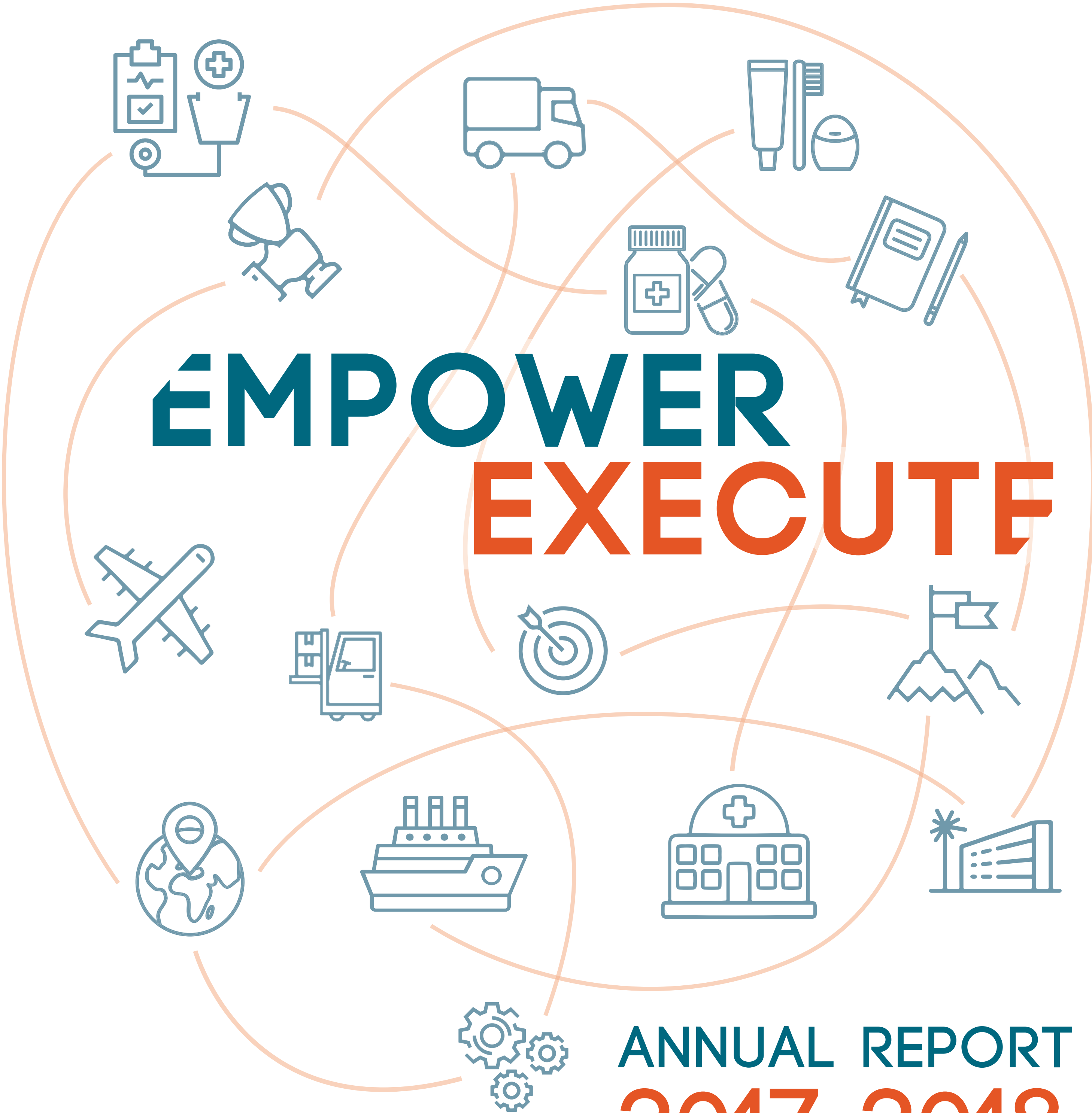
HEMAS HOLDINGS PLC



EMPOWER EXECUTE

ANNUAL REPORT 2017-2018

ANNUAL REPORT 2017-2018

EMPOWER EXECUTE

The year 2017-18 has not only been a trying year for Hemas Holdings but also one in which we have taken considerable effort and made investments to extend our horizons. As the Company enters its eighth decade of bringing well-loved brands, affordable healthcare, rapid mobility solutions and delightful leisure experiences to a variety of customers, we reflect on how we enrich the lives of those we touch.

Seventy years' experience in serving the nation has inspired and empowered us with a will to execute the projects that we believe in. This year, the company acquired another leading Sri Lankan consumer brand and invested in new categories. In addition, the domestic and Bangladesh businesses were strengthened to drive more profitable growth.

We invested in digital healthcare and start-ups, extended our leading pharmaceutical distribution services to a new market, invested in assets to drive third-party logistics and entered niche, high-value leisure spaces.

The year has brought into clear focus a need to work smarter, better and faster while keeping focus on the greater meaning and purpose of what we do. Thus, as we continue to focus on excellence in corporate governance, our philanthropic work enriches the lives of the most vulnerable among us, in our unceasing quest to uphold social and environmental sustainability in all we do.

While your Company grows in scale, geography and extends into new businesses, we will bring increased attention to our purpose, embark on extraordinary adventures and continue to drive shareholder value.

HEXAAS

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 consumer and healthcare solutions
- Investing in growth industries with potential for superior value creation
- Establishing a regional footprint

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

TABLE OF CONTENTS

8

CHAIRMAN'S REVIEW

12

CEO'S REVIEW

65

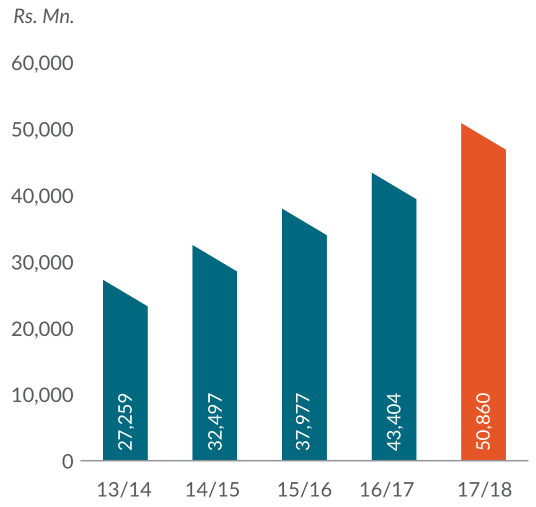
SUSTAINABILITY

Financial Statements

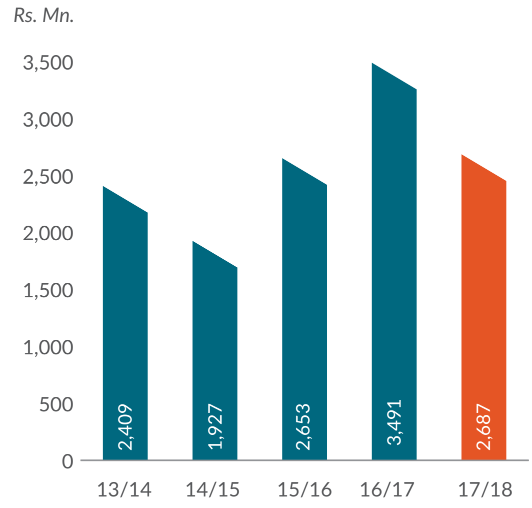
FINANCIAL HIGHLIGHTS

Year Ended 31 March 2018		2018	2017	Change %
Operating Results				
Group Revenue	Rs. '000	50,860,017	43,404,452	17.2%
Operating Profit	Rs. '000	4,245,095	4,783,801	-11.3%
Profit Before Taxation	Rs. '000	4,392,336	5,086,894	-13.7%
Profit After Taxation	Rs. '000	2,950,813	3,753,850	-21.4%
Profit Attributable to the Parent	Rs. '000	2,687,457	3,491,478	-23.0%
Gross Dividend Paid	Rs. '000	1,061,024	801,619	32.4%
Cash From Operations	Rs. '000	5,782,146	3,005,374	92.4%
Financial Position				
Total Assets	Rs. '000	57,762,140	47,318,551	22.1%
Equity Attributable to Equity Holders of the Parent	Rs. '000	26,580,563	24,911,251	6.7%
No. of Shares	No. '000	574,934	572,733	0.4%
Gearing	%	18.7%	16.0%	16.8%
Shareholder Information				
Return on Equity	%	10.4%	14.9%	-30.2%
Earnings per Share	Rs.	4.68	6.10	-23.3%
Dividend per Share	Rs.	1.85	1.40	32.1%
Dividend Payout	%	39.5%	23.0%	71.7%
Net Assets per Share	Rs.	46.23	43.50	6.3%
Market Capitalization	Rs. '000	71,809,164	62,256,128	15.3%
Price Earnings Ratio	Times	26.68	17.83	49.6%
Market Price as at 31 March	Rs.	124.90	108.70	14.9%

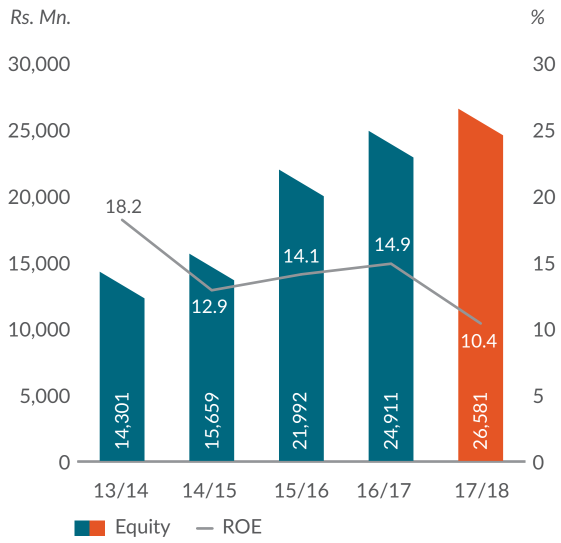
GROUP REVENUE



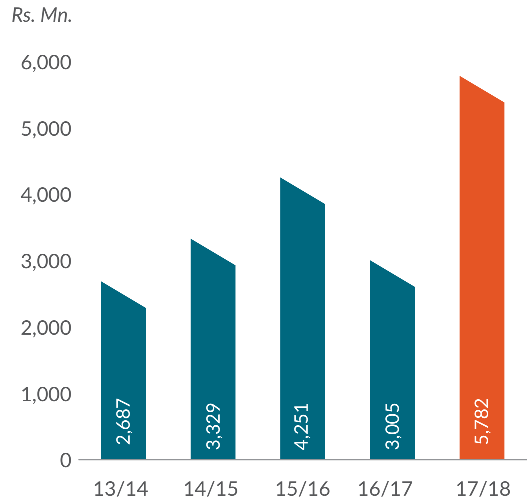
EARNINGS



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT & ROE



CASH FROM OPERATION



CHAIRMAN'S REVIEW

HUSEIN ESUFALLY

"The highlight of the year was the acquisition of 75.1% of Atlas Axillia in January 2018 for a consideration of Rs.5.7Bn."

Reflecting tougher economic conditions, Hemas Holdings PLC had to contend with a difficult year. On a positive note, the highlight of the year was the successful acquisition of Atlas Axillia, the leading School and Office supplies business in Sri Lanka, increasing Group exposure to the Consumer sector.

In the global economy, 2017 was one of broad-based recovery, underpinned by strengthening commodity prices, growth in trade, a long-awaited recovery of the Eurozone and an accelerating Indian economy.

However, Sri Lanka's growth slowed markedly to 3.1%, a 16-year low. This was largely attributed to monsoonal flooding and the after-effects of droughts in the first half of 2017 which contracted the agricultural economy and constrained household spending. The resulting crop shortages drove up food prices in the second half, further pressurizing the consumer wallet.

Managing external debt remains a challenge, and the government has taken several steps, including the recent $2.5Bn sovereign bond issuance which was well subscribed. 2017 was also a year of record FDIs, notably the lease agreement of the Hambantota port which contributed substantially. Also, of note was the comprehensive tax reform presented in the Inland Revenue Act designed to strengthen public finances. Currency depreciation continues to be troubling, as the Sri Lankan rupee devalued by 2.8% over the financial year and slipped a further 1.3% in the month of April alone.

Given this environment, your Company did well to report a 17.2% growth in turnover. However, operating challenges in several of our businesses together with the impact of Atlas contributed to an Operating Profit decline of 11.3%. Your Company's earnings were Rs. 2.7Bn, a decline of 23.0% largely due to a one time increase in dividend tax paid, and loss of interest income from investments post acquisition of Atlas Axillia.

The highlight of the year was the acquisition of 75.1% of Atlas Axillia in January 2018 for a consideration of Rs.5.7Bn. The Atlas brand is the leading player in the school supplies segment, which has exhibited steady growth over the years. Hemas and Atlas have a shared value system, and no doubt this has helped the smooth integration. Going forward, there are efforts underway to cross-fertilize learnings and exploit synergies between Atlas and our Home and Personal Care sector (HPC) business which would add incremental value.

Your Company's Home and Personal Care sector showed comparatively good growth, outperforming the industry which experienced a decline of -2.1% (Nielsen Sri Lanka). The business relaunched *Kumarika*, *Dandex* and *Baby Cheramy*, whilst continuing their efforts to drive innovation and premiumization across the portfolio. A global consulting firm was engaged to help drive productivity with a view to shaping up towards a "Future Ready" business, and whilst full benefits will accrue in the coming years, early signs have been quite positive. Sector results, however, were impacted by our business in Bangladesh which faced a challenging year. Counterfeit products and an intensely competitive environment contributed to a decline in sales of 10.0%. The business undertook a series of countermeasures, including a relaunch of *Kumarika* hair oil which has served to bolster consumer confidence.

With regard to Pharmaceuticals, the lack of a transparent pricing mechanism presents a major impediment to stakeholders across the value chain. There was some measure of relief due to a 5% price adjustment to 48 pharmaceutical compounds that were brought under price controls in October 2016. However, the majority of our business lies outside this, and no revision has been granted since prices were frozen in April 2015, despite a depreciation in the Rupee by 18.2%. Discussions with authorities to implement a price formula have not yet yielded a favorable response. Freezing prices without a mechanism to adjust for cost increases is not a sustainable policy and could in the end impact patients in terms of the "quality" and "accessibility" of medicines. Despite these challenges, our Pharmaceutical distribution business had strong revenue growth which was boosted by winning the Cipla agency.

CHAIRMAN'S REVIEW

"We continue to ask the question as to how we can improve governance and make our Board more effective."

Our Pharmaceutical manufacturing business, now renamed as 'Morison' is moving ahead with the construction of a new research and manufacturing facility, to be located within the SLINTEC Nano Technology park at Homagama. Hospitals had a good year with strengthening of our surgical capabilities and improvement of our operating model bearing fruit.

Our Leisure sector had a disappointing year, recording a decline in sales and profits, largely on account of a softer environment for tourism, and also the loss of a key account in our Travel business. Our joint venture hotel Anantara, Tangalle had a better year and continues to be celebrated as one of the finest destinations in Sri Lanka. With the acquisition of the Lantern boutique property brand in Mirissa, we extended our footprint into an emerging travel trend with potential for growth, whilst the addition of Indigo and China Southern strengthened our Aviation portfolio.

The Logistics and Maritime sector showed strong growth, and the capabilities of the business will be further enhanced with the new third-party logistics centre to be commissioned shortly under our joint venture, Spectra Logistics.

Your Company continues to place the highest importance in developing our People and several new initiatives were undertaken towards creating a more rewarding workplace. We continued to improve our prestigious leadership development programme-Hemas Future Leaders-which has now graduated a second batch of candidates. During the year under review, we engaged an external advisor to help develop a career philosophy and framework, which would provide our senior team visibility on career growth. To continue to retain and attract top talent, we defined our Employer Value Proposition, introducing the concept of "360 You" -celebrating individuality and well-roundedness at Hemas.

On the Sustainability front, your Company is mindful of the gravity of employing environmentally sustainable practices. Through a series of water management initiatives to promote the responsible use of water, your Company reduced consumption by 15%. We installed renewable energy generation capacity of 715 kWh across the Group, and despite having grown operations, were able to maintain energy consumption at previous levels.

Under our flagship community engagement project Piyawara, we added three new pre-schools, bringing the national network up to 44 schools. The highlight of the year was the Piyawara Singithi Diriya project to refurbish the Child Care Centre at the Welikada Prison. Ayati—a proposed National Centre of Excellence for Children with Disabilities is a significant undertaking your Company embarked on last year.

We continue to ask the question as to how we can improve governance and make our Board more effective. Over the past year we commenced an annual closed door meeting of Independent Directors, scheduled several informal sessions before the Board meeting in order that the complex subjects under discussion would have more context, provided a monthly performance update to help Board members 'stay connected' and updated charters of several Board sub-committees. Mr. J.M.Trivedi was appointed to the Board in August 2017 and we look forward to his contribution in the years to come.

