.

The 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 consists of three Executive Directors, seven Non-Executive Directors of whom four Directors are Independent. Each of these Directors has made a declaration as to his independence/non-independence, annually, in the prescribed format and the Board has considered these declarations in ascertaining the independence of a Director. The Independent Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment, Both the size and balance of the Membership supports the Board in bringing a substantial focus on strategic and long term issues.

CORPORATE GOVERNANCE

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. Substantively, it is of parallel importance for the Directors to keep abreast with relevant regulatory developments, Corporate Governance trends and changes in investor expectations, some of which impact, in particular, on the Non-Executive role.

The Management provides the Directors clarification on any information submitted to the Board Meeting and the papers are circulated to the Directors seven days prior to the meeting. However, a process is available to circulate papers which arises on a matter of urgency closer to the meeting. The Directors accomplish their quest for knowledge on the business through discussions with Management, Board/Committee Meetings and presentation made by External Experts on business/ regulatory environment and on specialized and complex aspects of the business operations. This facilitates the decision making process as the Board is provided with timely and accurate internal and external information, and of a quality which enables the Board to discharge its duties. The Chairman ensures that all Directors are briefed on issues arising at meetings.

The Company convenes at least five Board Meetings a year for which detailed Agendas are prepared by the Secretaries in consultation with the Chairman.

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

The Board derives its strength from the background, diversity, qualities, skills and experience of its members. Diversity is a key priority and is embedded in all Board recruitment considerations. At Hemas, a formal and transparent procedure exists for all appointments to the Board. A Nominations and Governance Committee comprising of three Non-Executive Directors, of whom two are Independent, meets 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. The names of the members of the Nomination and Governance Committee is mentioned in the Report of the Nominations and Governance Committee which is given on page 126 of the Annual Report.

The Nominations and Governance Committee has oversight responsibility for Board renewal and composition and in consultation with the Board Chair, it considers all qualified candidates identified by members of the Board, Management and Shareholders. The Committee monitors the current and future profile of the Board and maintains a matrix identifying areas of experience and expertise contributed by each director and annually reviews the suitability of directors. With a view to the longer term strategic focus, it determines the competencies, experience and skills it should seek in new Board members.

On the appointment of a new Board Member the following disclosure is made to the Colombo Stock Exchange and in the Annual Report:

- a brief resume of the Director;
- the nature of his expertise in relevant functional areas;
- the names of companies in which the Director holds directorships and/or memberships in Board committees;
- whether such Director can be considered 'independent
- The number of shares held in the Company if any

The Induction program for the new Directors is designed to provide them with the necessary insights into business operations, share thinking and views on business issues among each other and with the Management, and also 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 Company's Articles provides a Director appointed at the first instance to the Board shall hold office until the next Annual General Meeting and will be eligible for re-election and thereafter at each Annual General Meeting one-third of the Directors who have been subject to retirement and who have been longest in office since their last re-election or appointment shall retire by rotation.

The Independent Non-Executive Directors are generally appointed for an initial period of three years, subject to their 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 to a maximum period of nine years from the first appointment. 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 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

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

The Company maintains an Interest Register in terms of the Companies Act No 7 of 2007 which contains the details of each Director, their other directorships, profile etc. A process has also been established to capture Related Party Transactions as per the RPT code and the Directors' Interest in Contracts with the Company is set out on pages 138 to 141 of the Annual Report. The relevant disclosures relating to Directors, Related Party Transactions and Interim/Annual Accounts as required by the Listing Rules are made to the Colombo Stock Exchange within the statutory period mentioned therein.

The number of Board/Sub-Committee meetings of the Company attended during the year and the names of the Board Members serving as Chairman of Board Sub-Committee are mentioned in the Annual Report.

CHIEF EXECUTIVE OFFICER'S PERFORMANCE

Principle A 11

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

The Board at the beginning of the financial year set out the goals of the Chief Executive Officer which is in line with the short, medium and long term strategies of the Company. The Board reviews the performance of the Chief Executive Officer bi-annually against the goals and considers whether the causes of any adverse variance, if any, is reasonable under the business environment.

DIRECTORS' REMUNERATION

Principle B 1

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

During the year 2016/17, 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 Human Resources and Remuneration Committee. The Human Resources and 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.

CORPORATE GOVERNANCE

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 Human Resources and 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. Hence the Company follows the guidelines of the level of remuneration set out in the Code of Best Practice on Corporate Governance for Executive and Non-Executive Directors.

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 caliber 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 Board welcomes engagement with shareholders and encourages them to express their views at shareholder meetings.

The Annual General Meeting and the published reports of the Company are means of communicating the information relating to the Company to the shareholders. The Board believes that maintaining a good relationship with Shareholders is of prime importance. Further the Members of the Board are present at the Annual General Meeting and are willing to answer questions raised by the Shareholders. The Chairmen of the Board sub-committee are also permitted an opportunity to answer any questions at the Annual General Meeting if requested by Chairman.

The Annual Report including the Notice of Meeting, Financial Statements, related reports and the Proxy are sent out to the shareholders 15 working days prior to the date of the Annual General Meeting. This year, the Annual General Meeting will be held on 30th June 2017 at the Level 6 forum 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 individual 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 2017, is also available to all Shareholders on the Company website or in paper form on request. The website also provides

Shareholders with the facility to send any questions they may have to the Company.

The shareholders are invited to communicate and constantly be in touch with the secretaries/registrars in order to gather information and express their views on the Company. The secretaries/registrars maintains a record of all shareholder correspondences.

The Company

Principle C 3

Directors should disclose to shareholders all proposed material transactions

During the year under review, the necessary disclosures with regard to Related Party Transactions have been made in the Related Party Transaction Committee Report and in Note 35 to the Financial Statement of Accounts for the year ended 31 March 2017 found on page 228 to the Annual Report.

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 SLFRS and LKAS. 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 reasonable assumptions.

The Financial Review from pages 16 to 21 provides a fair assessment of the Group's performance and results for the year. 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. An approved policy framework for the Group is in place which enables the Company to monitor the operational aspects of its subsidiary companies and the performance is monitored 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.

The Directors Responsibility Statement for financial reporting is set out on page 144 of the Annual Report.

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 114 to 119. 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. The Board also considers the macro economic conditions which has a bearing on the business and make decision proactively to mitigate any risk that would be faced by the group. 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 of Audit Committee, 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 authorization of the 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.

CORPORATE GOVERNANCE

The Management has assessed the effectiveness of the Group's internal control over financial reporting. Based on this assessment, the Management concluded that, as at 31st March 2017, 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.

The Board Audit Committee is in place consisting of three Non-Executive Directors majority of whom are independent, which is in compliant with the Listing Rules. The Chairman of the Audit Committee is an Independent Non-Executive Director possessing the qualification and experience in the field of financing. The Audit Committee is governed by its charter which has been approved by the Board. The Audit Committee amongst its other functions, reviews the nature and extent of the Non-Audit Services provided by the External Auditors in order to balance objectivity, independence and value for money.

Principle D 4

Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel

The Code of Ethics and Business Conduct provides information about the standard of integrity the employees of Hemas are expected to maintain and is a common thread that applies across the Group. Further each employee is responsible the implementation and compliance with the Code which will in-turn build values and enrich lives.

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 2017.

Principle D 5

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

CSE Rule No	Governance requirement	Level of Compliance
7.10.1a Composition of the Board	The Board shall comprise of at least two Non-Executive Directors (NEDs) or 1/3rd of the total number of Directors as NEDs whichever is higher.	Compliant There are ten Directors of whom seven are Non-Executive Directors
7.10.2 (a) Component of Independent Directors	Minimum of two Directors or one third of the NEDs whichever is higher should be independent.	Compliant Four of the Seven NEDs are Independent Directors
7.10.2 (b) Declaration of Independence/Non-Independence	Each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Compliant Non-Executive Directors have submitted declarations regarding their Independence/ Non-Independence.
7.10.3 (a) Disclosures Relating to Directors	The names of the Directors who are deemed to be independent as per the criteria to be disclosed in the Annual Report	Compliant Refer page 130 of the Annual Report.
7.10.3 (b)	The board shall specify if the criteria for independence is not met by a Director and the basis for its determination in the annual report	Not Applicable as it complies with the listing rules.
7.10.3 (c)	A brief resume of the Director which includes information on the nature of his/her expertise in relevant functional areas	Compliant Please refer pages 38 to 41 of the Annual Report.
7.10.3 (d)	A brief resume of the newly appointed Directors should be provided to the Colombo Stock Exchange for dissemination to the public	Compliant. The Company furnishes to Colombo Stock Exchange a brief resume of a newly appointed Director for dissemination to the public.
7.10.5 a Composition of Remuneration Committee	The remuneration committee shall comprise of Non-Executive Directors majority of whom shall be independent. One Non-Executive director shall be appointed as Chairman of the committee by the board of directors	Compliant Refer the Human Resources and Remuneration Committee Report found on page 120 to 121 of the Annual Report. The Chairman of the Committee is an Independent Non-Executive Director.
7.10.5 b and c	The Functions and the Disclosure requirements of the Remuneration Committee	Compliant Refer the Human Resources and Remuneration Committee Report found on page 120 to 121 of the Annual Report.
7.10.6 (a) Composition of the Audit Committee	The Audit Committee shall comprise of Non-Executive Directors majority of whom shall be independent. One Non-Executive director shall be appointed as Chairman of the committee by the board of directors	Compliant Refer the Audit Committee Report found on pages 124 to 125 of the Annual Report.
7.10.b	Functions of the Audit Committee	
7.10.c	Disclosures required to be made	

CORPORATE GOVERNANCE

CSE Rule No	Governance requirement	Level of Compliance
9.2.1 Related Party Transaction Review Committee	Reviewing of Related Party Transactions (RPT) except transactions mentioned under Rule 9 should be carried out by the Committee prior to entering/completion of the transaction	Compliant Please refer the RPTRC report found on page 122 to 123 of the Annual Report
9.2.2 Composition of the RPTR Committee	Such number of Non-Executive Directors and Executive Directors at the option of the Company and the Chairman of the RPTR Committee shall be an Independent Non-Executive Director (INED)	Compliant There are three Non-Executive Directors of whom two are Independent and the Executive Director/Chief Executive Officer are members of the Committee. The Chairman is an Independent Non-Executive Director
9.2.3	Holding Company RPTRC to function as the RPTRC of Subsidiary	The listed Companies in the Group has its own RPTR Committees
9.2.4 Frequency of Meeting	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant The Committee met 5 times during the financial year under review and the minutes of the Committee are tabled at Board Meetings
9.3.1 Immediate disclosures	i. Any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, OR if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets of the Entity as per the latest Audited Financial Statements.	Compliant
	ii. Any subsequent Non-recurrent Transaction after it exceeds 5% of equity entered with the same related party	N/A
9.3.2 Disclosure in the Annual Report	a. Non-Recurrent Related Party Transactions	Compliant
	b. Recurrent Related Party Transactions	Compliant Please refer page 228 to 230 of the Annual Report
	c. Report of the Related Party Transactions Review Committee	Compliant Please refer page 122 to 123 of the Annual Report
	d. An affirmative Statement by the Directors that they are in compliance with the rules pertaining to Related Party Transactions	Compliant Please refer page 122 to 123 of the Annual Report

INSTITUTIONAL INVESTORS

Institutional investors are 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

The Board welcomes engagement with shareholders and encourages them to express their views and vote at General meetings. To allow shareholders to provide timely and meaningful feedback, the Board has developed practices appropriate for the Company investor base to facilitate constructive engagement. Examples of these practices include methods of hearing from shareholders and responding to their inquiries on an ongoing basis and interaction with shareholders at meetings.

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 Board disseminates any information it considers price sensitive to the shareholders by announcing it to the Colombo Stock Exchange and through press releases.

The Company's website is regularly updated with all recent Annual Reports and media releases.

POSITIVE CHANGE, TOGETHER

SUSTAINABILITY REPORT

REPORT PROFILE, SCOPE AND BOUNDARY

This is the third sustainability report published by Hemas Holdings PLC.

The data and information contained in this report is applicable for the financial year from 01 April 2016 to 31th March 2017, unless otherwise stated and in cases where multiple-year trending is shown. For the purpose of providing context, we may at times show historical and anecdotal information.

We have limited the information in this report to the sustainability and corporate citizenship initiatives involving the Sri Lankan operations of Hemas Holdings PLC and its subsidiaries. We do operate offices in several countries, such operations have not provided details to be included in this report.

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. The ordinary shares of the Company are quoted on the Main Board of the Colombo Stock Exchange since October 2003. The Registered Office of the Company is situated at "Hemas House", No. 75, Braybrooke Place, Colombo 2.

The information for the report was generated through internal sources and validated by senior management. This report has also been externally verified and assured by the external auditor Ernst & Young.

In terms of restatements, there have been no restatements from 2015/16 to this year.

For a better understanding of our sustainability journey, this report may be read together with the Hemas Holdings PLC Sustainability Report 2014/15 and the Hemas Holdings PLC Annual Report for 2015/16 as well as our website www.hemas.com.

Global Reporting Initiative (GRI)

This report has been prepared in accordance with the G4.0 Core Sustainability Reporting Guidelines. The GRI Index can be found on page 111 to 112.

Contact Us

We welcome you to get in touch with us for further information and provide your valuable 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

SUSTAINABILITY REPORT

Sustainability	Policies	Hemas Outreach Foundation
Business Level	Group Level	Community Investment
• 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 Behavior

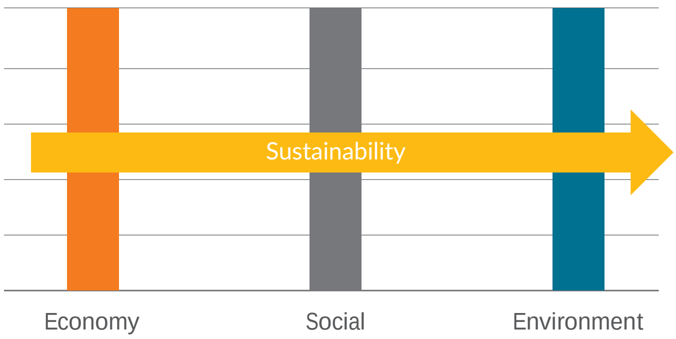
Comply with applicable legislations, regulations & code of best practice whilst considering social, ecological requirements and economical impact for all activities.

Engage Key Stakeholders

Understand stakeholder concerns & develop policies to mitigate risks to ensure business sustainability.

Issues & Initiatives

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



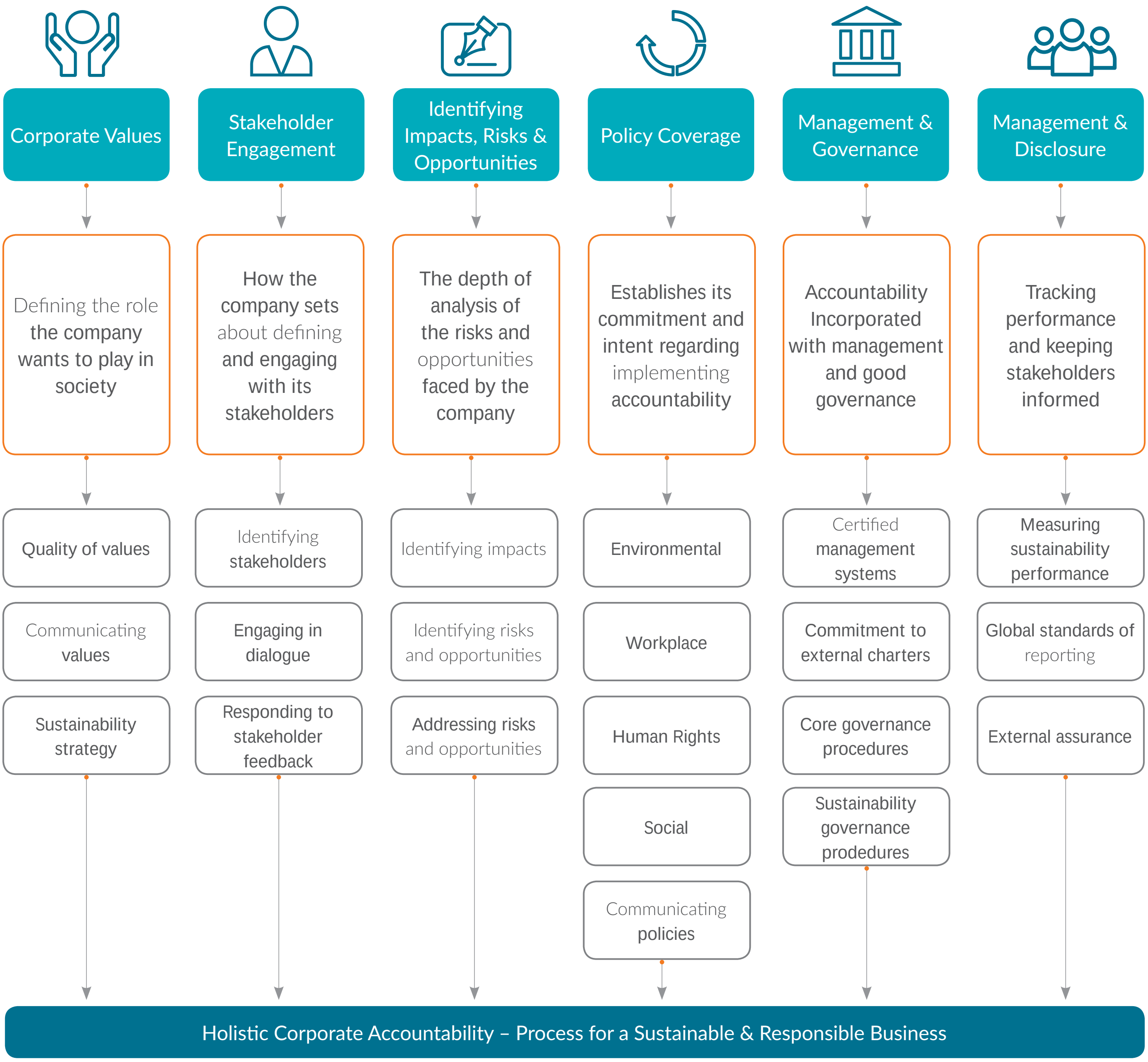
WELLNESS | LEISURE | MOBILITY

ENRICHING LIVES PLAN: OUR SUSTAINABILITY VISION AND FRAMEWORK

Hemas Holdings was founded on the principles of a just and equitable business conducted in an ethical manner and this philosophy remains paramount in the way we do business today. We believe sincerely that the success we strive for can only be driven in the long term by the value we create for all our stakeholders – that's why 'Enriching Lives' is the foundation of our ethos towards business. As a corporate philosophy, 'Enriching Lives' entrenches the importance of evaluating the overall impact of our decisions, strategies and operations on the triple bottomline of Environment, Social and Economic factors.

Driven by the Group's values, our sustainability approach is shown in summary in the diagram next page. We have described this approach in great detail in our previous sustainability reports.

Sustainability Approach



The Hemas Sustainability Approach has been formulated around the STING Consultants' Corporate Accountability Model

This approach was formally branded 'Abhimana' in 2014 with the ultimate objective that good governance and responsibility become a lifestyle, lived and practiced every day and constantly inculcated through learning, sharing, collaborating and reinforcing. Abhimana is aimed at generating pride through the dignity of a life lived well and to ensure that our employees are proud to work for Hemas; our partners are proud to be with Hemas; our communities are proud to be hosts to Hemas and that our consumers are proud to be using our products and services.

Abhimana was unveiled to the employees of Hemas through a calendar of workshops and activities in 2014/15. Each of the Group's locations has embraced Abhimana initiatives which are led by the voluntary efforts of Abhimana Champions.

As part of this, we ensure that prior to taking any business decisions, all social and environmental aspects are taken into consideration.

Following the completion of the awareness phase, we evaluated our key impacts in a process moderated by a third party consultant. This resulted in the identification of 18 social, environment and economic impacts that were material to the Hemas Group.

SUSTAINABILITY REPORT

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's Risk team and was moderated by a third party consultant.

Hemas Enriching Lives Plan

Identification of key risk areas + Identification of key impact areas

↓

Supply chain

↓

Community

↓

Goals

↓

Indicators

↓

Achieving Abhimana Principles

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 usage	High	High	Internal
Water usage	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 impact – economic, social and environmental	Medium	High	External

High ■ Medium ■ Low ■ Internal ■ External ■

As shown below, the material issues have resulted in 38 goals which are monitored through 148 indicators. The 38 goals are aligned with the UN Sustainable Development Goals which set the agenda for global sustainable development from 2015 to 2030.

The following table should be read as follows:

🔵 denotes that over 70% of the Hemas Group has achieved the corresponding goal
🟡 denotes that between 30 – 70% of the Hemas Group has achieved the corresponding goal
🔴 denotes that 30% or less of the Hemas Group has achieved the corresponding goal

Key risk/ impact area	Goal	% Achieved	Corresponding 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 Non-communicable Diseases (voluntary process by employees)	🔵	
Customer health and safety	100% of pharmaceutical 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. (Applicable for Hotels sector and staff canteens at all locations)	🔵	

SUSTAINABILITY REPORT

Key risk/ impact area	Goal	% Achieved	Corresponding UN SDG Goal
	Customers should have access to safety equipment, including first aid kits, life jackets, etc., depending on the nature of the activity/ excursion. (Applicable for Hotels and Inbound Travel sector)	●	
	Each location of operation to keep a record of all accidents involving customers occurring on site or off site each month. (Applicable for Hotels and Inbound Travel sector)	●	
	100% of menu items should carry the necessary information to ensure customer health and safety, including warning on possible (common) allergens. (Applicable for Hotels sector)	●	
Training and skills development	80% of staff in all locations of operation should have access to formal 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.	In progress	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 Pharmaceutical sectors	In progress	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
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, etc.).	In progress	UN SDG Goal 1: End poverty in all its forms everywhere. UN SDG Goal 16: Promote just, peaceful and inclusive societies

Key risk/ impact area	Goal	% Achieved	Corresponding UN SDG Goal
	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. 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.	In progress	
ENVIRONMENTAL			
Energy use	Energy consumed by each location of operations should be reduced by 5%	In progress	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.	In progress	
Water use	Volume of fresh water used by each location of operation should reduce by 5% e.g. by using recycled water or rain water instead.	In progress	UN SDG Goal 6: Ensure access to water and sanitation for all
Waste management (operations and product/ packaging waste)	All locations of operations 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
	Goal for Year 2 - Waste going to landfill 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	In progress	UN SDG Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation

SUSTAINABILITY REPORT

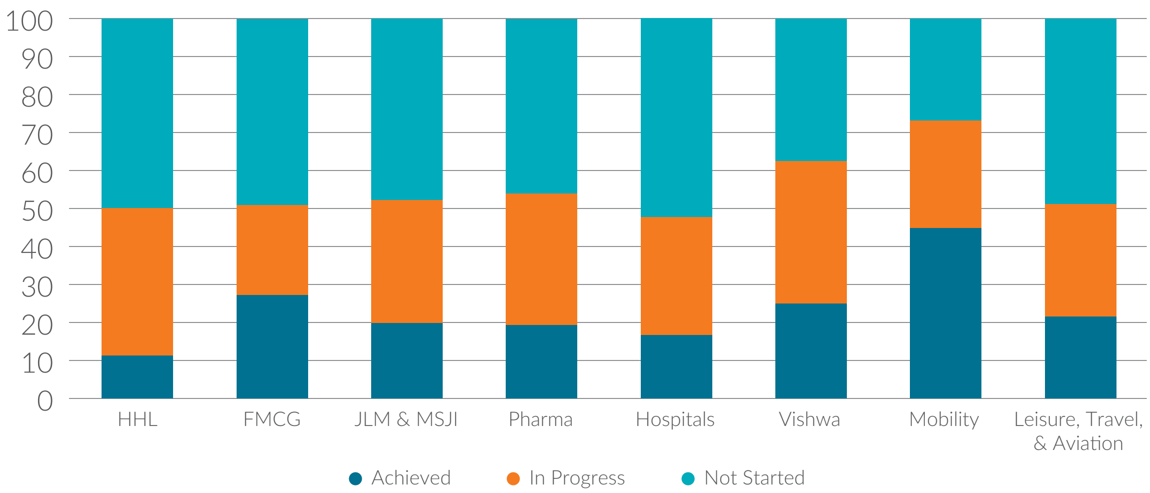
Key risk/ impact area	Goal	% Achieved	Corresponding UN SDG Goal
	Largest 25% of local suppliers and distributors (and/ or overseas suppliers if the sector decides this is appropriate) for each location of operations should be audited by the company for their labour practices and human rights standards, as well as their environmental standards (energy consumption, water consumption, waste management, emissions and effluents) once per 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.	In progress	
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.	●	
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 ENGAGEMENT			
Stakeholder engagement	Each sector must prioritize its key stakeholders and engage with prioritized stakeholder groups through a 2 way communication process once every 2 years.	●	

In 2015/16, we began the process of implementing scorecards Group-wide to monitor and measure these impacts and the associated goals. The goals are linked to the performance of each Business Unit with the respective Sector/Business Head held accountable for their progress, thereby entrenching the 'Enriching Lives Plan' in the management agenda. The scorecards are an essential element of management information available to the Group today, and allow us to respond to changes and challenges swiftly by modifying our strategies.

This report for 2016/17 is thus the first to be produced with a full year's reporting against the scorecards.

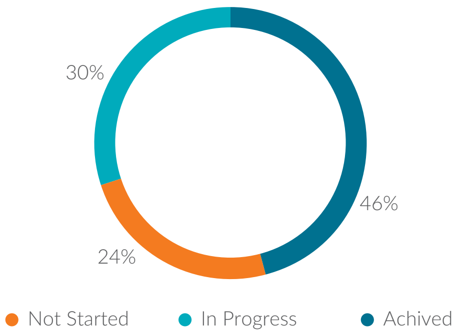
The Group's performance against the scorecard by sector as at 31st March 2017 is shown below:

Sector Wise Performance

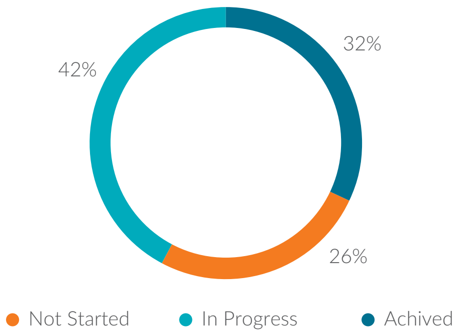


As a group, progress at 31st March 2017 against the Enriching Lives Plan in comparison to 31st March 2016 in shown below:

2016/17



2015/16



SUSTAINABILITY REPORT

Our Stakeholders

As a conglomerate with key interests in wellness, leisure and mobility segments, of our stakeholders are as diversified as our businesses. Defining our key stakeholder groups has thus been a complex process; over the last few years we strived to identify those who can potentially influence our businesses, those who may be affected by our businesses and those who bear legal, operational and financial responsibilities towards our businesses as our stakeholders.

The main stakeholder groups thus identified on the basis of their degree of influence on our businesses are:

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

Engaging with our stakeholders

Stakeholder engagement has been included as a critical component in the Group's sustainability management strategy. At sector level, businesses are expected to prioritise their key stakeholders and engage with these stakeholder groups through a two way communication process once every two years. We have also obtained the services of our external partner, Sting Consultants to conduct formal stakeholder engagement studies. The implementation of stakeholder engagement mechanisms at sector level remains a concern and will be a priority in the coming year.

The stakeholder performance section from pages 68 to 110 includes a summary of the channels we employ when engaging with each key stakeholder group, together with the topics and concerns raised.

Group Value Addition and Distribution

For the year ended 31 March	Consumer		Healthcare		Leisure, Travels & Aviation		Logistics & Maritime		Others		Group	
In Rs '000	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Value Generated												
Revenue	16,012,744	14,298,466	18,842,277	16,142,690	4,302,348	4,246,458	1,931,444	949,490	2,315,639	2,339,460	43,404,452	37,976,564
Share of Result of Joint Ventures/Associates	-	-	-	-	(168,126)	(202,080)	44,323	97,754	-	-	(123,803)	(104,326)
Other Invetsment Income	156,680	105,474	9,948	7,799	39,684	35,318	9,691	4,057	606,342	489,819	822,345	642,467
Profit on Sale of Assets & Other Income	65,971	42,698	91,937	111,742	107,870	135,303	17,739	6,826	113,444	22,378	396,961	318,947
Valuation Gain on Investment Properties	-	-	-	-	21,738	18,000	-	-	13,313	19,227	35,051	37,227
	16,235,395	14,446,638	18,944,162	16,262,231	4,303,514	4,232,999	2,003,197	1,058,127	3,048,738	2,870,884	44,535,006	38,870,879
Value Distributed												
Operating Overheads	12,099,348	11,182,453	15,116,741	12,997,646	2,781,494	2,780,225	1,039,130	673,208	1,815,240	1,928,778	32,851,953	29,562,310
Employee Wages & Benefits	1,904,242	1,389,387	1,752,313	1,475,646	1,124,159	901,596	458,773	186,743	828,431	762,982	6,067,918	4,716,354
Payments to Providers of Funds	14,228	17,318	208,140	192,036	118,986	112,543	93,303	40,252	1,078,672	880,648	1,513,330	1,242,796
Payments to Government	539,487	402,237	444,726	381,034	84,733	108,344	78,452	4,258	185,646	252,526	1,333,044	1,148,399
Community Investments	977	1,139	528	738	1,726	562	158	737	5,601	2,642	8,989	5,819
	14,558,282	12,992,534	17,522,448	15,047,100	4,111,098	3,903,270	1,669,816	905,198	3,913,590	3,827,576	41,775,234	36,675,678
Value Retained for Expansion and Growth												
Depreciation	171,928	154,909	381,559	329,688	171,261	179,428	85,684	69,347	177,637	158,140	988,068	891,512
Amortization	5,803	691	31,451	24,416	7,266	2,439	1,342	848	22,838	16,651	68,700	45,045
Profit after Dividends	1,499,382	1,298,504	1,008,704	861,027	13,889	147,862	246,355	82,734	(1,065,327)	(1,131,483)	1,703,004	1,258,644
	1,677,113	1,454,104	1,421,714	1,215,131	192,416	329,729	333,381	152,929	(864,852)	(956,692)	2,759,772	2,195,201

SUSTAINABILITY REPORT

Investors

Our responsibility to those who provide investor capital to Hemas is to ensure that we remain a good investment; a well managed and robustly governed entity that engages in ethical and efficient business practices which are geared to ensure long term sustainability. In this endeavour, we have focused our strategies towards achieving a strong fiscal performance which in turn would provide worthy returns to our investors in the short, medium and long term.

Our commitment to our shareholders is that the Board and management preserve their best interests at all times through exemplary corporate citizenship and sound strategies. It is towards this end that we have introduced numerous best in class systems and processes, and an innovation mindset within Hemas and the sectors we operate in. The many accolades and recognitions we have achieved at corporate level are an endorsement of this commitment to business excellence.

Hemas Ranked 9th Most Respected Entity in Sri Lanka by LMD

The 2016 edition of the LMD Most Respected Entities ranked Hemas at No. 09, up two places from 2015. This year's ranking featured 66 listed companies, along with 56 private entities, 26 multinationals and seven state enterprises, and adopted the Olympic Ranking System to record peer perceptions of corporate admiration. The survey was conducted by Nielsen Company (Sri Lanka) covering a sample of 800 respondents (managers and above from listed companies). Criteria was based on financial performance, quality conciseness, management profile, honesty, innovation, dynamism, corporate culture, CSR, vision and nation mindedness.

Accordingly, Sri Lanka's most respected organizations are the recipients of gold, silver and bronze medals, reflecting their admiration among peers. Hemas has received 17 Gold, 22 Silver and 37 Bronze medals to be ranked in the 9th place. The top 10 includes four of the largest diversified companies, two private sector commercial banks and two of the leading apparel manufacturers in Sri Lanka.

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 and Investor forums
- Annual report, quarterly reports, Colombo Stock Exchange disclosures, media releases, investor presentations
- Ongoing engagement with investor relations team

Key topics covered

- Increasing shareholder returns and growth
- Sustainability of the business
- Dividend policies
- Corporate governance

Our Commitments:

- Increasing shareholder returns
- Generate lasting economic value
- Good governance and transparency

SUSTAINABILITY REPORT

Innovation Strategy

The pace of changes in the world around us constantly offers fresh challenges and new possibilities; those companies that embed and embrace a culture of innovation will position themselves to thrive in future.

At Hemas, we have promoted a two-fold innovation strategy to create 'future readiness' across our businesses. The outward looking open innovation strategy sees us work with a wide network of partners while our inward looking strategy '#iaminnovation' focuses on preparing our people and processes to face this new world order.

The main component of our open innovation strategy is 'Slingshot', a startup incubator and seed accelerator program, had its third round of successful business pitches this year. Slingshot has led to multiple investments in startups that operate in our spheres of interest; wellness, leisure and mobility. During the year, Slingshot served as a key sponsor of Sri Lanka's first ever startup conference and showcase "Disrupt Asia 2016", where we hosted a 'startup battle' segment where startups pitched their businesses in the hope of securing funding and support.

The inward looking #iaminnovation strategy is designed to create and promote an innovation mindset within the Group. As part of the strategy, the Group undertook several long term training and awareness activities, including 'Hemas Innovation Sessions' which offer employees the opportunity to listen to maverick business leaders of today.

We have also unleashed Hemas Innovation Challenges, which employ gamification as a vehicle through which to improve creativity and innovation ability, thereby serving as a talent funnel for our human capital. In an effort to promote entrepreneurial thinking, we plan to incentivise employees through a corporate intrapreneurship scheme, whereby the Group will partner with employees to transform their promising business ideas into practical businesses.

Employees

SUSTAINABILITY REPORT

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)
- Intranet (Hemas One)
- SMS Portal

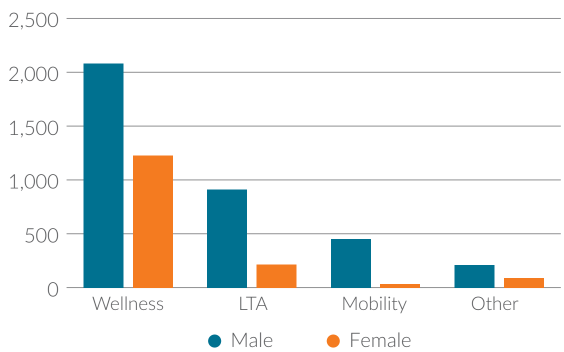
Key topics covered
- Recruiting and retaining the best talent
- Ensuring compliance with governance policies, codes of best practice and conduct
- Managing a multigenerational workforce
- Work life balance
- Career growth and development

Our Commitments:
- Open door policy and transparency
- Training and career development through strategic talent management
- Occupational Health and Safety

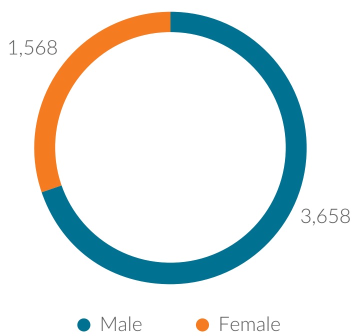
The Hemas Way

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). It is produced in both English and Sinhala. The Group HR Director acts as the officer in charge of values & ethics in the Group.