Although the year under review has not met expectations in terms of financial outcomes, it has, nevertheless been a busy year in terms of expanding into new businesses, establishing new geographies, driving productivity and developing our people. Whilst focusing on the short term to drive performance, we are conscious too of the need to be relevant in an ever-changing environment and driving change across the organisation remains a priority. We are proud of our long track record of creating shareholder value and are redoubling our efforts as we press on with the task at hand.

> Whilst focusing on the short term to drive performance, we are conscious too of the need to be relevant in an ever-changing environment..

I take this opportunity to thank the CEO, the management team, and indeed the entire 'Hemas family' for their contribution and commitment under challenging circumstances. My sincere thanks also to my colleagues on the Board for their invaluable contribution and guidance. Special thanks to our loyal customers, our many business partners, and of course you, dear shareholders, for your continued confidence and support.

Husein Esufally
Chairman, Hemas Holdings PLC

25 May 2018

CEO'S REVIEW

STEVEN ENDERBY

> FY 2017/18 has been a challenging yet rewarding year, as we wrestle with creating new opportunities for growth in a period of domestic macroeconomic headwinds.

As we enter our 70th year, I would like to begin by thanking all our stakeholders for their contributions to our business. Many people, over many decades, have made Hemas what it is today. We have built a business based on strong core values, at the heart of which is the recognition that we are part of a broader economic and social environment and have a symbiotic relationship with our many stakeholders.

FY 2017/18 has been a challenging yet rewarding year, as we wrestle with creating new opportunities for growth in a period of domestic macroeconomic headwinds. During the year, we have focused on delivering future growth across many areas of our business activities.

Building our Home and Personal Care Business

We have made multiple investments to enhance the existing profitability of the Home and Personal Care (HPC) business and to open up new avenues for growth. In FY 2017/18, we embarked on a major profit improvement project aimed at significantly enhancing our profit margins. The project has progressed well, identifying opportunities in the supply chain, procurement and sales and distribution functions. The costs of the project were incurred in FY 2017/18, with the benefits now starting to accrue in FY 2018/19. We also invested in entering the Personal Wash category in Bangladesh, with *Kumarika* beauty soap, and commenced operations in West Bengal, India. All of these investments have impacted our profitability in FY 2017/18.

Acquiring Atlas

A key milestone was the acquisition of Sri Lanka's leading stationery and office manufacturer, Atlas, in January 2018. Atlas is one of the most respected local brands with market-leading positions for its notebooks, pens, pencils and colour products. The acquisition enables us to expand our presence in the Sri Lankan Consumer market. Today's consumers seek out premium, innovative and design-oriented products and Atlas has demonstrated its ability to do this repeatedly, resulting in its unique position as the most-loved school and office brand. We acquired 75.1% of Atlas for Rs.5.7Bn and have already received a substantial dividend. With this acquisition, we have now utilised our rights issue proceeds of Rs.4.1Bn. The costs of acquisition, both funding and transaction related, and acquiring Atlas during its seasonal low period have impacted this year's profitability. We look forward to working closely with the team at Atlas, sharing our knowledge and insight and equally learning from them.

Investing in Digital

Recognising the opportunity and challenge represented by multiple rapidly-emerging areas of technology, we made a series of investments in start-ups in Digital Healthcare, looking to deliver improved access and understanding of healthcare and wellness options and pharmaceutical products. It is our aspiration that businesses such as Ayubo, www.ayubo.life, the country's leading health and wellness app, will develop rapidly and make a meaningful contribution to improving preventative healthcare across the country while also being a great business venture. At present these start-ups are loss-making.

Growing in Logistics

On the Logistics front, Hemas Logistics began a new chapter in its story by rebranding itself as "Spectra Logistics". The rebranding was the result of its new partnership with GAC Sri Lanka, which itself is a partnership between GAC, a global leader in Maritime and Logistics services, and McLarens Holdings, one of Sri Lanka's leading Maritime services businesses. Combining our strengths has seen Spectra Logistics enhance its position as a leading integrated logistics provider. A major step towards this end is our new logistics park and container yard, which has been under construction throughout FY 2017/18. We will see this investment come into full operation in FY 2018/19 and we anticipate that it will be an important part of our route-to-market for our Consumer and Pharmaceutical businesses.

CEO'S REVIEW

> We continue to invest in developing our teams. This has been a key feature of the last few years and we will continue to build on this important component..

Investing in People

We continue to invest in developing our teams. This has been a key feature of the last few years and we will continue to build on this important component of our competitive advantage. Our second team of 'Future Leaders' have been put through their paces at the Indian Institute of Management, Bangalore. We have launched our new employee value proposition concentrated on the unique contribution each individual can offer not only in the workplace but also at home and more broadly in society. This has been an important platform for us to address improved gender equality in our efforts to increasingly female-friendly work environment.

Becoming Healthier

The health and wellbeing of our team and their families has again been a central theme for us. We run multiple wellness initiatives across the Group, attempting to raise awareness on the threat non-communicable diseases pose to all of us and the actions we can take to reduce the associated risks. I am pleased to report we have made noteworthy progress in improving the wellbeing of more than 500 of our employees and I am frequently encouraged by the stories of the wellness journey's impact on the lives of many of us in the Group.

Our Sustainability Journey

We have set ourselves challenging targets as we seek to increase energy efficiency and reduce water utilisation, dispose of waste responsibly, provide training and development, maintain a safe working environment and ensure the highest standards of product stewardship. The successful implementation of initiatives to realise these targets has seen an overall reduction in the Group's consumption of water and energy.

Our flagship community engagement initiative, Piyawara, continues to grow, with three new Piyawara pre-schools added to the national network during the year. A highlight of the year was the opening of the newly-refurbished Child Care Centre at the Welikada Prison as part of our 'Piyawara Singithi Diriya' project.

Our newest and most ambitious project, AYATI, a project initiated by Hemas Holdings PLC together with the Department of Disability Studies, Faculty of Medicine University of Kelaniya, aims to construct and operate Sri Lanka's first National Centre for Children with Disabilities. The project will also emphasise on changing the mindset of the public to eliminate any stigma and promote acceptance of children with disabilities.

If we look at this year's Business Performance:

Our HPC business in Sri Lanka saw two distinct halves to the year. The first half was marked by a slowdown in the FMCG industry, with demand continuing to be sluggish and the rural economy coming under stress due to flooding and a prolonged drought. Sri Lanka registered the lowest GDP growth in many years in 2017, at 3.1%. Increased inflationary pressure further impacted consumer sentiment. Despite this, our team stayed the course and achieved strong growth in the second half, in both revenue and profits.

Following a string of exceptional results over the past few years, the Hemas HPC business in Bangladesh experienced challenges due to the restructuring of our sales and distribution platform and increased competition. We continue to work hard at enhancing business performance, with the launch of a new and improved formulation and packaging for our market-leading value-added hair oil brand *Kumarika*. We have also invested in new categories, entering Personal Wash with a new beauty soap product.

The Consumer sector comprising HPC and School and Office supplies posted a revenue of Rs.17.4Bn during FY 2017/18, indicating a growth of 8.6% over the previous financial year; revenue growth excluding Atlas was 3.6%. Operating profits stood at Rs.1.4Bn, a 31.3% YoY decline and a 22.7% decline excluding the seasonality impact and acquisition cost of Atlas. While our Sri Lanka HPC business has performed well, the costs of our profit improvement programme, entry into West Bengal and the decline in operating performance in Bangladesh resulted in this lower level of in operating profit.

As we grow our presence in Pharmaceutical manufacturing, we launched a new identity to J L Morison Son & Jones (Ceylon) PLC during FY 2017/18. The name changed to "Morison PLC" and the new corporate logo is a strategic move designed to identify our company more strongly with the Pharmaceutical industry, in which it plays a leading role nationally. We continued to expand our range of Rx products and work closely with supplying high-quality yet affordable Pharmaceutical products to the Government. We are also highly-focused on the planning and development of our new research and manufacturing facility, which will significantly enhance the company's manufacturing capacity while complying with global regulatory standards.

In Pharmaceutical distribution, despite a challenging year, we recorded strong revenue growth in the business, driven by great effort and energy from our team and the acquisition of new agencies. However, price controls have impacted margins in an environment of inflation and currency devaluation. We continue to engage with Government in order to ensure the efficacy of the Pharmaceutical supply chain is not impacted and an appropriate price adjustment mechanism is put in place.

Our team at Hospitals has delivered strong performance in FY 2017/18, with higher occupancy levels and increased attention on surgeries contributing towards a revenue growth of 16.4%. We also see improved contributions from our laboratory network of 34 diagnostic centres across the country.

Our Healthcare sector delivered strong financial performance, registering a consolidated revenue of Rs.23.1Bn, a YoY increase of 22.6%, and operating profit growth of 11.6%.

Our Leisure, Travel and Aviation (LTA) businesses recorded a slowdown due to poor tourist arrivals during the summer months of the year. LTA posted a total revenue of Rs.4.2Bn, reflecting a decline of 3.0% over the last financial year. Overall operating profitability of the LTA sector continued to be below expectations, a decline of 39.9%, stemming from poor performance in inbound travels due to a decline in their Asian segment.

Serendib Hotels improved performance in Q4 by attracting higher volumes during the peak season. While Anantara Peace Haven Tangalle performed comparatively better than last year, losses incurred year-to-date impacted Group profitability. Capitalising

> "We have significantly invested our resources in developing our people, improving their wellbeing, enhancing our personal care business, taking critical steps in digital and acquiring one of the most respected consumer brands in the country while building a great logistics platform and improving our social and environmental impact."

on the increasing number of discerning travellers who are looking for authentic experiences in a more intimate setting, Serendib Hotels entered the villa space by initially acquiring a 51.15% stake in Lantern, a position it then increased to a fully-owned subsidiary in March 2018. We also continued to build our Airline representation business, introducing India's leading airline, Indigo, to Sri Lanka.

Hemas Logistics and Maritime recorded revenue growth of 45.7% over last year with revenues of Rs.2.8Bn. During the year, Spectra has shown improved results, mainly driven by 3PL operations. Spectra expanded operations with a new container yard in the Muthurajawela Industrial Zone on January 22, 2018. Construction of the new warehousing complex is on track to be completed in early FY 2018/19. Our Maritime business continued delivery of excellent service performance to the shipping lines we represent, building on its outstanding track record.

CEO'S REVIEW

Our Technology business, N*Able, continued to design and execute innovative technology solutions for many of Sri Lanka's leading companies in the Telecom and Financial Services sectors.

We have significantly invested our resources in developing our people, improving their wellbeing, enhancing our personal care business, taking critical steps in digital and acquiring one of the most respected consumer brands in the country while building a great logistics platform and improving our social and environmental impact. While the investments we have made have impacted this year's profitability, they are critical to our future. This commitment resulted in our revenues crossing Rs. 50Bn, for the first time while earnings has declined to Rs.2.7bn.

Our business has, as ever, been driven by our committed and energetic team and the guidance of our Directors at Hemas Holdings PLC and in our subsidiaries. We push forward into FY 2018/19 with our usual passion to enrich the lives of all our stakeholders.

Steven Enderby
Group Chief Executive Officer

25 May 2018

FINANCIAL REVIEW

Consolidated Group Revenue

During the year under review, Group revenue crossed the Rs. 50Bn mark to close the year at Rs. 50.9Bn with a YoY growth of 17.2% compared to Rs. 43.4Bn recorded last year. FY 2017/18 marked a remarkable year, with expansions into new markets and new categories despite headwinds experienced during most parts of the year.

In January 2018, Hemas acquired Atlas, a leading school and office supplies manufacturer in Sri Lanka, making it the third largest subsidiary under the Hemas umbrella. Accordingly, underlying revenue excluding the recent additions to the Group portfolio stood at Rs. 49.7Bn, indicating a growth of 14.9% over last year.

As shown in Table 1, revenue growth was driven by robust performance in Healthcare, Mobility and Other sectors, which recorded growth rates of 22.6%, 45.7% and 45.6% respectively.

The Healthcare sector, the primary contributor to consolidated revenue, recorded a revenue of Rs. 23.1Bn during the year, a growth of 22.6%. This was driven by the impressive performance coming from Hospitals, with increased bed occupancy during the first half of the financial year, and Hemas Pharmaceuticals, which continued to increase its market share via adding new agencies. The Mobility sector too recorded revenues of Rs. 2.8Bn for the year, with impressive growth of 45.7% driven by the increase in transhipment volumes.

N-able, the IT services business of the Group, recorded revenue of Rs. 3.4Bn, a YoY growth of 53.3%, backed by the successful completion of three major projects, which enabled the Group's Other segment to record 45.6% growth in revenue for the year under review.

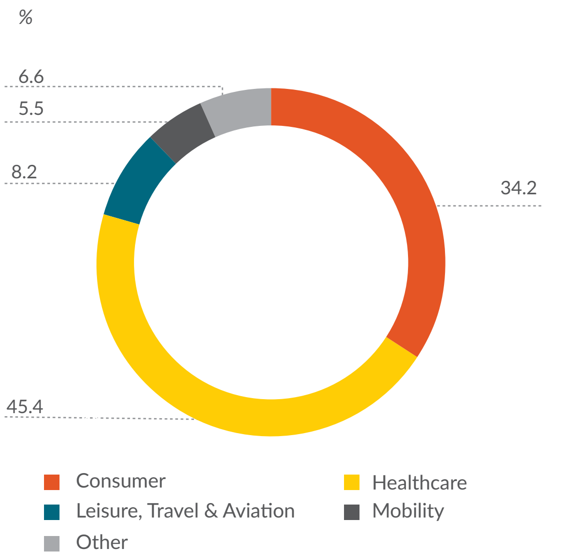
The Hemas Consumer sector, which comprises Home and Personal Care (HPC), Morison Over the Counter (OTC)/Consumer and the latest addition of Atlas, School and Office supplies business, recorded revenue growth of 8.6% over last year. Although the Consumer sector recorded continuous and impressive revenue growth in previous years, this year was impacted by the poor performance in the HPC Bangladesh segment. The Consumer sector accounted for a share of 34.2% of the consolidated Group revenue, recording a marginal drop from the 36.9% reported last year.

Table 1 – Revenue Analysis

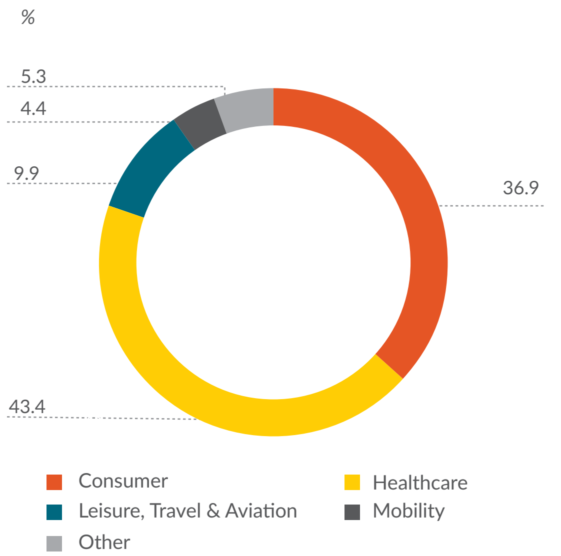
	Revenue Mix	Revenue Mix	Growth
	17/18	16/17	17/18
Consumer	34.2%	36.9%	8.6%
Healthcare	45.4%	43.4%	22.6%
Leisure, Travel & Aviation	8.2%	9.9%	-3.0%
Mobility	5.5%	4.4%	45.7%
Other	6.6%	5.3%	45.6%
Group	100.0%	100.0%	17.2%

FINANCIAL REVIEW

REVENUE MIX FY 2017/18

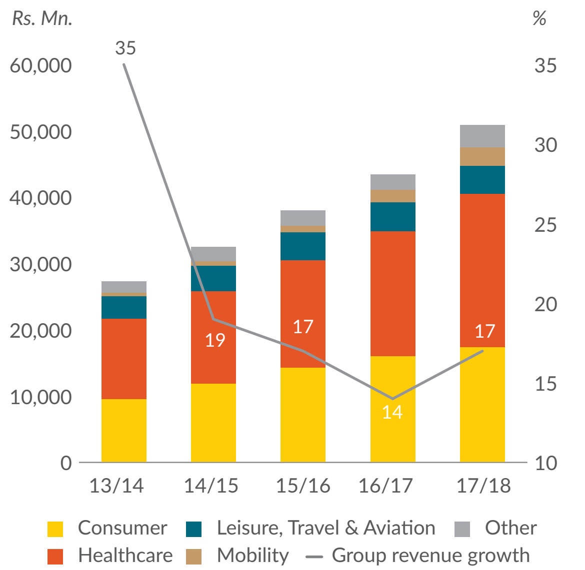


REVENUE MIX FY 2016/17



The Group's Leisure, Travel and Aviation (LTA) sector experienced challenges due to tourist arrivals recording lower growth than predicted on the back of a series of challenges the country experienced. As a result, the sector recorded a decline in revenue of 3.0%. This was further exacerbated by poor performance in the inbound segment.

GROUP REVENUE



Operating Profit

The Group's Operating Profit for FY 2017/18 was recorded at Rs. 4.2Bn, a drop of 11.3%, stemming from the drop in profitability in the LTA sector, HPC international and Other segments. The negative impact was partly offset by the operating profit increase in Mobility and Healthcare sectors. The decline was largely due to broader macroeconomic factors, the impact was further impaired by the costs associated with a series of new investments, profit margin improvement initiatives and acquisitions. Adjusting for the above coupled with one-off gains from asset disposals, Group adjusted operating profit in FY 2017/18 remained flat.

This resulted in a Group operating profit margin of 8.3%, a drop of 2.7% compared to last year. Table 2 below illustrates the sector-wise operating profit analysis for the year under review.

Table 2 Operating Profit Analysis

	Operating Profit			Contribution to Growth		Operating Margin	
	17/18	16/17	Growth	17/18	17/18	17/18	16/17
	Rs. Mn	Rs. Mn	%	Rs. Mn	%	%	%
Consumer	1,425	2,074	-31.3%	(649)	-13.6%	8.2%	13.0%
Healthcare	2,305	2,065	11.6%	240	5.0%	10.0%	11.0%
Leisure, Travel & Aviation	214	356	-39.9%	(142)	-3.0%	5.1%	8.3%
Mobility	836	495	68.7%	340	7.1%	29.7%	25.7%
Other	(535)	(207)	-158.5%	(328)	-6.9%	-15.9%	-8.9%
Group	4,245	4,784	-11.3%	(539)	-11.3%	8.3%	11.0%

Mobility sector recorded an impressive operating profit growth of 68.7% to reach, Rs. 836.0Mn. The Healthcare sector witnessed an 11.6% increase in operating profit, reaching Rs. 2.3Bn in FY 2017/18, driven by the healthy growth in topline. However, profitability of the Pharmaceutical business remained challenging, despite the robust revenue growth, due to price regulation and depreciation of the rupee impacting the margins of the business.

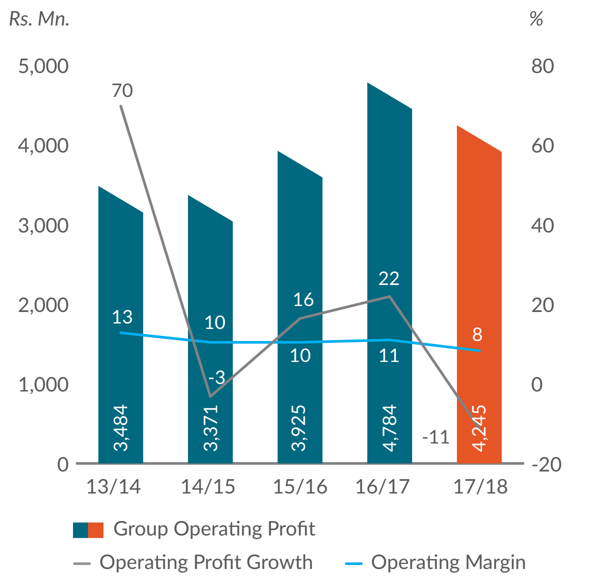
Consumer recorded an operating profit of Rs. 1.4Bn, a 31.3% decrease compared to last year, largely due to the challenging HPC international segment. The sales drop in Bangladesh, coupled with higher marketing spend and initial investments in West Bengal, resulted in a drop of operating profits in the Consumer sector. As Hemas continues to improve the operating margins across businesses, Hemas has embarked on a journey to build sustainable competitive edge in its consumer business in Sri Lanka. HPC Sri Lanka recorded a decent operating profit growth despite challenging business environment and excluding one off costs. The newly-acquired Atlas also recorded an operating loss during the post-acquisition period of three months due to the seasonal nature of the business and operating profit of the sector declined by 22.7% excluding Atlas. Further, the Morison consumer segment recorded an operating profit decline of 16.7% due to sales being affected by the sudden introduction of the Cosmetics Regulation by the National Medicine Regulatory Authority (NMRA).

Overall profitability of the LTA segment continued to fall below expectations, stemming from poor performance in inbound travels. Anantara Peace Haven, Tangalle performed comparatively better than last year in terms of occupancy, however the losses incurred year-to-date have impacted sector profitability. The LTA sector experienced an operating profit decline of 39.9% during the period.

Decline in operating profit of the Other sector was largely due to initial losses from investments in start-ups combined with a one-off profit realisation from a sale of property in FY 2016/17.

Investments behind technology in Healthcare were ramped up to drive digital initiatives in the Group and finding better ways to reach customers through e-commerce across its evolving Healthcare segment. During FY 2017/18 the Hemas Healthcare sector made its first offshore expansion into Myanmar. The investment-heavy nature of the sector coupled with start-up losses incurred for these initial investments dragged down Group profitability.

OPERATING PROFIT



FINANCIAL REVIEW

Finance Cost and Taxation

The Group recorded a net finance income of Rs. 147.2Mn, a decline of 51.4% compared to the net finance income of Rs. 303.1Mn recorded last year. The funds raised through the Rights Issue (Rs. 4.1Bn) were utilised for the acquisition of Atlas, which resulted in a decrease in interest income for the year under review. During the year under review, Group tax expense increased by 8.1%. The Group tax expense primarily comprised Rs. 1,046.9Mn from income tax on Group profits and Rs. 384.5Mn resulting from higher dividend tax due to up-streaming of dividends, in part to finance the Atlas acquisition. Hemas Pharmaceuticals, Morison PLC and Hospitals recorded increases in the tax charge due to improved operational results and expiration of tax concessions.

Table3 – Reconciliation of Operating Profit and Earnings

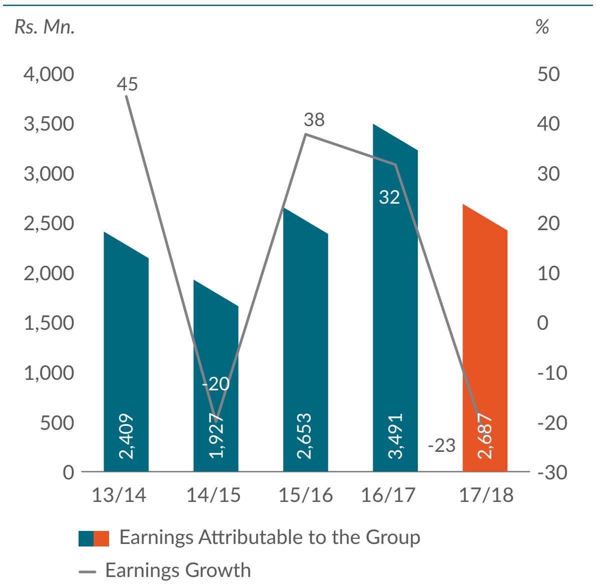
	Operating Profit		Growth	Contribution to Growth	
	17/18	16/17	17/18	17/18	17/18
	Rs. Mn	Rs. Mn	%	Rs. Mn	%
Operating Profit	4,245	4,784	-11.3%	(539)	-15.4%
Net Finance Income	147	303	-51.4%	(156)	-4.5%
Profit Before Tax	4,392	5,087	-13.7%	(695)	-19.9%
Income Tax Expense	(1,442)	(1,333)	8.1%	(109)	-3.1%
Profit After Tax	2,951	3,754	-21.4%	(803)	-23.0%
Non-Controlling Interest	263	262	0.4%	1	0.0%
Group Earnings	2,687	3,491	-23.0%	(804)	-23.0%
Interest Cover	6.9	9.2			
Effective Tax Rate	32.8%	26.2%			

Earnings and Non-Controlling Interest (NCI)

Earnings for FY 2017/18 stood at Rs. 2.7Bn, a decline of 23.0% over the previous financial year. Owing to increased investments undertaken during the FY 2017/18, net interest income for the year declined. The substantial reduction in interest income and increase in tax impacted earnings to decline at a higher rate than operating profit.

Profit attributable to Non-Controlling Interest (NCI) experienced a marginal increase due to the impact from the Atlas acquisition and changes in holding percentages of certain subsidiaries, such as Hospitals. Healthcare and Mobility sectors posted an increase of NCI amounting to Rs. 12.1Mn and Rs. 88.9Mn respectively, while LTA and Consumer sectors posted a reduction in NCI of Rs. 101.5Mn as a result of reduction in profits.

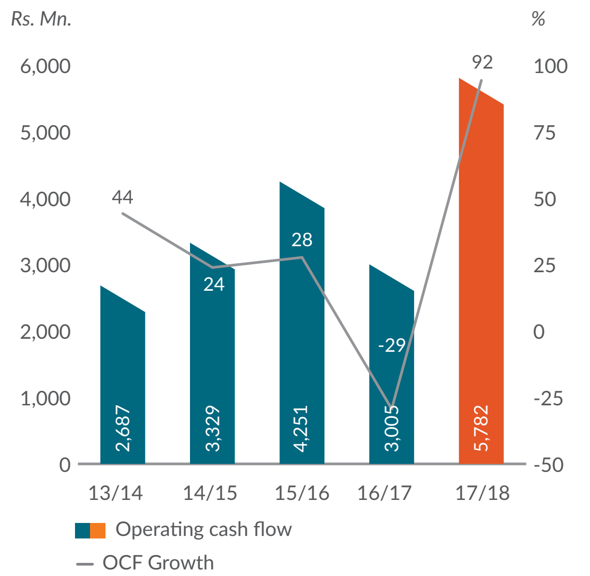
EARNINGS



Cash Flow

Cash and cash equivalents decreased by Rs. 4.9Bn to reach Rs. 5.7Bn by the end of the FY 2017/18 owing to acquisitions. Consolidated operating cash flow recorded a YoY growth of 92.4% to close at Rs. 5.8Bn largely due to operating cash of Atlas. Excluding acquisitions operating cash stood at Rs. 2.6Bn. The growth was largely driven by the positive working capital movement. Negative cash movement recorded from inventories due to addition of new agencies by Hemas Pharmaceuticals was partly offset by the positive cash movement from Atlas via collections. As a result, a positive net cash flow of Rs. 1.4Bn was recorded from working capital movement.

OPERATING CASHFLOW



A significant outflow of Rs. 5.0Bn net of cash from acquired companies was recorded due to the acquisitions and investments in subsidiaries during the year.

Cash flow impact from financing activities stood at Rs. 3.3Bn, an increase of 202.7% compared to last year's net outflow of Rs. 1.1Bn. The increase is mainly due to the settlement of interest-bearing loans and borrowings and the dividend payment during the year.

Liquidity

Group current assets and current liabilities posted growth of 12.8% and 36.2% respectively, resulting in a negative growth of 17.1% in net current assets as depicted in Table 4. Group current assets and current liabilities recorded growth of 2.1% and 29.9% respectively, excluding Atlas. The change in the Group's net current asset position is largely due to the utilisation of investable cash and cash equivalents in the acquisition of Atlas and the Lantern Group. Additionally, Atlas contributed to the increase in current assets, resulting from inventory and trade and other receivables. Current liabilities posted a growth rate of almost threefold that of current assets, largely due to the increase of trade creditors of Hemas Pharmaceuticals with extended credit from new principals, which reduced the current asset ratio and quick asset ratio.

Table 4 – Group Liquidity

	17/18	16/17	Increase
Current Assets	32,127	28,469	12.8%
Current Liability	21,787	15,994	36.2%
Net Current Assets	10,340	12,475	-17.1%
Current Ratio	1.47	1.78	
Quick Ratio	1.02	1.39	
Debtor Days	68	56	
Inventory Days	92	79	
Creditors Days	112	102	
Working Capital Cycle	48	33	

FINANCIAL REVIEW

Group Capital Structure and Solvency

The overall capital structure of the Group has changed during the period under review, as shown in Table 5. As at end FY 2017/18, the Group's asset base stood at Rs. 57.8Bn, a growth of 22.1%. Total assets included non-current assets worth Rs. 25.6Bn and current assets worth Rs. 32.1Bn. A growth of Rs. 6.8Bn in non-current assets was due to growth in property, plant and equipment backed by the acquisition of Atlas and Lantern Group. The intangible assets increased from Rs. 954.1Mn to Rs. 3.4Bn during the year due to the acquisition of Atlas and Lantern.

The overall net debt position of the Group increased compared to last year due to the increase in total debt and reduction in surplus cash. Increase in total debt is due to obtaining working capital loans (Rs. 1.1Bn) by Hemas Pharmaceuticals and N-able to finance growth activities. The capital structure of recent investments in projects has been on the basis of increased leverage at a project company level. As a result, project loans of Rs. 908.6Mn obtained to finance the new logistics park by Spectra. The gearing ratio of the Group stood at 18.7%. The strong and healthy capital structure with low gearing improves the capacity of the Group to borrow for future strategic investments.

Table 5 – Group Capital Structure and Solvency

Group Capital Structure and Solvency	17/18	16/17
Long-term Debt	2,244	2,045
Short-term Debt	4,903	3,328
Total Debt	7,147	5,373
Surplus Cash	5,740	10,619
Net Debt (Total Debt less Surplus Cash)	1,407	(5,246)
Non-Controlling Interest	4,440	3,218
Parent's Equity	26,581	24,911
Total Equity	31,021	28,129
Total Assets	57,762	47,319
Capital Employed (Total Debt + Total Equity)	38,168	33,502
Capital Employed less Surplus Cash	32,428	22,883
Net Gearing Ratio (Net Debt/Capital Employed less Surplus Cash)	4.3%	-22.9%
Total Gearing Ratio (Total Debt/Capital Employed)	18.7%	16.0%
Long-term Gearing Ratio (Long-term Debt/Capital Employed)	5.9%	6.1%

Return on Capital

Group reported a lower Return on Capital Employed (ROCE) of 14.0% compared to last year's 17.6% while Return on Equity (ROE) of the Group was recorded at 10.4% from 14.9% recorded last year due to drop in operating profit by 11.3% and earnings by 23.0%.

Reduction in ROCE and ROE compared to last year was largely due to acquisitions in growth vectors and reduction in profitability. The significant ratios with the historical comparison are indicated in Table 6 below.

Table 6 – Return on Capital

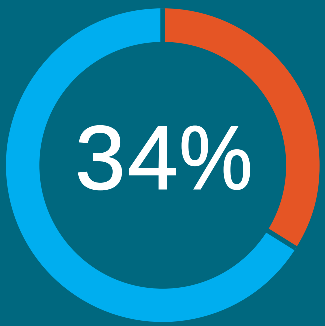
	17/18	16/17	15/16	14/15	13/14
Operating Margin	8.3%	11.0%	10.4%	10.4%	8.8%
Asset Turnover	0.97	0.97	0.99	1.03	0.98
Assets/Capital Employed	1.47	1.41	1.40	1.30	1.38
Return on Capital Employed	14.0%	17.6%	16.8%	14.7%	11.8%
Interest Cover	6.9	9.2	7.7	7.3	7.2
Effective Tax Rate	32.8%	26.2%	28.2%	22.7%	22.4%
Gearing	18.7%	16.0%	18.5%	26.9%	25.9%
Return on Equity	10.4%	14.9%	14.1%	12.9%	11.9%

CONSUMER SECTOR

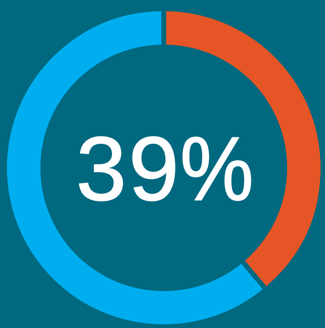
With the acquisition of Atlas in January, Hemas Consumer has further consolidated its position in the consumer segment in Sri Lanka, and is currently the leader in stationery manufacturing.

Contribution to Hemas Group

Revenue



Profit




Dermatologically Tested For
PROVEN MILDNESS

CONSUMER SECTOR

Hemas HPC Brands has invested in strengthening its internal talent pipeline throughout the year...