Total Number of Employees



Hemas Group - Total No. of Employees, by Gender



Total Number of Employees

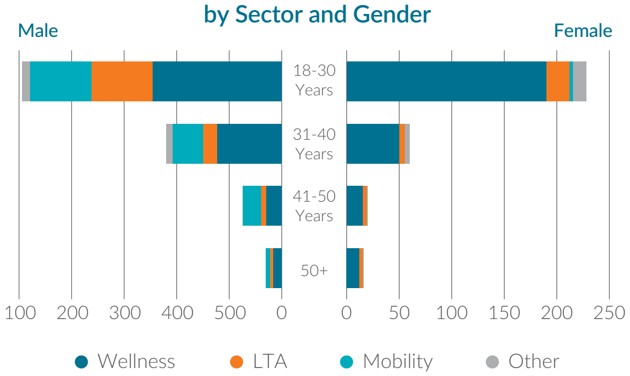
	Wellness			LTA			Mobility			Other			Hemas Group		
Employee Count	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Total No. of permanent employees	2012	1155	3167	702	187	889	161	30	191	174	71	245	3049	1443	4492
Total No. of employees on contract	70	72	142	211	30	241	292	3	295	36	20	56	609	125	734
Total Number of Employees	2082	1227	3309	913	217	1130	453	33	486	210	91	301	3658	1568	5226
Total No. of employees from manpower agencies (Outsourced personnel)	457	173	630	0	7	7	0	0	0	3	3	6	460	183	643
Total	2539	1400	3939	913	224	1137	453	33	486	213	94	307	4118	1751	5869

Total Number of Employees by Grade

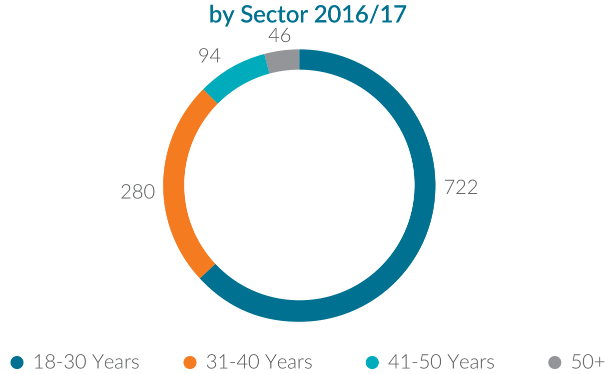
	Wellness			LTA			Mobility			Other			Hemas Group		
Grade	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
1	1456	995	2451	670	76	746	320	7	327	26	3	29	2472	1081	3553
2	270	123	393	88	55	143	68	16	84	63	38	101	489	232	721
3	49	32	81	64	53	117	24	5	29	16	11	27	153	101	254
4	78	40	118	27	16	43	18	4	22	23	14	37	146	74	220
5	159	16	175	31	8	39	9	1	10	44	16	60	243	41	284
6	36	5	41	14	5	19	6	0	6	19	2	21	75	12	87
7	12	9	21	7	0	7	2	0	2	2	4	6	23	13	36
8	5	3	8	4	3	7	2	0	2	10	2	12	21	8	29
9	14	3	17	5	1	6	4	0	4	3	1	4	26	5	31
10	1	0	1	2	0	2	0	0	0	1	0	1	4	0	4
11	2	1	3	0	0	0	0	0	0	1	0	1	3	1	4
12	0	0	0	1	0	1	0	0	0	1	0	1	2	0	2
13	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1

Resignations by Sector 2016/17

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



Hemas Group - Total No. of Resignations by Sector 2016/17



SUSTAINABILITY REPORT

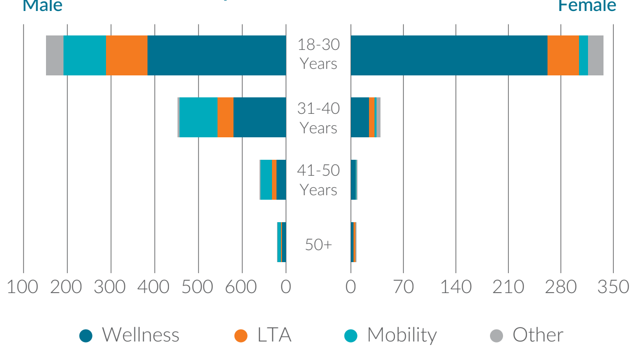
Resignations by Sector 2016/17

Total	2082	1227	3309	913	217	1130	453	33	486	210	91	301	3658	1568	5226

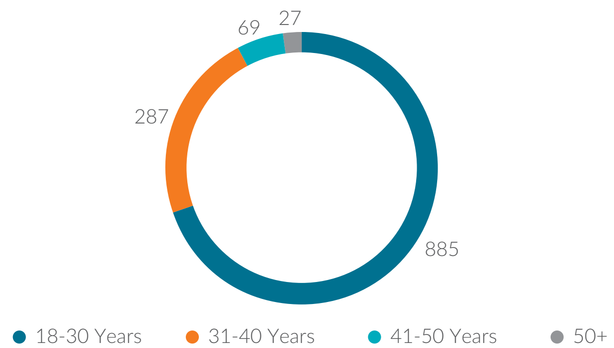
	Wellness			LTA			Mobility			Other			Hemas Group		
Employee Count	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18 - 30 Years	245	190	435	117	22	139	117	3	120	15	13	28	494	228	722
31 - 40 Years	122	50	172	27	5	32	59	0	59	12	5	17	220	60	280
41 - 50 Years	29	15	44	10	4	14	35	0	35	0	1	1	74	20	94
50+	16	12	28	6	3	9	8	0	8	0	1	1	30	16	46
Total	412	267	679	160	34	194	219	3	222	27	20	47	818	324	1142

New Hires by Sector 2016/7

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



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



	Wellness			LTA			Mobility			Other			Hemas Group		
Employee Count	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18 - 30 Years	316	262	578	96	42	138	97	12	109	39	21	60	548	337	885
31 - 40 Years	119	24	143	37	7	44	87	3	90	5	5	10	248	39	287
41 - 50 Years	21	6	27	11	0	11	26	1	27	2	2	4	60	9	69
50+	9	3	12	2	3	5	8	0	8	1	1	2	20	7	27
Total	465	295	760	146	52	198	218	16	234	47	29	76	876	392	1268

* Wellness [Consumer(FMCG), J.L. Morison's, Pharmaceutical & Hospitals]
LTA [Hotels, Travel & Aviation]
Mobility [Logistics & Maritime]
Other [HHL, Corporate Services, Hemas Development, Vishwa BPO & N-Able]

Total Employees Age-Wise Breakdown

	Wellness			LTA			Mobility			Other			Hemas Group		
Employee Count	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
18 - 30 Years	855	719	1574	351	112	463	200	22	222	89	41	130	1495	894	2389
31 - 40 Years	807	311	1118	298	64	362	159	7	166	77	33	110	1341	415	1756
41 - 50 Years	303	127	430	198	27	225	65	2	67	33	13	46	599	169	768
50+	117	70	187	66	14	80	29	2	31	11	4	15	223	90	313
Total	2082	1227	3309	913	217	1130	453	33	486	210	91	301	3658	1568	5226

* Wellness [Consumer(FMCG), J.L. Morison's, Pharmaceutical & Hospitals]
LTA [Hotels, Travel & Aviation]
Mobility [Logistics & Maritime]
Other [HHL, Corporate Services, Hemas Development, Vishwa BPO & N-Able]

Key Development Initiatives in Hemas Group

During the financial year, Hemas Group focused on multiple areas of development and improvement. Imbuing motivation and inspiration among employees through leadership development, customer orientation, team focus and functional expertise has enabled growth in multiple areas.

- Leadership – This year, Hemas continued its commitment to building leaders at all levels. Along with the launch of a high impact development programme titled the Hemas "Future Leaders Programme", there were initiatives across the Group that focused on building self awareness, understanding leadership styles and building a deep understanding of how to drive performance as a bi-product of nurturing talent.

- Customer Service – The ability to always see things from the customers perspective and striving to exceed customer expectations is the driving force behind many of the initiatives that were undertaken in the group.

- Team Building – To enhance synergy and help employees understand themselves and others better, team building programmes were facilitated across the Group.

- Technical Training – Becoming experts in every area of discipline, striving further every year and adding to the technical skills and knowledge is a continued effort across businesses year on year.

- Health and Safety – For the safety of our own employees and ensuring the quality of our products are not compromised is one of the fundamental reasons why health and safety programmes will always be offered every year without fail.

Employee Relations

At our Hotels sector, the HR Vision is to be the model in People Management and Leadership in Service Excellence in the Hospitality Industry in Sri Lanka. Its strategy centres around -

- Building a strong employer brand to become the 'Employer of Choice' in the Hospitality Industry.

- Initiating an effective recruitment drive to increase the cadre from 900 to 2500 by 2020 in oder to facilitate the organization's strategic plan.

- Creating 'A Great place to Work' by being a caring employer, ensuring a high retention level of mission-critical employees.

- Inculcating a passion for 'Service Excellence' as the key competitive edge.

The dearth of a strong labour force poses many challenges to the Hospitality sector, which over the next few years will see the expansion of room inventory. Therefore, it is imperative that Serendib Leisure builds a strong employer brand in order to attract high quality applicants. In building this employer brand, the sector will focus on our strengths which include our international affiliation, efficiency and effectiveness, the unique culture and work environment, the focus on employee health and wellbeing and the opportunities we offer for career Growth. In preparation for the next stage of HR strategy, the group hotels undertook an employee engagement survey for white collar workers through AON Hewitt and a satisfaction survey among blue collar workers. Both surveys helped raise key issues.

SUSTAINABILITY REPORT

Improving Diversity and Equal Opportunity Employment

Hemas group has made a sustainability commitment that 0.5% of its employees will be from the disabled community by 2017. We have already recruited several colleagues with physical and mental disabilities, who have integrated well into their respective departments and are making meaningful contributions to the workplace.

The Hospitality Industry in particular has historically been a male dominated one in Sri Lanka, with reluctance among women to work in hotels. Our hotels have given special consideration to the needs and concerns of female employees in an endeavour to improve the gender balance. Currently, 30% of our workforce consists of female employees (inclusive of the hospital staff). However, excluding the hospital staff, only 16% of the workforce consists of female employees. The target is to increase this balance to 25% by 2020.

The FMCG sector's cadre presently includes two differently able individuals. The sector also participated in a job fair for differently able people. At J.L. Morison's, employee diversity is tracked on a monthly basis and the company is committed to creating more opportunities for women and marginalised groups in the recruitment process.

At our hospitals, 60% of the cadre is female while one special needs person has also been employed.

The Hemas Women's Network

On the 8th March 2017, Hemas celebrated International Women's Day by taking the bold step of launching a women's network.

Hemas has always been a company where efforts have been made to create an inclusive environment and today, 30% of the Hemas cadre is composed of women. The network, which will be composed of women, will work with both men and women to make Hemas a place where women can thrive. It was launched with the appeal that all employees watch for gender bias in their daily decisions and actions, and take individual ownership towards creating a more inclusive environment that has benefits for all employees.

Hemas ranked 10th for diversity among 200 Asian companies

In a regional analysis of diversity in the workplace published by Cornstone Partners LLP in UK, Hemas was ranked among the top ten most diversity-friendly corporate institutions in Asia.

Collective Bargaining/Industrial Disputes

As a policy, Hemas is committed to protecting the rights of employees and abides by the provisions of the International Labour Organisation as well as the Employers' Federation of Ceylon. Within the Group, we have identified unionisations; currently, unions exist at two locations of operation – Serendib Hotels and J.L. Morison's Son and Jones PLC. Collective bargaining with the unions takes places once in three (03) years in J.L. Morison's while ongoing dialogue takes place between union representatives and the management of each sector and HR officers on a monthly basis. Eighty percent of hotel staff (excluding Hotel Sigiriya as they don't have an union) are members and at J.L. Morison's 40 – 45% of employees are represented in the union.

Employee Health and Safety

Across the Hemas Group, a voluntary wellness screening was conducted by Hemas Hospitals while at our locations of operation, we have increased the number of wellness programmes. At sector levels, various eye camps and medical clinics were also organised as well as training on personal hygiene and better health practices. Sectors also carry out regular safety programmes, training in first aid, fire awareness and fire evacuation drills to ensure readiness.

The FMCG sector's health and safety practices for example, include the development of an Organisation Health and Safety road map and a review of its OHS manual, procedures and formats as per OHSAS 18001:2007. Currently, it is in the process of developing and implementing a Personal Protective Equipment (PPE) matrix for all departments.

The training, incident reporting and investigation mechanisms in place at the sector include -

- Reporting of all major and minor incidents, (First Aid Injuries (FAI), Medical Treatment Injuries (MTI), Loss Time Injuries (LTI)) to set baseline for finalizing Total Recordable Injury Frequency Rate (TRIFR) target, TRIFR target assignment and FAI, MTI, LTI target assignment site wise and department wise.

- Hazard/ Near Miss reporting, Incident Investigation and Corrective/ Preventive Actions implementation for all accidents/near miss / hazard reporting.

- Building capability of sector employees through OHS trainings from external trainer and external industry visit to learn and implement best practices. Employee engagement is encouraged through OHS Motivational Drives while each month, departments conduct OHSAS committee meetings and a safety pause.

- At least two safety audits per year conducted by the OHSAS committee at least twice a year.

Hemas Hospitals operates a work place free from any hazards, which could directly or indirectly affect the staff members and is the only hospital in Sri Lanka to get ACHSI certification and to get re-certified successfully. The Hospitals' safety efforts were recognised by the National Institute for Occupational Safety and Health (NIOSH) with 3 safety awards for the year 2016.

Employee Wellness Strategy

> *"We never get a time to think about health and fitness with our busy schedule. The Hemas Wellness program has made us aware of the benefits of healthy eating and exercise. FIT-LIFE is a really good program."*
>
> **Nadesha Priyadarshani**
> **Hemas Logistics**

The Hemas Wellness initiative is an overarching strategy that seeks to deliver best in class wellness services to employees across the Group. The wellness programme is designed, implemented and operated in such a way that creates sustainable value for stakeholders, by positively impacting the business functions and business continuity within the organization.

We recognized that a culture of employee wellness can only be achieved by ensuring that it is deeply rooted within the Hemas corporate strategy, culture and value system. It was only through such integration that we would obtain the requisite support to create a mind shift towards wellness as a strategic imperative. As such, a set of goals was defined by our international and local experts, and a menu of intervention options for the businesses to help meet those goals. When implemented collectively, the programme will help us attain 8 voluntary global targets.

The initiative is driven by a Wellness Team, whose mission is to help save employee lives, improve the health and wellbeing of present and future generations and ensure that the human, social and financial burden of non-communicable diseases does not undermine the development gains of past years.

A group-wide health screening was conducted in June 2016 to set baseline targets, with 85% of the workforce participating. Expert consultants concluded that a 93% of employees were at risk of developing at least one non-communicable disease, while issues such as a 58% obesity rate, pre-diabetic readings among 13.3% and a 70% level of inactivity needed to be urgently addressed. Based on the screening, we developed 8 key targets to achieve by 2020:

- Reduce blood pressure by 25%
- Reduce cholesterol by 25%
- Halt the rise of obesity (or reduce by 5%)
- Halt the rise of blood sugar
- Reduce the amount of inactivity by 40%
- Reduce salt intake by 5%
- Reduce tobacco use by 5%
- Increase wellness training and awareness of stress/psychological wellbeing by 40%
- Increase the worksite healthscore to 50%

SUSTAINABILITY REPORT

Wellness Activity Summary 2016-2017

Activity	Purpose	Outcome
Wellness Needs Survey	To identify the wellness needs of the group	A random sample of the workforce voiced their views on what wellness needs they had and the challenges they face
Human Performance Institute partnership and Corporate Athlete	To create awareness on energy management for the top 80 of the group	80 of Hemas Leaders were taught to apply practical wellness solutions in their daily lives
Healthiest Workforce Launch Campaign	13 Hemas locations witnessed the brand name launch to be the healthiest workforce in Sri Lanka	Employees were given the opportunity to pledge to be healthier and happier and witness the Hemas Wellness message.
Fit for Life	To create a culture of fitness in the Hemas Group	180 employees collectively lost 351.7 kgs after participating in this 6 month fitness competition
Hemas.life Digital wellness platform launched	An internally designed wellness digital platform that gives access to wellness related topics and interactive features.	Currently 733 employees are registered on the Hemas Digital Platform.
Wellness Health Screening and intervention administration	85% of the workforce participated in the Wellness Health screening	According to the international experts, the turn out of the workforce to be screened should be considered as a resounding success and a hospital run intervention program is being conducted for the High risk group.
International SOS partnership	Partnered with Wellness and Health expert consultants International SOS to undertake the task of evaluating analyzing and recommending best in class mechanisms into the wellness model for employee wellbeing	For the first time in Sri Lanka, international SOS has worked with a corporate that integrates wellness as part of its overall functionality and philosophy.

Among the key activities planned under the wellness initiative for 2017/18 are –

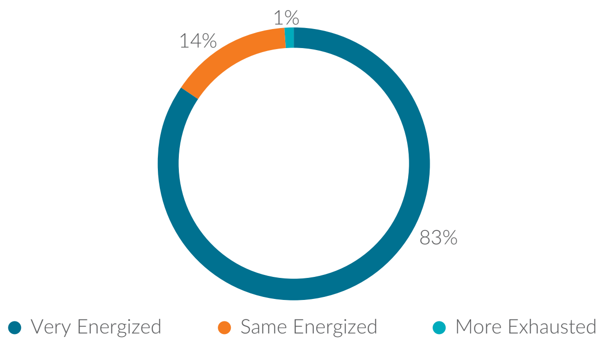
- Follow up heath screening for 300 employees
- Introduce an adequate number of automated blood pressure meters that can be reached within 3-5 minutes from work stations
- Increase engagement Of 5% of staff in fitness, helping to meet their wellness goals
- Stress management and psychological wellbeing information to reach 40% of employees through multiple channels
- Provide Health information and increased motivational prompts using various channels
- Install weighing scales in bathrooms
- Get 40% of the workforce to check their blood pressure

- Introduce cookery classes to teach healthier food habits
- Increase access to potable water fit for consumption to encourage an intake of 40 litres per month
- Introduce traffic light system at group canteens to encourage consumption of green labeled items
- Develop Group wide Nutrition policies
- Increase the number of people who take the stairs instead of lifts
- Develop policy statement for physical activity
- Have a baseline of salt intake and gradual reduction of salt content
- Create and display tobacco policy and launch Tobacco/ Alcohol cessation programmes
- Enable a mechanism of incentives to encourage and reward the employees who participate in wellness activities.

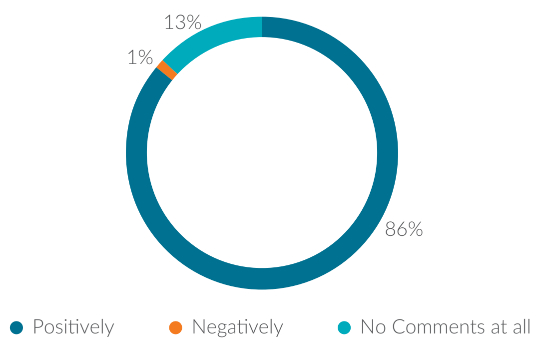
Fit for life

Fit for Life was a Group-wide fitness programme launched on July 4th with the participation of 180 employees from 12 businesses. The charts below show participants' feedback on several aspects

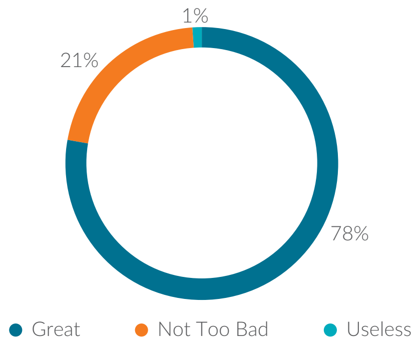
How do you feel about work and life after starting this competition?



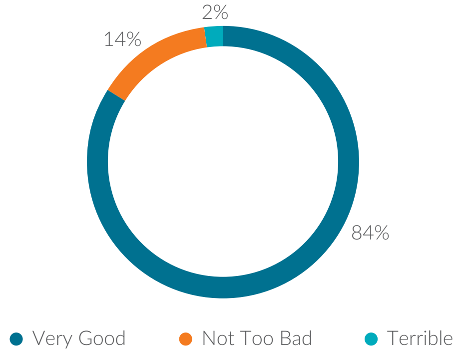
How have your friends & family commented on your after the competition?



How has your experience been thus far being on this competition?



How is the quality of your trainer?



SUSTAINABILITY REPORT

Engagement Survey 2016

In partnership with AON Hewitt - the world's top global human resource consulting and outsourcing firm, the Group embarked on its 2nd Engagement Survey "Speak Your Mind" in September 2016. The survey was designed to gain an understanding of the emotional and intellectual involvement that motivates employees to do their best work which in turn will result in the success of the group. A Dale Carneige study revealed that companies with engaged employees do outperform those without by 202%.

The survey covered all Hemas Group employees other than those in the Leisure Travel and Aviation sector who will participate in the last quarter of the financial year 16/17. We achieved an 85% participation rate for the survey which was conducted both online and in pen and paper format in the English and Sinhala languages. Engagement among executive/management level employees increased by 4 points. Similarly, among operational level employees, participation grew by 2 point increase.

It was very encouraging to note upward movement on most parameters such as Care, Manager, Business Unit Leadership, Customer Focus, Managing Performance, Diversity and Innovation, which proved the effectiveness of the initiatives taken after 2014.

"Rolling Thunder" - Outbound Training for the FMCG sector

Employee Engagement

The Aviation sector underwent an operational and structural change during the year with the formation of the Leisure Travel Aviation Cluster (LTA Group). During the change, our priority was to maintain a high level of employee engagement and as such, we undertook awareness sessions and focus group discussions to create a better understanding of the changes. Employees were also encouraged to share their ideas and suggestions during these sessions.

Hemas Hospitals operates in a non-unionised environment where a Joint Consultative Committee (JCC) facilitates employee representation to the Director/General Manager and the senior management. Each department appoints a representative to the JCC who is charged with obtaining feedback and sharing such views the senior management. An open, two way communication process is in place to give and receive constructive feedback. This has ensured an improvement in Employee Engagement Surveys between December 2014 and December 2016. In order to generate new thinking, Hemas Hospitals also launched an Innovation Scheme names 'Hemas Adahas' for employees; the initiative was well received by both the staff and management.

Hemas Maritime took on a massive HR challenge following the award of the Evergreen agency, where operations were handed over to Hemas at an extremely short transfer period of less than one month. During this period the company was required to complete its working spaces, staff recruitment, training and familiarisation. Furthermore, a diverse group of individuals from different company cultures had to be inducted in the Hemas Way through a comprehensive one day induction programme which had team building aspects incorporated.

Hemas Future Leaders Programme

The long term sustainability of Hemas Group lies on the strength of the leadership pipeline we build today. In recognition of this, the Hemas Future Leaders programme was established in June 2016 to identify those employees with the greatest potential to fill the bench strength of our leadership team.

We combined two practices— long term leadership development and succession planning —to create a fair and transparent mechanism for identifying high potential employees across the group. In most companies, the two practices reside in separate functional silos, but they are natural allies because they share a vital and fundamental goal: getting the right skills in the right place. By marrying succession planning and leadership development, you get the best of both: attention to the skills required for senior management positions along with an educational system that can help managers develop those skills.

Hemas worked with two partners AON Hewitt and the Indian Institute of Management Bangalore (IIMB). AON Hewitt helped to design development centres based on the Hemas competencies to identify employees with the highest potential. IIMB partnered with Hemas to create an 18 day programme, spread over 9 months - delivered twice in Bangalore and once in Sri Lanka. The programme is a combination of leadership and management topics with benchmark visits to leading MNCs situated in Bangalore. Alongside this, Hemas Future Leaders have to work on Hemas business problems outside of their own industry. The projects are identified by Managing Directors from our businesses and are supported by an IIMB faculty member for the programme duration. These projects are reviewed and progress evaluated frequently by the Group CEO.

The programme is designed to challenge and stretch the thinking of the Hemas Future Leaders. It builds confidence in themselves and helps them new approaches to business and their way of life. The Johnson & Johnson Human Performance Institute programme – Corporate Athlete® was also included in their learning experience to help employees balance the challenges of life and work.

The first batch completed the programme in February 2017; their career paths were then mapped. A second intake will be taken in 2017.

SUSTAINABILITY REPORT

Customer

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).

Key topics covered
- Products and service offering.
- Greater customer convenience.
- Value for money.
- Quality of Product and service.

Our Commitments:
- Product and service quality, affordability, and safety.
- Environmental and social responsibility.
- Distribution efficiency.

The diversity of our Group enables us to work with customers from across the spectrum, both local and foreign. We recognise that our performance hinges on the quality of the products and services we deliver to our customers. In keeping with the Group's values, we are committed to serving our customers with integrity and responsibility and always try to be proactive in anticipating and responding to their needs and concerns.

Hemas conducts regular checks on product safety and storage at all locations, in order to minimise any risk to the customer and to make sure the product is 100% safe.

Responsible communications

Any communication that addresses customers of the Group are internally substantiated and vetted by relevant departments to ensure honesty, transparency and defensibility.

Strengthening customer relations

Hotels

The Serendib Leisure group of hotels is driven by the pursuit of achieving 100% customer satisfaction. The main customer groups of the Hotel Sector comprises of Travel Agents and Tour operators on the one hand and FIT Travellers on the other. This requires a two pronged approach in communications, with the agents and operators requiring direct sales communications and the individual traveller segment targeted through brand websites, social media, publicity and direct mailers. The sales team undertakes constant monitoring of market trends and competitor pricing to ensure that prices and offers remain competitive in the constantly expanding market while seeking new markets to offset lower occupancies from traditional markets.

During the year, Serendib Leisure -

- Strengthened customer relations with sales visits around the world including to China, Russia, Australia, Germany, India, Middle East
- Continued to conduct guests satisfaction surveys post-stay while review sites such as TripAdvisor are responded to within 48 hours
- Constantly monitored compliance with health and safety checks of operators with local and international standards
- Engaged with the industry peers through the Hotel Associations SKAL AND THASL to help uplift the entire sector
- Initiated to further digitalise hotels with the formation of a Digital Innovation Team

FMCG

The FMCG sector categorises its customers into three mains segments – consumers, modern trade channels and retail and wholesale traders. Within the consumer group, the customer segments are further divided into four main categories to enable for more specific strategies in managing each.

Consumer : As a leading FMCG player, Hemas must understand consumers and their needs proactively and offer relevant, compelling, value for money propositions to satisfy the consumer. As such, we have rigorous engagement methods and feedback mechanisms while continuously engaging with the various consumer groups to build brand goodwill.

Among the many engagements undertaken by the brands to strengthen customer relations during the year, were:

- Providing timely, relevant and value adding interventions that directly touch the lives of consumers helps improve the quality of their life in a sustainable manner. In recognition of this, Baby Cheramy conducted workshops for mothers with the help of midwives to educate mothers on new-borns

SUSTAINABILITY REPORT

care while Fems conducted programmes to educate young girls on the importance of feminine hygiene.

- Clogard conducted dental awareness programmes and dental camps for school children with the help of Dental Therapists. We have always believed that using reliable and trusted grass root level Health Care Providers such as Dental Therapists increases the credibility and relevance of the interventions conducted.
- Recognising the importance of building an emotional connect with consumers, particularly in relatively low involvement/differentiation categories such as toilet soap, Velvet initiated the "Liyaka Mahime" programme which reached out across the country with the message of appreciating the thousands of little things that every woman does.

Modern Trade: With the modern trade customer segment, the FMCG sector employs offensive and defensive strategies based on existing marketing conditions to drive growth while optimising trade spend and maintaining brand image within the store.

Our focus on aligning our strategies and plans to those of the modern trade customer has enabled a win-win solution. Modern trade channels provide space for us to grow our diversified portfolio which in turn, help supermarkets fulfil their key objective of making all categories available under one roof. Macro-economic factors have a large impact on this segment and as such, a deep level of engagement helps create better understanding with the customer. Such engagements takes place throughout the year and involves our participation in customer initiated campaigns as well as key sponsorships.

Retailers and Wholesalers in Sri Lanka: In managing the third customer group, our overall strategy revolves around superior engagement, winning the first moment of truth, and building capability. Our vision is to become their "preferred supplier" by establishing win-win business relations.

During the year, we launched 'Arunodaya', a flagship trade loyalty programme of Hemas Consumer. Arunodaya was successfully rolled out to 1,022 outlets island-wide during the year with a number of initiatives actioned with the aim of strengthening customer relationships for a better tomorrow for the business.

Another highlight during the year was 'Athwela' phase 2 organized by the FMCG Abhimana team for families of retailers from the North Central province. The families were invited to Dankotuwa for a one day programme which included a factory visit, inspirational speech by Professor Sarath Wijesooriya on leading a happy life, session on Hemas and its approach to Corporate Social Responsibility by Ms. Shiromi Masakorala, an entertainment session and a fun filled event for kids. Athwela is designed to help retailers gain insights about the Company's philosophy towards stakeholders and its focus on maintain high quality in manufacturing.

Diethelm's customers consist mainly of Tour operators, Direct/ FIT Travelers (Web/ direct inquiry based) and corporate clients. Within the highly competitive travel landscape, Diethelm has differentiated itself through a management approach that focuses on adapting to changing trends in tourism and offering competitive products which provide the best value for price and are customized to each request. Market demands and customer behavior are constantly changing factors and are unique to each market and as a DMC, our competitive advantage lies in our ability to cater to the precise requirements of each market.

Hemas Hospitals categorises its key customers into

- Consultants and General Practitioners who provide medical services
- Corporate Clients (Government/Semi Government/Private)
- Customers (Patients)

Across all three customer segments, the strategy has been to provide quality service, high response levels and better engagement in order to retain the existing base while increasing new customers.

The Logistics Sector's main consumer relationships include those with line operators, importers and exporters, manufacturers and retailers who require innovative logistics solutions. Our focus has been to build long term relationships through exemplary service levels and the adaptability and agility of our solutions. We have adopted industry best practices for warehouse operations and automation and invested further in technology to ensure a high quality of service.

J.L. Morison's promises its customers & consumers wellness and better quality of life through trusted products that are innovative, efficacious and of high quality at an affordable cost and convenient availability. The company which has a portfolio of products trusted for generations, with household brand names like Morison's gripe mixture, Lacto calamine and Valmelix which has won the hearts of Sri Lankan consumers. Medical Professionals all over Sri Lanka depend and trust our pharmaceutical & diagnostic products, whether in the government sector, private sector hospitals or in general practice in the most remote parts of Sri Lanka. Our diverse range of products both own and distributed brands enable consumers & patients to get the most out of life and keep smiling.

Listening to customers

The FMCG sector obtains feedback through a consumer care hotline which is in place to address product or packaging related issues. The hotline number is displayed on our packaging. Based on customer feedback thus obtained, during the year we carried out improvements to the fragrance profile and retention in selected Baby Soaps, and made quality improvements to Diva soap. Diva Powder was also reformulated to minimise residue during wash.

The Diethelm business model focuses mainly on the B2B segment and therefore it is critical that we build solid relationships with our tour operators and agents who serve as advocates. Engagement takes place mainly in the form of market visiting tour operators overseas for product presentations, organizing familiarisation trips to Sri Lanka, and enabling uninterrupted two way communication between account handlers and agents.

Hemas Hospitals strengthened customer relations during the year by assigning dedicated agents to manage all key opinion leaders and opinion formers. As a hospital, maintaining high standards is the ultimate priority and therefore we employ traditional and digital feedback mechanisms to capture feedback on the hospital experience in order to ensure standards and take early corrective action where necessary.

The Air Services segment operates three companies who categorise their main customers as follows. The table also shows the engagement mechanisms and learnings therein:

Company	Main Customer Groups	Customer Engagement
Forbes Air Services	Direct Customers, Emirates Online customers, Premium Leisure, MICE, Corporate, Traders, Students, Senior Citizens	Sales visits, FAM tours, one on one sessions with Senior management The sales team covered a 900km road show, covering Vavuniya, Jaffna and Anuradhapura.
Hemas Air Service	Travel Agents	The sales team follows a daily/weekly visitation plan
	Direct customers (ticket office walk-ins/IBE)	Through regular EDM and SMS campaigns Presentations and travel trade get-togethers
Hemas Aviation	B2B and Direct Customer groups	Product Presentations Competitions/Incentives

SUSTAINABILITY REPORT

Product responsibility and safety / customer health and safety

The Pharma sector's operations require a high level of attention to maintaining regulatory requirements such as drug licensing and cold chains. We have in place strict quality systems and processes to constantly monitor our compliance levels.

Diethelm's responsibility to its end customer is to ensure the health and safety of its guests

- undertakes regular visits to measure the quality and standards of the properties we offer; ensures that all suppliers carry requisite insurance and licensing
- first hand experiencing by our staff of products offered by suppliers to ensure safety
- frequent vehicle quality assurances

One of the key initiatives at Hemas Hospital was to develop a "Unique Selling Proposition" in service; the first step of the process was identifying the Nett Promoter Score (NPS). It was found that the NPS (a score made up of Promoters – Detractors) which should ideally be over 50%, was lower than 40% at Hemas Hospitals. Swift corrective action was deemed necessary and the following actions have been taken with HR leading the strategic initiative:

Commenced a Patient Experience Steering Committee

- Commenced a Patient Experience Training for Staff
- Looked at the formats of the feedback forms for the 3 hospitals
- Implemented new feedback process for the 3 hospitals
- Commenced on-the-job training for staff
- Monthly meetings of the Patient Experience Steering Committee

The NPS survey was repeated in November 2016 with results showing improved satisfaction and NPS.

J.L. Morison's adheres to all regulatory testing and evaluations for its products portfolio while also adopting best practices in ensuring the safety of its products. All new product registrations and pack registrations follow the National Medicines Regulatory Authority (NMRA) regulations while all of its advertising material follows submission to NMRA for approvals before commencement.

Product development and innovation

The FMCG sector's product development process involves rigorous market understanding and formulation development to address key performance expectations and competitive claim development. During the year, the sector marked its re-entry into the skin care category with the launch of Velvet Body Lotions; this was complimented by a relaunch of Velvet Soap and Handwash and the introduction of Velvet Body Wash. Kumarika Hair Oils and Shampoo were relaunched during the year while we expanded into the new product propositions of Kumarika Hair Serum and Kumarika Conditioner. The FMCG sector operates in a highly competitive environment with continuous aggressive value offerings and promotions, including for imported and premium products. During the year, we addressed some of these challenges by introducing a larger soap bar for Baby Cheramy and implementing consumer promotions in selected categories. Also entered faster growing premium segment of hair and skin care with very competitive product offerings.

J.L. Morison's also made several product launches during the year such as Ginger Gripe Mixture, Lacto Sun Lotion and Force shaving gel/face wash while relaunching the packaging of Gripe Mixture Regular.

Business Partners

SUSTAINABILITY REPORT

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, website, reports and other publications.

Key topics covered
- Making transaction easy
- Long term value addition
- Development of supplier and long term partnerships
- Business integrity

Our Commitments:
- Meeting contractual obligations.
- Technical assistance and knowledge transfer.
- Building long-term partnerships.

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

The Hemas Group is governed by a robust Board-approved Procurement Policy which sets the standards by which we engage with our business partners, be they agents, distributors, or suppliers. The Group Procurement Policy 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. The Policy is provided to all staff members, who are also given training and awareness on how they may adhere to the policy's protocols in their day to day dealings. Across the Group, businesses are committed to be ethical and transparent in all transactions with such business partners and to ensure mutual benefits and sustainability at all times. Thus a strong sense of responsibility is ingrained when selecting the partners we work with.

Selecting and managing business partners

Backed by a legacy of six decades, Hemas Pharmaceuticals has gained the reputation of being Sri Lanka's premier Pharmaceuticals marketing company. Recognized as being one of the most streamlined and modernized organisations in the nation's pharmaceutical industry, operations at Hemas Pharmaceuticals are engineered to be ultra efficient to deliver business partners with timely solutions. This has enabled the company to provide Sri Lankan's with the world's most trusted brands of pharmaceutical, surgical and diagnostic products.

The FMCG sector's partner network includes its distributors and the suppliers. The sector's approach to managing its distributors is to integrate their roles into the sector's operations through recognition, performance based rewards and also getting their involvement in key initiatives. The sector selects its distributors on merit, in consideration of key criteria such as price, quality, delivery, capability, reputation for service and their overall relationship with Hemas. Suppliers who employ child labour or deliberately violate labour laws endangering the health and working conditions of their employee are not selected. Company policy lays out guidelines on the acceptance of gifts and bribes while employees are expected to make full disclosure of any potential cause for conflict of interest. The sector engages with key suppliers through supplier reviews, developments discussion and knowledge sharing sessions. During the year, it undertook motivation programmes, quality assurance education and awareness sessions on changes in tax structures for distributors and also carried out enhancement of the redistribution operations automation and enhancement of communication capabilities with distributors through technology. Where required, the sector works closely with suppliers to overcome bottlenecks and challenges that the supplier may face, including through sharing best practices, developing new third party suppliers and signing forward contracts with them.

J.L. Morison's focuses on selecting and partnering business principals that are aligned to the values and the vision of the company. Some of the company's long standing relationships include Roche Professional Diagnostics, Roche Diabetic care, ATCO Laboratories, Searle Pharmaceuticals, Dynamic Techno Medicals India, Alcon Ophthalmic, L'Oréal India and Nivea India. During the year, the company initiated dialog with suppliers to improve supply chain efficiency through proper demand management practices. As part of improving its supply chain management, J.L. Morison's will roll out a formal supplier evaluation and feedback process.

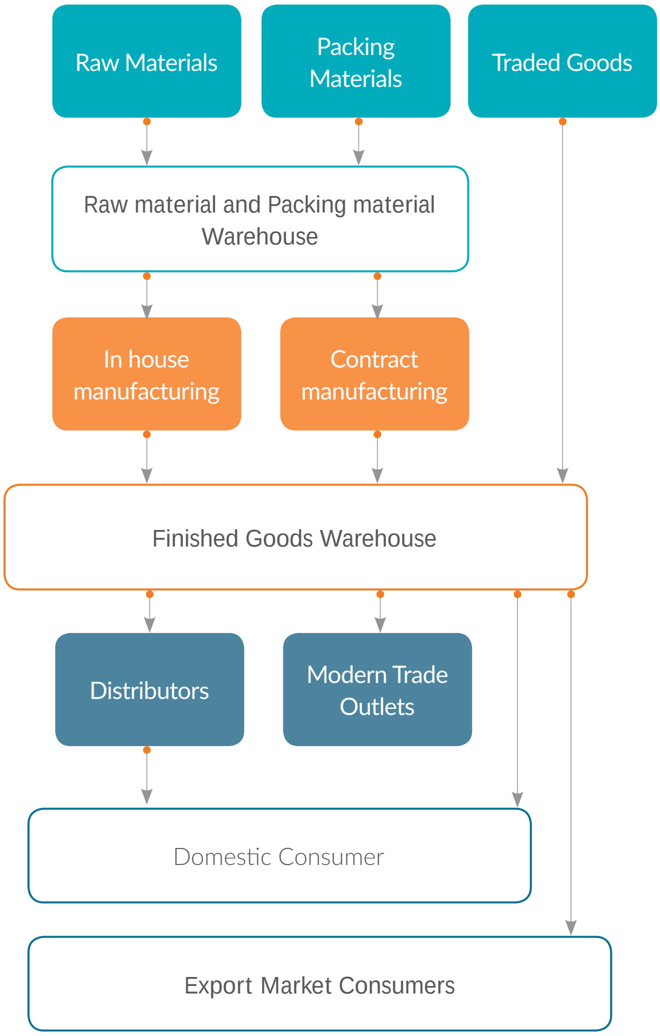
Managing supply chains

Each of the businesses at Hemas has adopted best practices in supply chain management. The complexity of the multiple supply chains across the group varies depending on the nature and size of the business. However our overall intention has been to infuse accountability and responsibility into every aspect of the supply chains. We have also set a target that the largest 25% of local suppliers and distributors for all locations of operation should sign the supplier code of conduct biennially. In addition, it is also required that 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 a year.

Hemas Pharmaceuticals strictly monitor for potential risks thoughout the supply chain, even during transportation and storage. The company also conducts a Health and Safety audit and a Distributor Compliance Audit at all Distributor points to ensure they meet stipulated requirements for safe medical storage and possesses all required licenses.