Increasing urbanisation and rising disposable incomes have driven the expansion of consumerism in Sri Lanka, and the ever-expanding middle class is demanding more premium product offerings, leading to a growth in the home and personal care market. Hemas Consumer, which consists of Home and Personal Care (HPC) – Sri Lanka, Home and Personal Care (HPC) – International, Morison Consumer/ Over the Counter (OTC) and the recently acquired School and Office manufacturer, Atlas, has catered to growing demand by developing high-quality consumer products and brands which are trusted by households all around Sri Lanka and Bangladesh. On the international front, Hemas Consumer has established its presence in Bangladesh and West Bengal, India with its portfolio including its number one value-added hair oil brand *Kumarika*. With the acquisition of Atlas in January 2018, Hemas Consumer has further consolidated its position in the consumer segment in Sri Lanka, and is currently the leader in School and Office supplies.

Hemas Consumer posted a revenue of Rs.17.4Bn during FY 2017/18, indicating a growth of 8.6% over the previous financial year. Underlying revenue growth adjusted for the impact from Atlas was 3.6%. Significant investments were made in growing the consumer businesses which have in turn reduced operating profits for the year. These have included, commencing Home and Personal Care operations in West Bengal, India, entry to new categories in Bangladesh and a major profit improvement project for the HPC Company Sri Lanka.

As a result, overall Operating Profits stood at Rs.1.4Bn, 31.3% YoY decline, a 22.7% decline excluding Atlas. Profit growth was in line with expectations in Sri Lanka but was depressed overall on account of Bangladesh operations and the seasonality impact from Atlas.

Home and Personal Care

Hemas Consumer, a leading player in the Home and Personal Care business in Sri Lanka, operates in several key categories with a portfolio of strong brands built on local insights and consumer understanding. Hemas brands occupy market-leading positions in their respective categories and are trusted and used by millions of consumers every day, with its success based on continuously providing consumers differentiated high quality products that deliver superior value.

Natural calamities affected the rural economy and consumption and led to a slowdown in most categories, making the year under review a very challenging one for Hemas HPC. In spite of this and in the backdrop of increased competition, Hemas successfully maintained its market positions across these categories.

The growth of the Hemas HPC segment was driven by the strategic strengthening of core categories such as Baby Care, Feminine Hygiene and Personal Wash and investments in higher growth segments such as Skin and Hair Care and the launching of new products in these categories. This helped the overall HPC sector

Consumer Sector - Financial Highlights

17.4 Rs. Bn	1.4 Rs. Bn	1.2 Rs. Bn
REVENUE	EBIT	EARNINGS

record a top line growth of 4.3% in a very challenging year, although earnings declined by 15.7% due to a lower performance in the Bangladesh operations. Further, as Hemas Consumer strives to improve its operating margins in HPC, it embarked on a major profit improvement project for the Home and Personal Care business during FY 2017/18.

Home and Personal Care - Sri Lanka

The flagship brand, *Baby Cheramy*, which is the No. 1 baby brand in Sri Lanka, solidified its position by re-launching with an enhanced product offering, which helped deliver a strong Q4 for the business.

Clogard, the Oral Care brand which combines the goodness of nature and science, continued to strengthen its equity through a series of thematic promotions and brand activations.

In the Personal Wash space, *Velvet* successfully held on to its market leader status in the highly-competitive beauty soap segment, by delivering strong growth on the back of a successful re-launch and focused volume-driving activities.

The herbal brand *Kumarika* achieved the highest-ever equity index score in the Hair oil category following another highly-successful re-launch campaign in the latter part of the previous year. It remains the No. 1 branded Hair oil in the country and has expanded into other Hair Care spaces such as Shampoos, Conditioners and Serums to meet the needs of evolving consumers.

The Feminine hygiene brand *Fems* was also re-launched with upgraded product technology, offering a differentiated consumer benefit and ensuring it continued its strong double-digit growth momentum this year.

Driving consumption through the mega consumer promotion 'Diva Idame Wasanawa,' geo-centric activities and the introduction of new pack sizes, the detergent powder brand Diva managed to retain its position in the intensely-competitive Laundry category.

Overall, the sector continues to reshape its route-to-market (RTM) operations with major initiatives such as consolidation of distributors, introduction of a performance-based reward system, expansion of effective outlet coverage, revamping of channel operations and strengthening of trade loyalty programme.

Home and Personal Care – International

Following a string of exceptional results over the past few years, the Hemas Consumer business in Bangladesh declined in revenue by 10.0% during the year in the face of challenges from mainstream competitors who invested heavily in new communication campaigns and frequently promoted high-value consumer offers. Furthermore, the business had to continue its battle against organised counterfeit operators disrupting its business.

Despite these challenges, it achieved several important milestones during the year, including the strengthening of its core business with the re-launch of *Kumarika* Hair Oil,

CONSUMER SECTOR

Shampoo and Face Wash. It also broke into the personal wash market through *Kumarika* Soap, the 'first herbal marbleised soap' in Bangladesh. Initial market feedback and results in the first few months of the launch have been promising.

In terms of human resource management, Hemas HPC Brands have invested in strengthening its internal talent pipeline throughout the year, which has enabled it to identify some key successors for a few critical leadership positions within the company. The company has also partnered with key universities and higher education institutes to strengthen its future talent supply and employer brand image. In addition, the company continued its commitment to improving its health and safety standards and employee wellness, leading to greater employee engagement.

Hemas HPC is currently in an investment phase aimed at future growth with increased innovation, launches, re-launches and acquisitions. It plans to further strengthen its market position by staying relevant to changing consumer needs, while investing in fast-growing categories, driving innovation and meeting growth aspirations. The Company will also expand its footprint in high-growth regional markets.

Morison PLC – OTC/Consumer

Morison PLC's OTC/consumer product portfolio consists of world-renowned brands in the health and wellness category. Morison produces its own OTC/consumer goods such as *Gripe Mixture*, *Lacto Calamine* and *Valmelix* in its wholly-owned, locally-situated manufacturing plant and contract manufactures Baby Diapers and Baby Bottles under its own brand names. In addition to this, it is home to a portfolio of distributed brands such as *L'Oreal*, *Garnier*, *Nivea*, *CHR Hansen* and *Solo*.

Morison is now expanding its OTC therapeutic baby category and regional expansion commenced this year by the Myanmar set-up. The expansion of its distribution operations to Myanmar with the first shipment of '*Bunnies*' baby diapers denotes a significant milestone in Morison PLC's journey of over seven decades. Since the inception, it has made steady progress in winning the hearts and minds of its consumers through high quality products, securing a position as a trusted provider of healthcare and personal care solutions in Sri Lanka. Venturing into foreign shores, therefore, is yet another step in the right direction in further expanding its presence and adding value to the lives of potential consumers.

The OTC/Consumer segment performance however shrank by 3.9% with revenue generation being affected by the sudden introduction of the cosmetic regulation by the National Medicine Regulatory Authority (NMRA).

Atlas Axilia, School and Office Supplies

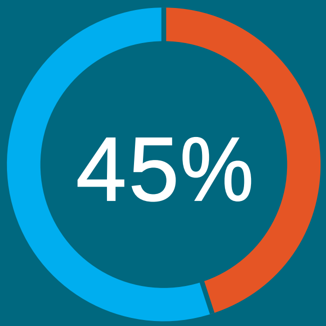
On January 19, 2018, Hemas acquired 75.1% of Atlas Axillia Company (Private) Limited, for a purchase consideration of Rs.5.7Bn. Atlas holds a leading position in School and Office with over 40% market share and has been voted the most loved brand in Sri Lanka on multiple occasions, including the most recent award in 2017. With the acquisition of Atlas, Hemas is consolidating its leadership in Sri Lankan consumer brands and looks forward to bringing its brand building excellence to this new category. The business has a strong profit and dividend track record. Atlas will be the third largest business in the Hemas Holdings Group and will operate independently as a subsidiary of Hemas Holdings PLC.

HEALTHCARE

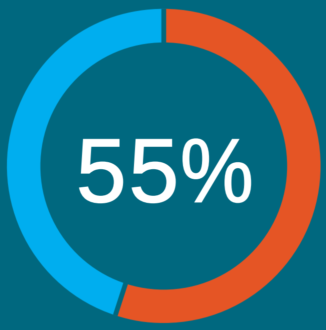
Hemas Hospitals took its first step in a new digital journey with the aim of introducing digital health, offering a unique value proposition to its customers.

Contribution to Hemas Group

Revenue



Profit



HEALTHCARE

As the largest private sector healthcare services provider in Sri Lanka, Hemas is engaged in a relentless pursuit of excellence and innovation, while embodying the true purpose of healthcare by maintaining unmatched affordability and ethical standards. Hemas Healthcare consists of Hemas Pharmaceuticals, the largest distributor of Pharmaceutical, Surgical and Diagnostic products in Sri Lanka, Morison PLC, a pharmaceutical manufacturing company with nearly 80 years of experience, and Hemas Hospitals, an internationally-accredited, multi-specialty private hospital network.

Healthcare, being the largest revenue driver of Hemas Group, reported a consolidated revenue of Rs. 23.1Bn, a growth of 22.6% over last year. Operating profit and earnings grew by 11.6% and 14.4% to achieve Rs. 2.3Bn and Rs. 1.6Bn respectively.

Hemas Pharmaceuticals

From its foremost position in pharmaceutical distribution, Hemas Pharmaceuticals prides itself on building a healthier nation by providing best-in-class healthcare products at affordable prices and distributes a range of trusted brands in prescription medication, surgical and diagnostic solutions, nutraceuticals and over-the-counter categories. Propelled by its commitment to shape the future of healthcare in Sri Lanka, Hemas Pharmaceuticals achieved an impressive revenue growth of 29.5% in the year under review, despite the private pharmaceutical market recording only a marginal growth of 1.15% (source: IMS). This significant growth was partially fuelled by the company acquiring the distribution rights of India-based global pharmaceutical giant Cipla in December 2017.

Sri Lanka's healthcare industry endured a challenging year stemming from the rapid depreciation of the rupee by 18.6% against the US Dollar over the past four years, with industry players forced to absorb the exchange loss in the absence of a much needed formal pricing mechanism. This, together with increasing cost structures, resulted the company recording an earnings growth of only 6.6%.

Hemas Pharmaceuticals, together with the industry body, Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI), continued to engage in discussions with the authorities to formulate a sustainable pricing model. In December 2017, the authorities consented to a price increase of 5% for the 48 molecules for which a price ceiling was enacted in 2016, helping to ease the pressure on industry margins against the backdrop of a weakening rupee. However, the remaining products still lack a sustainable pricing mechanism to withstand the impact of exchange rate fluctuations, causing a strain on the industry's ecosystem.

Hemas Pharmaceuticals firmly believes the time is ripe for industry stakeholders to work towards the upliftment of the entire healthcare ecosystem by streamlining supply

Healthcare Sector - Financial Highlights

23.1 Rs. Bn REVENUE	2.3 Rs. Bn EBIT	1.6 Rs. Bn EARNINGS

chains, improving compliance and adopting best practices which would pave the way for Sri Lanka to be viewed positively by global markets. The company is keen to work with both the Government and industry players to devise a sustainable solution to uplift the industry and ensure patients are given access to international-quality medicine at affordable prices.

Its dedication to providing impeccable services and unrivalled business solutions has helped Hemas Pharmaceuticals secure a leadership position in the Sri Lankan market and has strengthened its proposition for regional expansion. As the first step in this expansionary phase, Hemas Pharmaceuticals ventured into Myanmar in August 2017, in a move that holds great promise due to the country's steadily-increasing demand for healthcare and pharmaceuticals and its overall growth.

Morison PLC

The year under review was a distinct year in Morison's history as the company was renamed 'Morison PLC' with the introduction of a new brand identity. As the company progresses with innovative, cutting-edge technology with aspirations of being a global player, the need to re-launch its identity was considered as an essential step to facilitate future business plans including offshore activities. Morison now represents itself in a more direct and simpler manner which will create a strong brand equity.

FY 2017/18 was a challenging one for Morison PLC due to the flagging national economy, with rising food inflation and high taxes leading to less consumer demand both for pharmaceuticals and consumer products. As per IMS 2017 Q3, the private pharmaceutical industry grew by only 1.15% in comparison to the 11.0% growth recorded in the previous year. The challenge of maintaining margins continued as pharmaceuticals are price controlled and the company was able to offset some of the adverse impacts of raw material price increases and rupee depreciation by better utilising plant capacity and improving operational efficiencies.

The company reported a revenue of Rs. 2.6Bn with a 0.9% YoY decline compared to the previous financial year. Pharmaceutical manufacturing and distribution segments, which contributed 69.0% of the total revenue remained flat during the year, primarily due to the loss of Alcon Pharmaceuticals, a longstanding agency of Morison, on account of the global acquisition of Alcon by Novartis. However, on a positive note, the company secured an Earnings Before Interest Tax (EBIT) of Rs.450.3Mn, which represents a growth of 20.2% in comparison to the previous year.

Morison continues its efforts to enhance the manufacturing and quality standards by bringing in expertise know-how from global pharmaceutical companies.

Morison believes that the construction of the new Pharmaceutical Manufacturing and Research Facility in the SLINTEC Nano Technology Park in Homagama will allow the company to align itself with the Government vision of being self-sufficient in pharmaceutical manufacturing. This state-of-the-art facility will add a manufacturing capacity of five billion tablets per annum, further strengthening the position as the largest private local pharmaceutical manufacturer.

In the year under review, Morison was offered, and accepted, the distribution rights for Biocon Ltd., a premier biopharmaceutical company in Asia renowned for diabetes treatment. Biocon has harnessed the power of biotechnology through affordable innovation to enhance access to new and differentiated therapies for chronic diseases. This is a strategically valuable partnership as Morison positions itself as a company focused on discovering cost-effective solutions for diabetes and cardiovascular diseases.

HEALTHCARE

The company will continue to invest in its strategic priorities while expanding its business portfolio to remain a trusted brand that provides efficacious, affordable and high-quality pharmaceuticals and OTC products in Sri Lanka.

Hemas Hospitals

Hemas Hospitals continues to be the fastest-growing hospital chain in Sri Lanka while also being the first hospital chain to have obtained a patient and process led international accreditation. It is also the only hospital chain to be accredited by the Australian Council for Health Standards International (ACHSI), setting a new benchmark for quality and patient safety in the Sri Lankan healthcare industry.

Hemas Hospitals strives for excellence in the delivery of patient care with the best clinical outcomes, ensuring utmost safety, and takes pride in its commitment to ensure that every patient is served with the highest standards in healthcare and hospitality. As a multi-specialty hospital chain focusing on a wide array of medical specialties, including highly-specialised tertiary care backed by the accolades of multiple accreditations, Hemas Hospitals promises the very best in healthcare and ensures that patients receive true value for money.

Through its three hospitals and the chain of fully-fledged laboratories in all parts of Sri Lanka, Hemas Hospitals has taken the pioneering step of taking quality healthcare closer to the homes of the communities it serves.

The year under review was a significant year for the hospitals, one that achieved many milestones aligned to the long-term vision of the hospitals group. This was the year in which Hemas Hospitals set its long-term strategic priorities focusing on the three main pillars of innovation, best clinical outcomes and superior customer experience. Its long-term plans were developed in line with this approach and aligned to reach the zenith of these pillars in five years. With the aim of bringing world-class surgical care to customers, both Hemas Wattala and Thalawathugoda were successful in building strong capabilities in surgery, particularly in orthopaedics, gastroenterology, neurosurgery and urology.

The hospitals also took the initiative of shifting from a visiting consultants model to a mixed model with a robust clinical governance system in place. Through these initiatives Hemas Hospitals were able to improve its daytime utilisation increasing Average Revenue Per Occupied Bed (ARPOB) with more spinoffs to other revenue departments while being able to provide a wider array of services in terms of therapeutic areas and the availability of consultants which boosted the patient confidence.

During the year, Hemas Wattala carried out the preliminary work to lay the foundation for a specialised centre for subfertility. Furthermore, the hospitals chain initiated a programme to enhance customer experience with the ultimate vision of becoming the undisputed leader in the healthcare services industry with unmatched customer service.

During the year under review, Hemas Hospitals redefined the meaning of 'quality' to move beyond accreditations into a much border way of life with the introduction of 5S, quality circles, PDCA cycles and many more quality initiatives whilst strengthening its clinical governance framework. Further, the main laboratories of Hemas Wattala and Thalawathugoda were able to successfully face ISO 15189:2012 audits and obtain the Gold Standard laboratory accreditation

To add to the collection of accolades, Hemas Galle was awarded as the best hospital in the Southern Province after it emerged victorious yet again at the "Dakshina Suwa Wiru Abhishekaya 2017" awards ceremony organised by the Provincial Director of Health Services, Southern Province, by clinching the coveted "Best Private Hospital in the Southern Province" award.

Hemas Hospitals' laboratory network which is transforming itself from being a follower to a fierce challenger and aggressively establishing its market space in the laboratory sphere, recorded a 20% growth in revenue during the year under review. Furthermore, its revolutionary business model consisting of B2B and franchise centres gained traction by securing 10 of such B2B partnerships and 26 franchise centres. These tie-ups with small-scale hospitals and nursing homes is a novel business model introduced to the diagnostic market in Sri Lanka by the Hemas laboratory network where Hemas steps in as the managing partner of those individual centres.