Below, we illustrate the supply chains of some sectors:

FMCG Sector



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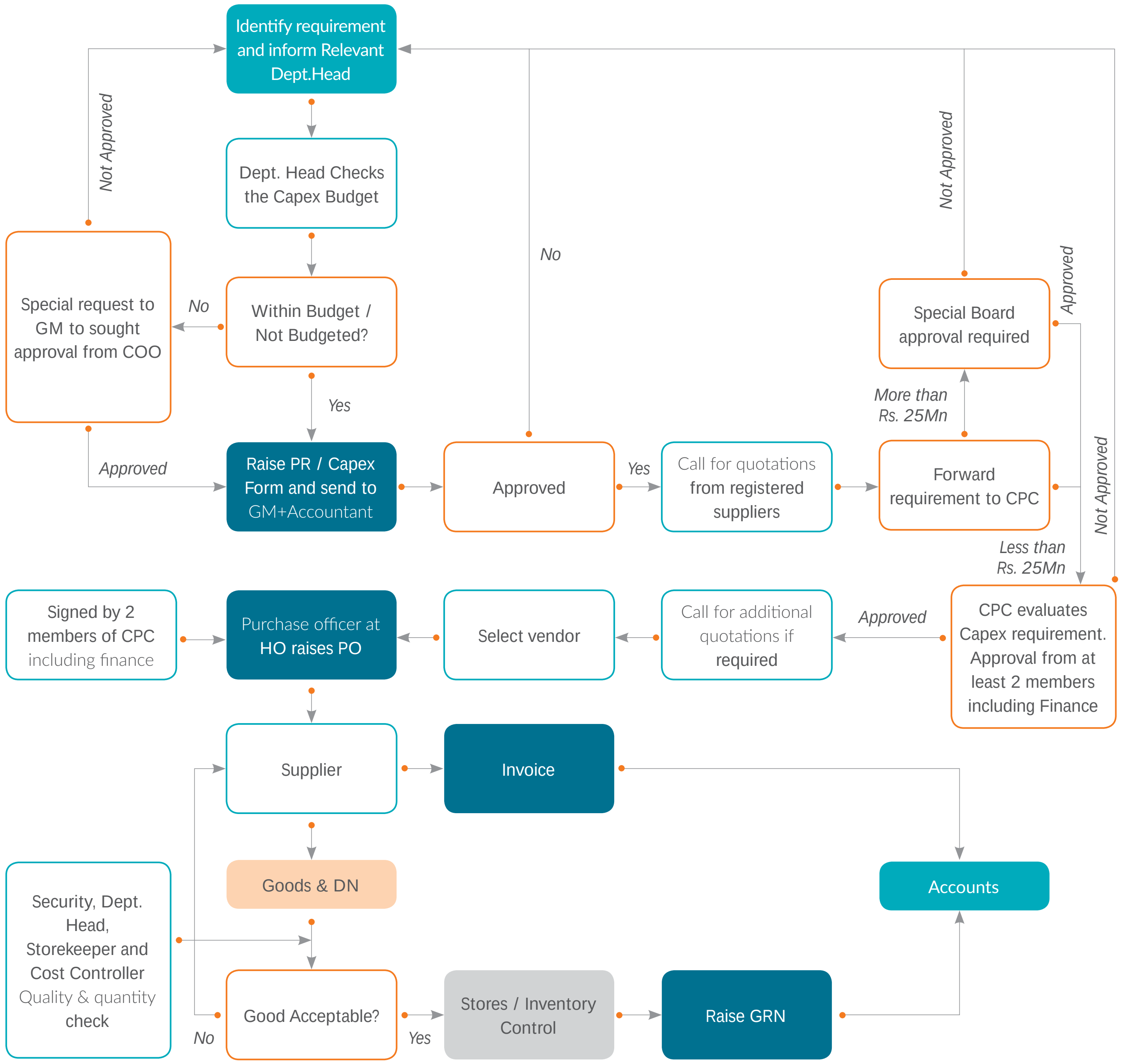
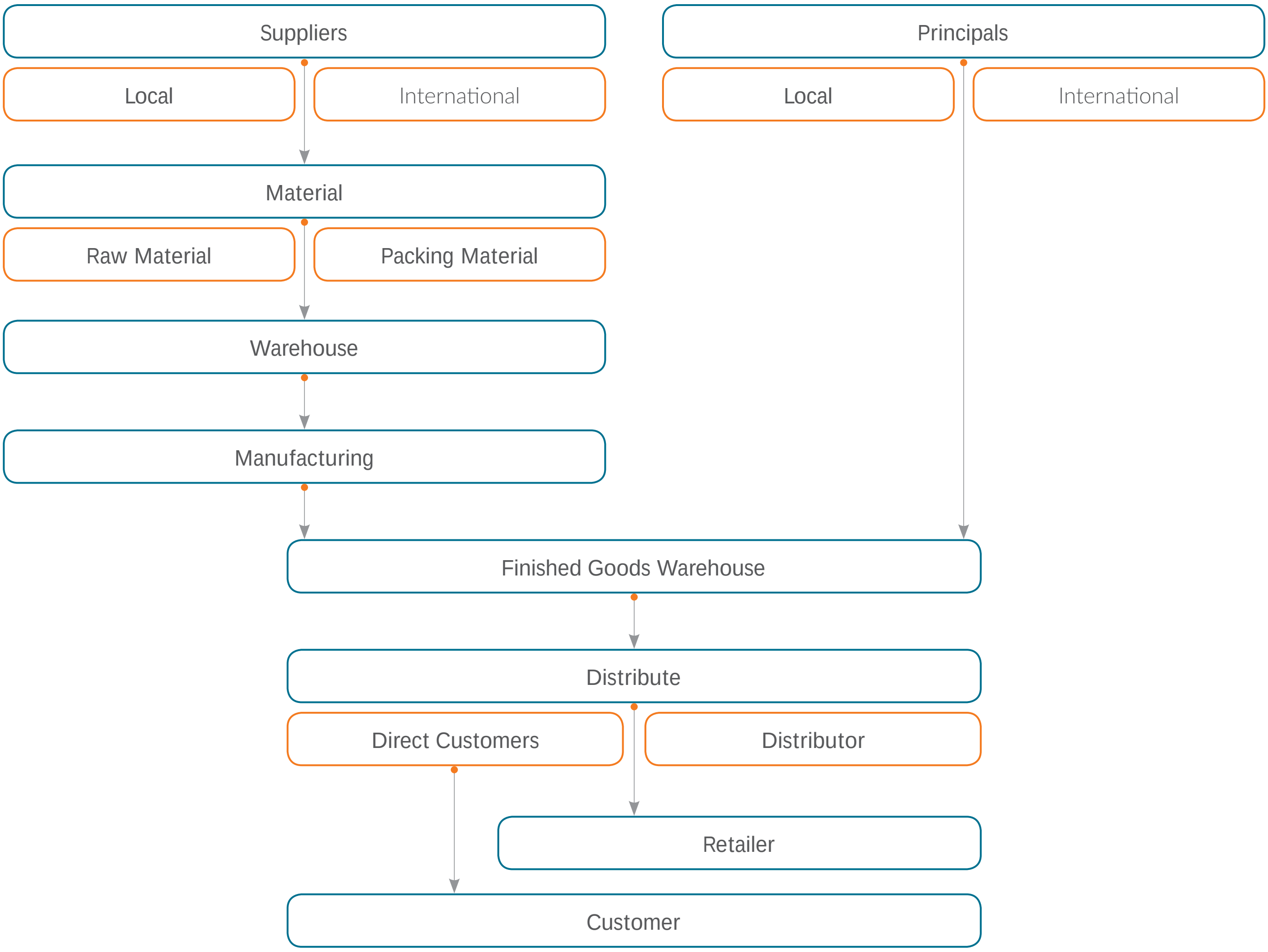
Hotels Sector

The Hotels sector's supply chain is governed by the Procurement Policy approved by the Board. There are 3 broad items procured by the hotels, namely, Fixed Assets and Indirect Goods, Annual Service Contracts and Direct Goods and Services. During the year, the sector implemented a new technology platform named 'CHECK SCM' in December 2016 to better manage its supply chain processes, thereby improving transparency and the audit trail. The sector's approach to selecting vendors has been a focus on Total Cost Ownership, reputation and capacity, and not just price.

Procurement of Fixed Assets and Indirect Goods and Services in the Hotel Sector



J.L. Morrisons



SUSTAINABILITY REPORT

Engaging with business partners

Across our businesses, key partners are engaged one on one on a regular basis to improve transparency and gain insights that enable the improvements of our various processes and products. These methods allows frank and open discussions which leads to quicker and deeper understanding of the issues that may arise.

Strengthening relationships

Serendib Leisure has a long standing and fruitful relationship with the Minor Hotel Group, one of Asia's largest and most rapidly expanding hospitality chains. The successful partnership continues with Serendib Leisure's two associate hotels managed by Minor Hotels – the Anantara Peace Haven Tangalle Resort (Opened on December 2015) and the Anantara Kalutara Resort (Opened on September 2016). During the year, we further strengthened the relationship by opening a dedicated Anantara sales office.

Building the capacity of business partners

The Hemas Group has worked with a number of micro entrepreneurs and small and medium enterprise partners who have over the years, grown in capacity and capability. Wherever possible, our businesses assist such business partners to improve and upgrade their operations through mechanisms such as financial assistance, buy back agreements, and forward contracts. We also extend our resources to train such suppliers on how they may upgrade their operations and improve quality systems. Furthermore, Hemas is committed to ensure that payments are made as per agreed timelines.

Supporting local economies

As a policy, our hotels source much of the fresh fruits, vegetables and local meat and fish supplies from those within each hotel's locale in a bid to improve ties with the community. These vendors are educated in the standards expected and how to improve their own businesses.

Compliance and safety throughout the supply chain

We consider the safety and health of our end product paramount and it is essential that we monitor our supply chains closely to avoid any potential risks. This is particularly pertinent to our pharmaceuticals and FMCG sectors. The Pharmaceutical sector works closely with its business partners network to ensure proper compliance with regulations and licensing requirements; it also monitors how well cold chains and medical storage are handled. Distributor points are subjected to regular health and safety audits which cover all aspects. The effectiveness of the audit process is enhanced by openly sharing insights, recommendations and suggestions for improvement.

Education, awareness and sharing best practices

Diethelm Travels has been working with its partners to encourage sustainable travel products by spreading awareness among agents and clients. The smaller operators within its partner network often don't have sufficient awareness of the requirements to ensure sustainable tourism, especially when it comes to the potential abuse of animals through elephant rides, wildlife safaris and visits to enclosures. The company took the proactive step of halting offerings such as elephant rides and visits to elephant orphanages and has tried instead to promote suppliers whose practices are more environmentally and wildlife-friendly.

Hemas unveils 'SANDAMA' logo to celebrate its partnership with Distributors.

Hemas Consumer Brands held its Distributor Convention at the Galle Face Hotel, Colombo. The event was organized to recognize long standing distributors for their commitment towards the success of Hemas Consumer Brands. A highlight of the event was the unveiling of the 'Sandama' logo, depicting alliance, sharing and bonding with the company and its business partners.

A special feature of the event was to recognise the distributors' contribution towards social responsibility in their respective communities.

Hemas Consumer Brands has a portfolio of 13 own brands. These brands are popular not only among Sri Lankan consumers, but, also in the Asian region, especially in Bangladesh where Hemas has set up operations. Some of the more popular brands are Baby Cheramy, Clogard, Diva, Kumarika, Velvet, Goya, Pro Sport etc.

Community

SUSTAINABILITY REPORT

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)
- Representation at the National Early Childhood Care & Development (ECCD) Commitee

Key topics covered

- Development of communities and sponsorships
- Job creation
- Positive environmental and social impacts
- Regular communication with community

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

Community

Proactive care and concern for our communities is built into our clarion call “Enriching Lives”. Our strategies and management approach are governed by a need to consider the best interests of the communities around us by minimising our impacts in every way possible. Our engagement with the community takes place through many platforms; at national level, the Hemas Outreach Foundation undertakes several initiatives; Abhimana drives initiatives at Group and Sector level while at company and location-level, we undertake initiatives that help to strengthen community relationships.

Piyawara

Piyawara, the flagship CSR programme of the Hemas Outreach Foundation, enters its 15th year in 2017 and remains Sri Lanka’s most impactful public-private partnership of its kind to-date. Focusing on Early Childhood Care and Development in Sri Lanka, Piyawara was launched in 2002 in partnership with the Children’s Secretariat of the Ministry of Women and Child Affairs.

The project’s aim is the promotion of Early Childhood Care and Development (ECCD) through the establishment of child friendly preschools throughout Sri Lanka. The programme has been designed to provide a holistic approach to ECCD in Sri Lanka with the ultimate objective of nurturing young children with good care in order to provide a solid foundation for a life long journey.

Early childhood is the most important period of a child’s life. Around 80% of brain development takes place during these early years i.e. birth to 8 years. ECCD aims at developing the full potential of the child, in terms of ensuring its cognitive, physical, social and emotional development.

The 'Piyawara' programme focuses on children under five years of age, with emphasis on laying the foundation for children to achieve their fullest potential for lifelong learning and social skills. In terms of growth and development the period between 3-5 years is a time of significant changes in cognition, language, personality development and specially, in early socialisation. With adequate exposure, children also make tremendous advances in language and cognitive development and begin a shift towards greater autonomy and independence provided they get adequate opportunities for experiences through safe exploration.

Preschool programmes are designed to provide adequate opportunities for play and creative activities for mental stimulation; development of language skills through interaction, communication and vocalisation; a social climate conducive to emotional security and socialisation in habits, attitudes and values that will counter already conditioned inhibitions.

Currently there are approximately 17,000 preschools in Sri Lanka while only 63% of children attend a preschool. Most of these centres lack basic infrastructure facilities and are in very poor condition due to monetary pressures. Some of these centres do not have qualified / trained teachers, and are managed by volunteers in rural neighbourhoods.

Piyawara thus focuses on key aspects within the framework of early childhood development:

- Infrastructure development of preschools
- Emergency intervention in response to natural or man-made disasters
- Preschool teacher training
- Parental awareness programmes
- Partnering Sri Lanka Police on curtailing child abuse
- Recreation facilities for children
- Empowering children with disabilities

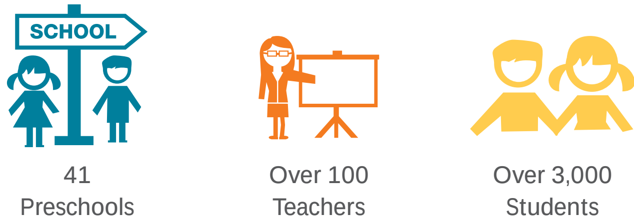
Performance by teachers at the Annual Teacher Training Programme in Trincomalee

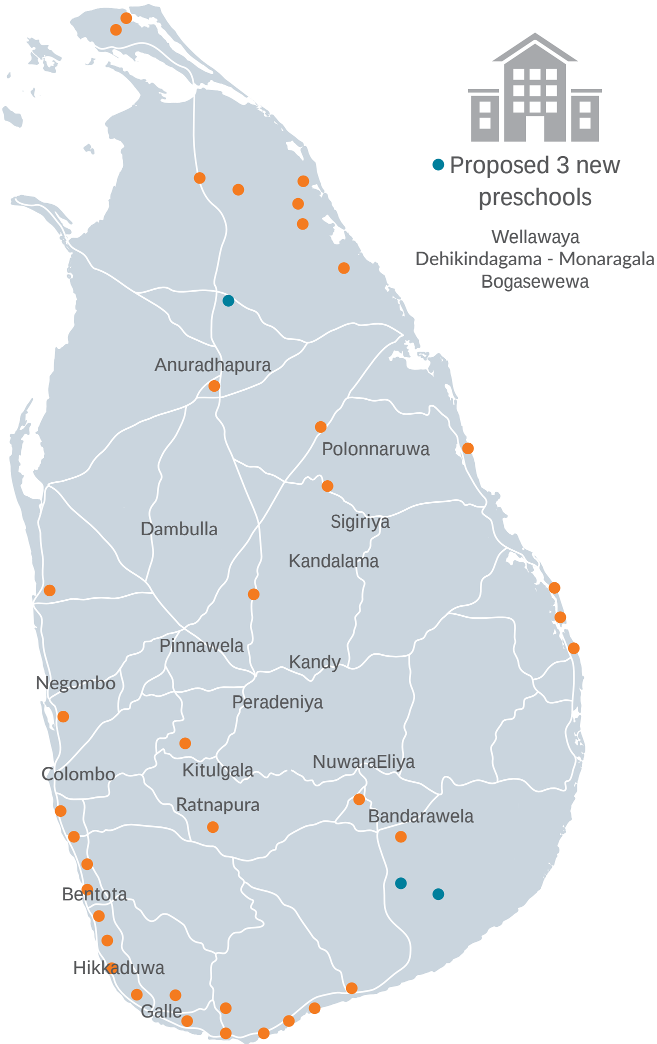
Avurudu celebrations at Hemas Piyawara preschool at Wadduwa

Children at the proposed preschool site in Butthala, Wellawaya

SUSTAINABILITY REPORT

Piyawara Pre-Schools Today





Key achievements

1. Increased number of children in preschools – Approx. over 30,000 children have passed out to-date.
2. Teachers have gained recognition – Approx. 105 teachers employed.
3. Increased awareness among parents and village communities – Over 100 parental awareness sessions over the years.
4. Improved teacher competency – 15 teacher training programmes since inception.
5. Enhanced quality and standards of schools – (in terms of structure, method of teaching, educational equipment, learning through activity by providing conducive play areas that include 'sellamkade' and 'sellamgedara' (Play boutique and play house), proper sanitation, creating parent teacher associations etc .
6. A model public-private partnership.
7. Support from our global network.

Highlights of Piyawara this year:

1. *Annual Teacher Training Program*

   Hemas Outreach Foundation together with the Ministry of Child Development and Women's Affairs successfully carried out its 15th Annual Teacher Training Program in Trincomalee from the 10th to 13th of August, 2016. 72 Teachers from 41 Piyawara Preschools took part in the training program. These teacher training programmes are held annually and are designed to improve the skills of Piyawara pre-school teachers while also enabling them to engage with their colleagues from Piyawara pre-schools islandwide.

2. *Parental Awareness Programs*

   Parental awareness is a critical component in the success of the Piyawara programme and this year too, we conducted ten such parental awareness programs in Ratnapura, Matara, Wadduwa, Hirimbura, Galwadugoda, Rathgama, Bentota, Ambalangoda, Kanthale and Gampaha. The programmes, held in collaboration with the local councils and the Ministry of Child and Women's Affairs, helped to educate 527 parents of Piyawara pre-school children.

3. *Gold Award for Best CSR Programme at Women in Management*

   Piyawara clinched the Gold award for Best CSR Programme run by a Private Sector for Women and Children Empowerment in Sri Lanka, at the 6th Professional & Career Women Awards 2016 organised by Women in Management.

4. *Piyawara 'Avurudu' Celebrations*

   The children of Hemas Piyawara preschool in Wadduwa were given a special Avurudu treat on 2nd April 2016 when Group CEO Hemas Holdings Steven Enderby and Group Director Abbas Esufally and their spouses joined in to celebrate Avurudu with them.

Gold award received by Shiromi Masakorala for best CSR programme at the Women in Management – Professional & Career Women Awards 2016

Awards and recognition for Piyawara

Hemas Piyawara Wins Gold for Best CSR Programme at Women in Management – The 6th Professional & Career Women Awards 2016

A Special Award from the Ministry of Women's and Child Affairs of Sri Lanka for the dedication and commitment to uplift the development of Sri Lankan children through 'Piyawara'

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

Best Community Care Company in Asia/ Best CSR Campaign in Asia, Singapore 2014. MORS Sustainability Research Organisation

Best Tsunami Project Sri Lanka 2007, Ceylon Chamber of Commerce

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

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Ayati - First National Centre of Excellence for Children with Disabilities

Ayati
මනුෂ්‍යත්වයට සමානත්වය
மனிதத்துவ சமத்துவம்
Equality for Humanity

Building on the foundations of our success with Piyawara, Hemas has been focusing on the need to improve facilities for children with disabilities. During the year, we marked a key milestone in this effort by collaborating with the Faculty of Medicine at the University of Kelaniya to initiate 'AYATI - a centre of excellence for children with disabilities'. The groundbreaking for the national centre took place at the Faculty of Medicine of the University of Kelaniya on World Disability Day, under the patronage of Chief Guest, Hon. Ruwan Wijewardene, State Minister of Defence and many other distinguished personalities. Hemas Holdings PLC will serve as project patron for Ayati which will be driven by the Department of Disability Studies of the Faculty of Medicine at the University of Kelaniya and will be managed by the members of AYATI Trust Sri Lanka.

Ayati is the Sanskrit word for 'hope' and our vision is that the center will provide the facilities and services that enable children with disabilities to reach their unique potential and become fully integrated into the society.

The state-of-the-art center will be a sprawling 42,000 sq.ft. building spread across an area of 1.5 acres at the Ragama Medical Faculty. The Sri Lanka Navy, under the aegis of the Ministry of Defence, has provided manpower for its construction on voluntary basis.

Once operational, the center will provide facilities for the initial assessment of children with disabilities, as well as appropriate interventional therapies, basic vocational training and life skills. It will also provide a state-of-the-art training and research facility for undergraduate students and foreign graduates who regularly visit the Kelaniya University. As a national center that will provide many different facilities under one roof, AYATI will brighten the lives of many parents who have children with disabilities, as well as others who care for them.

Hemas will play the role of facilitator by channelling the initial funding and sourcing the subsequent sponsorships towards the AYATI centre. The project which has been a long felt national need, has garnered the support of both the public and private sectors. The center will be managed by an eminent Board of Trustees, chaired by the Dean of the Faculty of Medicine University of Kelaniya, and will also have support from cricketing legends Kumar Sangakkara and Roshan Mahanama, who will play a crucial role as trustees and spokesmen for the AYATI trust. They will join a national campaign to create better awareness among the general public of the needs of children with disabilities, and raise the support necessary for construction of the facility within the projected period of 12 months.

Foundation laying ceremony was held on 3rd December 2016 for the Ayati National Center of Excellence for children with disabilities

Responding to a national need – Floods in Aranayaka

In May 2016, heavy rains in many parts of the island resulted in floods that destroyed many lives, livelihoods and property. Hemas, as a member of Asia Pacific Alliance for Disaster Management Sri Lanka (A-PAD SL) was at the forefront of responding to the national disaster.

Hemas employees and the management came together to formulate a multipronged response that included:

- A group donation to the Ceylon Chamber of Commerce to supply 'Family Relief Packs' which were handed over to the Disaster Management Centre for distribution
- Sending urgently needed FMCG Products to the people-in-need.
- 414 relief packs, worth approx. Rs 703,800/-provided by our employees from across the Group within 48 hours of the emergency request by the Group Sustainability Team. Significantly, 100 of these relief packs were distributed to our own staff members who were affected by floods. The other packs together with linen provided by our Hotels and Hospitals were personally delivered to the Divisional Secretary of Aranayaka on the 21st May 2016 by the Hemas sustainability team members and a group of volunteers across businesses. The relief distribution efforts were coordinated by the Sri Lanka Army.
- Group IT team members initiated a "Cook to Care" campaign inspired by the massive cooking campaign carried out by SANDBOX (Pvt) Ltd (An Enterprise Software Solutions provider) during the time. The "Cook to Care" programme was effectively carried out for three days, supplying over 1000 cooked meals both lunch and dinner for people in the flood affected areas. Colleagues from various other divisions across the Group stepped forward to help prepare the meals.

Hemas staff at the Aranayaka disaster site distributing relief packs

IT team members at the "Cook to Care" campaign

Be an Angel to a little child – Annual gift collection program

This annual gift collection program is initiated by Hemas Outreach Foundation to bring joy to children in need. This year, we distributed gifts among children in rural villages in the Eastern Province who were treated to their first glimpse of a Santa Claus. The distribution took place on 23rd December in three villages of Peramaduwa, Gomarankadawala and Kuchchaveli. The Sri Lanka Army assisted with all logistics; the gifts were carried in decorated tractors which each had a Santa Claus.

Be an Angel to a little child – Annual gift collection program 2016

The Big Heart Project

The Big Heart Project launched in 2012 in partnership with the Ministry of Child Development and Women's Affairs currently supports 119 children studying in Grades 1–5. These children receive a monthly allowance of Rs. 2,000/- deposited into their bank savings account through a standing order. Of these funds, Rs. 1500/- is meant for the child's monthly expenses

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while it is compulsory that the balance Rs. 500/- is saved. The project is monitored by The Department of Child Probation and quarterly progress reports are sent to Hemas.

Hemas Abhimana undertakes initiatives at both Group level and sector level to reiterate the values by which the Group and its employees live upon. This year, the Group-wide Abhimana initiatives focused on four special events - Occupational Health and Safety Day, Environment Day, World Diabetes Day and Relationship Month. In addition, Abhimana also celebrates diversity by leading celebrations of four main religious festivities across the Group.

Occupational Health & Safety Day (28 April 2016)

Employees from across the Group volunteered to drive home the message of Occupational Health & Safety needs at work among their colleagues. In addition, the corporate office sustainability team together with the Group Administration team introduced a free vehicle safety check option for employees during the Occupational Health and Safety week. A custom made first aid pouch was handed over to all employees with a note from the Chief Executive Officer.

World Diabetes Day Commemorations (15-18 November 2016)

In commemoration of World Diabetes Day which fell on the 14th of November, the Abhimana team visited selected Hemas office locations including Hemas Pharmaceutical Colpetty, Dankotuwa FMCG, Welisara FMCG, Welisara Logistics, Modara J.L. Morison's, Wattala Hemas Hospital, Thalawathugoda Hemas Hospital, Braybrooke - Hemas House and Hemas Fort, from the 15th to the 18th of November with unique and exciting awareness activities such as street theatre urging healthy lifestyles to avoid the complications of diabetes. The one day activity line-up included providing staff a healthy snack/porridge breakfast and tea without sugar to drive home the message “you are what you eat”.

Kolam Art for Thai Pongal (13th to 16th January 2017)

The Tamil festival Thai Pongal is a thanksgiving ceremony where farmers thank the sun and mother nature, and farm animals for their support in providing a successful harvest. Others celebrate to show their gratitude to farmers for the production of food. Abhimana identified the importance of celebrating diversity and the annual Thai Pongal celebration is cherished as an exciting event that brings Hemas together as one family. This year, Abhimana Champions at the corporate

Hemas Group "Abhimana Champions"

Drama team at the World Diabetes Day commemorations at Welisara

Hemas staff celebrating Thai Pongal at Hemas Hospitals office, FMCG warehouse in Welisara, Hemas Hospitals Wattala and Thalawathugoda, Hemas Pharma, J.L. Morison's and Hemas House celebrated Thai Pongal from the 13th to 16th January 2017.

Abhimana Award

The Abhimana Award was introduced to recognise the Strategic Business Unit (SBU) that makes the most commendable effort in championing responsible business to make sustainability a lifestyle at Hemas whilst reinforcing the core values and culture of our company.

Following its formal launch in 2014, Abhimana saw much progress in 2015/16 with over 15 projects completed across the Group; of these, 12 were submitted for the Abhimana Award 2015/16. Across the submissions, it was obvious that the success of Abhimana was driven by our 18 Abhimana Champions and their volunteer teams well supported by the strength of their management teams.

The winner of Abhimana Award 2015/16 was "Athwala" by Hemas Manufacturing Pvt Ltd.

Abhimana Relationship Month

The Relationship Month is an annual Abhimana initiative during which the Group Sustainability team drives home the message of Abhimana by conducting workshop to create awareness on Group's sustainability initiatives, the Hemas values and cuture, code of conduct and recent event and changes in the company in order to keep employees abreast. This year, over 40 workshop sessions were conducted at all sector level office locations with the participation of employees at all levels including contract employees.

Abhimana Initiatives at Sector Level

Athwela 360° Program Launches Athwela - Phase 2

The Hemas FMCG Abhimana Sector Initiative, Athwela- phase 2 under Athwela 360° program was held on the 19th January 2017 at the Hemas Dankotuwa factory. This program reached out to the retailers of Sabaragamuwa Province; one of the company's key stakeholder groups. Distributors and family members over 200 were invited to visit the manufacturing facility in Dankotuwa.

The project helped strengthening the relationship between Hemas and its highest contributing retailers whilst inculcating a sense of "proud to be with Hemas", showing appreciation towards the company. The FMCG sector's future plans for Athwela include rolling the project out to other regions and incorporating the entire stakeholder base of Hemas.

Leave a book, Make a change

The "Leave a book, Make a change" initiative was organized by the corporate office and Vishwa BPO to make a difference in the lives of students at R/Kaluandura Vidalaya and Diddeniya

Athwela Programme at Hemas FMCG Dankotuwa

Abhimana Workshop at FMCG Welisara

Hemas Abhimana award winner - FMCG Sector for Athwela

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Madhya Maha Vidhyalaya. The project also contributed towards the development of the IT facilities and knowledge sharing among students at the Kaluandura School in Avissawella.

J.L. Morison's Medical Camp

For the 3rd consecutive year, M.S.J. Industries Pvt. Ltd, a subsidiary of J.L. Morison, organized a Medical camp at Paramanandha Viharaya, Kotahena on the 22nd of October 2016. The company has so far conducted 6 free medical camps for the community around their premises. This year's project provided free medicines and medical advice to the communities around Mutwal. The organizing committee included 70 individuals consisting union members and executive staff who worked tirelessly for months coordinating with doctors and the local temple where the camp was held. Approximately 200 patients in need were treated during the programme. Majority of the medicines provided were manufactured by the company itself while Roche (the diabetic product range from J.L. Morison's) provided a glucometer to test blood glucose of all patients present on that day.

J.L. Morison's Abhimana annual medical camp was the first program that brought together the management staff and the workers. The project also focused on building team spirit and strengthening bonds among employees.

Niyamuwo – Diethelm Travel Sri Lanka

The Niyamuwo project is targeted at Diethelm's resort representatives, national guides, chauffeur guides and chauffeurs who are given training on better business etiquette and customer enhancement experiences. Senior members of Diethelm's operations and management team committed their time to the project to share their knowledge and experiences. As an outcome of the Niyamuwo program services provided by the guides, drivers and staff members have improved and further training and educational programs will be conducted in order to standardise the services.

Objective of this program were,

- To provide Diethelm resort representatives, national guides, chauffeur guides and chauffeurs with a better understanding and also to set standards in achieving better service providing skills.

Abhimana initiative - J.L. Morison's medical Camp

Conservation of the Kalamukalana nature reserve by FMCG Dankotuwa in partnership with the forest department

Employees receiving a first aid pouch at the occupational health and safety day 28th April 2016

- To increase the interest of the target clientele to use Diethelm as their holiday provider in Sri Lanka which will in turn affect our business positively with increased growth.

- As an indirect outcome, the better service of the Diethelm resort representatives, national guides, chauffeur guides and chauffeurs is also a reason for them to get rewarded at the end of the tour. As an aggregate outcome this will help to develop the local communities in a sustainable manner.

Donation of books to Don Bosco students by Hemas Pharmaceuticals

Don Bosco College is a government owned school established in Wattala within walking distance of Hemas Pharmaceutical warehouse. The school educates children from the vicinity whose families mainly depend on fisheries and related industries; many parents do not have a stable income to sustain their children's education and therefore, Don Bosco reports a high tendency for drop outs. The Hemas Pharmaceuticals ensures these students are supported to continue their education by easing the burden of purchasing the annual school book list. This project has continued for the past 3 years.

The full booklist for 372 students for this year was donated at the school on 3rd January 2017. This is a continuous project started as an Abhimana initiative and we hope to continue. The project helps create a strong bond and a good rapport among the company, school, church, students and parents.

'Siphalen Eha' Young leaders development program by Hemas Hospitals

The Siphalen Eha project launched in March 2017 aims to encourage youth to take ownership of their lives, take action to improve their access to resources and transform their consciousness through their beliefs, values and attitudes. The target group is 16-19 year old youth among the staff of Hemas Hospital Group.

The expected outcomes of the project are;

- To give an understanding into the current job market, the opportunities and its future.

- To enable and encourage the youth to take ownership and look into areas of Entrepreneurship.

- Enhance the youth's active engagement to the society and improve the leadership qualities.

- Improve the quality of life of the youth, by giving them the insight to proactively plan life.

Donation of Books to Don Bosco Students

Engaging with local communities

Being aware of the impact we have on our communities is a strong component of our business intelligence and we are aware that mitigation strategies must be built into our risk management and strategic planning process. However, we are also acutely aware that many of the potential community related impacts can be managed and minimised by listening to the communities around us and responding to their needs to build strong and harmonious relationships.

At company and each business level, many of the locations of operations continued to engage with communities in the vicinity of their operations through medical clinics; blood donation drives; assistance to community centres, schools and places of worship; extending assistance to build and maintain public utilities facilities of each area. Such initiatives, while undertaken on a needs basis and often on request, help strengthen the understanding and bonds between each Hemas location and its communities. These initiatives are often driven entirely by volunteer employees who are empowered and encouraged to engage in community activities.

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Environment

Reasons for Engagement:

- To ensure our operations have the minimum impact on the environment
- To make a behavioural change amongst our stakeholders
- Address climate change

Methods of Engagement:

- Through Establishing the Hemas Green Club and Group Environmental committee
- Conducting workshops, meetings, excursions with stakeholders

Key topics covered

- Positive response to climate change such as waste management, biodiversity conservations etc

Our Commitments:

- Sustainable partnership with Elephant Transit Home (ETH) on elephant conservation
- Tree planting campaigns
- Building awareness
- Waste management
- Compliance with regulations

Environmental awareness is built into the operating philosophy of Hemas and each employee is a signatory to the Hemas Green Pledge – which enshrines the 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 Hemas Environmental Policy lays out the many dynamics of our Green Business philosophy. Across our sectors and businesses, we have made every attempt to increase awareness of potential impacts and an appreciation of the holistic benefits of being responsible towards the environment. Key components of environmental responsibility have been built into the Hemas Enriching Lives plan, including measurement and analysis of energy and water use as well as waste management across all our locations.

During the year 2017, the Group sustainability division formed the Group Environmental Committee with the objective of reducing the carbon footprint and developing systems to leave a better environment footprint. The committee comprises of engineering heads of all Hemas business sectors and has become a forum to share best practices and learnings amongst all the sectors. The committee is expected to share their proposals and ideas with the Group Chief Executive Officer on a regular basis.

Group Environmental Footprint as measured by the metrics of energy and water

Contact Details		Direct Energy Consumption (kWh)		Water Withdrawal (ltr)	
	Location of Operation	2015-16	2016-17	2015-16	2016-17
1	Hemas Manufacturing Dankotuwa	3,823,032.00	4,007,616.00	41,552,000.00	43,773,000.00
2	Hemas Manufacturing Welisara	166,808.00	134,571.00	6,958,000.00	4,968,000.00
3	Hemas Hospital Wattala	2,053,518.00	2,215,848.00	49,415,000.00	65,756,000.00
4	Hemas Hospital Thalawathugoda	1,535,848.00	1,712,051.00	20,449,000.00	34,068,460.00
5	Hemas Southern hopspital	587,203.00	706,539.00	11,137,000.00	13,216,000.00
6	J.L. Morison's, Kelaniya	359,180.00	327,641.00	4,888,000.00	5,292,000.00
7	J.L. Morison's, MSJ industries - Modara	813,096.00	968,880.00	8,809,000.00	9,656,000.00
8	Hemas Pharmaceuticals, Galle Road Colombo 03	193,780.00	203,090.00	1,593,000.00	1,830,000.00
9	Hemas Phamaceuticals, Lower Bagathale Road Colombo 03	76,513.00	81,620.00	467,000.00	604,000.00
10	Hemas Pharmaceuticals - Hendala, Wattala	220,942.00	298,142.00	720,000.00	1,070,000.00
11	Hotel Sigiriya	640,939.00	639,476.00	14,236,000.00	30,496,000.00
12	AVANI Bentota	1,509,361.00	1,318,332.00	40,644,000.00	42,010,000.00

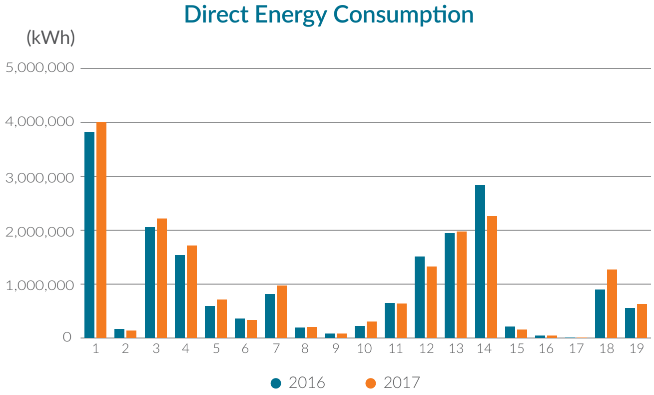
SUSTAINABILITY REPORT

Contact Details		Direct Energy Consumption (kWh)		Water Withdrawal (ltr)	
	Location of Operation	2015-16	2016-17	2015-16	2016-17
13	AVANI Kalutara	1,948,391.00	1,972,851.00	32,785,000.00	39,797,000.00
14	Club Hotel Dolphin	2,836,122.00	2,264,161	76,522,000.00	100,496,000
15	Hemas Logistics - Welisara	207,347.00	150,994.00	8,297,000.00	9,865,000.00
16	Hemas Logistics- Kelaniya	43,132.00	44,548.00	2,204,000.00	5,280,219.00
17	Hemas Logistics - Hambantota	1,716.00	1,171.00	710,000.00	967,000.00
18	Hemas House	895,274.00	1,265,955.00	9,955,000.00	10,655,000.00
19	Hemas Fort	555,101.00	626,721.00	6,476,813.00	6,266,758.00
	Total - Hemas Group	18,467,303.00	18,940,207.00	337,817,813.00	426,066,437.00

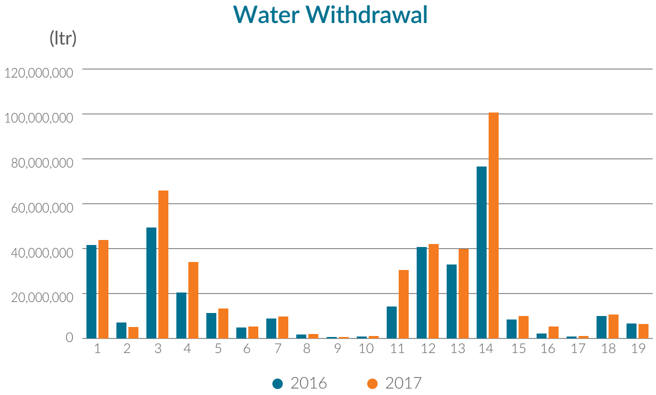
For the FMCG sector which engages in manufacturing, being aware of the environmental impact and making the maximum effort to create a positive impact on the environment through carbon footprint reduction is a key focus area of the business. The sector thus continues to make every effort to optimise utility and facility usage at its manufacturing complex. The sector has reduced its electricity usage through conversion to solar panels, LED lighting, AC optimisation, and by using evaporative cooling instead of air conditioning wherever possible. The FMCG plants have minimized both raw material waste and packaging material waste and have upgraded the waste water treatment plant to improve the quality of effluent discharge.