During the year, the hospitals' group revenue grew by 16.4%, relatively better than the industry peers and EBIT grew by 54.9%, with an EBIT margin of 8.3% whilst PAT grew by 138.6% recording a noteworthy performance in a non-conducive environment affected by price controls, slow economic growth and reduction in customer spending power.

The hospitals group experienced improvements in its financial KPIs across the board, showing significant improvements compared to the previous year. Hemas Hospitals was also successful in managing its costs with savings coming from better management of manpower and several other cost management initiatives.

With a vision of enriching lives of the consumers, an internal start up, Digital Healthcare solutions launched ayubo.life, health and wellness app, focusing upon making Health and Wellness more accessible, convenient, and affordable to all. Building up awareness on preventative care, users are empowered to make better decisions and more over sustainable change. The digital solution, brings knowledge, connects with experts and makes it easier for the consumer to find what you need and expose what's relevant proactively. In addition, staying close to the value proposition of the health care sector, access to healthcare is made easier so that at that odd time when medical attention is required, professional help is facilitated conveniently.

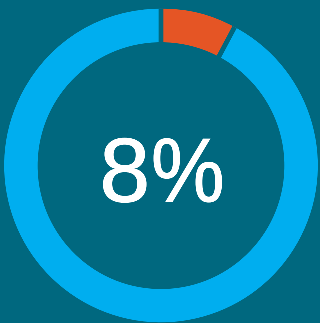
Overall, the year was filled with a series of initiatives centred on refining patient care, patient safety, training and system development, which will hold Hemas Hospitals in good stead for the future.

LEISURE, TRAVEL AND AVIATION

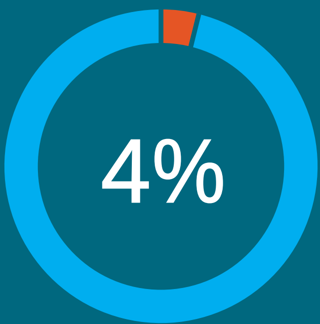
Serendib Hotels made a strategic decision to enter the villa segment, aiming to capitalise on the growing number of travellers seeking experiential and authentic holidays in an intimate setting.

Contribution to Hemas Group

Revenue



Profit



LEISURE, TRAVEL AND AVIATION

Serendib Hotels acquired a 100% stake in the Lantern Boutique Collection in Mirissa.

The Hemas Leisure, Travel and Aviation (LTA) sector extends across all aspects of the tourism spectrum. Its combined portfolio of hotels, airline representation and inbound and outbound travel services offer a comprehensive synergy of products and services to a wide range of customers across the world.

The year in review was undoubtedly challenging for the tourism industry, with arrivals into Sri Lanka during the financial year 2017/18 growing by a moderate 7.0% (source: SLTDA) from the previous year. There was a slowdown in arrivals into the country during the first quarter due to adverse weather conditions that caused floods and a dengue epidemic. However, arrivals picked up in the last quarter, ending the year on a positive note. The Hemas LTA sector was able to maximise on gains from the appreciation of the Euro and the Sterling Pound, which recovered from the Brexit effect. The sector recorded a total turnover of Rs.4.2Bn, reflecting a decline of 3.0% YoY, with earnings of Rs.35.5Mn for the year ended 31 March 2018.

Hotels

Sri Lanka is a highly-sought-after tourist destination, with vast potential for further development. Intensified efforts by the Government to promote the destination internationally is expected to lead to an escalation of tourist arrivals into the island.

The Hotel industry is seeing high-paced growth in the informal sector, and a surge in new room inventory, leading to a highly-competitive environment for rates and occupancies. Industry performance in the early part of the financial year under review was impacted by a reduction in tourist arrivals.

In spite of these challenges, Serendib Hotels achieved top-line growth of 5.9%, with an overall occupancy of 75% and revenue of Rs. 1.9 Bn. Throughout the year, the hotels placed a particular emphasis on improving service standards and guest experiences, with their efforts being recognised by accolades such as the TripAdvisor Travellers' Choice Award 2017 being won by AVANI Bentota and Hotel Sigiriya and the TripAdvisor Certificate of Excellence 2017 and Travel life Gold Certification for Sustainability in Tourism 2016/18 being awarded to AVANI Bentota, Club Hotel Dolphin and Hotel Sigiriya.

Serendib Hotels made a strategic decision to enter the villa segment, aiming to capitalise on the growing number of travellers seeking experiential and authentic holidays in an intimate setting. Accordingly, Serendib Hotels acquired a 100% stake in Frontier Capital Lanka (Private) Limited, the holding company of the Lantern Boutique Collection in Mirissa, adding three properties to its portfolio – Lantern Boutique Hotel and two Ubuntu Beach Villas – with a total of 22 rooms. Serendib Leisure also took over the management of Villa 700, a five-room property located in Induruwa. Serendib Hotels will

Leisure, Travel and Aviation Sector - Financial Highlights

4.2 Rs. Bn REVENUE	214.2 Rs. Mn EBIT	35.5 Rs. Mn EARNINGS

continue to pursue opportunities to expand and build a strong villa portfolio.

AVANI Bentota, supported by its brand and attractive location, recorded growth in revenue with an occupancy of 73%, improving on the 71% occupancy achieved the previous year.

Club Hotel Dolphin recorded an average occupancy of 78% for the year, a slight drop from the previous year's occupancy of 79%. However, the hotel was able to grow its revenue, surpassing the previous year through improved rates, while also benefiting from improvements in the Sterling Pound and Euro. The hotel's superior facilities and the 'Best of Two Worlds' concept ensured that it remained a favoured option among visitors, with Western Europe as its biggest source market, whilst also retaining a loyal customer base locally.

Hotel Sigiriya also experienced revenue growth, sustaining its occupancy at 71% from 74% the year before, despite heavy price competition from numerous new players in the region. The hotel continues to focus on its service delivery, guaranteeing its guests an immersive cultural experience.

Anantara Peace Haven Tangalle Resort enjoyed a year of substantial growth in terms of revenue, with average occupancy of 45%. This was especially seen towards the latter part of the financial year, which was boosted by a surge in arrivals, resulting in 76% occupancy in the fourth quarter. Anantara Tangalle, with its five-star product and service, has made a name for itself in Sri Lanka, consistently delivering on its promise of a luxurious and exotic experience for guests. The hotel was featured on the Conde Nast Traveller's Hot List 2017, and on TripAdvisor's list of Best Hotels in Sri Lanka.

During the year, the hotel was able to hold its position in relation to rates, despite price competition brought on by a growing supply of inventory along the south coast, and a challenging summer period. Total revenue for the financial year grew significantly by 41.7% from the previous year. This was facilitated through strategic marketing and promotional initiatives targeting the hotel's key source markets, primarily in Europe and the Middle East.

A profitable FY 2018/19 is anticipated for Anantara Tangalle and Serendib Hotels will continue to carry out marketing campaigns to promote this exclusive product, targeting potential markets in other parts of the world. It will also pursue additional lines of revenue through special services and facilities, and the launch of an online service to cater directly to potential guests.

Travels

The Hemas Travel and Aviation segment reported a total revenue of Rs. 2.3 Bn, reflecting a decline of 9.3% over last financial year mainly owing to the poor performance by the inbound travel segment.

The outbound travel industry in Sri Lanka experienced a growth of 14.0% (Source: IATA) as at December 2017, with a greater part of travel being to the Far East regions of the world. Hemas Travels, the outbound arm, faced heavy competition from online players offering significant

LEISURE, TRAVEL AND AVIATION

discounts and promotions. Meanwhile, the business achieved steady growth in its value-adding segments, the Visa and Hotel accommodation-facilitating services. The company also expanded its reach by opening branch offices in Kandy and Jaffna, introducing its products and services to the communities in these regions as part of its development strategy.

Hemas Travels was the proud recipient of the Silver Award for Highest Airline Sales with Cathay Pacific Airlines and Singapore Airlines. In addition, it was also recognised by Malaysian Tourism as the Best Foreign Tour Operator into Malaysia in the 'Other South Asian Countries' category.

Diethelm Travel Sri Lanka (DTSL), the inbound travel arm, encountered a challenging year, resulting in a decline in performance, primarily caused by a contraction of its Asian market segment, and compounded by a decrease in arrivals during the summer. However, the businesses' traditional markets such as Europe, Germany and India contributed positively towards results.

During the year, DTSL secured partnerships with a few prestigious tour operators, namely Audley Travel – UK, Tourasia – Switzerland, and Tischler Reisen – Germany, thereby expanding its European portfolio. This is expected to result in a substantial boost in performance in the upcoming year.

In the year to come, DTSL will focus on enhancing its product offering, while effectively employing synergies and resources from its management company, Diethelm Thailand Group, and its recently-implemented ERP system, to maximise efficiencies.

Aviation

The Aviation cluster continued to grow its portfolio of products on the back of strong relationships with its key strategic partners and the pursuit of new business opportunities. The businesses were able to retain leadership in a growing market by delivering superior customer service and maintaining fruitful relationships with both the market and corporate customers.

Forbes Air Services, the General Sales Agent for Emirates, performed creditably. The Business focused on maintaining high connectivity with the trade and strived for growth in group travel, while expending efforts into facilitating the reach of cargo distribution to new destinations such as Africa and the Middle East.

In the coming year, Forbes will further extend its reach in driving sales, with an islandwide outlook, encompassing outstation regions in Sri Lanka.

The Aviation cluster's online portfolio expanded to include China Southern Airlines, which commenced flights in September, and IndiGo, a pioneering Indian low-cost airline which commenced thrice-daily flights in January to Sri Lanka. It now represents online carriers Emirates, Malaysia Airlines, China Southern Airlines, Ukraine International Airlines and IndiGo, as well as offline carriers Maldivian, Alitalia, EVA Air, Druk Air and Myanmar International Airlines. Its regional portfolio in the Maldives represents Etihad Airways Passenger and China Southern Airlines Cargo while Thailand continues to service Maldivian Cargo, multiple cargo representations together with airline support services.

Overall the Aviation division did well to enhance its market share with Emirates, Malaysia Airlines, China Southern, UIA and IndiGo, recording a satisfactory performance during the year, with the passenger and cargo volumes living up to expectations.

The Aviation sector achieved a significant milestone during the year with the grand opening of the futuristic Hemas Aviation Centre, the first-of-its-kind in Sri Lanka, offering a complete passenger and cargo solution under one roof. This will enable the sector to expand each of its Principals' products based on their requirements and market presence.

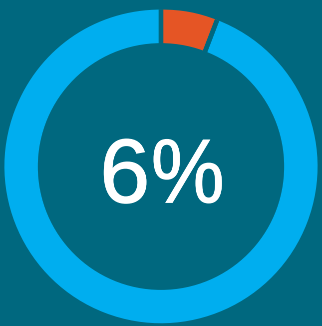
The strategic focus for the LTA sector for 2018/19 will be to improve overall profitability, while continuing to modernise the business model.

MOBILITY

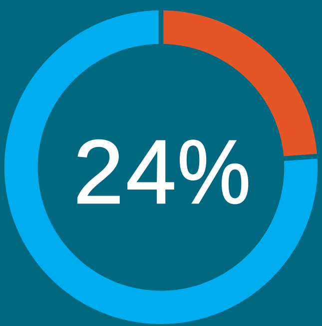
Fuelled by the synergistic power of two local shipping giants and the backing of a global logistics player, Spectra Logistics is fortifying its position as one of the biggest integrated logistics providers with a regional focus.

Contribution to Hemas Group

Revenue



Profit




Linde
SPECTRA

MOBILITY

Hemas Maritime won the 'Best Shipping Agent Award for Customer Service' for Gulf and Red Sea Trade sector in 2017.

Sri Lanka now stands at a game-changing juncture in its journey towards becoming a major trading, logistics and maritime hub in the South Asian region. The Port of Colombo has ascended rapidly to become the 23rd largest port in the world by container volume and the 13th best port in the world by connectivity, as well as the leading port in South Asia by connectivity. These developments complement the Government's grand economic plan 'Vision 2025,' in which expanded port infrastructure, strengthened transhipment trade and the overall upheaval of service standards are expected to bring prosperity to the island.

The Maritime and Logistics arms of Hemas, which form the Mobility sector, are poised to exploit and invest in the opportunities presented by the growth of these sectors, by leveraging the country's geographical advantage.

In the year under review, the Mobility sector performed well, contributing 20.2% to Group earnings, while recording a turnover of Rs. 2.8 Bn with a growth of 45.7% and earnings of Rs. 542.7 Mn with a growth of 61.7%.

Increased activity in the Port of Colombo raises hopes of an exciting future, with the total throughput growing by 8% in the calendar year compared to the previous year. Moreover, the availability of deep water terminal facilities, the country's strategic location, service excellence and competitive port and terminal tariffs combine to keep Sri Lanka at an advantageous position. However, to truly push the boundaries of the local logistics and maritime industry and realise the global hub vision, a gamut of infrastructural investments, policy implementation and service level changes need to be implemented.

The Maritime segment continued its positive streak in the year under review, with Hemas Maritime, which functions as the agent for Evergreen Line, the third-largest carrier to call at the Port of Colombo, expanding its volumes. With focused attention on continuous improvement, the Hemas Maritime team clinched three awards at the prestigious National Business Excellence Awards (NBEA) 2017, namely two Gold awards in the 'Shipping & Shipping Related Services Sector' and 'Excellence in Business & Financial Results' categories, and the Silver Award in the 'Medium Category Companies of the Year 2017'.

Strengthening the trust and confidence placed in Hemas Maritime by its customers and stakeholders, the company also won the 'Best Shipping Agent Award for Customer Service' for Gulf and Red Sea Trade sector at the Institute of Chartered Shipbrokers (UK) Sri Lanka Branch Awards 2017.

Far Shipping Agency Lanka remains the leading feeder service provider to the Bay of Bengal and the East Coast of India and this year boosted capacity to cater to growing demand by upsizing vessels in the Chittagong sector and further spread its reach by introducing a new service to Tuticorin.

Mobility Sector - Financial Highlights

2.8 Rs. Bn REVENUE	836.0 Rs. Mn EBIT	542.7 Rs. Mn EARNINGS

In terms of service and operational excellence, the past year saw Hemas Maritime being accredited with the ISO 9001:2015 certification and FAR Shipping having its certification upgraded from ISO 9001:2008 to ISO 9001:2015.

On the Logistics front, Hemas Logistics began a new chapter in its story by rebranding itself as “Spectra Logistics”. The rebranding was the result of its new partnership with GAC Sri Lanka, which itself is a partnership between GAC Global and McLarens Holdings, which was entered into in 2016/17. Fuelled by the synergistic power of two local shipping giants and the backing of a global logistics player, Spectra Logistics is fortifying its position as one of the biggest integrated logistics providers with a regional focus.

With exposure to global best practices in terms of expertise, service levels and input, the company is focused on establishing itself as the most-sought-after 3PL solutions provider. Expanding its retail and modern trade distribution, and inland container depot operations, it is keen to establish leadership domestically and leverage this to expand internationally, focusing mainly on the Indian subcontinent and the Asian region.

Spectra Logistics raised the bar in Maritime Logistics this year with the establishment of a state-of-the-art container yard spanning over 10 acres in the Muthurajawela Industrial Zone in Wattala. Equipped with top-notch modern equipment for container handling, container repairing, container washing and container rigging, among other things, the new facility is priming the company to double its existing capacity and serve the whole gamut of shipping lines operating in Sri Lanka.

The new premises will also house one of the largest distribution centres in Sri Lanka, targeting pharmaceuticals, white goods and retail trade – a warehouse with a capacity of nearly 25,000 pallet positions – which will be opened for commercial operations during the financial year 2018/19. Spectra logistics is also looking at exploiting the digital domain with IoT-based solutions to direct the sector towards phygital excellence.

Positioning Sri Lanka as an entreport hub would undoubtedly supplement the Government’s efforts to boost FDIs. A few requisite factors in achieving entreport hub status are infrastructural investments, the establishment of common user facilities and the unwavering support of the Government and other stakeholders. In this regard, the East Container Terminal not yet being commissioned and the Port of Colombo currently operating at near maximum utilisation should be causes for concern and there is a dire need for expansion and capacity increase to capitalise on the industry’s success.

Despite these challenges, the future of the industry looks positive, with encouraging developments such as the launch of operations at the Hambantota Port, the expected construction of an economic zone in Hambantota and the impending capacity increase of the Port of Colombo.

The sector has had its fair share of challenges such as the scarcity of resources, talent sourcing and capacity issues, and these require urgent and effective policies which are consistent, sustainable and conducive to industry growth.