The sector also continues to support the Kalumukalana Forest Preservation project and the Jack Forest project in collaboration with Dankotuwa DS office. The herbal garden at Dankotuwa helps educate all stakeholders on native herbal plants by creating a bio diversity zone within the factory premises.

The Group's Hotels are at the forefront of our environmental initiatives with each hotel implementing environmentally friendly practices. Systems are in place to monitor their environmental activities on daily, weekly, monthly, quarterly and annual basis. Our hotels operate under HACCP and ISO standards which govern the way we approach environmental practices.



**No significant increase in energy consumption compared to 15/16. This is due to the best practices adhered by all locations to curtail energy consumption.*



** An increase in water consumption has been monitored at several locations, owing to multiple reasons. The 24 hour operation of pressure pumps due to customer requests and an increase in staff at Sigiriya Hotel led to a higher consumption of water while prime mover washing at the yard and an upgrade of worker rest-rooms at Kelaniya Logistics also contributed to an increase. An increase in occupancy at the Thalawatugoda Hospital and the expansion of Wattala hospital by 27 beds also led to an increased consumption of water.*

Zoom enables Virtual Meetings across the Group

The Hemas Group empowered its employees to reduce their carbon footprint by launching Zoom across the Group. Zoom is a networking tool that allows employees to have virtual meetings with colleagues or even with persons outside Hemas, connecting with multiple parties from different locations, and compatible with many devices including smartphones and tabs. Zoom also allows a user to share his screen or any other document securely with other participants, with an additional feature to record the meeting as well.

This initiative was proposed by the Group Innovation team to cut travel time, carbon footprint and improve efficiency. The team with the support of Group IT prepared a video tutorial to educate staff on how to register their Zoom account, and how to place and answer a meeting request.

Zoom enabled meetings are widely used at Hemas – they're simple, convenient, and avoid the hassle of travel, inevitably contributing towards reducing the environmental footprint.

The Hemas Green Club

Since it was established four years ago, the Hemas Green Club has become a platform that attracts nature lovers and nature photographers of the Group to engage in activities that help promote the message of environmental concern. Today, the club has 80 members and 16 Honorary Members comprising of Board and Management of Hemas Holdings PLC.

The objectives of the Hemas Green Club are:

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.

Hemas Group Environmental committee

Tree planting by members of Hemas Green Club at Kuchchaweli

Colour washing of Horton Plains National Park Museum by Hemas Green Club members

SUSTAINABILITY REPORT

Among the Club's main initiatives for the year were:

Supporting Wildlife Conservation

Adoption of abandoned baby elephant

The Club adopted abandoned baby elephant ABHIMAN two years ago, undertaking the responsibility of taking care of the orphaned calf during his first five years until he is returned to the wild. With the support of Hemas employees and friends, each year the Green Club carries out an annual raffle draw to raise funds for Abhiman's milk and medicine. The Group's hotels J.L.Morisons and FMCG businesses came forward to sponsor gifts for the raffle whilst employees and club members stepped forward to raise funds amounting to Rs. 300,000/- to enrich the life of Abhiman.

Launch of Elephant Transit Home (ETH) website by Director General Wildlife Department

Supporting the Elephant Transit Home

In its endeavour to support the conservation of Sri Lankan elephants, the Club developed and launched an official website for the Elephant Transit Home (www.test) under the Department of Wildlife Conservation of Sri Lanka with the aim of attracting local and international donors for orphaned baby elephants. We produced an interesting video documentary to create awareness of Sri Lankan Wild Elephant conservation to be shown at the Elephant Transit Home in Udawalawe which is visited by over 1,500 people daily during weekends. The video documentary was produced by an expert team from Heritage TV sponsored by the Leisure, Travel and Aviation Group of Hemas.

Baby Abhiman fostered by Hemas Green Club members at Elephant Transit Home Udawalawa

Green Excursions

Trincomalee

Hemas Green Club successfully completed its first excursion for year 2016 - a visit to Trincomalee and rural villages in March. The Green club members donated Kohomba and Kottamba plants to the families living in Kuchcheveli village, with the help of the Army. This was aimed at motivating and educating people to grow trees in their surroundings. In addition, the club members donated segregated waste bins to places of religious worship in Trincomalee.

CFL bulb collection center at Hemas House

Horton Plains National Park

The second Green Excursion for Cub Member in 2016 was to Horton Plains National Park in NuwaraEliya, followed by a hike to the Thotupala Kanda, World's End and Mini-world's end circular trail. While there, the Hemas Green enthusiasts colour washed the Horton Plains National Park Museum and Farr Inn, the National Park Office complex during their two-day stay in Nuwara-Eliya. The colour washing project was initiated by the Deputy Wildlife Commissioner and Mr. Ashwin Basnayake, our Green Club member from Hemas Pharma on the request of Mr. Priyal Ravindra, the Park Warden and Mr. Dayaratne, the Deputy Warden.

Eli-Hatha Falls, Udamaliboda

In December 2016, the team stayed overnight in the jungles, building a shelter out of natural materials they found around them. "Eli-hatha" at Maliboda village, Deraniyagala is one of the most prominent water falls in Sri Lanka; begins from "Samanala Adaviya" which is an exclusive biodiversity zone with very rare species of flora and fauna.

Plant Distribution

The Dankotuwa plant nursery distributed 250 Mahogany and 750 Jack plants to the Sri Lanka Army on the 07th May and 11th October 2016. The nursery was set up in August 2013 as a green club initiative supported by the HR team and workers at the Dankotuwa factory. To date, the initiative has distributed over 9,000 plants.

E-waste collection

The Hemas Green Club partners with the Think Green E-waste collection programme to carry out responsible recycling of electronic waste. Administration and IT personnel from across Hemas Group office locations are in-charge of collecting the electronic waste for recycling. During 2016/17 the team collected approx. 99.5Kg of e-waste. Furthermore, the group sustainability team continued to raise awareness about the responsible disposal of electronic, plastic and paper waste by educating employees about the environmental impact of disposing garbage in landfills.

Recycling CFL bulbs

The Club collected and handed over 1,012 Nos CFL and fluorescent bulbs to be recycled and reused. The project creates awareness of the environmental consequences of the improper disposal of CFL bulbs.

Hemas Photography Competition & Exhibition 2016

The annual staff photography competition and exhibition was successfully held for the third consecutive year on the theme of wild life and street photography. Over 1000 submissions were received from employees across Hemas Group, and 'The Best 65 Entries'' were short listed and exhibited from the 07th – 09th December 2016 at Hemas House, Braybrooke Place.

Hemas Logistics, Hunupitiya Yard cultivates their own organic farm

Staff at the Hunupitiya premises began cultivating organic produce in part of their garden area. The initiative raises awareness of environmental wellness through healthy and sustainably grown produce.

Hemas group Photography Exhibition 2016

Plant distribution by Hemas Green Club members in Trincomalee

Excursion to Trincomalee by Hemas Green Club members

SUSTAINABILITY REPORT

Memberships

Sector	Name of the association
Hemas Holdings PLC	Ceylon chamber of commerce Employers federation of Ceylon Mercantile service provident society (MSPS) Youth business Sri Lanka (YBSL) Tourist hotels association of Sri Lanka (THASAL) Swiss Business circle Sri Lanka American chamber of commerce Sri Lanka National committee on early childhood care and development, Ministry of Child Affairs
FMCG	Cosmetic Manufactures Association Sri Lanka
Healthcare	Sri Lanka chamber of pharmaceutical industry (SLCPI) Pharma promoters association Ceylon chamber of commerce – import section Private hospital association
Transportation	International air transport association (IATA) Ceylon association of ships agents (CASA) Sri Lanka Association of Vessel operators (SLAVO) Economic, Fiscal and policy planning committee member – The Ceylon chamber of commerce Travel agents association of Sri Lanka Airline partners joint council (APJC) Sri Lanka Malaysia Business council Travel Trade sports club Sri Lanka Association of Airline representatives
Leisure	Travel trade sports club The pacific Asia travel association Bentota Beruwala Hotel Association Negombo Hotel Association Cultural Triangle Hotel Association Ceylon tourism cluster Sri Lanka association of inbound Tour Operators (SLAITO) The Hotels Association of Sri Lanka SKAL International Club

Custom Content Index - 'In Accordance' Core

This Content Index provides an overview of the G4 Standard Disclosures based on the selections made.

GENERAL STANDARD DISCLOSURES		
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.
Strategy and Analysis		
G4-1	8	
Organisational Profile		
G4-3	Hemas Holdings PLC	
G4-4	22-37	
G4-5	75, Braybrooke Place, Colombo 02	
G4-6	Sri Lanka	
G4-7	Quoted public company with limited liability, quoted on the Colombo Stock Exchange	
G4-8	22-37	
G4-9	6-7, 16-21, 22-37, 72	
G4-10	72-73	
G4-11	76	
G4-12	89-91	
G4-13	No Significant Changes	
G4-14	59	
G4-15	GRI G4, ILO charter	
G4-16	110	
Identified Material Aspects and Boundaries		
G4-17	233-235	
G4-18	60	
G4-19	60	
G4-20	60	
G4-21	60	
G4-22	No restatement	
G4-23	No significant changes	
Stakeholder Engagement		
G4-24	66	
G4-25	66	
G4-26	69, 72, 83, 88, 94, 105	
G4-27	69, 72, 83, 88, 94, 105	
Report Profile		
G4-28	57	
G4-29	57	
G4-30	57	
G4-31	57	
G4-32	57, 111, 112	
Governance		
G4-34	44	
Ethics and Integrity		
G4-56	72	

SUSTAINABILITY REPORT

SPECIFIC STANDARD DISCLOSURES					
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.
Category: Economic					
Material Aspect: Economic Performance					
G4-DMA	68				
G4-EC1	67				
G9-EC3	209-210				
Category: Environmental					
Material Aspect: Energy					
G4-DMA	104-109				
G4-EN3	105-106				
G4-EN6	106				
Material Aspect: Water					
G4-DMA	104-109				
G4-EN8	105-106				
G4-EN23	109				
Category: Social					
Sub-Category: Labor Practices and Decent Work					
Material Aspect: Employment					
G4-DMA	71-81				
G4-LA1	73-74				
Material Aspect: Training and Education					
G4-DMA	71-81				
G4-LA10	81				
Material Aspect: Diversity and Equal Opportunity					
G4-DMA	71-81				
G4-LA12	73				
Sub-Category: Society					
Material Aspect: Local Communities					
G4-DMA	93-103				
G4-SO1	93-103				

EY
Building a better working world

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Independent Assurance Report to Hemas Holdings PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2016/17

Introduction and scope of the engagement

The management of Hemas Holdings PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators in the annual report- 2016/17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 67 of the Report.
- Limited assurance on other information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index page 111 to page 112), prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with International Standard on Assurance Engagements (ISAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 30 January 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 67 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2017.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Hemas sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Ernst & Young

Chartered Accountants

16 May 2017

Colombo

RISK MANAGEMENT

Risk management is vital to our strategy and to the achievement of the business vision. Our success as a Group depends on our ability to identify and exploit the opportunities generated by the businesses and the markets we operate in. In doing this we proceed with an embedded approach to risk management which puts risk and opportunity assessment at the core of the team agenda.

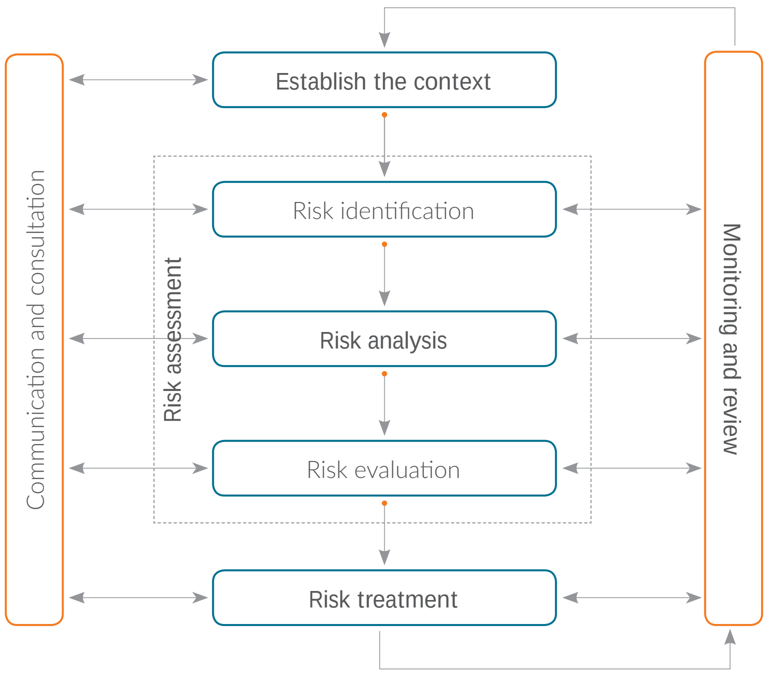
Hemas adopts an approach that is aligned to business strategy to accelerate growth while reducing the environmental footprint and increasing the positive social impact.

Our risk appetite is determined by the following:

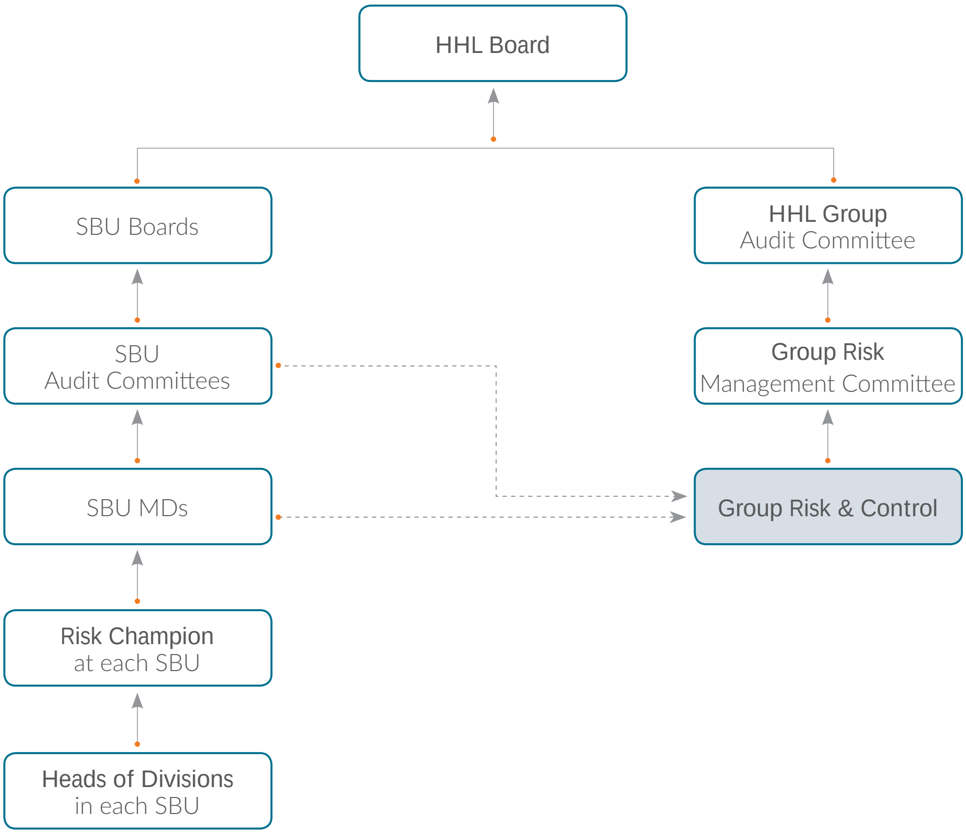
- Compliance with the Code of conduct.
- Adhering to all applicable principles and policies.
- Taking on consistent, competitive, responsible and profitable growth.
- Endlessly striving to expand and improve operational efficiency and effectiveness.

Hemas acknowledges the dynamic business environment it operates in and is keen in executing an Enterprise Risk Management 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.

The Risk Management Process:



The Risk Management Reporting Structure at Hemas is as follows:



The responsibility for managing risk rests with everybody in the organization including the board of directors, who have set policies and processes to manage the same. They are monitored in the discharge of their duties by the Audit Committee, who have oversight responsibility for risk management and internal controls.

Risk Evaluation and Mapping:

Risk evaluation involves assessing the likelihood and impact of a given situation should they occur. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of almost certain, likely, moderate, unlikely and rare in terms of the probability of occurrence is assigned to each risk. The potential impact of an event is assessed by determining the loss it would cause and the extent of the impact, with a ranking of insignificant, minor, moderate, major and extraordinary. A risk heat map is then developed based on the results of the risk assessment. Risks and their corresponding mitigating action plans are then reviewed by the Group Risk Management Committee.

RISK MANAGEMENT

Risk Matrix:

Impact					
Extraordinary	S Significant	H High	H High	H High	E Extreme
Major	S Significant	S Significant	H High	H High	H High
Moderate	M Moderate	M Moderate	S Significant	S Significant	H High
Minor	L Low	L Low	M Moderate	S Significant	S Significant
Insignificant	L Low	L Low	L Low	M Moderate	S Significant
	Rare	Unlikely	Moderate	Likely	Almost Certain

Likelihood

Risk rating	What it means
Extreme	• Board attention is required. • Immediate action by senior management with a detailed research and management of risk through appropriate responses.
High	• Board attention is required. • Senior management responsibility specified. • Risk must be managed by senior management with a detailed risk treatment plan.
Significant	• Senior management attention required. • Management responsibility specified. • Risks should be treated using one or more of the risk treatment options.
Moderate	• Risks should be treated using one or more of the risk treatment options. • Risks should be managed using specific monitoring or treatment procedures.
Low	• Risk is accepted with minimal treatment and can normally be managed using existing routine procedures. • Low risks need to be monitored and periodically reviewed to ensure they remain acceptable.

Managing Risk:

	Risk Category	Description	Risk Mitigation
1	Country Risk	Tightening macro-environmental factors and 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	Exchange Rate Risk	Potential losses as a result of adverse movement in the exchange rates	• Centralized treasury advisory • Establishment of a FOREX committee • Managing exchange rates through appropriate financial risk management techniques such as hedging • Consistent monitoring of forex rates and outlook by the Treasury Unit
5	Human Resource Risk	• Disruption to continuity of business operations as a result of failure to attract, develop and retain skilled workforce • Loss of key executives	• 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
6	Interest Rate Risk	Fluctuations in market interest rates having an impact on the profitability and capital position, due to changes in asset values which are linked to market rates as well as its impact on borrowing costs	• Centralized treasury management • Interest rate trends and outlook are monitored on a consistent basis • Interest rate sensitivity analysis is done regularly to measure the potential impacts of rate variations • Consistent negotiations with banks to obtain attractive interest rates
7	Investment Risk	Threat on sustainability of business models as a result of 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	Liquidity Risk	Adverse impact on the liquidity position as a result of payment delays by debtors, long stock residence period and early payment for creditors	• Centralized treasury management • Continuous reviewing of business models and working capital management • Strong relationships with banks and unutilized funding lines • Consistent monitoring of asset and liability maturity mismatches

RISK MANAGEMENT

	Risk Category	Description	Risk Mitigation
9	Market Risk	• Economic conditions and government policies, • Aggressive competition, • New entrants, • Changes to customer attitudes, in the market causing loss of market share or market leadership in the relevant segments	• Continuous focus on innovation • Regular monitoring of customer/consumer trends • Enhancing productivity/efficiency to improve price competitiveness • Monitor market data and strengthen the market
10	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
11	Principal Risk (or Business Partner Risk)	Loss of principals or business partners for GSAs due to global mergers and acquisitions, intense competition and service level groups	• Sound relationships with principals/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
12	Product and Service Risk	Probability of a new product failing or demand declining for existing products/services	• Focus on product/service innovation • Develop strategies to get closer to customers and be responsive to their needs
13	Project Risk	Difficulties in achieving project objectives for new initiatives	• Developing project plans, resource analysis and allocation before commencing a project • Continuous monitoring of project progress through Steering Committee
14	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 applicable to the group	• 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
15	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

	Risk Category	Description	Risk Mitigation
16	Social Risk	Labor and human rights violations, environmental degradation, corruption or the implications of undue social and economic stratification or marginalization at Hemas causing serious harm to the local people involved, and making businesses unsustainable in the long run	• Implementation of CSR projects at Group and Subsidiary levels
17	Supply Chain Risk	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 • Consistent engagement with a diverse pool of suppliers to maintain strong relationships • Structured processes are in place to add value to our supplier base through livelihood development programs, technical support and guidance on enhancing quality
18	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
19	Business Probity Risk	Unethical behavior, 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 • Implementation of code of conduct
20	Technological Risk	Probability of technological changes adversely affecting any one individual entity or the entire group.	• 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
22	Clinical Risk	Considers patient safety and risk at both the organizational and practitioner level at Hospitals	• Hospitals with ACHSI accreditation
23	Health and Safety Risk	The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard	• A Health and Safety Strategic Committee was formed to closely monitor the health and safety aspects • Health & safety reviews are conducted in locations where internal parties and external consultants consider crucial

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

Composition

The Human Resources and Remuneration Committee consists of Non-Executive Directors majority of whom are independent. During the year under review, the late Mr Pradipta Mohapatra - the Chairman of the Committee tendered his resignation from the Committee with effect from 11th November 2016 and the following two Non-Executive Directors were appointed with effect from the said date.

Mr H. N. Esufally - *Non Executive Director*

Mr A. S. Amaratunga - *Independent Non-Executive Director*

The Board appointed Dr S. A. B. Ekanayake to take over the position of Chairman of the Human Resources and Remuneration Committee which fell vacant with the resignation of Late Mr. P Mohapatra.

The members of the Human Resources and Remuneration Committee as at 31st March 2017 are as follows:

Dr S. A. B. Ekanayake - *Independent Non-Executive Director/ Chairman of the Committee*

Mr A. S. Amaratunga - *Independent Non-Executive Director*

Mr H. N. Esufally - *Non-Executive Director /Chairman of the Board*

Messrs. Steven Enderby - *Executive Director/Chief Executive Officer*, Murtaza Esufally - *Executive Director* and Dimuth De Alwis - *Group Human Resources Director* attends these meetings by invitation.

Meeting Governance

The Human Resource and Remuneration Committee met six times during the year under review and the attendance of the members at these meetings is given on page 45 of the Annual Report.

M/s Hemas Corporate Services (Pvt) Ltd who are the secretaries of the Company acts as the secretaries to the Committee.

The Chairman of the Committee can convene special meeting of the Committee if circumstances warrant.

The quorum required for the meetings of the committee is two members.

The minutes of the Human Resources and Remuneration Committee are tabled at the subsequent Board Meeting.

Committee Activities

The Committee, during the year under consideration, reviewed the charter to ensure its alignment to the Organization's strategic goals and the Committee was thus renamed as Human Resources and Remuneration Committee.

The Committee reviewed and approved the performance based remuneration for the Executive Director/Chief Executive Officer and the Executive Directors for the year 2016/17. The Committee in arriving at its decision considered the performance of the individual, comparisons with peer group companies and reports from specialist consultants with a view of retaining, motivating and to attract key talent internally and externally.

The Committee also approved the vesting of the ESOS grants and the allotment for the financial year 2016/17. In addition, the Committee reviewed the progress made on the Future Leaders Program of the Company.

The Committee also considered the Engagement Survey carried out by external consultants and steps were taken to improve engagement scores.

Succession planning has been a key topic of the deliberations of the Committee during this financial year. The aim of the Committee is to retain and develop the right talent for all the critical roles.

The Directors Emoluments are disclosed in Note 35.2 to the Financial Statements for the year ended 31st March 2017 found on page 230 of the Annual Report.

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.
- Review the Human Resource Strategies of the Company.

Dr S. Anura B. Ekanayake
Chairman of the Committee

16th May 2017

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

The Related Party Transactions Review Committee was constituted on 1st January 2016 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and the Section 09 of Listing Rules of the Colombo Stock Exchange.

Composition

The Related Party Transactions Review Committee comprises of a combination of Non-Executive Directors, majority of whom are independent and the Executive Director/Chief Executive Officer. The Chairman of the Committee is an Independent Non-Executive Director.

The committee comprised of the following members.

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. S. M. Enderby
Executive Director/CEO

The Chief Financial Officer, the Group Financial Controller, and the Group General Manager Finance, attends these Meetings by invitation.

M/s Hemas Corporate Services (Pvt) Ltd who serves as the secretaries to the Company is the secretary to the Committee.

Mandate

The objective of the Committee is to exercise oversight on behalf of the Board, on all Related Party Transactions ("RPTs") of Hemas Holdings PLC and its 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.

Scope

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.

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 Duties of the Committee

- Defining and establishing 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.

- Establishing 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.

- Establishing a process to identify the recurrent RPTs from the total RPTs and to review the economic and commercial substance of the RPTs.

- Providing guidelines which Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.

- Obtaining 'competent independent advice' from independent professional experts with regard to acquisition or disposal of substantial assets between related parties.

- Identifying instances where an immediate market disclosure of an Related Party Transaction is required in line with the definitions of the Code.

- Introducing standardized documentation that should be used by the listed companies in the Group when presenting the RPT information to the Committee.

Meetings

The Committee held five Meetings during the financial year (four quarterly meetings and an extra ordinary meeting to review a significant one off transaction due to business restructuring). The attendance of the members at these meetings is detailed in the Corporate Governance Report found on page 45 of the Annual Report

During the year under review, the RPTRC considered and reviewed the compliance to transfer pricing regulations, discussed and initiated process improvements (including recommendations provided by independent professional advisors), reviewed and approved the Related Party Transactions of the Company and reviewed the RPTs of the subsidiary companies. In terms of the Code of Best Practice on Related Party Transaction as issued by the Securities and Exchange Commission of Sri Lanka.

The RPTRC also reviewed related party transactions which arose from the restructure of the Leisure Travel and Aviation companies and the necessary disclosures were made to the Colombo Stock Exchange.

The Minutes of the RPTRC meetings are tabled at Board Meetings for information of the Board and the details of the Related Party Transactions reviewed and approved by the Committee is disclosed in Note 35 to the Financial Statements for the year ended 31 March 2017 found on page 228 of the Annual Report.

A. Shaktha Amaratunga
Chairman, Related Party Transactions Review Committee

16 May 2017

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;
- Review processes and activities that are in place to ensure that the Company's internal controls and risk management are adequate;
- 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 Auditors 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 of 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. There was no change in the composition of the Audit Committee during the financial year and the Committee comprised of Mr. Shaktha Amaratunga (Chairman) and Mr. Dinesh Weerakkody, two directors who qualify as Independent Non-Executive Directors under the listing rules prescribed by the Colombo Stock Exchange; and Mr. Imtiaz Esufally, a Non-Executive Director.

The Audit Committee met four times during the financial year ended 31st March 2017. Mr. Steven Enderby, Executive Director/Chief Executive Officer, Mr. Sanjeewa Samaranayake, Executive/ Chief Financial Officer and Mr. Prasenna Balachandran, General Manager Risk & Control, were permanent attendees at these Meetings while Mr. Darshana Perera, former Group Financial Controller, Mr. Amila Priyadarshana, General Manager Finance, Heads of Functions within the Group (when required) and the External Auditors attend the meetings by invitation.

During the year under review the Committee members periodically held separate meetings with the Chief Financial Officer, General Manager Risk & Control and the External Auditors, allowing the Committee to discuss issues and risks in more detail.

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

The attendance of the members at these meetings is stated under the Corporate Governance Report found on page 45 of the Annual Report.

Key Activities in 2016/17

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

Financial Reporting

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.

Focused on the controls and risks related to the information systems that are used to prepare the Financial Statements. These reviews will continue in the future as risks related to information systems (especially external threats) remain high globally.

Discussed with the Company's External Auditors the results of their examinations and the judgements used by them concerning the Financial Statements, as well as the acceptability of the Company's accounting principles.

Risk and Internal Controls

The Executive Director/Chief Executive Officer along with the General Manager, Risk and Control reported the key risks and the process adopted by the Group to identify, evaluate, and mitigate them. The Committee continues to focus on effective strategies to mitigate all significant risks that would impact the Group. These include "deep dive" sessions of the top ten risks.

The General Manager, Risk and Control regularly reported on the adequacy and effectiveness of internal controls within the Group. These comprise of 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 with laws and regulations. The compliance reports are prepared for each quarter by all the companies in the Group and tabled at the Committee.

Group Internal Audit plan for the year is presented and its progress is also monitored by the Committee. Performance of the Internal Auditors, their skills and the resourcing requirements are also reviewed.

Whistleblowing arrangements, investments and treasury management activities of the Group were also discussed in detail during the year.

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 Auditors' reports with Management responses for the year under review were tabled at the Audit Committee Meeting. The Committee also had a private audience with the External Auditors prior to the finalization of the full year Financial Statements.

The Committee is satisfied that the independence of the External Auditors had 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 External Auditors and the level of audit and non-audit fees received by them.

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.

A. Shaktha Amaratunga
Chairman of the Audit Committee

16 May 2017

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

Composition

The Nomination and Governance Committee comprises of three Non-Executive Directors majority of whom are Independent. The Chairman of the Committee is an Independent Non-Executive Director having an extensive knowledge and experience in business acumen.

The Nomination and Governance Committee consists of the following members as at 31 March 2017.

Mr. R. Gopalakrishnan - Independent Non-Executive Director (Committee Chairman)

Dr. S. A. B. Ekanayake - Independent Non-Executive Director

Mr. A. N. Esufally - Non-Executive Director

The Chairman of the Board attends the meetings of Nomination and Governance Committee by invitation.

The profiles of the Directors are found on pages 38 to 41 of the Annual Report.

Meetings

During the year under review the Committee met three times and the committee members attendance at these meetings is indicated under the Corporate Governance Report on page 45 of the Annual Report.

The Committee at its meetings reviewed the composition of the Board of the Company and its subsidiaries to ensure compliance with regulations. The Committee also reviewed the Board Refreshment Policy of Subsidiary Boards, Board Charter, and Evaluation of the Board Performance and that of the Board Sub-committees. The Committee also considered the succession planning process for the group CEO's position.

The Committee decided to recommend Messrs Abbas Esufally, Murtaza Esufally and Malinga Arsakularatne, who retires in terms of Article 84 of the Company's Articles of Association, to be re-elected to the Board at the Annual General Meeting to be held on 30 June 2017.

Pursuant to section 210(2) of the Companies Act No 7 of 2007, Mr Ramabadran Gopalakrishnan retires from the Board at the conclusion of the forthcoming Annual General Meeting and the Committee recommended his re-election to the Board at the forthcoming Annual General Meeting.

Mr R Gopalakrishnan refrained from taking part in the discussion and decision relating to his reappointment to the Board.

Scope 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 reappointment 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.

R. Gopalakrishnan

Ramabadran Gopalakrishnan
Chairman of the Committee

16 May 2017

"Sustainability remains a key focus area as we assess our impact on our environment and on society. By implementing the 'Enriching Lives' plan in 2016/17, we measure and evaluate our sustainability goals against social, environmental and economic impact we have on our communities we live in. It is a journey that demands continuous improvement."

Steven Enderby
Group Chief Executive Officer

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 2017 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.

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 16 May, 2017.

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 Chief Executive Officer'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 114 to 119 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 146 to 235 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 2017. The Auditors' Report on the Financial Statements is given on page 145 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 152 to 169 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 2017 was Rs. 43.4Bn (31st March 2016 - Rs. 38.0Bn). An analysis of the income is given in Note 3 to the Financial Statements on page 170 of this Annual Report.

6.2 *Profit and Appropriations*

The Profit Before Tax of the Group for the year ended 31st March 2017 was Rs. 5.1Bn (2016 - Rs. 4.1Bn) and the Profit After Tax for the year ended 31st March 2017 was Rs. 3.8Bn (2016 - Rs. 2.9Bn) from continuing operations. There were no discontinued operations during the year under review.

The details of Profit relating to the Group are given on pages 146 to 147 of the Annual Report.

6.3 *Dividend on Ordinary Shares*

6.3.1 Interim Dividend

An Interim Dividend of Rs. 0.40 per Ordinary share was declared and paid on 24th November 2016 for the financial year ended 31st March 2017 (Rs. 0.40 per share in 2015/2016).

6.3.2 Final Dividend

The Directors recommended a Final Dividend for the year of Rs. 1.45 per Ordinary Share which will be payable on 11th July 2017 to Shareholders registered as at 3rd July 2017. The Total Dividend for the year under review will then amount to Rs 1.85 per Ordinary Share (2015/16 - Rs. 1.40).

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 172 to 175 of the Annual Report.

8. Reserves

The Group's total Reserves as at 31st March 2017 amounted to Rs. 19.2Bn (2016 - Rs. 16.3Bn). The movement of the Reserves are given on page 149 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

The details of Property, Plant & Equipment, Investment Properties, Leasehold Properties and Intangible Assets are given in the Notes 10 to 12 to the Financial Statements found on pages 177 to 186 of the Annual Report.

10. Market Value of the Properties

The 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 Company and the Group are given in Notes 10 and 11 in the Notes to the Financial Statements from pages 177 to 185 of the Annual Report.

11. Investments and Acquisitions

During the Financial year ended 31st March 2017, the Company made several investments and acquisitions as part of the restructuring of the Group's Leisure Travel and Aviation Sector the details of which are disclosed under the Related Party Transactions in item No 15 of this report.

12. Divestments and Disposals

The Group divested 50% of its shares held in Hemas Logistics (Private) Limited amounting to 1,781,439 shares to GAC Logistics Limited to facilitate the joint venture to build a World-class Integrated Logistics Facility in Muthurajawela Industrial Zone thereby enhancing its logistics presence.

The details of the divestments arising from the restructure of the Group's Leisure Travel and Aviation Sector are disclosed under Related Party Transactions in item 15 of this report.

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

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 Change in the Directorate

The Board of Directors of the Company as at the date of this Report comprises Ten (10) 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 2017 are given below:

Non-Executive Directors
Mr. H. N. Esufally – *Chairman*
Mr. A. N. Esufally
Mr. I. A. H. Esufally

Executive Directors
Mr. S. M. Enderby - *Chief Executive Officer*
Mr. M. A. H. Esufally
Mr. W. M. De F. Arsakularatne

Independent Non-Executive Directors
Mr. R. Gopalakrishnan
Mr. D. S. Weerakkody
Dr. S. A. B. Ekanayake
Mr. A. S. Amaratunga

Mr. Murtaza Esufally's role in the Group was enhanced and he was made the Group Director Human Performance and Leadership in order to lead the strategic Human Resources thinking and to develop business leaders/critical role holders whilst leading the Group to become the healthiest workforce.

It is with great regret that we are informing you that Mr. Pradipta Mohapatra, who served on the Board for over nine years, passed away on 13th March 2017 and hence ceased to be a Director with effect from the said date.

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 seven Non-Executive Directors meets the criteria for independence in terms of Rule 7.10.4 of the Listing Rules. 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 2017 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, Mr. A. N. Esufally, Mr. M. A. H. Esufally and Mr. W. M. De F. Arsakularatne retires by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Directors.

Further, to pass the resolution that the age limit stipulated in Section 210 of the Companies Act 7 of 2007 shall not apply to Mr. R. Gopalakrishnan who has attained the age of 71 years and that he be re-elected as a Director of the Company.

14.3.2 Board Sub-committees and Board of Management
Information on Board Sub-committees is given under 'Corporate Governance" and the related Sub-committee reports are given on pages 120 to 126 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

Name of Director	No of Shares as at 31st March 2017	No of Shares as at 31st March 2016
Mr. H. N. Esufally	5,836,705	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. R. Gopalakrishnan	Nil	Nil
Mr. D. S. Weerakkody	Nil	Nil
Dr. S. A. B. Ekanayake	Nil	Nil
Mr. S. M. Enderby	Nil	Nil
Mr. W. M. De F. Arsakularatne	Nil	Nil
Mr. A. S. Amaratunga	Nil	Nil

Directors' Interest in Ordinary Shares of the Company – Indirect

Name	No of Shares as at 31st March 2017	No of Shares as at 31st March 2016
A Z Holdings (Pvt) Ltd	90,762,875	90,762,875
Saraz Investments (Pvt) Ltd	86,396,035	86,396,035
Blueberry Investments (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	250,000

14.5 *Directors' Remuneration and Other Benefits*

The Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31st March 2017 is given in Note 35.2 to the Financial Statements on page 230 of this Annual Report as required by Section 168 (1) (f) of the Companies Act.

14.6 *Directors' Interests in Contracts or Proposed Contracts*

The Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended 31st March 2017, other than those disclosed on pages 138 to 141 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 240 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 ON THE AFFAIRS OF THE COMPANY AND THE GROUP

15. Related Party Transactions

Non-recurrent Related Party Transactions

There were no other non-recurrent Related Party Transactions of the Company except those disclosed below which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower as per 31 March 2016 Audited Financial Statements, which require additional disclosures in the Annual Report 2016/17 as per Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Rs. '000 Name of the Related Party	Relationship	Value of the Related Party Transaction entered in to during the Financial Year	Value of the Related Party Transaction entered in to as a % of Total Assets	Terms and Condition of the Related Party Transactions	The rationale for entering in to the transactions
Leisure Asia Investments Limited	A wholly owned subsidiary of the Company	6,495,061	15.3%	Normal Commercial Terms	To facilitate the restructuring of Company's Travel, Aviation Sector, Investment in Hotel Sector Property and enhancing the direct shareholding of the Company in Serendib Hotels PLC.

The above transactions have been disclosed to the market on 24th March 2017 and 29th March 2017.

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 31st March 2016 Audited Financial Statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

The details of all Related Party Transactions carried out during the year are disclosed on page 229 of this Report.

Further, in order to facilitate the restructuring of the Group's Leisure Travel and Aviation Sector, the Company entered into the following transactions in addition to the transactions mention under item 12 of this report:

a. *Date of the transaction: 20th March 2017*

   i. The Company accepted 5,668,908 shares of Peace Haven Resorts Limited as settlement of the loan granted by the Company at a conversion price of Rs 115.06 per share which was disposed to Leisure Asia Investments Limited.

   ii. The Company accepted 469,827 shares of Mowbray Hotels Limited as settlement of the loan granted by the Company at a conversion price of Rs 30.27 per share which was disposed to Leisure Asia Investments Limited.

b. *Date of the transaction: 22nd March 2017*

i. The Company accepted 7,500,000 ordinary shares transferred from Hemtours (Private) Limited in the capital of Hemas Development (Private) Limited for a consideration of Rs. 415,500,000.00 being settlement of part of the consideration due on the transfer of shares to Hemtours (Private) Limited by the Company under the restructure.

ii. The Company accepted 38,349,000 preference shares held by FAS in Hemas Manufacturing (Private) Limited in lieu of the consideration on the re-purchase of the ordinary shares by Forbes Air Services (Private) Limited held by the Company.

iii. The Company accepted 10,000,000 preference shares held by Hemas Air Services (Private) Limited in Hemas Manufacturing (Private) Limited in lieu of the consideration due on the re-purchase of the ordinary shares by Hemas Air Services (Private) Limited held by the Company.

The details of the companies referred above including the relationship to the Company are disclosed in Note 35 to the financial statements.

c. *Date of the Transaction: 24th March 2017*

Name of Related Party	Relationship	Transaction details	Rationale
Leisure Asia Investments Limited	A wholly owned subsidiary of the Company	Purchase of 21,251,037 ordinary voting shares of Serendib Hotels PLC from Leisure Asia Investments Limited at a price of Rs. 24.30 per share. The total transaction value is Rs. 516,400,199.10 Purchase of 10,165,975 ordinary non-voting shares of Serendib Hotels PLC from Leisure Asia Investments Limited at a price of Rs. 18/- per share. The total transaction value is Rs. 182,987,550/-.	To facilitate the restructuring of its Travel, Aviation and Hotel Sector property investments.
Leisure Asia Investments Limited	A wholly owned subsidiary of the Company	Disposal of 8,636,235 ordinary voting shares of Hemtours (Private) Limited to Leisure Asia Investments Limited at the price of Rs. 224.05 per share. The total transaction value is Rs. 1,934,948,451.75. The Disposal of 6,464,599 ordinary voting shares of Mowbray Hotels Limited to Leisure Asia Investments Limited at the price of Rs. 30.27 per share The total transaction value is Rs. 195,683,411.73 The Disposal of 31,853,310 ordinary voting shares of Peace Haven Resorts Limited to Leisure Asia Investments Limited at the price is Rs. 115.06 per share. The total transaction value is Rs. 3,665,041,848.60	To facilitate the restructuring of its Travel, Aviation and Hotel Sector property investments. To facilitate the restructuring of its Travel, Aviation and Hotel Sector property investments.
Leisure Asia Investments Limited	A wholly owned subsidiary of the Company	The purchase of 211,230,477 ordinary shares of Leisure Asia Investments Limited at a price of Rs 24.15 per share which were allotted to the Company in part settlement of the total consideration of Rs. 5,795,673,711.75 relating to the above transactions.	To facilitate the restructuring of its Leisure, Travel, Aviation Sector.

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

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 2017.

Divestments under the restructure are as follows:

The Group's Leisure Travel and Aviation Sector was restructured resulting in the Company having to dispose 100% of its stake in Forbes Air Services (Private) Limited, Hemas Air Services (Private) Limited, Hemas Aviation (Private) Limited, Hemas Travels (Private) Limited and Discover the World Marketing (Private) Limited to Hemtours (Private) Limited for a consideration of Rs. 1,490,120,485.84 (the value of the Related Party Transaction entered in to as a % of Total Assets is 3.5%). The sales consideration was met by the transfer of 7.5Mn shares held by Hemtours (Private) Limited in Hemas Developments (Private) Limited to the Company as indicated in item 11 above and the issue of 4,796,342 shares of Hemtours (Private) Limited which was subsequently disposed to Leisure Asia Investments Limited. The Company also disposed its 100% stake in Peace Haven Resorts Limited, Mowbray Hotels Limited and Hemtours (Private) Limited to Leisure Asia Investments Limited.

16. Registrars

M/s SSP Corporate Services (Private) Limited of No. 101, Inner Flower Road, Colombo 03 functioned as the Registrars for the Company during the Financial Year ended 31st March 2017.

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. Stated Capital

The Stated Capital of the Company as at 31st March 2017 was Rs. 5.74 Bn comprising of 572,733,467 ordinary shares (2016 - 572,545,133 Ordinary Shares - Rs. 5.7Bn). Details of the Stated Capital are given in Note 20 to the Financial Statements on page 200 of the Annual Report. The rights and obligations attached to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

18.1 Fund Utilization – Rights Issue

The Company raised Rs 4.1 Bn through a rights issue of ordinary shares in 2015 and the funds are pending utilization against the strategic objectives for which the funds were raised. The following disclosure is made in terms of 7.6 xiii of the Listing Rules of the Colombo Stock Exchange.

The Company has sought shareholder approval to extend the date of utilisation of the Rights Issue funds and to invest the Right Issue un-utilised funds in short term instruments at the Extraordinary General Meeting to be held immediatly after Annual General Meeting.

Objective as per Circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in LKR (A)	Amounts utilised to date LKR (B)	% of utilisation against allocation (B / A)	Clarification if not utilised including where the funds are invested	Expected date of completing utilisation and whether shareholder approval is sought
Proceeds to be utilized to fund strategic investment opportunities in the Healthcare and FMCG Sectors	4.1 Bn	2015/ 16	4.1 Bn	-	-	The Right Issue funds have not yet been utilized due to the fact that although we have evaluated many investment opportunities, none of these have been concluded. We are retaining the Rights funds in investment grade short term instrument pending their deployment in accordance with the objective.	Expected date of utilisation is 31st March 2019

19. Share Information

Details of share related information are given on page 238 to 240 of the Annual Report and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on pages 6 and 7 of the Annual Report.

The Twenty Major Shareholders of the Company as at 31st March 2017 are indicated on page 239 of the Annual Report.

19.1 Issue of Shares - ESOS

During the year under review, the Company made several allotments of shares under the Employees Share Option Scheme (established in 2015), the details of which are disclosed under shareholder information found on page 241 of the Annual Report.

19.2 Listed Debentures

The Company did not issue any debentures during the year under review.

The Debentures of the Company consist of Ten Million (rated AA- (lka) by Fitch Rating Lanka Limited) unsecured redeemable 5 year debentures carrying a coupon rate of 11% p.a. payable semi-annually, at the face value of Rs. 100 each to raise Rupees One Billion to be matured on 29th April 2019.

19.3 Public Holding of Shares in the Company

The number of ordinary shares held by the public as at 31st March 2017 was 203,021,852 (2016 - 202,833,518) which amounted to 35.44% (2016 – 35.43%) of the Issued Capital of the Company.

20. Share-based Plans

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

21. Employee Share Option Scheme

The Company has established an Employee Share Option Scheme (ESOPS) where shares are issued 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 and purchase any shares under this scheme.

22. Employment Policies

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

23. Employee Involvement

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

24. 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 33 in the Notes to the Financial Statements.

25. Corporate Donations

During the year, the Group made donations to charity amounting to Rs. 9.0 Mn (2016 - Rs. 5.8Mn). 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.

26. 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 ON THE AFFAIRS OF THE COMPANY AND THE GROUP

27. Environmental Protection

27.1 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 that the Company has complied with the relevant environmental regulations.

27.2 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 56 to 113 of the Annual Report.

28. 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 those disclosed in Note 30 in Notes to the Financial Statements on page 217 of the Annual Report.

29. 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.

30. Risk Management and System of Internal Controls

30.1 Risk Management

Specific steps that have been taken by the Company in Risk Management are detailed on pages 114 to 119 of the Annual Report.

30.2 System of Internal Controls

The Board of Directors have 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 the 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 124 and 125 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.

30.3 Audit Committee

The composition of the Audit Committee and their Report is given on page 124 of the Annual Report.

31. 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 55 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

32. 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.

33. 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.

34. 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 External Auditors and authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

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

The Auditors, Messrs. Ernst & Young were paid Rs. 13.6Mn (Rs. 12.0Mn in 2016) 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.

36. Relevant Audit Information

As at 16 May 2017, 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.

37 Annual General Meeting

The 14th Annual General Meeting of the Company will be held at the Level 6 Forum of The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Friday the 30 June, 2017 at 3.30 p.m. Shareholders who are unable to attend in person may submit questions before hand via email to info@hemas.com

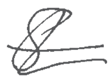
38 Acknowledgement of the Contents of the Report

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,

HEMAS HOLDINGS PLC

H. N. Esufally
Chairman



S. M. Enderby
Executive Director/Chief Executive Officer

Hemas Corporate Services (Private) Limited
Secretaries

16 May 2017

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Related Party disclosures as required by the Sri Lanka Accounting Standards LKAS 24 on Related Party Disclosures is detailed in Note 35 to the financial statements. 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 2017 Rs.000	Value 2016 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	421,235	-
	Mr. Steven Enderby	Services Rendered	114,922	106,095
	Mr. Malinga Arsakularatne (Resigned w.e.f 31 March 2016)	IT Charges	74,618	56,460
	Mr. Pradipta Mohapatra (Ceased to be a Director w.e.f 13 March 2017)	Interest Expense	(5,632)	(165)
		Centralised Services	20,160	1,093
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	293,457	260,560
	Mr. Steven Enderby	IT Charges	28,086	22,494
	Mr. Malinga Arsakularatne (Resigned w.e.f 31 March 2016)	Interest Income	5,387	20,326
		Dividend Income	115,389	50,151
		Centralised Services	7,060	1,555
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	269	269
	Mr. Steven Enderby	IT Charges	15,538	11,954
	Mr. Malinga Arsakularatne (Resigned w.e.f 31 March 2016)	Interest Income	5,602	368
		Centralised Services	4,623	41
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	IT Charges	3,157	2,043
	Mr. Steven Enderby	Centralised Services	628	-
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	Centralised Services	1,538	-
	Mr. Steven Enderby	IT Charges	9,278	6,583
Hemtours (Pvt) Ltd.	Mr. A. Esufally	Interest Income	1,663	3,252
	Mr. Steven Enderby	Dividend Income	38,399	-
	Mr. Malinga Arsakularatne	Interest Expense	-	(213)
Diethem Travel Lanka (Pvt) Ltd.	Mr. A. Esufally	IT Charges	21,678	14,454
	Mr. Malinga Arsakularatne	Services Rendered	269	269
		Transport and Accommodation Charges	(6,183)	(2,282)
		Centralised Services	2,487	57

Company	Directors	Nature of Transaction	Value 2017 Rs.000	Value 2016 Rs.000
Serendib Hotels PLC	Mr. A. Esufally	Corporate Guarantee Charges	2,304	2,304
	Mr. Steven Enderby	Centralised Services	510	-
	Mr. Malinga Arsakularatne	IT Charges	2,322	1,529
		Dividend Income	29,211	30,052
		Interest Income	488	3,091
Serendib Leisure Management Ltd	Mr. A. Esufally	IT Charges	7,912	7,108
	Mr. Malinga Arsakularatne	Interest Expense	-	(536)
	(Appointed w.e.f. 01 April 2016)	Centralised Services	3,702	67
Dolphin Hotels PLC	Mr. A. Esufally	Dividend Income	339	78
	Mr. Malinga Arsakularatne	Interest Expense	-	(9)
	(Appointed w.e.f. 03 November 2016)	IT Charges	2,575	1,677
		Centralised Services	850	-
		Interest Income	-	2,611
Hotel Sigiriya PLC	Mr. A. Esufally	Interest Expense	-	(289)
	Mr. Malinga Arsakularatne	IT Charges	1,461	722
	(Appointed w.e.f. 03 November 2016)	Centralised Services	430	-
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	67,021	62,854
	Mr. A. Esufally	IT Charges	2,071	1,614
	Mr. I. Esufally	Dividend Income	9,003	27,000
	Mr. M. Esufally	Interest Expense	-	(527)
	Mr. Steven Enderby	Interest Income	12	2,718
	Mr. Malinga Arsakularatne	Centralised Services	1,981	3,089
	(Appointed w.e.f. 01 April 2016)			
Hemas Air Services (Pvt) Ltd.	Mr. I. Esufally	Services Rendered	32,675	28,130
	Mr. Steven Enderby	Interest Expense	(7,173)	(5,299)
	Mr. Malinga Arsakularatne	IT Charges	2,817	2,308
		Dividend Income	4,500	27,000
		Centralised Services	3,141	1,532
Hemas Travels (Pvt) Ltd.	Mr. I. Esufally	Air Line Ticket Sales	(38,642)	(17,648)
	Mr. Steven Enderby	IT Charges	11,264	10,847
	Mr. Malinga Arsakularatne	Dividend Income	33,320	20,250
		Centralised Services	2,196	397
Far Shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Interest Income	375	84
Far Shipping Agency Lanka (Pvt) Ltd	Mr. I. Esufally	IT Charges	3,305	2,186
		Centralised Services	277	-

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2017 Rs.000	Value 2016 Rs.000
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	1,239	772
	Mr. Malinga Arsakularatne	Centralised Services	1,404	-
Hemas Transportation (Pvt) Ltd	Mr. I. Esufally	Dividend Income	22,906	5,000
	Mr. Steven Enderby	Centralised Services	273	-
	Mr. Malinga Arsakularatne	Interest Expense	(817)	(1,304)
		IT Charges	46	-
		Interest Income	10,315	252
Hemas Logistics (Pvt) Ltd	Mr. I. Esufally	Rental Income	29,051	25,127
		Centralised Services	158	-
		IT Charges	5,427	4,246
		Interest Income	2,876	1,927
		Interest Expense	-	(72)
Peace Haven Resorts Ltd.	Mr. A. Esufally	Interest Income	53,343	41,763
	Mr. Malinga Arsakularatne			
	(Appointed w.e.f. 26 August 2016)			
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	269	269
	Mr. Malinga Arsakularatne (Resigned w.e.f 01 April 2016)	Interest Expense	(2,782)	(6,326)
		IT Charges	107	69
		Dividend Income	22,505	119,192
		Centralised Services	143	135
		Rental Expense and Service Charges	(34,548)	(33,615)
		Car parking expenses	(2,418)	(2,204)
		Interest Income	-	7
Vishwa BPO (Pvt) Ltd.	Mr. Steven Enderby	Services Rendered	404	404
	Mr. Malinga Arsakularatne (Resigned w.e.f 31 March 2016)	Shared Services Expenses	(8,772)	(11,138)
		IT Charges	5,683	4,161
		Interest Expense	(842)	(1,123)
		Dividend Income	17,415	9,360
		Centralised Services	419	66

Company	Directors	Nature of Transaction	Value 2017 Rs.000	Value 2016 Rs.000
Hemas Corporate Services (Pvt) Ltd.	Mr. Steven Enderby	Centralised Coporate Services	(19,003)	(18,373)
	Mr. Malinga Arsakularatne	Dividend Income	3,623	-
	(Resigned w.e.f 31 March 2016)	Centralised Services	35	-
		IT Charges	1,792	1,910
N-able (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	135	135
		IT Charges	1,481	1,273
		Interest Income	6,738	9,526
		Centralised Services	3,877	690
		IT equipment and services	(89,050)	(69,066)
J.L Morison Son & Jones (Ceylon) PLC	Mr. H. Esufally	Corporate Guarantee Charges	(493)	638
	Mr. Steven Enderby	IT Charges	7,518	5,626
		Interest Expense	(204)	(4,700)
		Dividend Income	2,495	
		Centralised Services	9,531	676
Hemas Surgicals & Diagnostics (Pvt) Ltd	Mr. Malinga Arsakularatne (Resigned w.e.f 01 April 2016)	Services Rendered	30,049	26,468
		Dividend Income	8,100	855
		Centralised Services	612	-
		Interest Income	6,135	14
Mowbray Hotels Ltd.	Mr. A. Esufally	Interest Income	539	407
	Mr. Malinga Arsakularatne			
Leisure Asia Investments Ltd.	Mr. H. Esufally	Interest Income	53	50
	Mr. A. Esufally	Dividend Income	52,554	-
	Mr. I. Esufally			
P H Resorts (Pvt) Ltd	Mr. A. Esufally	Interest Income	-	12,036
	Mr. Steven Enderby	Corporate Guarantee Charges	9,025	-
	Mr. Malinga Arsakularatne	IT Charges	4,665	2,919
	(Appointed w.e.f 28 October 2016)			
Hemas Maritime (Pvt) Ltd	Mr. I. Esufally	IT Charges	3,908	408
		Interest Income	2,598	-
		Dividend Income	7	-
Jada Resorts & Spa (Pvt) Ltd	Mr. A. Esufally	IT Charges	-	1,317
Mazu Shipping (Pvt) Ltd	Mr. I. Esufally	IT Charges	678	248
		Centralised Services	30	-
		Interest Income	714	1,022
M S J Industries (Ceylon) (Pvt) Ltd	Mr. Steven Enderby	Interest Expense	-	(37)

ENGAGE.

EMPOWER.

FINANCIAL STATEMENTS

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, Human Resources and the Remuneration Committee and Related Party Transactions Review 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 145 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

16 May 2017

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Chartered Accountants
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Sri Lanka

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Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

We have audited the accompanying Financial Statements of Hemas Holdings PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the Statements of Financial Position as at 31 March 2017, and the Statement of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 152 to 235 of the Annual Report.

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.

SCOPE OF AUDIT AND BASIS OF OPINION

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we 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 auditors' 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 2017, 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.07 of 2007, we state the following:

a) The basis of audit opinion, 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 except for the matters described in basis for opinion and, as far as appears from our examination, proper accounting records have been kept by the Company, and

- The Financial Statements of the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

16 May 2017
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Revenue	3	43,404,452	37,976,564	876,004	682,418
Cost of Sales		(26,662,611)	(23,848,411)	-	-
Gross Profit		16,741,841	14,128,153	876,004	682,418
Other Operating Income	4	432,012	356,174	6,065,647	323,643
Selling and Distribution Expenses		(4,748,921)	(3,924,761)	-	-
Administrative Expenses		(7,517,328)	(6,511,311)	(946,517)	(736,528)
Share of Results of Joint Ventures	15	(116,606)	(79,829)	-	-
Share of Results of Associates	16	(7,197)	(24,497)	-	-
Operating Profit		4,783,801	3,943,929	5,995,134	269,533
Finance Cost	5	(519,252)	(512,027)	(242,393)	(221,589)
Finance Income	5	822,345	642,467	620,483	495,696
Profit Before Tax	6	5,086,894	4,074,369	6,373,224	543,640
Income Tax Expenses	7	(1,333,044)	(1,148,399)	(46,285)	(139,801)
Profit for the Year		3,753,850	2,925,970	6,326,939	403,839
Attributable to:					
Equity Holders of the Parent		3,491,478	2,653,208	6,326,939	403,839
Non-Controlling Interests		262,372	272,762	-	-
		3,753,850	2,925,970	6,326,939	403,839

		Rs.	Rs.
Earnings Per Share	8	6.10	4.71
Diluted Earnings Per Share	8	6.09	4.71
Dividend Per Share	9	1.40	1.10

The Accounting Policies and Notes on Pages 152 to 235 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Profit for the Year		3,753,850	2,925,970	6,326,939	403,839
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in Subsequent Periods					
Net (Loss)/Gain on Available-for-Sale Financial Assets		131,869	(6,109)	134,406	(5,754)
Net Movement on Cash Flow Hedges		5,141	(56,759)	-	-
Exchange Differences on Translation of Foreign Operations		22,460	27,386	-	-
Share of Other Comprehensive Income of Joint Ventures/ Associates	16	269	-	-	-
Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent Periods					
Actuarial (Loss)/Gain on Defined Benefit Plans	25	(24,750)	30,620	(354)	2,629
Income Tax Effect		4,744	(6,040)	99	(736)
Revaluation of Land and Buildings		-	1,078,827	-	-
Income Tax Effect		(15,622)	(78,914)	-	-
Share of Other Comprehensive Loss of Joint Ventures/ Associates	15	(565)	-	-	-
Other Comprehensive Income/(Loss) for the year, net of Tax		123,546	989,011	134,151	(3,861)
Total Comprehensive Income for the year, net of Tax		3,877,396	3,914,981	6,461,090	399,978

	Group 2017 Rs.'000	Group 2016 Rs.'000
Attributable to:		
Equity Holders of the Parent	3,622,756	3,437,078
Non-Controlling Interests	254,640	477,903
	3,877,396	3,914,981

The Accounting Policies and Notes on Pages 152 to 235 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non Current Assets					
Property, Plant and Equipment	10	13,525,589	12,764,329	112,079	127,324
Investment Properties	11	1,472,928	1,735,779	569,141	700,480
Leasehold Rights/Prepaid Lease Rentals	12	828,405	115,751	-	-
Intangible Assets	13	954,060	852,339	102,109	97,590
Investment in Subsidiaries	14	-	-	11,546,321	4,550,098
Investment in Joint Ventures	15	1,102,479	1,323,506	-	-
Investment in Associates	16	1,636	359,064	-	-
Other Non Current Financial Assets	17	907,207	420,392	972,694	363,048
Deferred Tax Asset	24	57,400	47,829	-	-
		18,849,704	17,618,989	13,302,344	5,838,540
Current Assets					
Inventories	18	6,288,357	5,232,312	-	-
Trade and Other Receivables	19	9,904,009	7,462,326	571,048	490,752
Tax Recoverable		181,104	39,724	24,862	9,071
Other Current Financial Assets	17	103,377	84,861	110,611	1,036,966
Cash and Short Term Deposits	27	11,992,000	11,888,963	4,794,005	5,949,460
		28,468,847	24,708,186	5,500,526	7,486,249
TOTAL ASSETS		47,318,551	42,327,175	18,802,870	13,324,789
Equity					
Stated Capital	20	5,741,038	5,722,837	5,741,038	5,722,837
Other Capital and Revenue Reserves	21	104,938	58,542	326,289	279,893
Other Components of Equity		2,158,057	2,022,644	134,672	266
Retained Earnings		16,907,218	14,187,670	10,334,008	4,808,943
Equity Attributable to Equity Holders of the Parent		24,911,251	21,991,693	16,536,007	10,811,939
Non-Controlling Interests		3,217,800	2,661,619	-	-
Total Equity		28,129,051	24,653,312	16,536,007	10,811,939
Non Current Liabilities					
Interest Bearing Loans and Borrowings	22	2,044,817	3,241,655	1,180,804	1,447,947
Other Non Current Financial Liabilities	23	10,178	4,247	-	-
Deferred Tax Liability	24	490,437	424,484	57,139	63,066
Employee Benefit Liability	25	650,125	566,044	54,591	26,732
		3,195,557	4,236,430	1,292,534	1,537,745
Current Liabilities					
Trade and Other Payables	26	12,179,714	10,542,074	236,252	432,577
Income Tax Payable		486,263	523,074	19,347	92,560
Interest Bearing Loans and Borrowings	22	1,954,903	1,370,454	718,730	348,647
Bank Overdraft	27	1,373,063	1,001,831	-	101,321
		15,993,943	13,437,433	974,329	975,105
TOTAL EQUITY & LIABILITIES		47,318,551	42,327,175	18,802,870	13,324,789

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 152 to 235 form an integral part of these financial statements.

16 May 2017
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				Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April 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/(Loss)	-	-	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
Transaction Cost on Issue of Shares	-	-	-	-	-	-	(66,749)	(66,749)	-	(66,749)
Share Based Payments	-	22,861	-	-	-	-	-	22,861	-	22,861
Dividends Paid	-	-	-	-	-	-	(629,800)	(629,800)	(100,969)	(730,769)
Adjustment in Respect of Changes in Group Holding	-	-	-	-	-	-	3,324	3,324	19,585	22,909
Write Back of Unclaimed Dividends	-	-	-	-	-	-	1,180	1,180	1,477	2,657
Reinstatement of Fully Depreciated Assets	-	-	-	-	-	-	47,482	47,482	-	47,482
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
Profit for the Year	-	-	-	-	-	-	3,491,478	3,491,478	262,372	3,753,850
Other Comprehensive Income/(Loss)	-	-	(11,134)	24,593	132,423	3,202	(17,806)	131,278	(7,732)	123,546
Total Comprehensive Income	-	-	(11,134)	24,593	132,423	3,202	3,473,672	3,622,756	254,640	3,877,396
Transfers	-	-	(13,671)	-	-	-	13,671	-	-	-
Exercise of Share Options	18,201	-	-	-	-	-	-	18,201	-	18,201
Share Based Payments	-	46,396	-	-	-	-	-	46,396	-	46,396
Dividends Paid	-	-	-	-	-	-	(801,619)	(801,619)	(192,459)	(994,078)
Adjustment in Respect of Changes in Group Holding	-	-	-	-	-	-	33,824	33,824	494,000	527,824
As at 31 March 2017	5,741,038	104,938	1,961,868	49,407	133,184	13,598	16,907,218	24,911,251	3,217,800	28,129,051

The Accounting Policies and Notes on Pages 152 to 235 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 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
Profit for the Year	-	-	-	6,326,939	6,326,939
Other Comprehensive Income	-	-	134,406	(255)	134,151
Total Comprehensive Income	-	-	134,406	6,326,684	6,461,090
Exercise of Share Options	18,201	-	-	-	18,201
Share Based Payments	-	46,396	-	-	46,396
Final Dividend Paid	-	-	-	(572,545)	(572,545)
Interim Dividend Paid	-	-	-	(229,074)	(229,074)
As at 31 March 2017	5,741,038	326,289	134,672	10,334,008	16,536,007

The Accounting Policies and Notes on Pages 152 to 235 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Profit Before Taxation		5,086,894	4,074,369	6,373,224	543,640
Adjustments for;					
Depreciation	10	988,068	891,512	42,868	45,031
(Profit)/Loss on Disposal of Property, Plant and Equipment/Investment Properties Intangible Assets/Leasehold Properties		(113,168)	(14,501)	(82,673)	(2,015)
Impairment of Property, Plant and Equipment/ Intangible Assets		-	4,015	-	-
Gain on Fair Value Adjustment of Investment Properties	11	(35,051)	(37,227)	(40,863)	(24,730)
Amortisation of Intangible Assets	13	68,700	45,045	22,723	16,573
Amortisation of Leasehold Rights	12	6,117	12,886	-	-
Provision for Obsolete Stocks	18	19,435	39,181	-	-
Impairment/(Reversal) of Trade and Other Receivables	19	58,965	51,309	5,638	-
Impairment of Investment in Subsidiaries/Joint Ventures/ Other Financial Assets		-	53,603	(4)	53,603
(Gain)/Loss on Sale of Non Current Investments	4	(3,899)	2,139	(5,157,913)	-
Exchange (Gain)/Loss on Foreign Currency Borrowings	22	(27,894)	8,254	-	-
Provision for Share Based Payment Expense	20	49,154	22,861	18,068	5,258
Finance Cost	5	519,252	512,027	242,393	221,589
Finance Income	5	(822,345)	(642,467)	(620,483)	(495,696)
Investment Income	4	-	-	(781,016)	(288,956)
Share of Results of Associates	16	7,197	24,497	-	-
Share of Results of Joint Ventures	15	116,606	79,829	-	-
Movement in Employee Benefit Liability	25	137,484	127,030	6,707	6,939
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(1,075,480)	(1,135,909)	-	-
(Increase)/Decrease in Trade and Other Receivables		(2,328,212)	(238,303)	(33,197)	752,177
Increase/(Decrease) in Trade and Other Payables		1,537,868	1,483,528	(260,536)	45,132
Increase/(Decrease) in Other Non Current Financial Liabilities		4,431	(25,636)	-	(9,760)
Finance Cost Paid		(518,804)	(382,415)	(240,314)	(221,263)
Finance Income Received		817,023	624,094	565,649	495,418
Income Tax Paid		(1,405,586)	(659,918)	(76,907)	(29,930)
Super Gain Tax		-	(604,893)	-	(31,615)
Employee Retirement Benefit Paid	25	(81,381)	(63,965)	(857)	(942)
Net Cash flows from/(used in) Operating Activities		3,005,374	4,250,945	(17,493)	1,080,453
Investing Activities					
Purchase of Property, Plant and Equipment	10	(1,827,820)	(1,100,899)	(35,317)	(48,633)
Investment in Investment Property	11	-	(18,538)	-	-
Investment in Intangible Assets	13	(172,509)	(134,693)	(27,242)	(86,864)
Acquisition of/Investment in Subsidiaries	28	(14,598)	45,493	(2,364,075)	(17,562)
Investment in Joint Ventures / Associates		(8,564)	(250,512)	-	-
Disposal of/(Investment in) Financial Assets		7,743	301,836	337,264	302,965
Dividend received from Joint Ventures		25,200	80,700		-
Investment in Lease Hold Rights	12	(718,771)	(19,092)	-	-
Proceeds from Disposal of Investments		-	-	694,458	-
Proceeds from Disposal of Property, Plant and Equipment/Investment Properties Intangible Assets/ Leasehold Properties		500,311	143,637	262,569	25,233
Investment Income Received		-	-	781,016	288,956
Net Cash flows from/(used in) Investing Activities		(2,209,008)	(952,068)	(351,327)	464,095
Financing Activities					
Interest Bearing Loans and Borrowings (Net)		(584,491)	(634,355)	100,862	(383,582)
Proceed from Exercise of ESOS		15,443	-	15,443	-
Proceeds from Rights Issue		-	4,122,234	-	4,122,234
Transaction Cost of Rights Issue		-	(66,749)	-	(65,561)
Proceeds from/(to) Non-Controlling Interests		475,836	3,222	-	-
Dividends Paid to Equity Holders of the Parent		(801,619)	(629,800)	(801,619)	(629,800)
Dividends Paid to Non-Controlling Interest		(192,459)	(100,969)	-	-
Net Cash flows from/(used in) Financing Activities		(1,087,290)	2,693,583	(685,314)	3,043,291
Net Increase/(Decrease) in Cash and Cash Equivalents		(290,924)	5,992,460	(1,054,134)	4,587,839
Net Foreign Exchange Difference		22,729	28,987	-	-
Cash and Cash Equivalents at the Beginning of the Year	27	10,887,132	4,865,685	5,848,139	1,260,300
Cash and Cash Equivalents at the End of the Year	27	10,618,937	10,887,132	4,794,005	5,848,139

The Accounting Policies and Notes on Pages 152 to 235 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 2017 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 37 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 2017 were authorised for issue, in accordance with a resolution of the Board of Directors on 16 May 2017.

2. GENERAL POLICIES

2.1 Basis of Preparation

The Consolidated Financial Statements of the Group have been prepared on an accrual basis and under the historical cost convention unless otherwise stated. The Consolidated 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 in compliance with 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 in the foreseeable future.

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 2017. 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.

Welanka Holidays (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.

Hemas Logistics (Pvt) Ltd., with an equity control equal to 50% 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)
N-Able Global Pte Limited	Singapore	US Dollar (USD)
LTU Asia (Pvt) Ltd	Thailand	Thai Baht (THB)
Hemas Consumer Products (Pvt) Ltd.	Pakistan	Pakistani Rupee (PKR)

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. 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.

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 Other Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS

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 after 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 recognise 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 Associate has been incorporated outside Sri Lanka.

Name	Country of Incorporation	Reporting Currency
Aviation Services (Pvt) Ltd	Maldives	US Dollar (USD)

(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.

Common Control Transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

No entries are recognised in Profit and Loss on the Consolidated Financial Statements arising from common control transactions.

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 Consolidated Financial Statements of the previous years have been amended for better presentation and to be comparable with those of the current year.

2.1.6 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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.

(f) Rental income

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

NOTES TO THE FINANCIAL STATEMENTS

(g) Others

Other income is recognised 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 Consolidated 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 recognised as an expense in the Consolidated Statement of Profit or Loss.

(d) Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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 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 building 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Rights/Prepaid Lease Rentals

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 12 to the Financial Statements.

2.2.6 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. 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 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.

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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 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.

Derecognition

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

(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 could be required to repay.

ii) Impairment of Financial Assets

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

Evidence of impairment may include indications that the Debtors or a Group of Debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation 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

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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.

Derecognition

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

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

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 29.

2.2.11 Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the 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 rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.2.12 Cash and Short Term Deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits and money market investments with a maturity of three months or less.

For the purpose of the 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.

NOTES TO THE FINANCIAL STATEMENTS

All assets and liabilities for which fair value is measured or disclosed in the Consolidated 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 Consolidated 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 29.

2.2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed. 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 Consolidated 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 Consolidated 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

NOTES TO THE FINANCIAL STATEMENTS

next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Consolidated 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 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 10 and 11.

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 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 20.3.

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 Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) which have not been effective and that will be effective from in the future. Further, these standards were not yet applied by the Group in preparation of these Consolidated Financial Statements.

SLFRS 9 Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and 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 derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The LKAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. SLFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the Statements of Profit or Loss.

The accounting for financial liabilities will largely be the same as the requirements of LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the Statements of Profit or Loss, unless an accounting mismatch in profit or loss would arise.

A preliminary evaluation of the existing contracts of the company has been performed in relation to the adoption of SLFRS 09. The Group is currently in the process of evaluating and quantifying the accounting impact, and any impacts on the current systems and processors will be modified where necessary.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 is effective for periods beginning on 1 January 2018 with early adoption permitted. SLFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of SLFRS 15 and will be regulated by the other applicable standards (e.g., SLFRS 9, and SLFRS 16 Leases).

Revenue under SLFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The entity does not anticipate early adopting SLFRS 15.

A preliminary evaluation of the existing contracts of the company has been performed in relation to the adoption of SLFRS 15. The company is currently in the process of evaluating and quantifying the accounting impact, and any impacts on the current systems and processors will be modified where necessary. The Contracts have been evaluated in line with the 5 step model for recognising revenue as follows;

Step 1 – Identify the contracts with the customer

SLFRS 15 applies to all entities and all contracts with customers to provide goods and services in the ordinary course of business.

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A customer is defined as a Party who has contracted with the entity to obtain goods and services that are an output of the entity's ordinary activities in exchange for consideration. In transactions involving multiple parties determining the customer may be critical within the Group.

Step 2 – Identify the Performance obligations with the Customer

An entity must identify the promised goods and services within the contract and determine which of those goods and services are separate performance obligations.

In order for an entity to identify the promised goods and services in a contract, SLFRS 15 indicates that an entity would consider whether there is a valid expectation on the part of the customer that the entity will provide a good or service. If the customer has a valid expectation that it will receive certain goods or services, it would likely view those promises as part of the negotiated exchange. This expectation will most commonly be created from an entity's explicit promises in a contract to transfer a good(s) or service(s) to the customer.

Step 3 – Determine the Transaction Price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

Determining the transaction price is an important step in applying SLFRS 15 because this amount is allocated to the identified performance obligations and is recognised as revenue when (or as) those performance obligations are satisfied. In many cases, the transaction price is readily determinable because the entity receives payment when it transfers promised goods or services and the price is fixed. Determining the transaction price is more challenging when it is variable, when payment is received at a time that differs from when the entity provides the promised goods or services or when payment is in a form other than cash. Consideration paid or payable by the entity to the customer may also affect the determination of the transaction price.

Step 4 – Allocate the Transaction Price

The objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5 – Recognise revenue when a performance obligation is satisfied

An entity only recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control.

Recognising revenue upon a transfer of control is a different approach from the 'risks and rewards' model that currently exists. SLFRS 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset". Control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good or service. The key terms in the definition of control in the Basis for Conclusions, are as follows:

- Ability — a customer must have the present right to direct the use of, and obtain substantially all of the remaining benefits from, an asset for an entity to recognise revenue.
- Direct the use of — a customer's ability to direct the use of an asset refers to the customer's right to deploy or to allow another entity to deploy that asset in its activities or to restrict another entity from deploying that asset.
- Obtain the benefits from — the customer must have the ability to obtain substantially all of the remaining benefits from an asset for the customer to obtain control of it. Conceptually, the benefits from a good or service are potential cash flows (either an increase in cash inflows or a decrease in cash outflows). SLFRS 15 indicates that a customer can obtain the benefits directly or indirectly in many ways, such as: using the asset to produce goods or services (including public services); using the asset to enhance the value of other assets; using the asset to settle a liability or reduce an expense; selling or exchanging the asset; pledging the asset to secure a loan; or holding the asset.

The above evaluation of transfer of control requires significant judgement in certain transactions.

(a) Performance obligations satisfied over time

SLFRS 15 states that an entity transfers control of a good or service over time if one of the following criteria are met:

- As the entity performs, the customer simultaneously receives and consumes the benefits provided by the entity's performance.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced.
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

(b) Performance obligations satisfied at a point in time

For performance obligations in which control is not transferred over time, control is transferred as at a point in time. In many situations, the determination of when that point in time occurs is relatively straightforward. However, in other circumstances, this determination is more complex.

SLFRS 16 Leases

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, SLFRS 15, is applied on the same date. Lessees must adopt SLFRS 16 using either a full retrospective or a modified retrospective approach. The entity does not anticipate early adopting SLFRS 16. The Lessor accounting will continue however the standard requires lessees to recognise leases on their Statement of Financial Position as lease liabilities, with the corresponding right of use assets.