The region is bursting with a myriad of opportunities brought about by China’s massive One Belt One Road initiative and this will certainly be an investment catalyst for Sri Lanka. The Mobility sector is driven by its ambition of being a strategic partner in Sri Lanka’s journey to become the Logistics and Maritime hub of South Asia.

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 several of its subsidiaries.

Mr. Esufally serves as the Non-Executive Chairman of Janashakthi Insurance PLC and is a Board Member of The Ceylon Chamber of Commerce. Whilst serving on the Boards of several other companies, he is actively 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 position of Deputy CEO and Director of Hemas Holdings PLC in November 2013 and was subsequently appointed Chief Executive Officer of the Company on April 2014. Mr. Enderby has had a successful track record in private equity 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 served on the Boards of many leading companies in Sri Lanka and India. He is a Fellow of the Chartered Institute of Management Accountants, 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 36 years' experience in the tourism industry, Mr. Abbas Esufally has played a pivotal role in expanding the Group's Leisure interest. He serves as a Group Director of Hemas Holdings PLC, Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC as well as Diethelm Travel Sri Lanka (Pvt) Ltd, Sri Lanka's premier Destination Management Company. He also serves on several other listed and unlisted company boards.

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

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

Murtaza Esufally

Executive Director

Mr. Murtaza Esufally counts more than 27 years of experience in senior management levels and has been assigned with the role of Group Director Human Performance and Leadership. He is the Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd, and is the Non-Executive Chairman of the Centre for Poverty Analysis. He was also appointed as the Managing Director of Morison PLC, a pharmaceutical manufacturing company of the Group. 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.

Imtiaz Esufally

Non-Executive Director

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 Holdings 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, an 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 plantation companies and also served on the Tea Research Board, Postgraduate Institute of Agriculture and Plantation Housing and Social Welfare Development Trust.

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

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

Dinesh Weerakkody

Independent Director

Mr. Dinesh Weerakkody is the Chairman of the National Human Resource Development Council of Sri Lanka , Chairman of International Chamber of Commerce 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, Ceylon Tobacco PLC, Hatton National Bank 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.

Shaktha Amaratunga

Independent Director

Mr. Shaktha Amaratunga joined the Board in January 2016. Mr. Amaratunga is also an Independent Non-Executive Director of Carson Cumberbatch PLC. Mr. Amaratunga was previously Regional Audit Controller (Asia Pacific) for British American Tobacco. He has more than 20 years' experience with British American Tobacco, having performed senior finance roles for the Group in Sri Lanka and the United Kingdom, and also being the Finance Director of British American Tobacco Operations in the Czech Republic, Sri Lanka, Switzerland, Japan and Malaysia (IT Shared Services Organisation). He has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development. He is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and also a Member of CPA Australia.

Jyotindra Trivedi

Mr. Jyotindra Trivedi has more than 35 years of experience in Indian financial services industry including 25 years with Indian Venture Capital and Private Equity Industry. Mr. Trivedi joined CDC, a UK based development finance institution, in 1997 to set up its Mumbai office. He was one the founding partners when Actis LLP was spun out of CDC in 2004. He took over leadership of Actis South Asia in 2007. Mr. Trivedi retired from Actis in 2017. By 2017, Actis had raised more than USD12bn since it was formed in 2004. As a member of global investment committee of Actis Mr. Trivedi had an overview of the investment activity of Actis across its key markets such as China, South Asia, Africa and Latin America and its key sectors such as Consumer, Healthcare, Financial Services and Industrial.

Mr. Trivedi graduated as a chemical engineer from the Indian Institute of Technology, Bombay and holds a Diploma in Finance from the Institute of Chartered Financial Analysts of India. He currently serves on the board of Sprng Energy Private Limited which is building a clean energy platform with Wind and Solar assets of more than 1000mw capacity in India. Mr. Trivedi also serves on the board of trustees of CORO which is an NGO working with the marginalized communities in India in the areas of grass root leadership, women empowerment and gender sensitivity.

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 and Diethelm Travel The Maldives

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 President of Sri Lanka Association of Inbound Tour Operators (SLAITO) and also a Board member of the Sri Lanka Tourism Promotions Bureau (SLTPB).

He is a Member of the Chartered Institute of Marketing (CIM), UK and has an MBA from the University of Southern Queensland, Australia

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. Later he was appointed as the Chief Financial Officer of Hemas Holdings PLC in 2016. 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 29 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. During the current Financial Year she was appointed a Non-Independent Non-Executive Director of Morison PLC and Non-Executive of Capital Alliance Ltd

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) Ltd

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

Mr. 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. Currently he is reading for MBA in Circular Economy with University of Bradford, UK.

Mr. Dimuth De Alwis

Group Human Resource Director

Dimuth functions as the Group Human Resource Director. He joined Hemas FMCG in 1999 and worked as the Head of Human Resources from 2006 to 2008. He joined Hemas Hospitals as the Head of Human Resources in 2008 and was subsequently promoted to the Head of Group Human Resources in 2010 and in 2011 to the role of Director. Dimuth holds a Degree in Commerce and Management (specialised in International Trade) from the University of Sri Jayewardenepura and a National Diploma in Human Resources Management from the Institute of Personnel Management. He is also a Member of the Association of Human Resources Professionals, Sri Lanka.

Dr. Himesh Fernando

Director- Innovation

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

Dr. Lakith Peiris

Managing Director, Hemas Hospitals

Lakith Joined Hemas on 01st April 2015. He is a well-known leader in the healthcare industry and a hospital administrator of repute. He has over 20 years' experience as the head of the organisation 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.

Mr. Rakesh Khosla

Managing Director – Sri Lanka, Hemas Consumer Brands

Rakesh is the Managing Director – Sri Lanka of Hemas Manufacturing (Pvt) Ltd. and counts over 20 years of work experience in Consumer Marketing & Sales management. He joined Hemas Manufacturing (Pvt) Ltd. in 2012 as Director - Marketing and has recently been elevated to the post of Managing Director – Sri Lanka. Prior to joining Hemas, Rakesh spent 15 years with Colgate Palmolive (India) Ltd. in roles of increasing responsibility in Consumer Marketing & Sales. During this period he has had several stints in Brand, Sales & Category Management and Market Development. In addition, he has also been a certified Category Management Trainer and Global Ethics & Compliance Investigator. Amongst several national awards at Colgate he is also a recipient of Colgate Palmolive's highest Global Annual Award : The 2011 Global Chairman's "You Can Make A Difference Award". Rakesh holds a Bachelor of Commerce (B.Com) from Calcutta University – India, an International Diploma in Accounting Studies from Oxford Brookes University, Oxford, UK and a Bachelor of Business (Accounting) and MBA from the Royal Melbourne Institute of Technology (RMIT), Melbourne, Australia.

Ms. Ruwani Hettiarachchi

Director Strategy, Hemas Holdings PLC

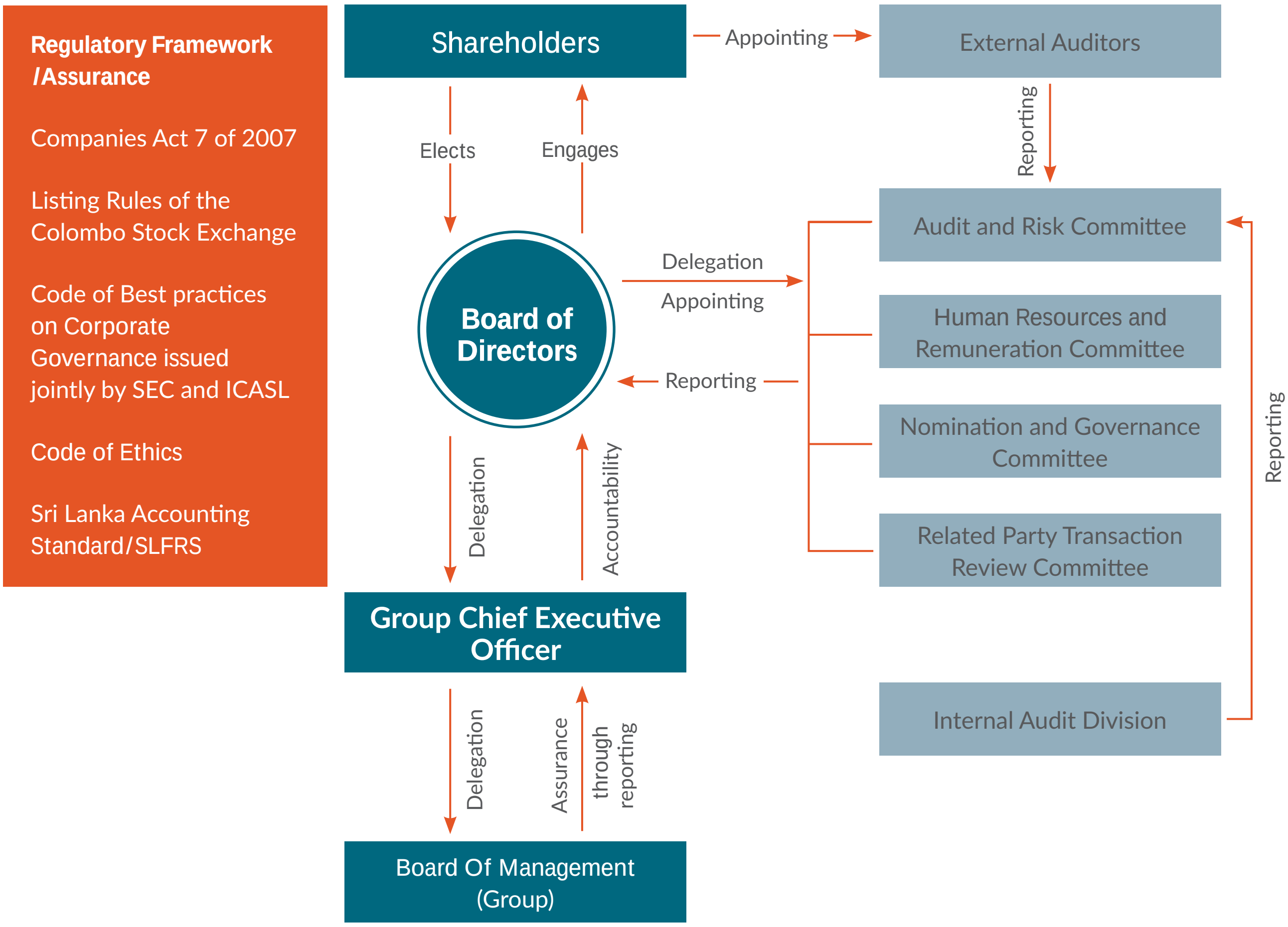
Prior to her role in Hemas, Ruwani was the CEO and Founder of Vox & Co. a boutique strategy consultancy firm and was Head of Research & Consulting at Stax, a U.S. based strategy consulting firm for 6 years. Ruwani is on the board of two of Hemas Digital Healthcare startups. She previously served on the board 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 Messr'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 organisation 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 among 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 organisation. 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 public 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	
	Mr. J M Trivedi	

The profiles of the Board of Directors are set out on pages 46 to 49 of the Annual Report.

Whilst providing information to the Board on a regular basis, the Board 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 out its long-term strategy and Annual Budget for the Group. During the Financial Year 2017/18 there were 4 Board Meetings, two Corporate planning meetings and Eighteen Board Sub-Committee Meetings (Audit Committee and Nomination and Governance Committee – 4 meetings each and Human Resource and Remuneration Committee and Related Party Transactions Review Committee – 5 meetings each), the attendance of which are summarised below:

CORPORATE GOVERNANCE

	Board	Audit Committee	Human Resources & Remuneration Committee	Nomination and Governance Committee	Related Party Transactions Review Committee
No. of Meetings Held	6	4	5	4	5
Husein Esufally	6		5		
Abbas Esufally	5			3	
Imtiaz Esufally	6	4			3
Murtaza Esufally	6				
Ramabadran Gopalakrishnan	6			4	
Dinesh Weerakkody	6	3			4
Dr Anura Ekanayake	6		5	4	
Steven Enderby	6				5
Malinga Arsakularatne	5				
Shaktha Amaratunga	6	4	5		5
J M Trivedi	4				

Mr J M Trivedi was appointed to the Board on 15 August 2017.

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 31 March 2018, 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
- reviewed 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.

In addition to the above, a financial performance review of the Group is circulated to the Board monthly to keep the Board informed of the performance in a timely manner.

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, 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 requirement 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 recognises 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 7 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 operation 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 CEO 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 CEO.

The members of the Board of Management attends 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 50 to 51 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' 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 maximise 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 Committees.
- Ensures that the Board is in full control of the stated affairs of the Company and alerts to its obligation to all stakeholders.
- The views of the Directors on matters under consideration are ascertained and a record of such deliberations are reflected in the minutes.

FINANCIAL ACUMEN

Principle A 4

The Board should ensure the availability of Members with financial acumen

The Board constitutes members specialise 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, scrutinise performance and help develop Board strategy with a global perspective and outlook.

The profiles of the Board of Directors are set out on pages 46 to 49.

BOARD BALANCE

Principle A 5

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

The Board currently consists of eleven Directors, three of whom, including the Chairman are Non-Executive Directors and five are Independent Non-Executive Directors and three Executive Directors. 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 declaration 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. The Board which comprises of majority Non-Executive Directors, in size and balance of the Membership, supports the Board in bringing a substantial focus on strategic and long-term issues.

The Independent Directors meets twice a year which includes a meeting with the Non-Executive Directors for discussion and communication of governance related items and the outcome is communicated to the Chairman. In addition, the non-Executive Directors also meet the Executive Directors once a year.

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 specialised 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 Board Meetings on a quarterly basis in 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 and the activities of the Nomination and Governance Committee carried out during the year is mentioned in the Report of the Nomination and Governance Committee which is given on page 125 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 or memberships in Board committees;
- whether such Director can be considered 'independent'.
- The number of shares held in the entity, 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 to hold office until the next Annual General Meeting and is 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 Nomination and Governance Committee and the Board.

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

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 46 to 49.

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 135 to 139 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 Member 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 2017/18, 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 Resource and Remuneration Committee. The Human Resource 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. 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 Resource and Remuneration Committee and approved by the Board.

The Human Resource and Remuneration Committee consists of three Non-Executive Directors majority of whom are independent and the work carried out by the Committee is detailed in the Report of Human Resources and Remuneration Committee found on Pages 119 to 120 of this Annual Report.

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 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 calibre individuals.

2) Provide a competitive total compensation package including benefits.

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

4) Balance the need to be competitive with the limits of available financial resources.

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

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

RELATIONS WITH SHAREHOLDERS

Principle C 1

Boards should use the AGM to communicate with Shareholders

The 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 a means of communicating the information relating to the Company. 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 Chairman of the Board sub-committees 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 AGM. This year, the AGM will be held on 29th June 2018 at the Level 6 forum of The Institute of Chartered Accountants of Sri Lanka at No. 30A, Malalasekera Mawatha, Colombo 07.

The notice of General Meeting is posted to the shareholders within the statutory period mentioned in the Companies Act No 7 of 2007 and the shareholders are given the opportunity of voting for or against the resolutions.

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 31 March 2018, 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 maintain 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, there were no proposed material transactions which if entered into, would materially alter/ vary the Consolidated Group Net Asset base.

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 17 to 23 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 Board has obtained a declaration from the Chief Executive Officer and the Chief Financial Officer a declaration prior to the Board approving the Financial Statements for the year 2017/18 that the Financial Records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and that they give a true and fair view of the financial position and performance of the Company and that the system of Risk Management and internal control is operating effectively

The Directors Responsibility Statement for financial reporting is set out on page 142 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 112 to 118 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 organisation and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board has reviewed the internal control procedures in existence and is satisfied with its effectiveness.

Principle D 3

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

The Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the Group's financial reporting. The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of Financial Statements in accordance with Sri Lanka Financial Reporting Standards (SLFRS); provide reasonable assurance that receipts and expenditure are made only in accordance with authorisation of management and the Directors of the Company and provide reasonable assurance regarding prevention or timely detection of any unauthorised acquisition, use or disposition of assets that could have a material effect on the Consolidated Financial Statements.

The Management has assessed the effectiveness of Hemas internal control over financial reporting. Based on this assessment, the Management concluded that, as at 31 March 2018, 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 the Non-Audit Services provided by the External Auditors to balance objectivity independence and value for money.

Principle D 4

The Board should establish a procedure to review Related Party Transactions

The Board has established a Related Party Transactions Review Committee (RPTRC) consisting of three Non-Executive Directors (majority are Independent) and the Chief Executive Officer. The Chairman of the RPTRC is an Independent Director and the CFO and the General Manager – Finance attend meetings by invitation. The

Committee has a clear Charter detailing the functions of the Committee which has been approved by the Board.