A preliminary evaluation of the existing contracts of the company has been performed in relation to the adoption of SLFRS 16. The Group's current assessment has not revealed a significant change to the Leases standard. The Group's currently in the process of evaluating and quantifying the accounting impact, and any impacts on the current systems and processors will be modified where necessary.

Amendments to LKAS 7 Statement of Cash Flows

The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

Amendments to LKAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sale of Goods	31,931,951	27,818,634	-	-
Rendering of Services	11,472,501	10,157,930	876,004	682,418
	43,404,452	37,976,564	876,004	682,418

Segmental information is given in Note 36 to these financial statements.

4 OTHER OPERATING INCOME

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gain/(Loss) on Disposal of Non Current Investments**	3,899	(2,139)	5,157,913	-
Gain on Disposal of Property Plant & Equipment/Intangibles/ Leasehold Properties/ Investment Properties	113,168	14,501	82,673	2,015
Change in Fair Value of Investment Properties	35,051	37,227	40,863	24,730
Rental Income	5,359	1,104	3,087	7,697
Commission Income	43,873	44,804	-	-
Foreign Exchange Gain	149,826	176,624	-	-
Dividend Income from Investments in Related Parties	-	-	781,001	288,939
Dividend Income on Available for Sale Investments	209	59	15	17
Sundry Income	80,627	83,994	95	245
	432,012	356,174	6,065,647	323,643

** The gain reported under the Company amounting to Rs.5.16Bn is as a result of the disposal of shares in subsidiaries as a part of the restructure of Leisure, Travel and Aviation sector of the Group as described in Note 14 and 35 to these financial statements.

5 FINANCE COST AND INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5.1 Finance Cost				
Interest Expense on Overdrafts	43,507	14,583	6,353	1,843
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	17,449	20,603
- Others	471,682	473,642	218,591	198,817
Foreign Exchange (Gain)/Loss-Foreign Currency Borrowings	632	-	-	-
Finance Charges on Lease Liabilities	2,983	6,245	-	-
Total Interest Expense	518,804	494,470	242,393	221,263
Fair Value Differences on Financial Assets Measured at Amotised Cost	448	17,557	-	326
Total Finance Cost	519,252	512,027	242,393	221,589
5.2 Finance Income				
Interest Income on Loans and Receivables				
- Related Parties	-	-	144,049	100,777
- Others	817,023	624,094	476,164	394,641
Total Interest Income	817,023	624,094	620,213	495,418
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	5,322	18,373	270	278
Total Finance Income	822,345	642,467	620,483	495,696

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6 PROFIT BEFORE TAX

Stated After Charging/(Crediting)

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in Cost of Sales				
Depreciation	291,254	260,176	-	-
Provision for Obsolete Stocks	19,435	50,246	-	-
Included in Administrative Expenses				
Employees Benefits including the following;				
- Defined Benefit Plan Cost - Gratuity	137,484	127,030	6,707	6,939
- Defined Contribution Plan Cost - MSPS/EPF/ETF	278,766	240,638	24,737	16,354
Depreciation	696,814	631,336	42,868	45,031
Amortisation of Intangible Assets	68,700	45,045	22,723	16,573
Impairment of Property, Plant and Equipment/ Intangible Assets	-	4,015	-	-
Auditors' Fees and Expenses	14,766	12,711	1,590	1,486
Legal Fees	9,340	3,682	5,975	649
Donations	8,989	5,819	3,418	757
Write-off of Financial Assets	-	53,603	-	53,603
Impairment of Trade Receivables	56,802	46,748	3,475	-
Included in Selling & Distribution Cost				
Transport Cost	178,352	155,234	-	-
Advertising Cost	1,152,680	974,180	-	-

7 INCOME TAX EXPENSES

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Income Tax				
Current Income Tax Charge (Note 7.1)	1,132,719	910,730	52,113	54,838
Adjustment in respect of current income tax of prior years	22,956	85,439	-	75,635
Tax on Dividends	131,475	60,941	-	-
Deferred Income Tax Expense/(Income)				
Origination and Reversal of Temporary Differences (Note 24)	45,894	91,289	(5,828)	9,328
	1,333,044	1,148,399	46,285	139,801

7.1 Reconciliation Between Income Tax Expenses and Accounting Profit

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Accounting Profit Before Tax	5,086,894	4,074,369	6,373,224	543,640
Intra Group Adjustment/Share of Profits of Joint Ventures and Associates	1,931,434	768,447	-	-
Income not subject to Income Tax	(1,336,573)	(832,835)	(6,262,816)	(481,637)
Exempt Profit	(2,856)	(79)	-	-
Aggregate Disallowed Expenses	1,849,023	1,801,463	215,979	196,084
Aggregate Allowable Expenses	(2,784,068)	(1,986,628)	(140,268)	(62,236)
Aggregate Disallowable Income	167,531	282,975	-	-
Adjustment for Tax Losses	68,933	221,001	-	-
Taxable Profit	4,980,318	4,328,713	186,119	195,851
Income Tax at 28%	558,811	462,103	52,113	54,838
Income Tax at 20%	242,122	222,536	-	-
Income Tax at 15%	846	90,559	-	-
Income Tax at 12%	79,499	62,977	-	-
Income Tax at 2% of Revenue	3,238	3,239	-	-
Income Tax at Other Rates	248,203	69,316	-	-
Current Income Tax Charge	1,132,719	910,730	52,113	54,838

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% (2015/16- 28%) on taxable profit during the year 2016/2017 with the exception of the Companies stated below.

7.2.1. Exemptions / Concessions Granted Under the Board of Investment Law

Company/ Sector	Nature	Exemption or Concession	Period
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	10%	2 years ending 2017/2018
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

Company/ Sector	Nature	Exemption or Concession	Period
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 17A	Exempt	6 years ending 2020/2021
Leisure Sector	Promotion of tourism	12%	Open-ended

7.2.3 As per ''Income Tax Ordinance of 1984'' in Bangladesh, taxable profits of Hemas Consumer Brands (Pvt) Ltd. is charged at 35%.

7.2.4 As per ''Income Tax ordinance 2001(IT-2)'' in Pakistan, taxable profits of Hemas Consumer Products (Pvt) Ltd. is charged at 35%.

7.2.5 As per ''Business Profit Tax Act No 05/2011'' in Maldives, taxable profits of Diethelm Travel The Maldives (Pvt) Ltd and Aviation Services (Pvt) Ltd. are charged at 15%

7.2.6 As per "Income Tax Act of Singapore " tax is charged on the taxable profit of N-able Global (Pvt) Ltd up to SGD 300,000 at 8.5% and thereafter at 17%.

7.2.7 LTU Asia (Pvt) Ltd, tax is calculated from net income for the period after adjustments for the items defined under "Thailand Revenue Code", Corporate income tax Section 65 as taxable and non-taxable income and expenses at the tax rate of 10%.

7.3 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 EARNINGS PER SHARE

8.1 Basic 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 refelect the income and share data used in the Basic Earning Per Share computation,

	Group	
	2017	2016
	Rs.'000	Rs.'000
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,491,478	2,653,208

8.2 Diluted Earnings per Share

Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Diluted Earnings Per Share	3,491,478	2,653,208

	2017	2016
	In'000	In'000
Number of Ordinary Shares Used as Denominator:		
Group		
Number of Shares at the Beginning of the Year	572,545	515,291
Issue of Rights	-	57,254
Execise of Employee Share Option Plan	188	-
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	572,629	563,003
Adjusted Weighted Average number of Ordinary Shares in issue applicable to Diluted Earnings Per Share	573,273	563,003

NOTES TO THE FINANCIAL STATEMENTS

9 DIVIDENDS PER SHARE

9.1 Dividends Paid

	2017 Rs.'000	2016 Rs.'000
Declared and Paid During the Year		
Dividends on Ordinary Shares		
Final Dividends	572,545	400,782
Interim Dividends	229,074	229,018
	801,619	629,800

9.2 Dividends Per Share

	2017	2016
Final Dividend out of 2015/2016 (2016-2014/2015) Profits	1.00	0.70
Interim Dividend out of 2016/2017(2016-2015/2016) Profits	0.40	0.40

The Final Dividends for 2015/2016 has been paid on 12 July 2016 and Interim Dividend for 2016/2017 has been paid on 24 November 2016.

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Group

	Freehold Land	Freehold Buildings	Buildings on Leasehold Land	Plant and Machinery	Furniture, Fittings & Other Equipment	Motor Vehicles	Capital Work-in-progress	Total 2017	Total 2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Valuation									
Balance at the Beginning 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
Additions	307,910	69,360	5,796	375,102	775,871	159,652	134,129	1,827,820	1,100,899
Acquisition of Subsidiary	-	-	-	-	7,837	4,500	-	12,337	3,130
Impairment	-	-	-	-	-	-	-	-	(4,015)
Revaluations	-		-	-	-	-	-	-	508,291
Disposals	-		-	(19,579)	(115,262)	(138,210)	(4,209)	(277,260)	(373,004)
Exchange Translation Differences	536	-	-	405	1,043	120	-	2,104	2,953
Transfers and Adjustments	16,305	-	-	(22,947)	126,638	31,644	(124,660)	26,980	79,825
Balance at the end of the Year	2,908,413	4,971,532	1,804,874	1,885,813	4,561,085	1,343,980	131,932	17,607,629	16,015,648
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	-	-	802,853	1,960,079	488,387	-	3,251,319	3,232,480
Charge for the year	-	149,988	52,424	144,231	464,892	176,533	-	988,068	891,512
Reinstatement of Fully Depreciated Assets	-	-	-	-	-	-	-	-	(59,352)
Acquisition of Subsidiary	-	-	-	-	2,184	1,500	-	3,684	446
Revaluations	-		-	-	-	-	-	-	(570,613)
Disposals	-	-	-	(19,314)	(101,680)	(69,681)	-	(190,675)	(243,868)
Exchange Translation Differences	-	-	-	116	554	59	-	729	4,553
Transfers and Adjustments	-	-	-	(22,185)	25,839	25,261	-	28,915	(3,839)
Balance at the end of the Year	-	149,988	52,424	905,701	2,351,868	622,059	-	4,082,040	3,251,319
Carrying Value									
At the End of the Year	2,908,413	4,821,544	1,752,450	980,112	2,209,217	721,921	131,932	13,525,589	
At the Beginning of the Year	2,583,662	4,902,172	1,799,078	749,979	1,804,879	797,887	126,672	12,764,329	

Reinstatement of fully depreciated assets.

During the financial year 2015/16, 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.

NOTES TO THE FINANCIAL STATEMENTS

10.1.1 Following Companies have stated their properties at revalued amounts. The surplus arising from the revaluation was transferred to Revaluation Reserve.

Name of Company / Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates 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 at Industrial Property at Welisara	1A-0R-33.12P	- Price per perch for land	Rs 750,000 to 850,000	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 850,000	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	7%	945,300	
		- Sensitivity	+0.5%- Rs.1,252Mn		
			-0.5%- Rs.1,396Mn		
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	6%	331,000	
		- Sensitivity	+0.5%- Rs.490Mn		
			-0.5%- Rs.580Mn		

Name of Company / Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates 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	7%	565,600	
		- Sensitivity	+0.5%- Rs.866Mn		
			-0.5%- Rs.967Mn		
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	14,000	
		- Depreciation Rate	40% - 70%		
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	Price Per Guest Room	Rs 10,000 - 15,000	319,202	
	79 Rooms				
J. L. Morison Son & Jones (Ceylon) PLC					
Sunil Fernando & Associate (Pvt) Ltd- Chartered Valuer		Investment Method			31-Mar-2016
Land - Aluthmawatha	2R 6.93 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- Rs.93	172,042	
M.S.J. Industries (Ceylon) (Private) Limited					
Sunil Fernando & Associate (Pvt) Ltd- Chartered Valuer		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 -Rs.45	188,875	

NOTES TO THE FINANCIAL STATEMENTS

10.1.2 Owner Occupied Investment Properties

Details of the Investment Properties used by the Group companies are as follows:

Name of Company / Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation Rs'000	Date of the Valuation
Hemas Holdings PLC					
Perera Sivaskantha & Co Incorporated Valuers					
Freehold Property at Welisara		Market Comparable Method			31-Mar-2016
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 Hendala		Market Comparable Method			31-Mar-2016
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					
Freehold Property at Braybrooke Place		Investment Method			31-Mar-2016
Land	1R-10P	- Gross Monthly Rental	Rs. 180 - Rs.210	425,000	
Building	99,372 sq.ft.	- Gross Monthly Rental	Rs. 180 - Rs.210	1,094,000	
		- Rate of return	6%		
		- Sensitivity	+10% - 1,671 Mn		
			-10% - 1,367 Mn		

10.1.3 Significant Unobservable Inputs

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 Techniques	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 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 foot increases/(decreases)
	Depreciation Rate	Depreciation rate for building increases/(decreases)
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 increases/(decreases)

NOTES TO THE FINANCIAL STATEMENTS

10.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,828 Mn (2016-Rs. 1,101 Mn) by means of cash.

10.1.5 Carrying Value

	Group	
	2017	2016
	Rs.'000	Rs.'000
At Cost	4,382,481	3,444,474
At Valuation	9,131,991	9,284,939
On Finance Lease	11,117	34,916
	13,525,589	12,764,329

10.1.6 Details of the assets pledged as a security for liabilities are given in Note 32 to these financial statements.

10.1.7 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	
			2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold Land	348,553	-	348,553	348,553
Building on Freehold Land	4,019,440	(753,901)	3,265,539	3,343,760
Building on Leasehold Land	793,127	(152,205)	640,922	652,929
	5,161,120	(906,106)	4,255,014	4,345,242

10.1.8 Property, Plant and Equipment includes fully depreciated assets having a cost of Rs.1,188 Mn (2016-Rs.885 Mn).

10.2 Company

	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Computer Hardware Rs.'000	Motor Vehicles Rs.'000	Total 2017 Rs.'000	Total 2016 Rs.'000
Cost or Valuation						
Balance at the Beginning of the Year	62,229	23,596	88,216	147,323	321,364	349,874
Additions	2,714	5,282	3,931	23,390	35,317	48,633
Disposals	-	-	(274)	(16,070)	(16,344)	(77,143)
Balance at the End of the Year	64,943	28,878	91,873	154,643	340,337	321,364
Accumulated Depreciation						
Balance at the Beginning of the Year	25,877	12,829	72,073	83,261	194,040	202,934
Charge for the Year	7,813	2,797	10,622	21,636	42,868	45,031
Disposals	-	-	(274)	(8,376)	(8,650)	(53,925)
Balance at the End of the Year	33,690	15,626	82,421	96,521	228,258	194,040
Carrying Value						
At the End of the Year	31,253	13,252	9,452	58,122	112,079	
At the Beginning of the Year	36,352	10,767	16,143	64,062	127,324	

10.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 35 Mn (2016-Rs. 49 Mn) by means of cash.

10.2.2 Property, Plant and Equipment includes fully depreciated assets having a cost of Rs. 165 Mn (2016-Rs. 80 Mn).

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENT PROPERTIES

11.1 Group

At Valuation	2017 Rs.'000	2016 Rs.'000
At the Beginning of the Year	1,735,779	1,763,665
Additions (Subsequent Expenditure)	-	18,538
Net Gain on Fair Value Adjustment	35,051	37,227
Transfers/ Disposals	(297,902)	(83,651)
At the End of the Year	1,472,928	1,735,779
Rental Income Derived from Investment Properties	-	16,245
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	-	(4,039)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(865)	(2,703)
Net Profit / (Loss) Arising from Investment Properties Carried at Fair Value	(865)	9,503

11.1.1 Details of Investment Properties

Name of Company / Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation Rs'000	Date of the Valuation
Hemas Holdings PLC					
Sunil Fernando & Associates (Pvt) Ltd - Chartered Valuer					
Freehold Property at Tangalle		Market Comparable Method			31-Mar-2017
Land	1A-2R-26.26P	- Price per perch for land	Rs 350,000	93,190	
		Sensitivity	+5% - 97.85 Mn		
			-5% - 88.53 Mn		
Peace Haven Resorts Limited					
Sunil Fernando & Associates (Pvt) Ltd - Chartered Valuer					
Freehold Property at Tangalle		Investment Method			31-Mar-2017
Land	A19- R02-P34.16	Risk Yield	10%	1,379,738	
		Sensitivity	9% - 1,817,834		
			11%- 1,016,108		

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are the same as disclosed in Note 10.1.3.

11.2 Company

At Valuation	2017 Rs.'000	2016 Rs.'000
At the Beginning of the Year	700,480	675,750
Addition (Subsequent Expenditure)	-	-
Net Gain on Fair Value Adjustment	40,863	24,730
Disposals	(172,202)	-
At the End of the Year	569,141	700,480
Rental Income Derived from Investment Properties	28,470	24,624
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(7,017)	(2,277)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(181)	(448)
Net Profit Arising from Investment Properties Carried at Fair Value	21,272	21,899

11.2.1 Details of Investment Properties

Name of the Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation Rs'000	Date of the Valuation
Perera Sivaskantha & Company Incorporated Valuers					
Freehold Property at Welisara		Market Comparable Method			31-Mar-2017
Land	1A-3R-8P	- Price per perch for land	Rs 850,000 - 1,000,000	173,500	
Building	67,300 sq.ft.	- Price per square foot for building	Rs. 2,000 to 5,500	225,200	
		- Depreciation rate	35%		
Freehold Property at Hendala		Market Comparable Method			31-Mar-2017
Land	2R-4.13P	- Price per perch for land	Rs 900,000	72,000	
Building	2,960 sq.ft.	- Price per square foot for building	Rs. 3,500	5,250	
		- Depreciation rate	50%		
Sunil Fernando & Associate (Pvt) Ltd - Chartered Valuer					
Freehold Property at Tangalle		Market Comparable Method			31-Mar-2017
Land	1A-2R-26.26P	- Price per perch for land	Rs 350,000	93,191	
			+5% - 97.85 Mn		
			-5% - 88.53 Mn		

NOTES TO THE FINANCIAL STATEMENTS

12 LEASEHOLD RIGHTS/PREPAID LEASE RENTALS

	Group	
	2017	2016
	Rs.'000	Rs.'000
At the Beginning of the Year	115,751	109,545
Additions/Acquisitions/(Disposals)	718,771	19,092
Amortisation for the Year	(6,117)	(12,886)
At the End of the Year	828,405	115,751

12.1 Details of Leasehold Properties

Company	Property	Extent	Lease period	Value Rs.'000
Serendib Hotels PLC	Land at Bentota	2A - 0R - 6P	50 Years	27,465
		1A - 0R - 37P	30 Years	
Hotel Sigiriya PLC	Land at Sigiriya	8A - 0R - 16P	30 Years	1,831
Hemas Hospitals (Pvt) Ltd	Land at Wattala	1A-1R-27.5P	30 Years	33,436
	Land at Wattala	2R-9P	15 Years	9,180
Hemas Capital Hospital (Pvt) Ltd	Land at Thalawathugoda	3R-34P	30 Years	27,636
	Land at Pannipitiya	17P	10 Years	2,500
Hemas Integrated Logistics (Pvt) Ltd	Land at Walisara	6A	11 Years	7,586
	Land at Muthurajawela	15A	30 Years	718,771

13 INTANGIBLE ASSETS

13.1 Group

	Software Rs.'000	Brands Rs.'000	Goodwill on Consolidation Rs.'000	Total 2017 Rs.'000	Total 2016 Rs.'000
Cost					
Balance at the Beginning of the Year	185,714	427,500	340,248	953,462	880,083
Additions	172,509	-	-	172,509	134,693
Transfers	(79)	-	-	(79)	-
Acquisition through Subsidiaries	157	-	-	157	6,738
Disposals	(6,729)	-	-	(6,729)	(68,052)
Balance at the End of the Year	351,572	427,500	340,248	1,119,320	953,462
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year	51,458	29,000	20,665	101,123	124,130
Amortisation	53,700	15,000		68,700	45,045
Transfers	(57)	-	-	(57)	-
Acquisition through Subsidiaries	157	-	-	157	-
Disposals	(4,663)	-	-	(4,663)	(68,052)
Balance at the End of the Year	100,595	44,000	20,665	165,260	101,123
Carrying Value	250,977	383,500	319,583	954,060	852,339

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.

The key assumptions used to determine the recoverble amount for the different cash generating units, are as follows;

Discount Rate : The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Business Growth : Based on historical growth rate and business plan.

Inflation Rate : Based on the current inflation rate and the precentage of the total cost subject to the inflation.

NOTES TO THE FINANCIAL STATEMENTS

13.2 Company

	Software	
	2017 Rs.'000	2016 Rs.'000
Cost		
Balance at the Beginning of the Year	142,219	61,537
Additions	27,242	86,864
Disposals	-	(6,182)
Balance at the End of the Year	169,461	142,219
Accumulated Amortisation/Impairment		
Balance at the Beginning of the Year	44,629	34,238
Amortisation	22,723	16,573
Disposals	-	(6,182)
Balance at the End of the Year	67,352	44,629
Carrying Value	102,109	97,590

14 INVESTMENT IN SUBSIDIARIES

	Direct Holding		Direct Investment	
	2017	2016	2017 Rs.'000	2016 Rs.'000
Non-Quoted Investments				
Hemas Corporate Services (Pvt) Ltd	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd**	100%	68%	909,869	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
Exchange & Finance Investments (Pvt) Ltd	100%	100%	9,412	9,412
Leisure Asia Investments Ltd**	100%	100%	5,500,011	398,795
Hemas Transportation (Pvt) Ltd	100%	100%	640,529	140,529
Far Shipping Lanka (Pvt) Ltd	100%	100%	3,000	3,000
Hemas Hospitals (Pvt) Ltd	83%	50%	2,475,028	1,468,547
Vishwa BPO (Pvt) Ltd	100%	100%	6,172	6,172
Concept Ventures (Pvt) Ltd	100%	-	59,500	-
Hemas Travels (Pvt) Ltd**	-	100%	-	91,359
Hemas Air Services (Pvt) Ltd**	-	100%	-	64,687
Forbes Air Services (Pvt) Ltd**	-	100%	-	62,452
Discover the World Marketing (Pvt) Ltd**	-	100%	-	4,666
Hemas Aviation (Pvt) Ltd**	-	100%	-	1,910
Hemtours (Pvt) Ltd**	-	100%	-	161,207
Peace Haven Resorts Ltd**	-	100%	-	417,666
Mowbray Hotels Ltd**	-	89%	-	46,201
			10,390,605	4,158,056
Impairment of Investment in Exchange & Finance Investments (Pvt) Ltd			(9,412)	(9,412)
			10,381,193	4,148,644
Quoted Investments				
Serendib Hotels PLC	57%	27%	1,101,845	382,261
Dolphin Hotels PLC	1%	1%	19,193	19,193
J.L Morison Son & Jones (Ceylon) PLC	1%	-	44,090	-
Total			11,546,321	4,550,098

**The significant changes in the cost of investments in the Companies, compared to the previous year are due to the effect of acquisitions and disposals of shares in subsidiaries with the restructure of Leisure, Travel and Aviation sector of the Group as described under Note 35 to these fianancial statements.

NOTES TO THE FINANCIAL STATEMENTS

14.1 Material Partly-Owned Subsidiaries

The following table summarises the financial information relating to each of the Group's subsidiaries that has material Non-Controlling Interests, before intra-group eliminations.

	31.03.2017			31.03.2016		
	Serendib Hotels PLC and Group Rs.'000	Other Individualy Immaterial subsidiaries Rs.'000	Total Rs.'000	Serendib Hotels PLC and Group Rs.'000	Other Individualy Immaterial subsidiaries Rs.'000	Total Rs.'000
Non-Current Assets	3,683,625			3,579,627		
Current Assets	662,383			712,003		
Non-Current Liabilities	(253,893)			(394,873)		
Current Liabilities	(810,693)			(616,634)		
Net assets	3,281,422			3,280,123		
Carrying amount of Non-Controlling Interest	1,413,637	1,804,163	3,217,800	1,466,215	1,195,404	2,661,619
Revenue	1,771,496			1,768,249		
Profit for the Year	163,994			301,363		
Other Comprehensive Income/(Loss) for the Year, net of tax	(7,082)			306,614		
Total Comprehensive Income for the year	156,912			607,977		
Profit for the year allocated to Non-Controlling Interests	98,278	164,094	262,372	178,432	94,330	272,762
Other Comprehensive Income/(Loss) for the Year, net of tax attributable to Non-Controlling Interest	(3,773)	(3,959)	(7,732)	190,693	46,579	237,272
Total Comprehensive Income for the year attributable to Non-Controlling Interests	94,505			369,125		
Cash flow from Operating Activities	297,635			463,900		
Cash flow used in Investing Activities	(235,196)			(60,872)		
Cash flow used in Financing Activities	(353,251)			(285,247)		
Net Increase/(Decrease) in Cash and Cash Equivalents	(290,812)			117,781		
Dividend paid to Non-Controlling Interests	83,250	109,209	192,459	75,131	25,838	100,969

Details of the Commitments and Contingencies are given in Note 31 to these financial statemnets.

15 INVESTMENT IN JOINT VENTURES

Unquoted	Holding 2017	Holding 2016	2017 Rs.'000	2016 Rs.'000
Cost				
HIF Logistics (Pvt) Ltd	49%	49%	10,780	10,780
H & M Shipping (Pvt) Ltd	50%	50%	30,000	30,000
PH Resorts (Pvt) Ltd	50%	50%	1,411,398	1,411,398
Far Shipping Agency Lanka (Pvt) Ltd	-	60%	-	3,000
			1,452,178	1,455,178
Disposed / Transferred during the year				
ACX International (Pvt) Ltd			-	10,676
Far Shipping Agency Lanka (Pvt) Ltd			3,000	
Cumulative Loss accruing to the Group Net of Dividend			(274,162)	(140,274)
Cumulative Other Comprehensive Income accruing to the Group			(565)	-
Share of Reserve transfer of Joint Venture			-	229
Share of Net Assets Disposed/ Transferred During the Year			(77,972)	(2,303)
			(349,699)	(131,672)
Carrying Amount of the Investment			1,102,479	1,323,506
Group Share of Joint Ventures' Statement of Financial Position;				
Current Assets			208,443	460,523
Non Current Assets			2,905,388	2,446,901
Current Liabilities			(181,088)	(148,551)
Non-Current Liabilities			(1,830,264)	(1,435,367)
Equity			1,102,479	1,323,506
Group Share of Joint Venture's Statement of Profit or Loss;				
Share of the Joint Venture Revenue			628,098	327,785
Share of the Joint Venture Profit Net of Tax			(116,606)	(79,829)

Details of the Commitments and Contingencies are given in Note 31 to these financial statements.

15.1 Company

	Holding 2017	Holding 2016	2017 Rs.'000	2016 Rs.'000
HIF Logistics (Pvt) Ltd	49%	49%	30,044	30,044
Less - Impairment of Investment			(30,044)	(30,044)
			-	-

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN ASSOCIATES

Unquoted	Holding 2017	Holding 2016	2017 Rs.'000	2016 Rs.'000
Jada Resorts and Spa (Pvt) Ltd	-	19.9%	-	361,800
Aviation Services (Pvt) Ltd	49.0%	-	8,564	-
Cumulative Loss accruing to the Group net of Dividend			(7,197)	(2,736)
Cumulative Other Comprehensive Income accruing to the Group			269	
Carrying Amount of the Investment			1,636	359,064

Summarised Financial Information of Associate

	2017 Rs.'000	2016 Rs.'000
Statement of Financial Position		
Current Assets	5,071	826,199
Non Current Assets	9,765	4,808,071
Current Liabilities	11,497	622,028
Non-Current Liabilities	-	2,007,219
Net assets	3,339	3,005,023
Carrying amount of Associates	1,636	598,000

	2017 Rs.'000	2016 Rs.'000
Statement of Profit or Loss		
Revenue	20,407	435,427
Profit after tax	(14,688)	(123,101)
Share of the Associate Profit net of tax	(7,197)	(24,497)

The Group ceased its significant influence over Jada Resorts & Spa (Pvt) Ltd. With the dilution of shareholding consequently to the Right Issues and conversion of preference shares took place at the investee during the year. As a result, the Group discontinued accounting Jada Resorts & Spa (Pvt) Ltd on equity method effective from 1 April 2016 and reclassified the same under "Other Financial Assets – Available For Sale Investments" as required by the Accounting Standards.

	Rs.'000
The details of the Gain on the Disposal are as follows:	
Carrying value of the Investment as at the date of de-recognition	359,064
Fair value of the shares Transferred to AFS Financial Assets	361,470
Gain on decrognition of Investments in Associates	2,406

The Group holding percentage as at 31 March 2017 is 11.41% (2016-19.9%)

17 OTHER FINANCIAL ASSETS

Available-for-Sale Investment — Quoted Equity Shares

The Group and Company 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 and Company has investments in unquoted equity securities. The fair value of the unquoted equity shares is estimated using appropriate valuation techniques and if it's impracticable to assessing the fair value of the investment, primarily as a result of the unavailability of adequate and comparable market information are carried at cost.

Significant unobservable inputs to Avaialble-for-Sale Investment valuation are given below:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Jada Resorts & Spa (Pvt) Ltd	Discounted Cash Flow Method	Long-term growth rate for cash flows for subsequent years	4% - 8%
			6%
		Long-term operating margin	5% - 12.1%
			8.3%
		Cost of equity	16% - 20%
			18%

Impairment on Available-for-Sale Investment

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

Summary	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Available for Sale Investments				
Quoted Equity Shares (Note 17.1.1 (a))	329	385	297	320
Unquoted Equity Shares (Note 17.1.1 (b))	804,941	17,593	428,907	-
Unquoted Preference Shares (Note 17.1.2)	81,000	375,478	543,490	354,478
	886,270	393,456	972,694	354,798
Loans and Receivables				
Loans to Company Employees	97,042	84,861	4,901	5,805
Loans Due from Related Parties (Note 17.1.3)	-	-	105,710	1,039,411
Refundable Deposits	20,937	26,936	-	-
Other Investments	6,335	-	-	-
	124,314	111,797	110,611	1,045,216
Total Other Financial Assets	1,010,584	505,253	1,083,305	1,400,014
Total Non-Current (Note 17.1)	907,207	420,392	972,694	363,048
Total Current (Note 17.2)	103,377	84,861	110,611	1,036,966

NOTES TO THE FINANCIAL STATEMENTS

17.1 Other Financial Assets - Non Current

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment In Equity Securities (Note 17.1.1)	805,270	17,978	429,204	320
Unquoted Preference Shares (Note 17.1.2)	81,000	375,478	543,490	354,478
Loans Due From Related Parties (Note 17.1.3)	-	-	-	8,250
Refundable Deposits	20,937	26,936	-	-
	907,207	420,392	972,694	363,048

17.2 Other Financial Assets - Current

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans to Company Employees	97,042	84,861	4,901	5,805
Loans Due From Related Parties (Note 17.1.3)	-	-	105,710	1,031,161
Other Investments	6,335	-	-	-
	103,377	84,861	110,611	1,036,966

17.1.1 Investment In Equity Securities - Non Current

(a) Quoted

	No. of Shares		Carrying Value		Fair Value	
	2017	2016	2017	2016	2017	2016
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Overseas Realty (Ceylon) PLC	1,000	1,000	20	24	20	24
Eden Hotels Lanka PLC	127	127	1	3	1	3
Galadari Hotels PLC	2,000	2,000	18	17	18	17
Blue Diamond Jewelers PLC	1,300	1,300	1	1	1	1
Royal Palm Beach Hotels PLC	85	85	2	3	2	3
John Keells Holdings PLC	2,081	2,081	287	308	287	308
Sierra Cables PLC	-	9,900	-	29	-	29
			329	385	329	385
Company						
Overseas Realty (Ceylon) PLC	500	500	10	12	10	12
John Keells Holdings PLC	2,081	2,081	287	308	287	308
			297	320	297	320

(b) Unquoted

	No. of Shares		Carrying Value	
	2017	2016	2017 Rs.'000	2016 Rs.'000
Group				
Rainforest Ecolodge (Pvt) Ltd	1,000,000	1,000,000	12,000	12,000
Cocacola Beverages Ltd	-	100	-	5
Ceybank Unit Trust	-	-	-	4,588
Pulz Solutions (Pvt) Ltd	350,000	100,000	3,500	1,000
Jada Resorts and Spa (Pvt) Ltd	53,535,680	-	789,441	-
			804,941	17,593
Company				
Jada Resorts and Spa (Pvt) Ltd	29,086,200	-	428,907	-
		-	428,907	-
Total				
Group			805,270	17,978
Company			429,204	320

17.1.2 Unquoted Preference Shares

	No. of Shares		Carrying Value	
	2017	2016	2017 Rs.'000	2016 Rs.'000
Group				
Giddawa Hydro Power (Pvt) Ltd	810	810	81,000	81,000
Jada Resorts and Spa (Pvt) Ltd	-	2,908,620	-	294,478
			81,000	375,478
Company				
Giddawa Hydro Power (Pvt) Ltd	600	600	60,000	60,000
Jada Resorts and Spa (Pvt) Ltd	-	2,908,620	-	294,478
Hemas Manufacturing (Pvt) Ltd	48,349,000	-	483,490	-
			543,490	354,478

NOTES TO THE FINANCIAL STATEMENTS

17.1.3 Loans Due From Related Parties

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000
Hemas Pharmaceuticals (Pvt) Ltd	Subsidiary	-	232,000
Hemtours (Pvt) Ltd	Subsidiary	-	51,107
Hemas Corporate Services (Pvt) Ltd	Subsidiary	50,000	-
N-able (Pvt) Ltd	Subsidiary	-	75,000
Peace Haven Resorts (Pvt.) Ltd	Subsidiary	-	591,147
Mowbray Hotels Ltd	Subsidiary	-	6,197
Hemas Logistics (Pvt) Ltd	Subsidiary	30,000	30,000
Hemas Integrated Logistics (Pvt) Ltd	Subsidiary	-	8,250
FAR Shipping Lanka (Pvt) Ltd	Subsidiary	5,000	5,000
Hemas Hospitals (Pvt) Ltd	Subsidiary	-	30,000
Leisure Asia Investments Ltd	Subsidiary	710	710
Mazu Shipping (Pvt) Ltd	Subsidiary	-	10,000
Serendib Hotels PLC	Subsidiary	20,000	-
		105,710	1,039,411
Non Current		-	8,250
Current		105,710	1,031,161

Terms and Conditions
Security - Unsecured
Repayment - To be repaid on demand
Interest - Based on Market Rates

18 INVENTORIES

	Group 2017 Rs.'000	Group 2016 Rs.'000
Raw Materials	800,540	643,445
Work In Progress	76,059	65,553
Finished Goods & Other Stocks	5,171,127	4,462,340
Goods In Transit	433,482	234,390
Less: Provision for Obsolete Stocks	(192,851)	(173,416)
	6,288,357	5,232,312

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade Debtors				
- Related Parties (Note 19.1)	-	-	249,366	186,351
- Others	7,590,540	5,701,968	3,897	2,379
	7,590,540	5,701,968	253,263	188,730
Less: Allowance for impairment - Related Parties	-	-	(12,758)	(12,679)
- Other	(215,582)	(174,943)	(2,920)	(2,203)
	(215,582)	(174,943)	(15,678)	(14,882)
	7,374,958	5,527,025	237,585	173,848
Other Debtors				
- Related Parties (Note 19.2)	-	-	189,975	156,610
- Others	1,715,274	1,198,464	56,358	86,037
Advances and Prepayments	826,286	747,183	89,293	74,257
Less: Allowance for impairment	(12,509)	(10,346)	(2,163)	-
	9,904,009	7,462,326	571,048	490,752

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

	Total	Current	Past due but not impaired				
			< 30	31-60 days	61-90 days	91-120 days	> 120 days
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Group							
2017	7,374,958	3,929,480	2,196,412	559,202	207,084	127,795	354,985
2016	5,527,025	3,244,303	1,312,702	598,779	214,130	53,905	103,206
Company							
2017	237,585	135,718	28,134	20,802	15,707	15,130	22,094
2016	173,848	100,176	15,314	12,218	9,410	9,264	27,466

Movements of the allowance for impairment of Trade Debtors

	Group			Company		
Rs. '000	Individually Impaired	Collectively Impaired	Total	Individually Impaired	Collectively Impaired	Total
As at 1 April 2015	26,028	114,851	140,879	-	20,043	20,043
Charge for the Year	35,561	11,187	46,748	-	-	-
Recovered During the Year	-	(2,734)	(2,734)	-	(5,161)	(5,161)
Write off	(4,241)	(5,709)	(9,950)	-	-	-
As at 31 March 2016	57,348	117,595	174,943	-	14,882	14,882
Charge for the Year	14,697	42,105	56,802	-	3,475	3,475
Recovered During the Year	-	(1,862)	(1,862)	-	-	-
Write off	(2,913)	(11,388)	(14,301)	-	(2,679)	(2,679)
As at 31 March 2017	69,133	146,450	215,582	-	15,678	15,678

NOTES TO THE FINANCIAL STATEMENTS

19.1 Trade Dues From Related Parties

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000
Hemas Pharmaceuticals (Pvt) Ltd	Subsidiary	16,321	22,610
Hemas Corporate Services (Pvt) Ltd	Subsidiary	189	-
Vishwa BPO (Pvt) Ltd	Subsidiary	634	432
Hemas Travels (Pvt) Ltd	Subsidiary	12,312	5,511
Hemas Air Services (Pvt) Ltd	Subsidiary	8,748	17,298
Exchange & Finance Investment (Pvt) Ltd	Subsidiary	-	6
Hemas Southern Hospitals (Pvt) Ltd	Subsidiary	654	854
Hemas Hospitals (Pvt) Ltd	Subsidiary	12,665	7,839
Hemas Capital Hospital (Pvt) Ltd	Subsidiary	3,650	953
Hemas Surgicals & Diagnostics (Pvt) Ltd	Subsidiary	850	54
Hemas Aviation (Pvt) Ltd	Subsidiary	2,292	140
Hemas Manufacturing (Pvt) Ltd	Subsidiary	27,353	33,955
Forbes Air Services (Pvt) Ltd	Subsidiary	45,272	47,694
Hemas Developments (Pvt) Ltd	Subsidiary	164	44
Hemtours (Pvt) Ltd	Subsidiary	-	613
Diethelm Travels Lanka (Pvt) Ltd	Subsidiary	5,192	2,981
Serendib Leisure Management Ltd	Subsidiary	12,403	3,917
Serendib Hotels PLC	Subsidiary	12,056	10,270
Leisure Asia Investments Ltd	Subsidiary	157	104
Dolphin Hotels PLC	Subsidiary	1,601	859
Jada Resorts and Spa (Pvt) Ltd	Affiliate	-	727
Mowbray Hotels (Pvt) Ltd	Subsidiary	-	951
Far Shipping Lanka (Pvt) Ltd	Subsidiary	459	84
Far Shipping Agency Lanka (Pvt) Ltd	Subsidiary	588	356
Hemas Transportation (Pvt) Ltd	Subsidiary	53	-
N-Able (Pvt) Ltd	Subsidiary	4,499	3,118
Peace Haven Resorts Ltd	Subsidiary	11	11
P H Resorts (Pvt) Ltd	Joint Venture	15,285	14,886
J.L Morison Son & Jones (Ceylon) PLC	Subsidiary	10,130	4,297
M S J Industries (Ceylon) (Pvt) Ltd	Subsidiary	28	-
Hemas Integrated Logistics (Pvt) Ltd	Subsidiary	46,946	610
Hemas Logistics (Pvt) Ltd	Subsidiary	8,854	4,852
Mazu Shipping (Pvt) Ltd	Subsidiary	-	325
		249,366	186,351

19.2 Other Dues From Related Parties

	Relationship	Company 2017 Rs.'000	Company 2016 Rs.'000
Hemas Manufacturing (Pvt) Ltd	Subsidiary	52,216	68,387
Hemas Development (Pvt) Ltd	Subsidiary	19	3
Hemas Corporate Services (Pvt) Ltd	Subsidiary	1,431	1,346
Forbes Air Services (Pvt) Ltd	Subsidiary	2,530	1,233
Hemas Aviation (Pvt) Ltd	Subsidiary	779	102
Hemas Travels (Pvt) Ltd	Subsidiary	4,272	5,527
Diethelm Travel Lanka (Pvt) Ltd	Subsidiary	3,319	2,929
Diethelm Travel The Maldives Pvt Ltd	Subsidiary	-	44
Vishwa BPO (Pvt) Ltd	Subsidiary	780	387
Hemas Surgicals and Diagnostics (Pvt) Ltd	Subsidiary	28	28
Hemas Hospitals (Pvt) Ltd	Subsidiary	14,448	12,302
Hemas Capital Hospital (Pvt) Ltd	Subsidiary	4,434	2,400
Hemas Southern Hospitals (Pvt) Ltd	Subsidiary	396	1,269
N-Able (Pvt) Ltd	Subsidiary	2,346	1,760
Peace Haven Resorts Ltd	Subsidiary	5,987	5,822
P H Resorts (Pvt) Ltd	Joint Venture	225	708
Hemas Air Services (Pvt) Ltd	Subsidiary	596	1,709
Far Shipping Lanka (Pvt) Ltd	Subsidiary	9	9
Far Shipping Agency Lanka (Pvt) Ltd	Subsidiary	109	494
Hemas Pharmaceuticals (Pvt) Ltd	Subsidiary	22,604	7,799
Leisure Asia Investments Ltd	Subsidiary	4,241	4,241
Hemas Transportation (Pvt) Ltd	Subsidiary	4,510	1,975
H & M Shipping Services (Pvt) Ltd	Joint Venture	1	1
Hemas Maritime (Pvt) Ltd	Subsidiary	726	-
HIF Logistics (Pvt) Ltd	Joint Venture	123	123
Mowbray Hotels Ltd	Subsidiary	601	5,482
Jada Resorts and Spa (Pvt) Ltd	Affiliate	-	51
Serendib Leisure Management Ltd	Subsidiary	39,130	16,840
Serendib Hotels PLC	Subsidiary	4,480	780
Dolphin Hotels PLC	Subsidiary	31	-
J.L Morison Son & Jones (Ceylon) PLC	Subsidiary	13,731	6,762
MSJ Industries (Ceylon) (Pvt) Ltd	Subsidiary	1,604	233
Hemas Logistics (Pvt) Ltd	Subsidiary	3,725	4,084
Hemas Integrated Logistics (Pvt) Ltd	Subsidiary	1	715
Concept Ventures (Pvt) Ltd	Subsidiary	543	1,065
		189,975	156,610

NOTES TO THE FINANCIAL STATEMENTS

20 STATED CAPITAL

20.1 Fully Paid Ordinary Shares

	2017		2016	
	Number	Rs.'000	Number	Rs.'000
Balance at the Beginning of the Year	572,545,133	5,722,837	515,290,620	1,600,603
Issue of Rights	-	-	57,254,513	4,122,234
Exercise of share options	188,334	18,201	-	-
Balance at the End of the Year	572,733,467	5,741,038	572,545,133	5,722,837

During the financial year 2015/16, 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 at the Extraordinary General Meeting held on 10 April 2015 and successfully completed the same on 26 May 2015.

20.2 Rights, Preferences and Restrictions of Classes of Capital

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

20.3 Share-Based Payment Scheme

Employee Share Option Scheme

The Board of Directors, with the approval in principal of the Colombo Stock Exchange, and authorised by the shareholders at an Extraordinary General Meeting dated 10 April 2015, created an 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. The Options will be granted over a period of 4 years. The first Option was granted in July 2015 and the second, in July 2016.

Accordingly the Options were granted to the Executive Directors and Senior Executives of the Company and its subsidiaries as follows,

	Date of Grant	No of Shares Granted	Option Grant Price (Rs.)	Vesting Period	Exercise Period (from Vesting)
Grant 1	27.07.2015	3,053,750	82.00	1 Year	3 Years
Grant 2	27.07.2016	3,008,750	87.50	1 Year	3 Years

Under the Group's Employee Share Option Scheme (ESOS), 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 time criteria. 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.

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March				
Total expense arising from Share-Based Payment Transactions	49,154	22,861	18,068	5,258

Movements During the Year	Group			
As at 31 March	2017		2016	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	3,053,750	82.00	-	-
Granted during the Year	3,008,750	87.50	3,053,750	82.00
Excersised during the Year	(188,334)	82.00	-	-
Cancelled during the Year	(549,327)	-	-	-
Outstanding at the End of the Year	5,324,839	84.73	3,053,750	82.00
Exercisable at the End of the Year	2,386,089	82.00	-	-

Movements During the Year	Company			
As at 31 March	2017		2016	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	907,500	82.00	-	-
Granted during the Year	1,163,750	87.50	907,500	82.00
Excersised during the Year	(16,667)	82.00	-	-
Outstanding at the End of the Year	2,054,583	-	907,500	82.00
Exercisable at the End of the Year	890,833	85.09	-	-

**WAEP - Weighted Average Exercise Price*

The following information were used and results were generated using Black Scholes Model for ESOS granted.

	Grant 2	Grant 1
Dividend yield (%)	1.70	1.50
Expected volatility (%)	1.73	1.75
Risk free interest rate (%)	10	5
Expected life of share options (Years)	4	4
Weighted average share price at the date of exercise of these options (Rs.)	87.50	82.00
Weighted average remaining contractual life for the share options outstanding (Years)	3	3
Weighted average fair value of options granted during the year (Rs.)	28.84	20.92
Exercise price for options outstanding at the end of the year (Rs.)	87.50	82.00

NOTES TO THE FINANCIAL STATEMENTS

21 RESERVES

21.1 Other Capital and Revenue Reserves

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the Beginning of the Year	58,542	35,681	279,893	257,032
Share Based Payments	46,396	22,861	46,396	22,861
Balance at the End of the Year	104,938	58,542	326,289	279,893

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.

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 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.

21.2 Cash Flow Hedge Reserve

The Group designates its identified foreign currency loans as a hedging instrument in order to hedge the variation in highly probable specifically identified future foreign currency revenue attributable to changes in foreign exchange rates.

The effective portion of the Gain or Loss on the hedging instrument is recognised in the Cash Flow Hedge Reserve, through Other Comprehensive Income 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 Profit or Loss when the hedged transaction affects Profit or Loss,(when the a forecast sale occurs). If the forecast sales are 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 rollover, or if its designation as a hedge is revoked, any cumulative Gain or Loss previously recognised in Other Comprehensive Income remains in Other Comprehensive Income until the forecast transaction affects Profit or Loss.

	Group	
	2017	2016
	Rs.'000	Rs.'000
Balance At the Beginning of the Year	10,396	37,534
Net Movement of Cash Flow Hedge Reserve	3,202	(27,138)
Balance at the End of the Year	13,598	10,396

21.3 Super Gain Tax

During the previous financial year, as per the provisions 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 24 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.

22 INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the Beginning of the Year	4,612,109	5,069,396	1,796,594	1,970,898
Obtained During the Year	19,658,231	1,224,156	1,456,540	1,323,905
Transaction Cost Adjustment	112,078	112,055	112,078	112,055
Repayments	(20,349,663)	(1,858,511)	(1,465,678)	(1,610,264)
Exchange differences through Statement of Profit or Loss	(27,894)	8,254	-	-
Exchange differences through Other Comprehensive Income	(5,141)	56,759	-	-
Balance at the End of the Year	3,999,720	4,612,109	1,899,534	1,796,594
Non Current	2,044,817	3,241,655	1,180,804	1,447,947
Current	1,954,903	1,370,454	718,730	348,647
	3,999,720	4,612,109	1,899,534	1,796,594

NOTES TO THE FINANCIAL STATEMENTS

22.1 Details of Interest Bearing Loans and Borrowings

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2017 Rs.'000	2016 Rs.'000
Hemas Holdings PLC	Commercial Bank	Term Loan	8.75% Fixed	Bullet repayment in May 2017	449,774	449,774
	Nations Trust Bank	Short Term Loan	AWPLR+0.5%	-	-	24,743
	National Development Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from October 2014	230,934	30,424
	Sampath Bank	Short Term Loan	AWPLR+0.5%	-	-	51,905
		Debenture	11.00% Fixed	Capital repayable in April 2019	1,047,567	1,045,489
Hemas Pharmaceuticals (Pvt) Ltd.	CITI Bank	Short Term Loan	8.83%	-	-	60,000
	CITI Bank	Short Term loan	9.68%	-	-	57,000
	National Development Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from October 2014	69,066	469,576
	Standard Chartered Bank	Short Term Loan	8.85%	-	-	165,000
Hemas Surgicals & Diagnostics (Pvt) Ltd	Standard Chartered Bank	Short Term Loan	13.00%	Repayable in April 2017	11,700	-
	Standard Chartered Bank	Short Term Loan	13.00%	Repayable in April 2017	4,500	-
	Standard Chartered Bank	Short Term Loan	12.75%	Repayable in April 2017	89,500	-
	Standard Chartered Bank	Short Term Loan	12.90%	Repayable in April 2017	5,000	-
Hemas Hospitals (Pvt) Ltd	Cargills Bank Limited	Term Loan	8.25% Fixed	Repayable in 36 installments starting from March 2015	78,051	144,201
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 42 installments starting from September 2014	171,429	283,214
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from November 2014	50,000	82,500
	DFCC Bank	Project Loan	AWDR+ 4%	-	-	69,650
	Sampath Bank	Term Loan	AWPLR	Repayable in 60 installments starting from October 2015	214,567	273,067
	Sampath Bank	Term Loan	AWPLR+1.5%	Repayable in 60 installments starting from April 2016	85,180	106,600
	Standard Chartered Bank	Term Loan	SLIBOR + 1%	Repayable in 36 installments starting from March 2017	422,917	-
	Union Bank of Colombo PLC	Term Loan	8.40% Fixed	Repayable in 48 installments starting from November 2015	50,707	70,598

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2017 Rs.'000	2016 Rs.'000
Hemas Southern Hospitals (Pvt) Ltd	Hatton National Bank	Term Loan	8.50% Fixed for 5 years and remainder at AWPLR+0.5%	Repayable in 60 installments starting from January 2016	74,950	94,990
Hemas Capital Hospitals (Pvt) Ltd	Hatton National Bank	Term Loan	8.50% Fixed	Repayable in 60 installments starting from December 2014	106,480	146,560
Hemas Logistics (Pvt) Ltd	Central Finance	Finance Lease		-	1,304	2,165
	Commercial Bank	Term Loan	PLR+1%	Repayable in 48 installments starting from November 2013	3,666	7,917
	Commercial Bank	Term Loan	PLR+1%	Repayable in 48 installments starting from March 2014	2,917	7,667
	Commercial Bank	Term Loan	PLR+1%	Repayable in 60 installments starting from November 2014	5,167	7,167
	Commercial Bank	Term Loan	8.90% Fixed	Repayable in 48 installments starting from April 2015	11,400	17,100
	Commercial Bank	Term Loan	First 2 Years 8.75% Fixed and remainder at AWPLR+1%	Repayable in 36 installments starting from May 2015	24,312	36,060
	Mercantile Investments	Finance Lease		-	-	1,885
	Sampath Bank	Finance Lease		-	68	3,064
Hemas Integrated Logistics (Pvt) Ltd	Standard Chartered Bank	Term Loan	3 months LIBOR + 4% (USD Loan)	Repayable in 54 installments starting from April 2014	67,200	102,474
Serendib Hotels PLC	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from October 2012	13,231	36,948
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from October 2012	6,137	20,583
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from December 2012	16,470	37,611
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from January 2013	7,326	20,423
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 Instalments starting from September 2013	30,172	53,206
Dolphin Hotels PLC	Commercial Bank	Term Loan	1 Month GBP LIBOR	-	-	69,576
	Commercial Bank	Term Loan	At a margin over 1 Month Euro LIBOR p.a	Repayable in 72 Instalments from November 2012	87,235	143,739

NOTES TO THE FINANCIAL STATEMENTS

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2017 Rs.'000	2016 Rs.'000
J. L. Morison Son & Jones (Ceylon) PLC	Bank of Ceylon	Term Loan	14.94% p.a	-	-	219
	Bank of Ceylon	Trust Receipt Loan	8.41% p.a	-	-	10,872
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 instalments starting from April 2015	250,016	375,008
	Hatton National Bank	Term Loan	12% p.a	-	-	103
	Hatton National Bank	Term Loan	AWPLR +2.00%	-	-	1,230
	Nations Trust Bank	Short Term Loan	8.85% Fixed	-	-	31,800
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	Repayable in April 2017	14,000	-
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	Repayable in April 2017	13,600	-
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	Repayable in May 2017	50,000	-
	Standard Chartered Bank	Short Term Loan	AWPLR	Repayable in May 2017	57,022	-
M S J Industries (Ceylon) (Pvt) Ltd	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	Repayable in April 2017	4,389	-
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	Repayable in May 2017	41,094	-
N - Able (Pvt) Ltd	Cargills Bank	Short Term Loan	AWPLR +1.5%	Capital repayable in three months	59,174	-
	Sampath Bank	Short Term Loan	AWPLR +2.0%	Capital repayable in six months	15,490	-
N - Able Global (Pvt) Ltd	Hong Kong & Shanghai Banking Corperation - Singapore	Short Term Loan	LIBOR +1.75%	Repayable in April 2017	56,008	-

22.2 Company

	2017 Rs.'000	2016 Rs.'000
Interest Bearing Loans & Borrowings-Non Current		
Loans due to Related Parties (Note 22.2.1)	166,259	32,259
Bank Loans	76,978	480,199
Debentures (Note 22.2.2)	937,567	935,489
	1,180,804	1,447,947
Interest Bearing Loans & Borrowings-Current		
Loans due to Related Parties (Note 22.2.1)	5,000	162,000
Bank Loans	603,730	76,647
Debentures (Note 22.2.2)	110,000	110,000
	718,730	348,647

22.2.1 Loans due to Related Parties

Subsidiaries

	As at 01.04.2016 Rs.'000	Obtained During the Year Rs.'000	Repayments/ Transfers Rs.'000	As at 31.03.2017 Rs.'000	Non Current Rs.'000	Current Rs.'000
Hemas Air Services (Pvt) Ltd	91,791	-	(8,000)	83,791	83,791	-
Hemas Developments (Pvt) Ltd	20,718	56,000	-	76,718	76,718	-
Hemas Manufacturing (Pvt) Ltd	-	170,000	(170,000)	-	-	-
Vishwa BPO (Pvt) Ltd	10,750	-	-	10,750	5,750	5,000
Hemas Transportation (Pvt) Ltd	21,000	-	(21,000)	-	-	-
J.L Morison Son & Jones (Ceylon) PLC	50,000	-	(50,000)	-	-	-
	194,259	226,000	(249,000)	171,259	166,259	5,000

	As at 01.04.2015 Rs.'000	Obtained During the Year Rs.'000	Repayments/ Transfers Rs.'000	As at 31.03.2016 Rs.'000	Non Current Rs.'000	Current Rs.'000
Total Loans due to Related Parties	398,753	276,000	(480,494)	194,259	32,259	162,000

Terms and Conditions
Treasury Loans
Security - Unsecured
Repayment - to be repaid on demand
Interest - Based on Market Rates

NOTES TO THE FINANCIAL STATEMENTS

22.2.2 Debentures

	2017 Rs.'000	2016 Rs.'000
Balance at the Beginning of the Year	1,045,489	1,043,478
Interest	112,078	112,056
Less: Repayments	(110,000)	(110,045)
Balance at the End of the Year	1,047,567	1,045,489
Non Current	937,567	935,489
Current	110,000	110,000

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 29 April 2014 are to be matured on 29 April 2019.

23 OTHER NON CURRENT FINANCIAL LIABILITIES

	Group	
	2017 Rs.'000	2016 Rs.'000
Rent Deposits/Advances	10,178	4,247
Total Other Financial Liabilities at Amortised Cost	10,178	4,247

24 DEFERRED TAX

Group	Deferred Tax Assets		Deferred Tax Liabilities	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the Beginning of the Year	47,829	72,731	424,484	260,979
Income/(Expense) arising During the Year	6,884	(6,186)	52,778	85,236
Recognised through Other Comprehensive Income	2,297	(18,716)	13,175	78,269
Acquired/Disposed During the Year	390	-	-	-
Balance at the End of the Year	57,400	47,829	490,437	424,484

Company	Deferred Tax Liabilities	
	2017 Rs.'000	2016 Rs.'000
Balance as at Beginning of the Year	63,066	53,002
Income/(Expense) arising During the Year	(5,828)	9,328
Recognised through Other Comprehensive Income	(99)	736
Balance at the End of the Year	57,139	63,066

24.1 The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following;

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revaluation of Buildings to Fair Value	123,384	131,571	-	-
Revaluation of Investment Properties to Fair Value	62,755	61,306	62,755	61,306
Accelerated Depreciation for Tax Purposes	487,484	393,218	14,664	13,412
Employee Benefit Liability	(144,259)	(118,698)	(15,285)	(7,485)
Losses Available for Offset against Future Taxable Income	(33,958)	(38,859)	-	-
Others	(62,369)	(51,883)	(4,995)	(4,167)
	433,037	376,655	57,139	63,066

25 EMPLOYEE BENEFIT LIABILITY

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the Beginning of the Year	566,044	533,599	26,732	27,686
Acquisition through Subsidiary	3,228	-	-	-
Charge for the Year (Note 25.1)	137,484	127,030	6,707	6,939
Acturial (Gain) or Loss	24,750	(30,620)	354	(2,629)
Benefits Paid	(81,381)	(63,965)	(857)	(942)
Transfers	-	-	21,655	(4,322)
Balance at the End of the Year	650,125	566,044	54,591	26,732
25.1 Post Employee Benefit Expenses for				
Current Service Cost	72,506	84,150	3,766	4,170
Interest Cost	64,978	42,880	2,941	2,769
Post Employment Benefit Expenses	137,484	127,030	6,707	6,939

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2017	2016
a. Demographic Assumptions		
Retirement Age	55 Years	55 Years
Assumed Rate of Employee Turnover (%)	1	1
b. Financial Assumptions		
Discount Rate Assumed (%)	12	11
Future Salary Increase (%)	10	9

NOTES TO THE FINANCIAL STATEMENTS

25.2 Sensitivity of Assumptions Used in the Actuarial Valuation

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

The sensitivity of the Statement of Profit or Loss 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 changes 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 Increases By 1%	(55,270)	55,270	(3,183)	3,183
If Discount Rate Decreases By 1%	63,832	(63,832)	3,565	(3,565)
If Salary Increment Rate Increases By 1%	64,455	(64,455)	3,599	(3,599)
If Salary Increment Rate Decreases By 1%	(56,672)	56,672	(3,266)	3,266

25.3 Following payments are expected weighted average life span obligation on the future years:

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Years From the Current Period				
1st Following Year	84,287	48,219	8,000	548
2nd Following Year	19,713	27,120	855	4,260
3rd Following Year	36,749	27,709	1,080	3,816
4th Following Year	57,254	50,516	1,335	602
5th Following Year	73,751	64,510	24,901	768
Beyond 5 years	565,159	480,241	78,316	11,513

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade Payables - Others	8,164,953	6,713,618	-	-
Other Payables				
- Related Parties (Note 26.1)	-	-	34,604	51,263
- Others	1,432,902	1,499,880	104,523	303,448
Sundry Creditors including Accrued Expenses	2,554,943	2,313,497	89,926	71,851
Dividend Payables-Unclaimed	26,916	15,079	7,199	6,015
	12,179,714	10,542,074	236,252	432,577

26.1 Non Trade Dues to Related Parties

	Relationship	Company	
		2017 Rs.'000	2016 Rs.'000
Hemas Corporate Services (Pvt) Ltd	Subsidiary	5,331	1,739
Forbes Air Services (Pvt) Ltd	Subsidiary	2	-
Hemas Pharmaceuticals (Pvt) Ltd	Subsidiary	-	8,014
Hemas Manufacturing (Pvt) Ltd	Subsidiary	151	6,355
Hemtours (Pvt) Ltd	Subsidiary	-	149
Vishwa BPO (Pvt) Ltd	Subsidiary	74	4,522
Diethelm Travel Lanka (Pvt) Ltd	Subsidiary	681	1,990
N-Able (Pvt) Ltd	Subsidiary	7,454	3,652
Hemas Travels (Pvt) Ltd	Subsidiary	1,844	2,742
Hemas Air Services (Pvt) Ltd	Subsidiary	563	1,769
Hemas Developments (Pvt) Ltd	Subsidiary	8,237	7,850
Hemas Hospitals (Pvt) Ltd	Subsidiary	-	2,358
Serendib Leisure Managements (Pvt) Ltd	Subsidiary	400	226
Hemas Transportation (Pvt) Ltd	Subsidiary	774	404
Hotel Sigiriya PLC	Subsidiary	-	113
Hemas Logistics (Pvt) Ltd	Subsidiary	5,377	5,377
J.L Morison Son & Jones (Ceylon) PLC	Subsidiary	3,693	3,993
M S J Industries (Ceylon) (Pvt) Ltd	Subsidiary	-	10
Mazu Shipping (Pvt) Ltd	Subsidiary	23	-
		34,604	51,263

NOTES TO THE FINANCIAL STATEMENTS

27 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

		Group		Company	
		2017	2016	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
27.1	**Favourable Balances**				
	Cash and Bank Balance	4,936,308	2,451,978	201,748	160,181
	Money Market Investments	2,724,701	5,711,098	2,147,661	5,654,667
	Fixed Deposits, Treasury Bills and REPO Investments	4,330,991	3,725,887	2,444,596	134,612
		11,992,000	11,888,963	4,794,005	5,949,460
27.2	**Unfavourable Balances**				
	Bank Overdraft	(1,373,063)	(1,001,831)	-	(101,321)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	10,618,937	10,887,132	4,794,005	5,848,139

28 BUSINESS COMBINATIONS

28.1 Acquisitions of investment in subsidiaries

The Group gained the control over Far Shipping Agency Lanka (Pvt) Ltd during the year, which was previously a Joint Arrangement accounted under Equity Method. The fair value of net assets acquired based on provisional amounts are stated below.

The comparative information related to the acquisition of LTU Asia (Pvt) Ltd, incorporated in Thailand, during the year ended 31 March 2016 which is not comparable with 2017.

	Group	
	2017 Rs.'000	2016 Rs.'000
	Far Shipping Agency Lanka (Pvt) Ltd	LTU Asia (Pvt) Ltd
Assets		
Property, Plant and Equipment	8,653	2,684
Deferred Tax Assets	390	-
Tax Recoverable	481	954
Trade and Other Receivables	183,844	61,222
Other Current Financial Assets	577	-
Cash and Cash Equivalents	12,040	64,724
	205,985	129,584
Liabilities		
Other Non Current Financial Liabilities	1,500	-
Employee Benefit Liability	3,228	-
Trade and Other Payables	39,443	96,966
Tax Payable	5,223	1,384
Bank Overdraft	26,638	-
	76,032	98,350
Total Identifiable Net Assets	129,953	31,234
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	(51,981)	(18,741)
Goodwill Arising on Acquisition	-	6,738
Purchase Consideration Transferred	-	19,231
Value of the Equity Interest Previously held in Acquire (Joint Arrangement)	77,972	-
Net Cash Acquired with the Subsidiary	14,598	(64,724)
Net Cash Flow on Acquisition	14,598	(45,493)

NOTES TO THE FINANCIAL STATEMENTS

28.2 Disposals

28.2.1 Disposal/ Transfer of Interest in Joint Ventures

The Group discontinued the accounting of Far Shipping Agency Lanka (Pvt) Ltd. under equity method with effect from 01 September 2016 and reclassified the same as an "Investment in Subsidiaries" and accounted based on the relevant Accounting Standards.

	Rs.'000
Share of Joint Venture Transferred	
Total identifiable Net Assets at Fair Value/Share of Joint Venture	77,972
Investment Transferred to Investment in Subsidiaries	77,972

29 FAIR VALUE

Set out below is a comparison by class of the carrying values of Group's/Company's financial instruments that are carried in the Financial Statements.

		Carrying Amount		Fair Value	
		2017	2016	2017	2016
Group	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Trade and Other Receivables	19	9,077,723	6,715,143	9,077,723	6,715,143
Other Financial Assets					
Loans to Company Employees	17.2	97,042	84,861	96,372	84,267
Refundable Deposit	17.1	20,937	26,936	20,937	26,936
Other Investments	17.2	6,335	-	6,335	-
Available-for-Sale Investments	17.1	886,270	393,456	886,270	393,456
Cash and Short Term Deposits	27.1	11,992,000	11,888,963	11,992,000	11,888,963
Total		22,080,307	19,109,359	22,079,637	19,108,765
Financial Liabilities					
Rent Deposits/Advances	23	10,178	4,247	10,178	4,247
Interest Bearing Loans and Borrowings	22	3,998,348	4,578,226	3,998,348	4,578,226
Obligations Under Finance Leases	22	1,372	33,883	1,372	33,883
Trade and Other Payables	26	12,179,714	10,542,074	12,179,714	10,542,074
Bank Overdraft	27.2	1,373,063	1,001,831	1,373,063	1,001,831
Total		17,562,675	16,160,261	17,562,675	16,160,261

		Carrying Amount		Fair Value	
		2017	2016	2017	2016
Company	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Trade and Other Receivables	19	481,755	416,495	481,755	416,495
Other Financial Assets					
Loans to Company Employees	17.2	4,901	5,805	4,231	5,211
Loans Due from Related Parties	17.2	105,710	1,039,411	105,710	1,039,411
Available for Sale Investments	17.1	972,694	354,798	972,694	354,798
Cash and Short Term Deposits	27.1	4,794,005	5,949,460	4,794,005	5,949,460
Total		6,359,065	7,765,969	6,358,395	7,765,375
Financial Liabilities					
Interest Bearing Loans and Borrowings					
Loans due to Related Parties	22.2	171,259	194,259	171,259	194,259
Bank Loans	22.2	680,708	556,846	680,708	556,846
Debentures	22.2	1,047,567	1,045,489	1,047,567	1,045,489
Other Non Current Financial Liabilities					
Trade and Other Payables	26	236,252	432,577	236,252	432,577
Bank Overdraft	27.2	-	101,321	-	101,321
Total		2,135,786	2,330,492	2,135,786	2,330,492

The fair values of the financial assets are stated 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 2017, 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

29.1 Fair Value Hierarchy

The Group/Company held the following financial instruments carried at fair value in 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

31.03.2017	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Group				
Financial Assets Measured at Fair Value				
Available For Sale Financial Assets Equity Shares	886,270	329	-	885,941
Non Financial Assets Measured at Fair Value				
Land and Building	9,131,991	-	-	9,131,991
Investment Properties	1,472,928	-	-	1,472,928

31.03.2016	Total 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
Non Financial Assets Measured at Fair Value				
Land and Building	9,284,939	-	-	9,284,939
Investment Properties	1,735,779	-	-	1,735,779

31.03.2017	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Company				
Financial Assets Measured at Fair Value				
Available For Sale Financial Assets Equity Shares	972,694	297	-	972,397
Non Financial Assets Measured at Fair Value				
Investment Properties	569,141	-	-	569,141

31.03.2016	Total 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
Non Financial Assets Measured at Fair Value				
Investment Properties	700,480	-	-	700,480

29.1.1 Reconciliation of Fair Value Measurement under Level 3 Hierarchy

Financial Assets Measured at Fair Value

Rs. '000	Group Available for Sale Financial Assets Equity Shares	Company Available for Sale Financial Assets Equity Shares
Balance as at 1 April 2016	393,071	354,478
Recognised in Other Comprehensive Income	131,895	134,429
Additions	2,500	483,490
Transfers To/ (From)	361,470	-
Disposals	(2,995)	-
Balance as at 31 March 2017	885,941	972,397

Non Financial Assets Measured at Fair Value

	Group		Company
Rs. '000	Land and Building	Investment Properties	Investment Properties
Balance as at 1 April 2016	9,284,939	1,735,779	700,480
Recognised in Profit or Loss	(152,948)	35,051	40,863
Disposals	-	(297,902)	(172,202)
Balance as at 31 March 2017	9,131,991	1,472,928	569,141

30 EVENT AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a final dividend of Rs.1.45 per share for the financial year ended 31 March 2017 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 11 July 2017.

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events After the Reporting Date, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2017.

Other than those mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 COMMITMENTS & CONTINGENCIES

31.1 Capital Commitments

	2017 Rs.'000	2016 Rs.'000
Hemas Capital Hospital (Pvt) Ltd	32,070	-
Hemas Sourthern Hospitals (Pvt) Ltd	6,021	-
Hemas Hospitals (Pvt) Ltd	12,771	211,988
Hemas Integrated Logistics (Pvt) Ltd	351,394	-
Hemas Manufacturing (Pvt) Ltd	53,796	237,568
	456,052	449,556

J. L. Morison Son & Jones (Ceylon) PLC
Subsequent to Board approval, the Company is in the process of constructing a plant focusing on research and manufacturing within the Sri Lanka Institute of Nanotechnology (SLINTEC) Nano Technology Park in Pitipana, Homagama. Accordingly, the following contracts and commitments have been entered into this regard:

Lease Agreement with SLINTEC - The Company has entered into a lease agreement with SLINTEC to lease the premises in Homagama for a period of 27 years. The ground rent for the first year has been paid in the current year.

The Company has also entered into agreements with a design consultant for a total sum of USD 200,000 of which 10% advance has already been paid in the current year, and with an architecture firm for a total sum of Rs. 6 Mn, of which 30% advance has already been paid in the current year.

31.2 Contingencies

(a) Hemas Holdings PLC
The Company has provided Corporate Guarantees to Serendib Hotels PLC for Euro 1.315 Mn (Equivalent to Rs. 208.5 Mn), GBP 0.615 Mn (Equivalent to Rs. 110.3 Mn) and Euro 0.66 Mn (Equivalent to Rs. 128.9 Mn) in favour of Hatton National Bank PLC.

The Company has provided a Corporate Guarantee to PH Resorts (Pvt) Limited for USD 12 Mn (Equivalent to Rs. 1,768.8Mn) in favour of The Hongkong and Shanghai Banking Corporation Limited.

(b) Hemas Travels (Pvt) Ltd.
The Company has obtained guarantees from Standard Chartered Bank favouring International Air Transport Association amounting to Rs. 140,000,000.

The Company has obtained guarantees from Standard Chartered Bank favouring DNATA Emirates group 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 Thomas Cook Lanka (Pvt) Ltd amounting to Rs. 10,000,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Setmil Aviation (Pvt) Ltd amounting to Rs. 500,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Nawaloka Aviation (Pvt) Ltd amounting to Rs. 500,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Mack Air (Pvt) Ltd amounting to Rs. 500,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Baurs Air Services Ltd amounting to Rs. 300,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Jetwing Air (Pvt) Ltd amounting to Rs. 500,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Director General of Civil Aviation Authority amounting to Rs. 500,000.

The Company has obtained guarantees from Standard Chartered Bank favouring Sri Lankan Catering (Pvt) Ltd amounting to Rs. 100,000.

St. Anthony's Industries Group (Pvt) Ltd has filed a civil action against Hemas Travels (Pvt) Ltd alleging unjust enrichment, loss and damage to reputation and goodwill/good name on the alleged basis that the Company failed in its obligation to obtain Swiss visas for its dealers.

(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 under 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 there for no provision has been made in the Financial Statements for the year ended 31 March 2017 in this regard.

(d) **Serendib Hotels PLC**

The Company has provided Corporate Guarantees to Kalutara Luxury Hotels & Resorts (Pvt) Ltd (Other Related Company) for USD 5.2Mn (Equivalent to Rs. 790.3Mn) and Jada Resorts & Spa (Pvt) Ltd (Other Related Party) for USD 960,000 (Equivalent to Rs. 145.9Mn), in favour of The Hongkong and Shanghai Banking Corporation Limited.

The Marawila Pradeshiya Sabha has filed action against Club Hotel Dolphin (Subsidiary of Serendib Hotels PLC) at Magistrate Court-Marawaila, on the basis of operating the Hotel without the required permit issued by the Pradeshiya Sabha. Summons have been issued to the Hotel returnable on 31 May 2017.

(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 of Merchant shipping to obtain Shipping license amounting to Rs. 500,000.

(f) **Hemas Air Services (Pvt) Ltd**

The Company has obtained a guarantee from Standard Chartered Bank favouring Malaysia Airlines System Berhad for the purpose of GSA Agreement for Passenger amounting to USD 76,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Malaysia Airlines System Berhad for the purpose of GSA Agreement for Cargo amounting to USD 250,000.

NOTES TO THE FINANCIAL STATEMENTS

The Company has obtained a guarantee from Standard Chartered Bank favouring Island Aviation Services Ltd on behalf of Hemas Aviation (Pvt) Ltd amounting to Rs. 7,700,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring China Southern Airlines Company Limited on behalf of Hemas Aviation (Pvt) Ltd amounting to USD 70,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Discover Momentum LLC favouring Discover the World Marketing (Pvt) Ltd amounting to USD 10,000.

(g) **Forbes Air Services (Pvt) Ltd**

The Company has obtained a guarantee from Standard Chartered Bank favouring Emirates - Dubai amounting to Rs. 1,081,727,501.

The Company has obtained a guarantee from Standard Chartered Bank favouring Airport and Aviation Services (Sri Lanka) Limited amounting to Rs. 331,338.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to Rs. 152,224,800.

The Company has provided Corporate Guarantees to Hemas Integrated Logistics (Pvt) Ltd for USD 1,2Mn and Rs.25,000,000 in favour of Standard Chartered Bank.

(h) **Hemas Aviation (Pvt) Ltd**

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Ukraine International Airline favouring Civil Aviation Authority of Sri Lanka amounting to Rs. 4,284,000.

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Ukraine International Airline favouring Sri Lankan Catering Limited of Sri Lanka amounting to USD. 30,000.

The Company has obtained a guarantee from Standard Chartered Bank on behalf of Ukraine International Airline through Hemas Aviation (Pvt) Ltd, favouring Airport And Aviation (SL) Ltd amounting to USD. 33,000.

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd favouring EVA Airways Corporation amounting to USD 30,000

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd favouring EVA Airways Corporation amounting to USD 20,000

The Company has obtained a guarantee from Standard Chartered 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 Chartered 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 Hong Kong & Shanghai Banking Corporation Sri Lanka favouring Island Aviation Services Limited amounting to USD 50,000.

The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services favouring China Southern Airlines amounting to USD 70,000.

(i) **Discover the World Marketing (Pvt) Ltd**
The Company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd favoring Discover Momentum LLC amounting to USD 10,000.

(j) **Hemas Maritime (Pvt) Ltd**
The Company has obtained a guarantee from Standard Chartered Bank favouring The Chairman, Sri Lanka Ports Authority amounting to Rs. 200,000,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Evergreen Marine Corporation (Taiwan) Ltd amounting to USD 1,000,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General Merchant Shipping Secretariat, Ministry of Ports and Shipping amounting to Rs. 500,000.

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

(k) **Mazu Shipping (Pvt) Ltd**
The Company has obtained a guarantee from Standard Chartered Bank favouring The Chairman, Sri Lanka Ports Authority for the credit facility amounting to Rs. 500,000.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General Merchant Shipping Secretariat, Ministry of Ports and Shipping amounting to Rs. 500,000 for Shipping License.

The Company has obtained a guarantee from Standard Chartered Bank favouring Director General Merchant Shipping Secretariat, Ministry of Ports and Shipping amounting to Rs. 500,000 for freight forwarding.

(l) **Hemas Logistics (Pvt) Ltd**
The Company has obtained a guarantee from Nations Trust Bank favouring The Chairman, Sri Lanka Land Reclamation & Development Corporation amounting to Rs. 6,821,754.

(m) **Hemas Integrated Logistics (Pvt) Ltd**
The Company has obtained a guarantee from Standard Chartered Bank favouring The Director General of Merchant Shipping amounting to Rs. 500,000.

(n) **Hemas Hospitals (Pvt) Ltd**
The Company has provided a Corporate Guarantees to Hemas Sourthern Hospitals (Pvt) Ltd (Subsidiary) for Rs.100 Mn and Hemas Capital Hospitals (Pvt) Ltd (Subsidiary) for Rs.200Mn, in favour of Hattaon National Bank PLC.