The Company has obtained declarations annually from Key Management Personnel of related party interest and a process is in place to identify and report recurrent and non-recurrent related party transactions and to obtain Board or Shareholder approval by special or ordinary resolution as required by the Listing Rules of the Colombo Stock Exchange.

The Interested Director /Related Party does not participate in the meeting at which the transaction related to him/them is discussed unless further information/clarifications are required.

The activities of the RPTRC carried out during the Financial Year 2017/18 is detailed in their report found on pages 121 to 122 of the Annual Report.

Principle D 5

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 directors and employees of Hemas are expected to maintain and is a common thread that applies across the Hemas group. Further, each employee is responsible for 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 Business Conduct and Ethics.

Principle D 6

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 Eleven Directors of whom Eight 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 Five of the Eight 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 128 of the Annual Report.

CSE Rule No	Governance requirement	Level of Compliance
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 46 to 49 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 furnished to CSE 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 pages 119 to 120 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 pages 119 to 120 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 123 to 124 of the Annual Report
7.10.b	Functions of the Audit Committee	
7.10.c	Disclosures required to be made	
9.2.1 Related Party Transaction Review Committee (RPTRC)	Reviewing of Related Party Transactions (RPT) except transaction 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 pages 121 to 122 of the Annual Report
9.2.2 Composition of the RPTRC	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 Director/CEO are the members of the Committee. The Chairman is an INED
9.2.3	Holding Company RPTRC to function as the RPTRC of Subsidiary	The listed Companies in the Group has its own RPTRCs

CORPORATE GOVERNANCE

CSE Rule No	Governance requirement	Level of Compliance
9.2.4	Frequency of Meeting	Compliant The Committee met 5 times during the financial year under review
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.	No transaction arose during the financial year which required immediate disclosure
	ii. Any subsequent Non-Recurrent Transaction after it exceeds 5% of equity entered with the same related party	No transaction arose during the financial year which required immediate disclosure
9.3.2 Disclosure in the Annual Report	a. Non-Recurrent Related Party Transactions	Compliant
	b. Recurrent Related Party Transactions	Compliant Please refer pages 225 to 226 Of the Annual Report
	c. Report of the RPTRC	Compliant Please refer pages 225 to 226 of the Annual Report
	d. An affirmative Statement by the Directors that they are in compliance with the rules pertaining to RPT	Compliant Please refer pages 225 to 226 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 to the Colombo Stock Exchange and through press releases.

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

SUSTAINABILITY REPORT

ENRICHING LIVES EVERY DAY IN EVERY WAY

“Creating a sustainable future for all… how we contribute towards a healthy planet, a vibrant economy, and a viable future.”

ENRICHING LIVES
EVERY DAY IN EVERY WAY

Here at Hemas, our commitment has always been the same: to enrich the lives of all those we serve. For over 70 years we have infused sustainable value into the lives of our stakeholders, influenced by our philosophy of 'Abhimana', which fosters a spirit of pride in our employees and make a positive impact on the community and society at large.

As we continue to strengthen and sustain the areas in which we operate, our underlying passion is to deliver outstanding products and services and create superior value to our shareholders. The pages that follow discuss everything we have done during the year to further this cause – a testament to how we have enriched lives every day, in every way.

One of Sri Lanka's fastest growing conglomerates, Hemas Holdings PLC touches the lives of millions of loyal customers, every day, via its renowned wellness, leisure and mobility services. Over a span of nearly seven decades, Hemas has delivered an award winning range of diversified products and services including high quality home and personal care products that continue to help enrich lives, empower businesses, and make a positive contribution to the nation's economic development.

Hemas Holdings PLC is a public limited liability company incorporated in Sri Lanka on 10 December 1948 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007. The ordinary shares of the Company are quoted on the Main Board of the Colombo Stock Exchange since October 2003. The Registered Office of the Company is situated at "Hemas House", No. 75, Braybrooke Place, Colombo 2.

www.hemas.com

ABOUT THIS REPORT

Report Profile, Scope and Boundary

The Hemas Holdings Sustainability Report 2017/18 is the fourth report of its kind and provides a Group-wise performance review of its non-financial performance. The Group's previous communication of its progress was its Annual Report 2016/17. For further information and greater context, this document may be read together with the Hemas Holdings PLC Annual Report and Financial Statements 2017/18.

All information contained in this report was generated through internal sources and has been reviewed by the senior management of the Group. In some cases, historical and anecdotal information will be presented to provide context and analysis.

Geographically, the information within these pages has been limited to Hemas Holdings PLC's operations within Sri Lanka; data has primarily been compiled at operational site level and thereafter consolidated to reflect sector and group performance. Data relating to Hemas Holdings PLC's operations outside of Sri Lanka have not been included in this report.

One significant operational change took place during the reporting period. In January 2018, Hemas acquired Atlas Axillia Company (Private) Limited and the fourth quarter financial results will reflect this change.

There has been no change in the material topics of this Sustainability Report. There are no reinstatements with regards to Non-Financial Performance of the Group. This Report has been prepared in accordance with the GRI Standards Reference.

The Report has been externally verified and assured through an independent assurance process undertaken by Messrs. Ernst & Young for its non-financial information.

For Inquiries Regarding this Annual Report Please Contact:

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

SIGNIFICANT ACHIEVEMENTS AND ACCREDITATION

Awards and Achievements

Hemas Holdings PLC

Sting Corporate Accountability Rating – Gold Award

LMD Most Respected (Ranked 7th - 2017

Hemas Maritime (Private) Limited

National Business Excellence Awards 2017

- Excellence in Business and Financial Results – Gold Award
- Shipping and Shipping Related Services Sector – Gold Award
- Medium Category – Silver Award

Atlas Axillia Company (Private) Limited

Sri Lanka's Most Loved Brands 2017-LMD

National Convention on Quality and Productivity (NCQP) Awards 2017

- Kaizen Suggestions Category - Three Gold Awards
- Quality Circles Category – Gold Award

Hemas Manufacturing (Private) Limited

SLIM Brand Excellence Awards 2017

- Product Brand of the Year – Silver Award (Diva)

Hemas Travels Limited

20th Malaysia Tourism Awards 2016/17

- Best Foreign Tour Operator - South Asia and West Asia Market

Serendib Hotels PLC

Club Hotel Dolphin

- Travelife Gold Certification for Sustainability in Tourism – 2016/18
- TripAdvisor Certification of Excellence 2017

Sigiriya Hotel

- Travelife Gold Certification for Sustainability in Tourism – 2016/18
- TripAdvisor Certification of Excellence 2017
- TripAdvisor Travellers' Choice Award Winner 2017
- Guest Review Awards 2017

AVANI Bentota

- TripAdvisor Travellers' Choice Award Winner 2017
- Travelife Gold Certification for sustainability in Tourism – 2016/18
- TripAdvisor Certification of Excellence 2017

AVANI Kalutara

- Travelife Gold Certification for Sustainability in Tourism – 2016/18
- TripAdvisor Certification of Excellence 2017

Memberships and Accreditations

Hemas Holdings PLC

- Ceylon Chamber of Commerce
- Employer's Federation of Ceylon
- Mercantile Service Provident Society – MSPS
- Youth Business Circle Sri Lanka
- 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 Women and Child Affairs.

Healthcare

- Employer Federation of Ceylon
- Private Health Services Regulatory Council
- Sri Lanka Chamber of Pharmaceutical Industry (SLCPI)
- Pharma Promoters Association
- Ceylon Chamber of Commerce – Import Section
- Private Hospital Association

Maritime and Logistics

- 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 Agent Association of Sri Lanka
- Airline Partners Joint Council (APJC)
- Sri Lanka Malaysian Business Council
- Travel Trade Sports Club
- Sri Lanka Association of Airline Representatives
- MAZU – Sri Lanka Association of NVOCC
- Association of Container Depot Operations Sri Lanka
- Association of Container Transporters

FMCG

- Ceylon Chamber of Commerce
- Cosmetic Manufactures Association Sri Lanka
- Employer's Federation of Ceylon.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Rs. 50.9 Bn
Revenue

Rs. 4.4 Bn
PBT

Rs. 3.0 Bn
PAT

7,503
Total Workforce

44
Piyawara
Pre Schools
Islandwide

83.3%
Local Board Members and Senior Management Staff

18,947,435 kWh
Energy Consumption

38
Number of Injuries

362,530 m3
Total Water Withdrawn

70,360
Total Training Hours for Employees

ECONOMIC VALUE STATEMENT

"Infusing sustainable value into the lives of our stakeholders"

In Rs. '000	Group 2018	Group 2017
Value Generated		
Revenue	50,860,017	43,404,452
Share of Result of Joint Ventures/Associates	(116,482)	(123,803)
Other Investment Income	765,350	822,345
Profit on Sale of Assets & Other Income	379,941	396,961
Valuation Gain on Investment Properties	34,546	35,051
	51,923,372	44,535,006
Value Distributed		
Operating Overheads	39,497,859	32,949,744
Employee Wages & Benefits	7,388,490	5,970,128
Payments to Providers of Funds	2,049,277	1,513,330
Payments to Government	1,441,523	1,333,044
Community Investments	26,577	8,990
	50,403,726	41,775,234
Value Retained for Expansion and Growth		
Depreciation	1,071,018	988,068
Amortisation	92,180	68,700
Profit after Dividends	356,447	1,703,004
	1,519,645	2,759,772

ENRICHING
LIVES

"Taking Pride in Doing the Right Thing"

Employees
Proud to WORK FOR Hemas

Partners and Stakeholders
Proud to BE WITH Hemas

Community
Proud to HOST Hemas

Consumer Products
Proud to USE Hemas

In 2014, Hemas Holdings PLC launched 'Abhimana' – a framework through which we aim to tackle the most important social, economic and environmental challenges that impact our organisation and our shareholders.

At Hemas, sustainability is not only achieving financial returns or going green, but how our business operates in social, cultural and economic environments whilst being accountable. The main objective and focus points for Abhimana is to create a 360 degree awareness campaign, beginning from educating staff on what responsibility is, how their choices matter and how deep the effects and consequences of everyone's actions are.

To assist the Group to implement and create awareness in regards to the Abhimana values, the Group has appointed Abhimana Champions of each sector who carries out initiative throughout the year.

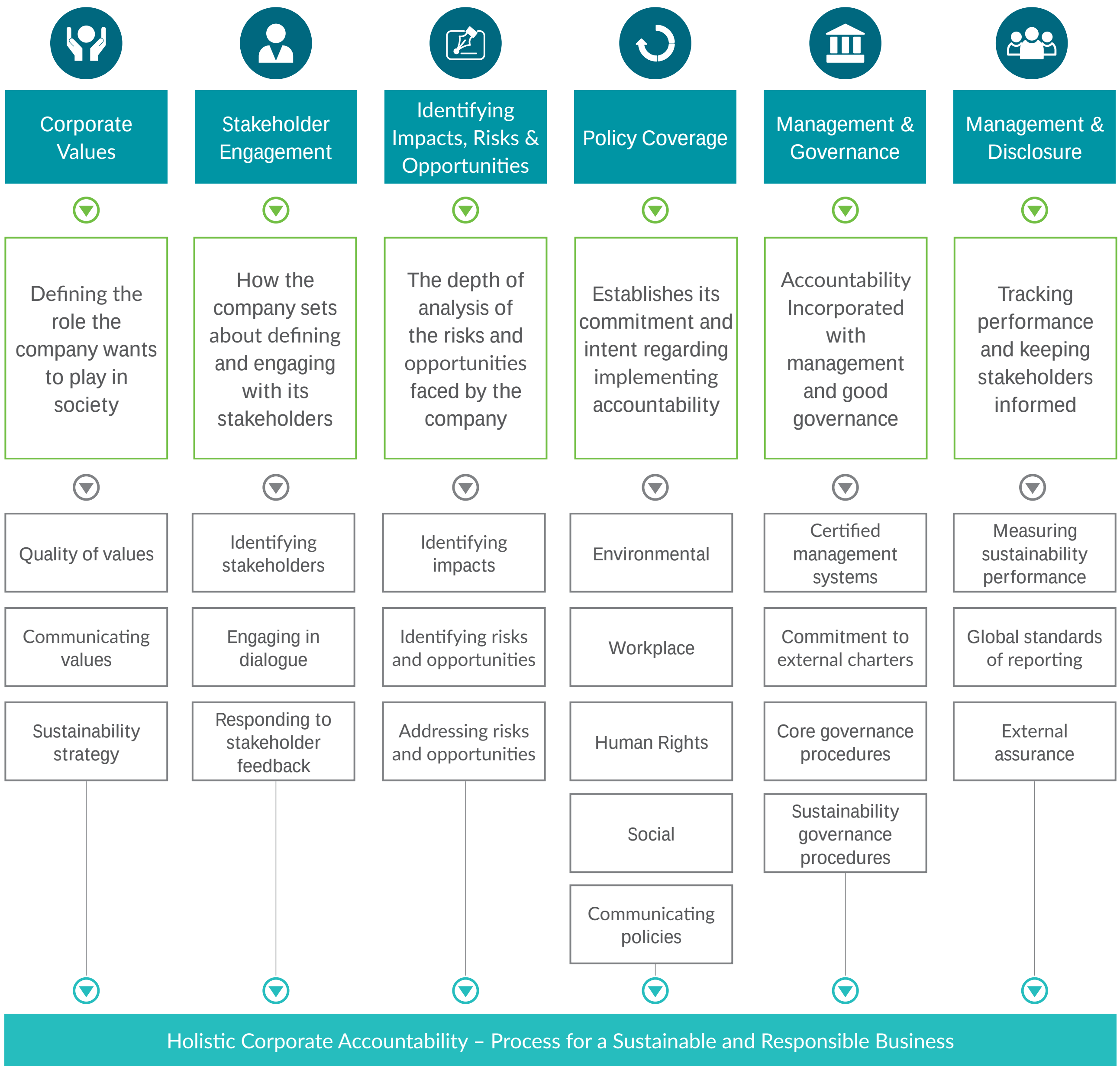
Everyone's commitment to the sustainability policies and empowering each individual to act, and to realize no matter how small the action, it has a positive impact on the Group as well as themselves and their direct environment. Through Abhimana, the Group continues to motivate employees and integrates the sustainability policies into the lifestyles of employees and their day to day routines and work life.

By making sustainability guidelines a lifestyle at Hemas, the Group hopes to create an environment, work culture as well as code of conduct that will result in all internal and stakeholders have pride in associating with Hemas.

Abhimana Initiatives

During the year Abhimana Champions of each sector carried out numerous initiatives that are in line with and promotes the Abhimana values of the Group.

Sustainability Approach of Hemas Group



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

Our Stakeholders

The most important step in evaluating our footprint was to listen to those who were impacted by us. We set out to identify the many stakeholders who were considered important to our various operations. Thereafter we grouped them into key stakeholder groups, which enables us to streamline our listening and responding mechanisms.

The process of stakeholder identification has been a complex one; ultimately, we defined the most important stakeholder groups by evaluating 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.

Stakeholder Groups:

Investors

Employees

Customers

Suppliers & Business Partners

The Community

The Environment

Understanding Our Impacts

In 2015, the Group undertook a Group-wide exercise, moderated by a third party consultant to understand and evaluate its triple bottom line impacts. The outcome was the identification of 18 social, environment and economic impacts that were material to the Hemas Group.

It was important that the Group focused its efforts on managing these 18 issues; and in response, the Group developed 38 goals which were designed to monitor and minimise its potential impacts. The 38 goals, which are aligned with the UN Sustainable Development Goals, are monitored through 148 indicators.

	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 ●

ENRICHING LIVES GOALS

Entrenching Sustainability in the Management Agenda

In 2015/16 the Group formally entrenched the Enriching Lives Plan into the performance monitoring mechanism of the Group. Scorecards were implemented to monitor and measure the impacts and goals at Business Unit level, with ultimate responsibility lying with each respective Sector/Business Head. The scorecards presented quarterly to the Board of Management are used to closely manage impacts by modifying Group strategies.

The Hemas Group's performance against the scorecard as at 31 March 2018 is shown in this section of the report.

- 🟢 70 – 100 percent of the Hemas Group has achieved the corresponding goal
- 🟡 30 – 70 percent of the Hemas Group has achieved the corresponding goal
- 🔴 30 percent or less of the Hemas Group has achieved the corresponding goal

Wellness – Consumer (FMCG), Morison PLC, Pharmaceuticals, Hospitals

LTA – Hotel, Travel & Aviation

Mobility – Logistics and Maritime

Other – Hemas Holding PLC , Corporate Services, Hemas Development, Vishwa BPO and N-Able

SOCIAL

Labour Rights of Outsourced/ Contract Workers - Aligned to UN SDG Goal 8

Goal	17/18	16/17
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.	●	●

As a result of the labour shortage in the country, the manpower agencies have faced the challenge of retaining casual workers. Most casual workers attendance is sporadic, or they leave without informing the agencies. This has resulted in the agencies facing the challenge of regulating their annual leave, and making EPF/ETF payments.