(o) **Hemas Pharmaceuticals (Pvt) Ltd**
The Company has provided Corporate Guarantees to Hemas Surgicals & Diagnostics (Pvt) Ltd (Subsidiary) for Rs.150 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.

(p) **Hemas Transportation (Pvt) Ltd**
The Company has provided a Corporate Guarantee to Mazu Shipping (Pvt) Ltd (Subsidiary) for Rs. 20 Mn in favour of Standard Chartered Bank.

NOTES TO THE FINANCIAL STATEMENTS

31.3 Lease Commitments

	2017 Rs.'000	2016 Rs.'000
Lease rental due on non cancellable operating leases:		
Within one Year	98,677	94,721
One to five Years	520,486	469,923
More than five Years	1,294,847	1,248,370
	1,914,010	1,813,014

Lease Commitments	Leased Property	Lessor
Hemas Hospitals (Pvt) Ltd	Land	Nihila Garments Pvt Ltd
Hemas Hospitals (Pvt) Ltd	Land	Copper King
Hemas Capital Hospital (Pvt) Ltd	Land	Dhammika Eliyapura
Serendib Hotels PLC	Land	Sri Lanka Tourist Board
Hotel Sigiriya PLC	Land	Sri Lanka Tourist Board
Hemas Integrated Logistics (Pvt) Ltd	Land 1	Scanwell Logistics (Pvt) Ltd
	Land 2	Sri Lanka Land Reclamation and Development Corporation

32 ASSETS PLEDGED

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

Name of the Company	Nature of Asset	Nature of Liability	Carrying Amount of the Assets Pledged 2017 Rs.'000	2016 Rs.'000	Included Under
Dolphin Hotels PLC	Freehold Land and Buildings	Primary Mortgage Bond No.3120 and No.1425 dated 12 July 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 7A:3R:31P to Commercial Bank of Ceylon PLC (EIB Loan of Rs.126.6Mn and 234.6Mn and overdraft facility of Rs.20Mn and 10Mn) A supplementary Mortgage Bond in Euro executed in connection with Primary Mortgage Bond No.3120 dated 13 July 2010 linking the Rupee exposure in foreign currency. A supplementary Mortgage Bond in GBP executed in connection with Primary Mortgage Bond No.1425 dated 13 July 2010 linking the Rupee exposure in foreign currency.	1,846,609	1,869,351	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	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	Trade and Other Receivables
	Property , Plant and Equipment	Mortgage over vehicles procured under the Bank Loans from Commercial Bank of Ceylon PLC	65,462	88,010	Property , Plant and Equipment
Hemas Integrated Logistics (Pvt) Ltd	Property , Plant and Equipment	Primary mortgage over the machinery up to USD 1Mn	97,874	108,805	Property , Plant and Equipment
J. L. Morison Son & Jones (Ceylon) PLC and its Subsidiaries	Inventory	Documents of title to goods shipped	798,700	772,500	Inventory
	Trade Debtors	Charged over trade finance facilities (import credit)	581,700	547,000	Trade Debtors
Diethelm Travels The Maldives (Pvt) Ltd.	Fixed Deposit	Pledged upto the value of EURO 5,000 to Bank of Ceylon	812	833	Cash and Short term Deposits

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and borrowings and 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 receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group/ Company also holds Available-for-Sale Investments.

The Group is Exposed to Market Risk, Credit Risk and Liquidity Risk

The Group’s senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group’s senior management that the Group’s financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and 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 summarised 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 following types of risks: interest rate risk, currency risk, Commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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.

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's/ Company's profit before tax affected through the impact on long term floating rate borrowings as follows:

	Increase / (Decrease) in basis points	Effect on Profit before tax (Rs.000)	
		Group	Company
2017	+150	(20,755)	-
	-150	20,755	-
2016	+150	(19,748)	(1,150)
	-150	19,748	1,150

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings. These currencies primarily are the USD, EURO, GBP and TAKA.

Currency risk is managed by the Group's treasury function that monitors foreign currency cash inflows and outflows and its closing position on a daily basis. The Group also monitors its exposure to movements in exchange rates on a net basis.

Sensitivity Analysis

A strengthening/weakening of the Rupees as indicated below, against the foreign currencies as at 31 March would have increased/(decreased) Profit or Loss by the amounts shown below.

	2017 Group		2016 Group	
	Strengthening Rs.000	Weakening Rs.000	Strengthening Rs.000	Weakening Rs.000
USD (5% Movement)	149,981	(149,981)	145,059	(145,059)
EURO (5% Movement)	24,511	(24,511)	21,384	(21,384)
GBP (5% Movement)	4,630	(4,630)	5,608	(5,608)
TAKA (5% Movement)	(51,441)	51,441	(48,859)	48,859

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 17.

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 subsidiaries.

Trade Receivables

Customer credit risk is managed by each Company subject to the Group's established policy, procedures and controls 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 19. The Company does not hold collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

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 minimise 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 19 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 2017 and 31 March 2016.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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group As at 31 March 2017	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest-Bearing Loans and Borrowings	-	-	1,954,903	2,044,817	-	3,999,720
Other Non-Current Financial Liabilities	-	-	-	10,178	-	10,178
Trade and Other Payables	-	12,179,714	-	-	-	12,179,714
Bank Overdraft	1,373,063	-	-	-	-	1,373,063
	1,373,063	12,179,714	1,954.903	2,054,995	-	17,562,675
As at 31 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 Payables	-	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

Company As at 31 March 2017	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest-Bearing Loans and Borrowings	-	-	718,730	1,180,804	-	1,899,534
Trade and Other Payables	-	236,252	-	-	-	236,252
	-	236,252	718,730	1,180,804	-	2,135,786
As at 31 March 2016						
Interest-Bearing Loans and Borrowings	-	-	348,647	1,447,947	-	1,796,594
Trade and Other Payables	-	432,577	-	-	-	432,577
Bank Overdraft	101,321	-	-	-	-	101,321
	101,321	432,577	348,647	1,447,947	-	2,330,492

NOTES TO THE FINANCIAL STATEMENTS

34 RECONCILIATION OF COMPARATIVE INFORMATION

The Group has changed its presentation of Cost of sales, Selling & Distribution expenses, Administrative expenses, Finance Cost and Other Operating Income for the better presentation of financial information. The management has reasonable evidence that such presentation would be more relevant for the understanding of the entity's financial performance for the user.

In addition Share of Results of Joint Ventures and Associates have been presented net of tax in accordance with Sri Lanka Accouting Standards.

The comparative information is reclassified to be in-line with the current presentation.

	For the year ended 31 March 2016		
	As previously reported	Reclassification	Reclassified
Group	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss			
Revenue	37,976,564	-	37,976,564
Cost of Sales	(23,929,067)	80,656	(23,848,411)
Gross Profit	14,047,497	80,656	14,128,153
Other Operating Income	358,128	(1,954)	356,174
Selling and Distribution Expenses	(3,877,715)	(47,046)	(3,924,761)
Administrative Expenses	(6,479,006)	(32,305)	(6,511,311)
Share of Results of Joint Ventures	(67,027)	(12,802)	(79,829)
Share of Results of Associates	(21,328)	(3,169)	(24,497)
Operating Profit	3,960,549	(16,620)	3,943,929
Finance Cost	(512,676)	649	(512,027)
Finance Income	642,467	-	642,467
Profit Before Tax	4,090,340	(15,971)	4,074,369
Income Tax Expenses	(1,164,370)	15,971	(1,148,399)
Profit for the Year	2,925,970	-	2,925,970

35 RELATED PARTY DISCLOSURES

Refer Note 37 for effective equity holding percentages and other key information of Group entities.

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 the year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Terms and conditions and other related information on loans obtained from related parties and loans granted to related parties are disclosed in Note 22.2.1 and 17.1.3 to these Financial Statements respectively.

35.1 Transactions with Related Entities

Details of significant related party disclosures are as follows:

Guarantees

Guarantees given by the Company to banks on behalf of related parties are disclosed in the Note 31.2 to these Financial Statements.

Terms and Conditions:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

Nature of Transaction	Subsidiaries		Joint Ventures		Total	
	2017	2016	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Services Rendered	539,471	485,454	-	-	539,471	485,454
Bank Guarantee Fees	10,836	2,942	-	-	10,836	2,942
IT Charges	216,255	160,254	4,665	5,105	220,920	165,359
Rent	29,051	25,127	-	-	29,051	25,127
Loan Interest Income	144,049	88,741	-	12,036	144,049	100,777
Dividend Income	781,001	288,939	-	-	781,001	288,939
Treasury Loans Granted	(1,362,900)	(1,318,564)	-	(770,000)	(1,362,900)	(2,088,564)
Loan Interest Expense	(17,449)	(20,599)	-	-	(17,449)	(20,599)
Receipt of Services	(151,202)	(125,539)	-	-	(151,202)	(125,539)
Shared Service Fee	(8,772)	(11,138)	-	-	(8,772)	(11,138)
Purchase of Air Tickets and Foreign Currency	(38,642)	(17,648)	-	-	(38,642)	(17,648)
Treasury Loans Obtained	226,000	276,000	-	-	226,000	276,000
Repayment of Loans /Transfers	2,047,026	628,794	-	770,000	2,047,026	1,398,794
Other	66,158	9,388	-	-	66,158	9,388

The provision made for on accounts of related party receivables is disclosed in Note 19 to these financial statements.

Transactions Related to Restructuring of Leisure Travel and Aviation Sector

In addition to the above there were related party transactions as a result of Group restructuring initiative of Leisure, Travel and Aviation sector which is disclosed in "Annual Report of the Directors on the affairs of the Company and the Group" in page 138 to 141.

Following is a summary of associated related party transactions described in above report in Section 11 - Investments and acquisition, Section 12 - divestment and disposals, and Section 15 - Related party Transactions

	Transaction Value
	Rs. 000
Disposal of investments in subsidiaries to Related Parties	7,769,285
Purchase of Subsidiary Shares from Related Parties	1,114,888
Conversion of Related Party Loans to Equity	666,486

NOTES TO THE FINANCIAL STATEMENTS

The above transactions were settled in combination of cash payment, transferring of preference share investments held by subsidiaries and issuing own shares of subsidiaries resulting in a gain of Rs. 5.16Bn reported in the Statement of Profit or Loss of the Company under Other Operating Income (Note 4).

Impact to the Consolidated Financial Statements

The above restructure is considered as a common control Business Combination which is scoped out of SLFRS 3 - Business Combinations. The Group has not accounted for any goodwill or a gain from a bargain purchase arising on the transaction on the Consolidated Financial Statements. Accordingly all the Gains or Losses reported in individual Financial Statements of entities including the Company were eliminated in full in the Consolidated Financial Statements.

All the above transactions were on normal commercial terms.

35.2 Transactions with Key Management Personnel

The Key Management Personnel are the all Executive and Non-Executive Directors and members of the senior management of Hemas Holdings PLC and its subsidiaries.

a Key Management Personnel Compensation

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short Term Benefits	685,488	593,788	138,437	127,807
Post Employment Benefit	10,982	-	-	-

b Transactions, Arrangements and Agreements Involving Key Management Personnel

No significant transactions had taken place involving Key Management Personnel & their close family members.

36 SEGMENTAL INFORMATION

Information based on the primary segments (Business Segment)

For the year ended 31 March	Consumer		Healthcare		Leisure, Travel & Aviation		Logistic & Maritime		Others		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue												
Segmental Revenue - Gross	16,192,236	14,457,927	19,022,634	16,290,946	4,302,348	4,246,458	1,931,444	954,371	3,587,438	3,365,409	45,036,100	39,315,111
Intra Segmental Revenue	(172,142)	(156,161)	(180,357)	(148,256)	-	-	-	(4,881)	(193,875)	(175,813)	(546,374)	(485,111)
Segment Revenue	16,020,094	14,301,766	18,842,277	16,142,690	4,302,348	4,246,458	1,931,444	949,490	3,393,563	3,189,596	44,489,726	38,830,000
Inter Segmental revenue	(7,350)	(3,300)	-	-	-	-	-	-	(1,077,924)	(850,136)	(1,085,274)	(853,436)
Total Revenue	16,012,744	14,298,466	18,842,277	16,142,690	4,302,348	4,246,458	1,931,444	949,490	2,315,639	2,339,460	43,404,452	37,976,564
Results												
Segmental Results	2,074,149	1,768,185	2,064,632	1,780,402	502,839	699,378	451,122	95,627	(220,189)	(332,564)	4,872,553	4,011,028
Finance Cost	(64)	(13,938)	(204,940)	(192,036)	(15,009)	(21,246)	(22,186)	(33,959)	(277,053)	(250,848)	(519,252)	(512,027)
Finance Income	156,680	105,474	9,948	7,799	39,684	35,318	9,691	4,057	606,342	489,819	822,345	642,467
Change in Fair Value of Investment Properties		-	-	-	21,738	18,000	-	-	13,313	19,227	35,051	37,227
Share of Results of Associate	-	-	-	-	(7,197)	(24,497)	-	-	-	-	(7,197)	(24,497)
Share of Results of Joint Venture	-		-		(160,929)	(177,583)	44,323	97,754	-		(116,606)	(79,829)
Profit/(Loss) before Tax	2,230,765	1,859,721	1,869,640	1,596,165	381,126	529,370	482,950	163,479	122,413	(74,366)	5,086,894	4,074,369
Income Tax	(539,487)	(402,237)	(444,726)	(381,034)	(84,733)	(108,344)	(78,452)	(4,258)	(185,646)	(252,526)	(1,333,044)	(1,148,399)
Profit / (Loss) for the Year	1,691,278	1,457,484	1,424,914	1,215,131	296,393	421,026	404,498	159,221	(63,233)	(326,892)	3,753,850	2,925,970
Attributable to:												
Equity Holders of the Parent	1,679,706	1,452,361	1,384,595	1,187,608	167,421	215,966	335,547	128,147	(75,791)	(330,874)	3,491,478	2,653,208
Non-Controlling Interests	11,572	5,123	40,319	27,523	128,972	205,060	68,951	31,074	12,558	3,982	262,372	272,762
	1,691,278	1,457,484	1,424,914	1,215,131	296,393	421,026	404,498	159,221	(63,233)	(326,892)	3,753,850	2,925,970

NOTES TO THE FINANCIAL STATEMENTS

As At 31st March	Consumer		Healthcare		Leisure, Travel & Aviation		Logistic & Maritime		Others		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	2,226,938	1,758,859	3,774,407	3,597,791	3,497,824	3,490,786	538,364	482,326	1,582,457	1,489,388	11,619,990	10,819,150
Investment Property	-	-	-	125,700	-			-	3,542,879	3,577,480	3,542,879	3,703,180
Other Non Current Financial Assets	5	5	893,248	965,440	465,849	587,316	11,947	37,213	1,058,662	395,132	2,429,712	1,985,106
Other Non Current Assets	2,667,306	2,619,242	1,805,577	2,832,225	8,687,777	2,319,047	2,733,535	469,006	13,532,980	6,482,824	29,427,175	14,722,344
Segmental Non Current Assets	4,894,249	4,378,106	6,473,232	7,521,156	12,651,451	6,397,149	3,283,846	988,545	19,716,978	11,944,824	47,019,756	31,229,780
Deferred Tax Assets											57,400	47,830
Eliminations/Adjustments											(28,227,452)	(13,658,619)
Total Non Current Assets											18,849,704	17,618,989
Segmental Current Assets												
Other Current Financial Assets	38,328	36,228	33,268	27,377	7,844	11,090	17,364	23,141	127,954	1,094,881	224,758	1,192,717
Segmental Current Assets	6,107,168	5,388,472	7,623,895	5,974,936	3,513,355	3,369,725	1,314,817	301,755	10,396,024	10,349,071	28,955,258	25,383,959
Tax Recoverables											181,104	39,724
Eliminations/Adjustments											(892,274)	(1,908,214)
Total Current Assets											28,468,847	24,708,186
Total Assets											47,318,551	42,327,175
Non Current Liabilities												
Segmental Non Current Liabilities	120,832	110,102	1,246,475	1,737,287	195,918	363,656	64,056	146,322	1,506,530	1,851,641	3,133,811	4,209,008
Other Non-current Financial Liabilities	1,083,678	1,083,678	1,858	3,004	6,148	-	1,985	1,055	-	-	1,093,669	1,087,737
Deferred Tax Liability											490,437	424,597
Eliminations/Adjustments											(1,522,360)	(1,484,913)
Total Non Current Liabilities											3,195,557	4,236,430
Current Liabilities												
Segmental Current Liabilities	3,493,454	3,220,762	5,774,248	5,340,389	3,123,286	2,845,558	641,016	279,866	3,404,768	3,198,314	16,436,772	14,884,889
Income Tax Liability											486,263	523,074
Eliminations/Adjustments											(929,092)	(1,970,530)
Total Current Liabilities											15,993,943	13,437,433
Total Liabilities											19,189,500	17,673,863
Total Segment Assets	11,039,745	9,802,806	14,130,395	13,523,469	16,172,650	9,777,964	4,616,027	1,313,441	30,240,956	23,388,776	76,199,772	57,806,456
Total Segment Liabilities	4,697,964	4,414,542	7,022,581	7,080,680	3,325,352	3,209,214	707,057	427,243	4,911,298	5,049,955	20,664,252	20,181,634
Other Segmental Information												
Acquisition Cost of Property Plant and **Equipment**	646,990	184,250	577,164	417,259	215,555	150,373	133,569	141,697	254,542	207,320	1,827,820	1,100,899
Depreciation of Segmental Assets	171,928	154,909	381,559	329,688	171,261	179,428	85,684	69,347	177,637	158,140	988,068	891,512
Provision for Retiring Gratuity	23,849	20,838	44,005	40,687	29,567	26,571	5,118	2,225	34,945	36,709	137,484	127,030
Impairment/Amortisation of Intangibles	5,803	691	31,451	24,416	7,266	2,439	1,342	**848**	22,838	16,651	68,700	45,045

**The Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated Business Segment information for the year ended 31 March 2016.

37 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2017	2016	2017	2016	
CONSUMER						
Hemas Manufacturing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Manufacture of Consumer Products
Hemas Marketing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Trading & Distribution of Consumer 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 Centre, 6th Floor, 72, Mohakhali C-A,Dhaka-1212	Subsidiary	100%	100%	100%	100%	Manufacturing and Trading of Consumer Products
Hemas Consumer Products (Pvt) Ltd. No 1418, BRR Tower, I.I Chundrigar Road, Karachi, Pakistan.	Subsidiary	100%	-	100%	-	Trading of Consumer 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	91%	89%	91%	89%	Importing and Distribution of Consumer Products
HEALTHCARE						
Hemas Pharmaceuticals (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Distribution of Pharmaceutical Products
Hemas Surgicals & Diagnostics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	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	57%	83%	57%	83%	Hospital Services
J L Morison Son & Jones (Ceylon) PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	89%	91%	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	91%	89%	91%	89%	Manufacturing and Trading Pharmaceuticals

NOTES TO THE FINANCIAL STATEMENTS

37 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding 2017	Effective Holding 2016	Voting Power 2017	Voting Power 2016	Principal Activities
LEISURE, TRAVEL AND AVIATION						
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	57%	55%	57%	55%	Operating a Tourist Hotel and Investment Holding Company
Hotel Sigiriya PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	35%	34%	57%	55%	Operating a Tourist Hotel
Dolphin Hotels PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	43%	42%	57%	55%	Operating a Tourist Hotel
Serendib Leisure Management Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	57%	55%	57%	55%	Provision of Hotel Management Services
Jada Resorts and Spa (Pvt) Ltd No.40, St Sebastian's Road, Katukurunda, Kalutara	Associates	-	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%	60%	60%	Destination Management Services
Welanka Holidays (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	24%	-	60%	-	Destination Management Services
Hemtours (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Destination Management Services
Airserve Aviation Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Airline Ground Handling representation
Mowbray Hotels Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	89%	100%	89%	Hotel Property
PH Resorts (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Joint Venture	50%	50%	50%	50%	Operating a Tourist Hotel
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
LTU Asia Aviation Services Co.,Ltd. 21st Floor, Vovawat Building, 849, Silom Road, Bangrak, Bangkok	Subsidiary	40%	40%	40%	40%	Airline Representation
Aviation Services (Pvt) Ltd. H.Athireege - Aage, Lotus Goalhi, Male, Republic of Maldives.	Associate	49%	-	49%	-	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
Peace Haven Resorts Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Hotel Property

37 GROUP COMPANIES

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2017	2016	2017	2016	
LOGISTICS AND MARITIME						
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.	Subsidiary	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	50%	57%	50%	57%	General Carries & Warehousing
Hemas Integrated Logistics (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	57%	50%	57%	General Carries & Warehousing
Mazu Shipping (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	49%	100%	49%	Shipping Agents
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
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, No. 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	91%	89%	91%	89%	Importing and Distribution of Agro Chemicals
M S J Promotional Services (Pvt) Ltd No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	89%	91%	89%	Promotional Activities
M S J Cargos (Ceylon) (Pvt) Ltd. No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	89%	91%	89%	Wharf Clearing Activities
M S J Hotels (Ceylon) (Pvt) Ltd. No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	-	89%	-	89%	Hotel Industry
M S J Tours (Ceylon) (Pvt) Ltd. No:620,Biyagama Road, Pethiyagoda Kelaniya.	Subsidiary	-	89%	-	89%	Transport Service
Concept Ventures (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Investment Holding
Healthnet International (Pvt) Ltd No. 25, Elibank Road, Colombo 05.	Subsidiary	49%	-	49%	-	Online Pharmacy Services

TEN YEAR SUMMARY

Rs'000	2017	2016	2015	2014 Restated
Operating Results				
Group Revenue	43,404,452	37,976,564	32,496,953	27,259,281
Profit Before Taxation	5,086,894	4,074,369	3,094,939	3,192,344
Taxation	1,333,044	1,148,399	704,200	469,673
Profit After Taxation	3,753,850	2,925,970	2,390,739	2,722,671
Profit Attributable to the Parent	3,491,478	2,653,208	1,927,051	2,409,276
Equity & Liabilities				
Stated Capital	5,741,038	5,722,837	1,600,603	1,600,603
Reserves	2,262,995	2,081,186	1,327,720	1,492,495
Retained Earnings	16,907,218	14,187,670	12,730,653	11,207,426
Non Controlling Interests	3,217,800	2,661,619	2,263,623	3,329,111
Non Current Liabilities	3,195,557	4,236,430	4,244,615	4,322,629
Current Liabilities	15,993,943	13,437,433	12,271,106	10,174,363
	47,318,551	42,327,175	34,438,320	32,126,627
Assets				
Property, Plant and Equipment	13,525,589	12,764,329	11,465,089	12,563,655
Investment Property	1,472,928	1,735,779	1,763,665	1,683,130
Leasehold Property	828,405	115,751	109,545	145,847
Intangible Assets	954,060	852,339	755,953	1,333,219
Investments (Joint Ventures, Associate & Others)	2,011,322	2,102,962	2,091,425	2,854,479
Deferred Tax Assets	57,400	47,829	72,731	58,580
Current Assets	28,468,847	24,708,186	18,179,912	13,487,717
	47,318,551	42,327,175	34,438,320	32,126,627
Key Indicators				
Earnings Per Share (Rs.)	6.10	4.71	3.74	4.68
Dividends Per Share (Rs.)	1.40	1.10	1.10	0.75
Dividend Cover (No. of Times)	4.36	4.28	3.40	6.05
Interest Cover (No. of Times)	9.21	7.70	7.33	7.15
Net Asset Per Share (Rs.)	43.50	38.41	30.39	27.75
Cash from Operating Activities (Rs.'000)	3,005,374	4,250,945	3,329,052	2,686,659
Current Ratio (No. of Times)	1.8	1.8	1.5	1.3
Gearing (%)	16.0	18.5	26.9	25.9
ROE (%)	14.9	14.1	12.9	18.2

2013 Restated	2012	2011	2010	2009	2008
26,974,910	22,210,017	18,552,220	15,221,418	15,342,278	14,163,805
2,406,155	1,521,080	1,569,345	1,094,719	856,932	1,259,455
472,422	259,772	214,154	160,075	137,854	108,625
1,933,733	1,261,308	1,355,191	934,644	719,078	1,150,830
1,657,655	1,164,525	1,210,159	901,730	775,128	1,135,419
1,600,603	1,600,603	1,468,426	1,369,223	1,369,223	1,329,013
1,724,228	1,601,854	646,083	805,983	837,675	856,452
8,828,511	7,447,822	6,613,376	5,516,910	4,821,392	4,248,232
2,259,037	1,990,665	1,589,630	1,488,104	837,062	604,967
2,613,184	1,938,996	2,203,470	1,570,430	2,000,989	1,155,771
6,757,388	8,075,746	6,585,210	5,316,281	4,969,471	4,936,190
23,782,951	22,655,686	19,106,195	16,066,931	14,835,812	13,130,625
10,038,723	10,283,616	7,446,650	7,033,615	7,180,680	5,182,389
578,453	474,685	1,309,965	1,261,410	1,178,710	1,178,710
90,592	94,455	98,386	61,845	64,911	67,976
436,670	461,499	491,318	333,073	191,214	173,622
2,033,993	503,468	445,257	241,564	257,924	297,041
39,596	35,621	35,014	22,805	21,832	
10,564,924	10,802,342	9,279,605	7,112,619	5,940,541	6,230,887
23,782,951	22,655,686	19,106,195	16,066,931	14,835,812	13,130,625
3.22	2.27	2.36	1.76	1.51	11.13
0.55	0.50	0.70	0.36	0.25	1.25
5.82	4.50	3.40	4.90	6.00	8.90
7.50	4.30	6.20	3.30	2.80	4.20
46.15	20.70	17.30	15.10	13.80	63.51
1,863,616	1,096,261	1,994,663	1,407,985	1,458,434	929,277
1.6	1.3	1.4	1.3	1.2	1.3
25.5	25.0	27.8	25.8	32.9	31.4
14.5	12.0	14.6	12.3	11.5	19.4

SHARE & DEBT INFORMATION

Analysis of Shareholders as at 31 March 2017

Shareholdings	RESIDENT			NON-RESIDENT			TOTAL		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1000 Shares	2,872	1,170,682	0.21	23	11,400	0.00	2,895	1,182,082	0.21
1001 to 10,000 Shares	990	3,146,474	0.55	16	84,449	0.01	1,006	3,230,923	0.56
10,001 to 100,000 Shares	200	5,442,986	0.95	11	251,877	0.04	211	5,694,863	0.99
100,001 to 1,000,000 Shares	39	13,262,406	2.32	29	11,494,502	2.01	68	24,756,908	4.33
Over 1,000,000 Shares	12	374,365,091	65.36	29	163,503,600	26.98	41	537,868,691	93.91
	4,113	397,387,639	69.39	108	175,345,828	28.55	4,221	572,733,467	100.00

Categories of Shareholders

	2017		2016	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Catagories of Shareholders				
Individual	3,966	37,644,933	4,238	37,319,044
Institutional	255	535,088,534	287	535,226,089
	4,221	572,733,467	4,525	572,545,133

Share Trading

	2017	2016
Market Price		
Highest Price	110.00	99.80
	22/3/17	5/8/15
Lowest Price	81.00	71.00
	6/4/16	6/4/15
As at year end (Rs.)	108.70	80.60
No. of Trades	3,224	5,752
No. of Shares Traded	51,533,534	33,111,693
Value of Shares Traded (Rs. Mn)	5,193	2,808
Market Capitalisation (Rs Mn)	62,256	46,147

Computation of Public Shareholding

As at 31 March	2017
	No of shares
Issued Share Capital as at 31 March 2017	572,733,467
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	203,021,852
Public Holding as a % of Issued Share Capital	35.44%
Total Number of Shareholders	4,221
Number of Persons Holding Shares Excluded when Computing Public Holding %	12
Number of Shareholders representing the Public Holding	4,209

Major Shareholders

	List of 20 Major Shareholders as at 31st March	2017	%	2016	%
		No of Shares		No of Shares	
1	A Z Holdings (Private) Limited	90,762,875	15.85	90,762,875	15.85
2	Saraz Investments (Private) Limited	86,396,035	15.09	86,396,035	15.09
3	Blueberry Investments (Pvt) Ltd	85,781,250	14.98	85,781,250	14.98
4	Amagroup (Pvt) Ltd	85,780,665	14.98	85,780,665	14.98
5	HSBC Intl. Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	44,673,822	7.80	55,368,238	9.67
6	HSBC International Nominees Ltd-JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets	14,964,257	2.61	14,964,257	2.61
7	HSBC Intl Nom Ltd-SSBT-First State Investments ICVC-Stewart Investors Indian Subcontinent Fund	11,962,613	2.09	11,962,613	2.09
8	Citibank Newyork S/A Norges Bank Account 2	8,988,919	1.57	Nil	-
9	HSBC Intl Nom Ltd-SSBT-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund	8,286,047	1.45	8,286,047	1.45
10	HSBC Intl Nominees Ltd-JPMCB-Scottish ORL SML TR GTI 6018	8,006,561	1.40	8,006,561	1.40
11	HSBC Intl Nom Ltd-SSBT-First State Investments ICVC-Stewart Investors Asia Pacific Fund	7,126,658	1.24	6,453,960	1.13
12	Pemberton Asian Opportunities Fund	7,000,000	1.22	10,000,000	1.75
13	Mr. M.A.H Esufally	5,946,500	1.04	5,946,500	1.04
14	Mr.H.N Esufally	5,586,705	0.98	5,586,705	0.98
15	Mr. I.A.H Esufally	4,424,000	0.77	4,424,000	0.77
16	HSBC Intl Nom Ltd-JPMCB-Pacific Assets Trust PLC	4,344,132	0.76	4,344,132	0.76
17	HSBC International Nominees Ltd-Morgan Stanley And Co Intl PLC-Own A/C	4,258,300	0.74	1,362,889	0.24
18	HSBC Intl Nom Ltd-State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Maste)	3,949,115	0.69	3,949,115	0.69
19	HSBC Intl Nom Ltd-BBH-Grandeur Peak Emerging Markets Opportunities Fund	3,804,326	0.66	3,804,326	0.66
20	HSBC Intl Nom Ltd-SSBT-First State Investments ICVC-Stewart Investors Global Emerging Markets Sustai	3,317,420	0.58	1,403,285	0.25
		495,360,200	86.5	494,583,453	86.39

SHARE & DEBT INFORMATION

(a) Directors' Shareholding

	31 March 2017	31 March 2016
Mr. H.N Esufally	5,586,705	5,586,705
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. 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	18,240,790

(b) Close Family Members

	31 March 2017	31 March 2016
Ms. Sabrina Esufally	250,000	250,000
Mr. Adam Esufally	250,000	250,000
Ms. R.H.Esufally	250,000	250,000
Ms. Sakina Imtiaz Esufally	2,000,000	2,000,000
	2,750,000	2,750,000

(c) Controlling Interest

	31 March 2017	31 March 2016
Saraz Investments (Private) Limited	86,396,035	86,396,035
A Z Holdings (Private) Limited	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

Debt Information

There has been no trading in the listed Debentures of the Company during the financial year 2016/17.

		2017	2016
Market Price			
Last Traded	Rs.	-	101.49
Highest	Rs.	-	101.49
Lowest	Rs.	-	101.49
Interest Yield as at the date of last trade	%	-	10.47
Yield to maturity of trade done	%	-	10.47
Interest rate of comparable government securities (Five Year Treasury Bond)	%	12.60	13.00
Debt to Equity Ratio	%	19.10	22.80
Interest Cover	Times	9.21	7.70
Quick Assets Ratio	Times	1.39	1.45

Employee Share Option Plan as At 31 March 2017

	Date of Grant	Employee Category	Shares Granted	Expiry date	Option Grant Price (Rs.)	Exercised	Cancelled		Expired	Outstanding			End/Current price
							Due to Resignation	Due to Performance		Total	Vested	Unvested	
Grant 1	27.07.2015		3,053,750	26.07.2019	82.00	188,334	12,500	466,827	-	2,386,089	2,386,089	-	82.00
		Executive Directors	687,500			-	-	130,520	-	556,980	556,980	-	
		Senior Executives	2,366,250			188,334	12,500	336,307	-	1,829,109	1,829,109	-	
Grant 2	27.07.2016		3,008,750	26.07.2020	87.50	-	70,000	-	-	2,938,750	-	2,938,750	87.50
		Executive Directors	687,500			-		-	-	687,500	-	687,500	
		Senior Executives	2,321,250			-	70,000	-	-	2,251,250	-	2,251,250	

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.

DILUTED EARNINGS PER SHARE
Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

DIVIDEND COVER
Net profit attributable to the Ordinary Shareholders divided by the total dividend paid and proposed.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Company profits adjusted for non-cash gains items.

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
Total assets minus current liabilities, long term liabilities, and non-controlling interests.

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 EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds.

RETURN ON CAPITAL EMPLOYED

Earnings Before Interest expense and Tax divided by average of capital employed 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.

SHAREHOLDERS' FUNDS

Total of stated capital, other components of equity and revenue reserves.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Hemas Holdings PLC will be held at the Level 6 Forum of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07 on Friday the 30th of June, 2017 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 2017 together with the Reports of the Directors and Auditors thereon.

2. To re-elect as a Director, Mr. A. N. Esufally retiring by rotation in terms of Article 84 of the Articles of Association of the Company.

3. To re-elect as a Director, Mr M. A. H. Esufally retiring by rotation in terms of Article 84 of the Articles of Association of the Company.

4. To re-elect as a Director, Mr. W. M. De F. Arsakularatne retiring by rotation in terms of Article 84 of the Articles of Association of the Company.

5. To re-elect Mr. Ramabadran Gopalakrishnan who is over 70 years as a Director by passing the following resolution:

   "That the age limit stipulated in Section 210(2) of the Companies Act No.07 of 2007 shall not apply to Mr. Ramabadran Gopalakrishnan who has attained the age of 71 and that he be re-elected a Director of the Company."

6. To declare a final dividend of Rs. 1.45 per Ordinary 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.

9. To consider any other business of which due notice has been given.

By order of the Board of,
HEMAS HOLDINGS PLC
(sgd) Hemas Corporate Services (Private) Limited

Secretaries

16th May, 2017.

Notes:

- 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 is enclosed for this purpose.

- The instrument appointing a proxy should be deposited at the Registered Office at No 75, Braybrooke Place Colombo 2 not less than 48 hours before holding of the meeting.

- Shareholders/Proxy holders attending the Annual General Meeting are kindly requested to bring with them their National Identity Card or any other valid form of identification.

FORM OF PROXY

I/We...of

....

.... being a Member/s of Hemas Holdings PLC do hereby appoint

Mr/Mrs/Miss...of..

.... whom failing.

Mr. Husein Nuruddin Esufally of Colombo 3	whom failing
Mr. Steven Mark Enderby of Colombo 5	whom failing
Mr. Abbasally Nuruddin Esufally of Colombo 7	whom failing
Mr. Imtiaz Abidhusein Hassanally Esufally of Colombo 3	whom failing
Mr. Murtaza Abidhusein Hassanally Esufally of Colombo 5	whom failing
Mr. Ramabadran Gopalakrishnan of Colombo 2	whom failing
Mr. Dinesh Stephen Weerakkody of Colombo 8	whom failing
Dr. Sumitha Anura Bandara Ekanayake of Nugegoda	whom failing
Mr. Warnage Malinga De Fonseka Arsakularatne of Colombo 8	whom failing
Mr. Amitha Saktha Amaratunga of Colombo 7	

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Fourteenth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 30th day of June, 2017 at Level 6 Forum of the Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof.

I/We hereby authorize my/our proxy to vote for me/us and on my/our behalf in accordance with the preferences indicated below:

		For	Against
1.	To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2017 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect Mr. A. N. Esufally who retires by rotation, as a Director in terms of the Articles of Association of the Company.		
3.	To re-elect Mr M. A. H. Esufally who retires by rotation, as a Director in terms of the Articles of Association of the Company.		
4.	To re-elect Mr. W. M. De F. Arsakularatne who retires by rotation, as Director, in terms of the Articles of Association of the Company.		
5.	To re-elect Mr. Ramabadran Gopalakrishnan who is over 70 years as a Director by passing the ordinary resolution set out in the notice convening the AGM.		
6.	To declare a final dividend of Rs. 1.45 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

....

Signature/s and Date NIC No/PP No

Note: Please delete the inappropriate words.

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
A Limited Liability Company incorporated in Sri Lanka and listed on the Colombo Stock Exchange on 15th October 2003

Date of Incorporation
10th December 1948

Date of Re-Registration
30th May 2007

Company Re-Registration Number
P Q 6

Accounting year end
31st March

Registered Office
Hemas House
No. 75, Braybrooke Place,
Colombo 2.
Telephone: +94 11 4731731
Website: www.hemas.com

Directors
H. N. Esufally - *(Chairman)*
S. M. Enderby - *(CEO)*
A. N. Esufally
I. A. H. Esufally
M. A. H. Esufally
R. Gopalakrishnan
D. S. Weerakkody
Dr. S. A. B. Ekanayake
W. M. De F. Arsakularatne
A. S. Amaratunga

Audit Committee
A. S. Amaratunga – *Chairman*
D. S. Weerakkody
I. A. H. Esufally

Human Resources and Remuneration Committee
Dr S. A. B. Ekanayake – *Chairman*
A. S. Amaratunga
H. N. Esufally

Nomination and Governance Committee
R. Gopalakrishnan – *Chairman*
Dr S. A. B. Ekanayake
A. N. Esufally

Related Party Transaction Review Committee
A. S. Amaratunga – *Chairman*
D. S. Weerakkody
I. A. H. Esufally

Secretaries
Hemas Corporate Services (Pvt) Ltd
No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731
Facsimile: +94 11 4731777

Registrars
SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 3
Tel.: +94 11 2573894, +94 11 2576871
Fax: +94 11 2573609
Email: sspsec@sltnet.lk

Investor Relations
Hemas Holdings PLC
Hemas House, No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731
Email: ir@hemas.com

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

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

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

Designed & produced by
emagewise

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