Occupational Health and Safety (Including Outsourced/ Contract Workers) - Aligned to UN SDG Goal 3

Goal	17/18	16/17
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.	●	●
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/ Morison/ Pharmaceuticals/ Transport	●	●
75% of employees from each location of operations should be screened annually for NCDs (non-communicable diseases (voluntary process by employees)	●	●

Each business has its own industry-specific health and safety challenges and as a result each business has its own tailormade programmes. For example, the Logistics sector carried out an operations-specific training programme in road safety for its drivers and cleaners, in association with the Sri Lanka Police. In addition to the tailor made programmes carried out by each sector, the following programmes were carried out across the Group to all employees.

- Training on safety awareness
- Formation or enhancement of safety committees
- Influencing employees' lifestyles through wellness programme on various health and wellness related areas such as healthy food, drinking water, exercising etc.
- Appointing a senior resource to carry out safety audits and educate staff on uplifting safety standards across the group
- Obtaining various industry specific safety standards/ certifications
- Fit for Life programme

The Group tracks and monitors all Operational Health and Safety related incidents across all subsidiaries. During the year the Group reported 38 injuries. There were no fatalities reported during the year under review.

ENRICHING LIVES GOALS

Employee Wellness Initiative

Blood pressure is a key indicator of overall health and therefore we undertook several initiatives during the year to,

- Measure the blood pressure levels of 2464 employees
- Provide a BP monitor to every major business location
- Rate awareness among 1570 employees about maintaining healthy blood pressure
- A mini competition to showcase information on blood pressure in a creative way (won by Serendib Leisure)
- An online blood pressure quiz with six winners selected

A hydration awareness project was launched to increase awareness among staff about the importance of staying well hydrated. Stickers and posters were used to spread the message, with employees encouraged to switch from sugared beverages to king coconut. Leaflet were also distributed to 1500 employees indicating the sugar content of various types of beverages.

“Fit for Life 2 Mission Slimpossible” was launched from October 2017 to January 2018. 180 employees signed up for an intense 3-month exercise program conducted by Sweatshop Fitness. Employees were taught about the power of fitness and the benefits of eating healthier to live more fulfilling lives.

Wellness Story

"I have worked for Hemas FMCG for 11 years. Hemas is a very exciting place to work at – you can get involved in many activities beyond your job role. I have been actively participating in Health and Nature related activities, to boost my physical and mental health.

Under the “Wellness” program, I was able to learn many new things and have added many good habits to my life style. I have been educated on taking small steps such as taking the siars instead of lifts; drinking more water and eating healthy. I have now changed my lifestyle a lot and can proudly say that I have influenced my friends and family positively as well. Being a volunteer teacher, I take these little messages to my students also.

Joining the Fit For life 3 months program is one of the best decision I have taken. Adding exercises into the daily routines can change your whole lifestyle. Exercising regularly helped me become more organized, make better decisions, and motivated me to take on new challenges in life. Now I’m sure that even after the Fit for life program my new healthy life style will continue to the future."

Sandra Ramoo

Customer Health and Safety - Aligned to UN SDG Goal 3

Goal	17/18	16/17
100% of products should carry the necessary information to ensure customer health and safety, including ingredients, dates of manufacture and dates of expiry, warning on possible (common) allergens, recommended dosage/ quantity per use, instructions for use, methods of disposal. (depending on the product).	●	●
100% of products should be stored in a clean and safe manner, ensuring contamination does not occur. This should be done in all locations of operation, and all supplier and distributor locations.	●	●
100% of food items purchased are from suppliers with (valid) certified food safety standards or (valid) relevant licenses from local authorities.	●	●
Customers should have access to safety equipment, including first aid kits, life jackets, etc., depending on the nature of the activity/ excursion.	●	●
Each location of operation to keep a record of all accidents involving customers, occurring on site or off site each month.	●	●
100% of menu items should carry the necessary information to ensure customer health and safety, including warning on possible (common) allergens.	●	●

In a move to improve product responsibility, the Healthcare arm of the Wellness sector introduced an adverse drug reaction notification and product complaint form on its web page. Any patient who experiences a reaction or has a complaint can directly communicate through that channel. Field staff members are also encouraged to report such information in order to ensure patients concerns are raised in a timely manner.

ENRICHING LIVES GOALS

Training and Skills Development - Aligned to UN SDG Goal 4

Goal	17/18	16/17
80% of staff in all locations of operation should have access to training per year, including job related training, soft skills training, leadership and motivational training, etc. While average hours of training per person should be at least 16 hours, each individual employee within the non-executive and labour categories should have a minimum of 8 hours of training per year.	●	●

The training and development process is undertaken with the objective of gearing people to take up leadership positions within the Group. Training needs are identified through performance feedback, talent discussions, and assessment centers. Thereafter a training calendar is designed to address the identified needs. The main types of training and development initiatives include:

- Technical skills development
- Soft skills development
- People management development (Hemas signature people management programme is called LEAD (Leadership by Engagement, Alignment & Development))
- Leadership development for Middle and Senior Managers (Future Leaders Programme)
- Exposure and benchmark visits to companies that has great practices for us to learn from
- Succession planning and related development

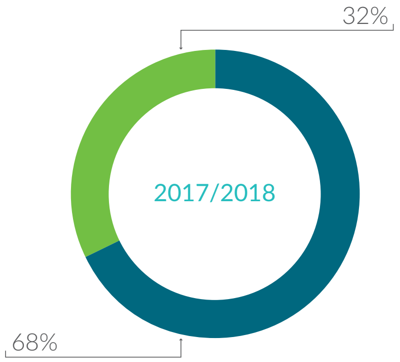
Training Hours for Workforce

	2017/2018	2016/2017
Total Training Hours	70,360.00	98,590.00
Total Hours – Executive	47,801.00	25,153.00
Total Hours - Non – Executive	22,559.00	73,437.00
Average Hour – Per Executive	23.30	13.77
Average Hour – Per Non Executive	4.80	20.67

Gender Diversity - Aligned to UN SDG Goal 5

Goal	17/18	16/17
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, Morison, and Pharma sectors	●	●

Gender Mix of Employees



- Male Employees
- Female Employees

The female representation of the Wellness sector is 33 percent of its employees, with the LTA sector representation being 19 percent, Mobility sector representation being 7 percent and the Other sectors having a 13 percent female representation in their workforce.

During the year the Group introduced a Maternity, Paternity and Adoption Leave Policy, and the Group has exceeded the time limits set out in applicable legislations in order to enhance the benefits of maternity leave available. The Groups introduction of such policies would ensure female staff return to work and also encourages more females to join the workforce.

The Group also introduced the following initiatives:

- Launch of The Voice of Women (VOW), the Hemas Women's Network
- Sectors with extremely low female employee numbers have actively worked towards raising numbers to around 10% of workforce.
- Launch of Hemas Employee Value proposition 360YOU

Kids Zone at Hemas House

Empowering Women at the Workplace – Hemas Voice of Women (VOW)

As a responsible corporate that strives to create an inclusive environment for all its employees, Hemas launched The 'Voice of Women' (VOW) initiative was launched on International Women's Day on 8th March 2017. The inaugural theme, 'Be bold for change' was in line with the global theme for the year, resonating the vision of VOW to boldly take a step forward in launching a women's network at Hemas, thereby fostering a 'female friendly workplace'. Hemas believes that this will help create a more inclusive environment that is conducive to bringing out the true potential of all its employees, thus supporting the attraction, retention and advancement of women at all levels within the Group.

Females make up of the Hemas work force and the VOW team has commenced work on many initiatives to help empower women employees to succeed in the workplace, whilst maintaining a healthy balance with their personal commitments. A few of the initiatives currently prioritized include extended maternity leave, paternity leave, special leave for adoption, accommodating feeding hours for infants, providing lactation rooms, and the provision of transport when working late hours.

ENRICHING LIVES GOALS

ECONOMIC

Local Employment - Aligned to UN SDG Goal 1 / 10

Goal	17/18	16/17
50% of employees at each location of operations (outside of Colombo City limits), should comprise of residents from the local community	●	●

Total Number of Employees by Province*

Sector	Male	Female	Total
Central Province	620	128	748
Eastern Province	72	15	87
Northern Province	36	4	40
Southern Province	519	344	863
Western Province	2,574	1,164	3,738
North Western Province	455	107	562
North Central Province	173	26	199
Uva Province	158	59	217
Sabaragamuwa Province	224	75	299
Total	4,831	1,924	6,755

* The information does not include Employees from Manpower Agencies

The Group continues to employ residents from the local communities, especially in the Wellness and LTA sectors and strives to have a positive impact in the livelihood of the communities they have operations in. Providing employment to the local communities also helps the Group understands the needs of the community allowing it to align its social responsibility projects to address a gap and gain the social license to operate.

Local Sourcing - Aligned to UN SDG Goal 12

Goal	17/18	16/17
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.	●	●

All hotels in the LTA sector across the Group prioritise local purchasing across their properties, and works mainly with suppliers within each property's locale when sourcing fresh fruit, vegetables, meats and seafood and for dry foods and dairy, Wherever quality products are available locally, the sector sources from reputed local suppliers.

Employment Creation – Vulnerable Groups - Aligned to UN SDG Goal 1 / 16

Goal	17/18	16/17
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).	●	●

Kosala is a valued team member of the Corporate Communication and Sustainability Team

The Group believes that a diverse work environment and culture will always enrich the work experience and improve the effectiveness in an organisation. The Group is registered with the Employers Federation of Ceylon and continues to employ people with not only physical impairment, but mental impairment such as down syndrome. During the upcoming year, the Group will continue to welcome individuals representing vulnerable groups to the Hemas family.

Advertising and Promotion - Stereotyping (e.g. Gender, Race, Religion, Personal Relationships) and Responsible Message - Aligned to UN SDG Goal 12

Goal	17/18	16/17
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.	●	●

The "Hemas Advertising Checklist" launched in 2014 sets out the mandatory principles expected of all advertisements produced across the Hemas Group for internal and external communication, for any channel including social media. The principles emphasize the need for honesty; cultural sensitivity and non-discrimination; refraining from messaging that may be misunderstood or deemed offensive; promoting only positive behaviours and positive role models; and obtaining explicit permission from those whose photographs may appear in the advertisements. The custodian of the checklist is given to Head of Marketing and Sustainability Champion and the Group has successfully implemented the checklist with one instances of non-compliance reported during the year.

ENRICHING LIVES GOALS

Bribery and Corruption

Goal	17/18	16/17
100% of staff to be trained on the Company's bribery and corruption policies (Hemas Way) each year	●	●

Each new employee of the Group signs ‘Hemas Way’ which gives guidelines and other information in regards to the Group’s policies on Bribery and Corruption and during their induction a training is carried out in regards to this.

New recruit signing the Hemas Way document

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 a personal commitment of how day to day business will be conducted and the behaviour expected when dealing with internal and external stakeholders. The Group HR Director acts as the officer in charge of the values and ethics in the Group.

ENVIRONMENT

Environment Approach

The Hemas Environment Policy is geared to prevent, reduce or mitigate the harmful effects on nature and natural resources, and ensuring that man-made changes to the environment do not have harmful effects on any living things. We also believe that each one of us should abide by the 3 R's of environment, ie: reduce, reuse and recycle. The Group promote the use of cleaner and leaner methodologies and work processes, and actively encourage external stakeholders to supports its commitments.

The policy encompasses the Hemas Green Pledge *"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 gentler environmental footprint."*

Hemas Green Club

The Hemas Green Club is a team of passionate employees who strive to make a positive difference in the environment that surrounds our businesses and their communities. The club consists of 130 employees representing all sectors of the Group.

Tree planting initiative carried out by the Hemas Green Club

Making a Positive Difference in Mannar

The Club's annual excursion this year was a three day trip to Mannar with the participation of 24 members. Activities in Mannar included planting 100 coconut saplings with the support of the Sri Lanka Army, as well as a beach cleanup at a site adjacent to one of Sri Lanka's historical monuments along the Mannar coastline, the Dorick Bungalow. Participant were also privy to an insightful Environment Awareness session conducted by renowned environmentalist and Founder of Rain Forest Protectors, Mr. Jayantha Wijesinghe. The excursion included visits to the Wilpattu National Park and Kudirimale Point. The enterprising team is currently exploring the possibility of conducting projects for the reforestation of mangrove plantations in the area.

Safeguarding Forests for a Sustainable Future

The Green enthusiasts of the Hemas Green Club partnered with the Rainforest Protectors to reforest two acres in Kathlana, in close proximity to Sinharaja. This was the first phase of a reforestation campaign driven by Hemas. Kathlana is located in the Kalawana area and 29 Green Club members spent the day planting saplings of endemic rainforest plants with the aim of mitigating the negative impacts caused by deforestation. As reforesting must primarily take place in the hillside, the area was selected with great care to ensure an effective reforesting effort. The village community together with the staff of the Divisional Secretariat of Kalawana also participated in the reforesting efforts and will also sustain and maintain the project.

"The Hemas Green Club is a team of passionate employees who strive to make a positive difference in the environment that surrounds our businesses and their communities."

ENRICHING LIVES GOALS

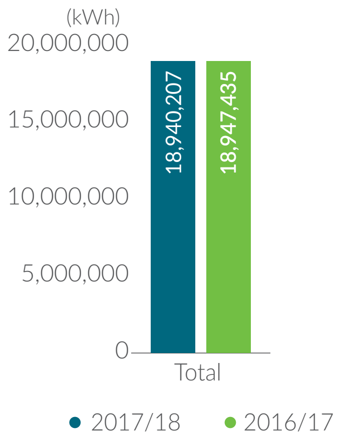
Energy Use - Aligned to UN SDG Goal 7 / 13

Goal	17/18	16/17
Energy consumed by each location of operations should be reduced by 5%. In the event that energy consumption increases due to increased operations, the location of operation in question must show other means by which energy consumption is being reduced. All locations of operation should also encourage (e.g., through incentives) vehicle pooling, as well as teleconferencing for meetings	●	●

Solar panels installed at Hemas Hospitals

Energy Consumption by Sector

Sector (kWh)	17/18	16/17
Wellness	11,064,372	10,655,998
Leisure, Travel and Aviation	6,372,844	6,194,820
Mobility	114,383	196,713
Other	1,395,836	1,892,676
Total Energy Consumed	18,947,435	18,940,207



The Wellness Sector introduced several initiatives that focused on Energy Conservation;

- Replacing the cooling tower and variable frequency drive control at Hemas Hospital, Wattala, resulting in an Annual saving of 160,000 kWh
- Installing Solar Panels at Hemas Hospital, Wattala leading to annual saving of 170,000 kWh (130 kVA), 45,000 kWh (42 kVA). During the upcoming financial year Hemas Hospitals will expand its Solar Panel capacity in its efforts to conserve energy during its operations.
- Installing Solar Water Heaters at all Hemas Hospitals.
- About 60 – 65 percent of the total energy consumption of Hemas Hospitals is directed towards air conditioning. Therefore changes in weather in terms of temperature and humidity directly affect the sector's total energy consumption. The high temperatures and humidity levels experienced mid-year during a period of high occupancy led to higher energy consumption. This was managed by close monitoring and using load altering methods with the help of BMS.

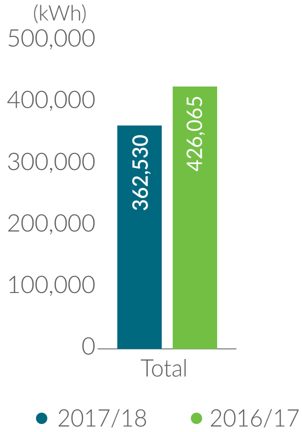
Water Use - Aligned to UN SDG Goal 6

Goal	17/18	16/17
Volume of fresh water used by each location of operation should reduce by 5 percent each year, e.g., by instead using recycled water or rain water	●	●

Water treatment plant at Club Hotel Dolphin

Water Consumption by Sector

	17/18	16/17
Wellness	138,494	180,233
Leisure, Travel and Aviation	205,270	212,799
Mobility	1,449	16,112
Other	17,317	16,921
Total Volume of Water Withdrawn	362,530	426,065



The Group utilises municipality water to carry out its operations. The Wellness Sector achieved a 10 percent reduction in water consumption at the Dankotuwa factory premises by introducing a series of water management initiatives. These included:

- Introducing a new CIP system (Automated cleaning system) for the personal care plant
- Improving boiler water quality
- Introducing new filter media and reducing backwash
- The cooling towers at the Hemas Hospitals were modified which resulted in the reduction of water use.
- Reusing soap condensate water

All Group hospitals treat their sewage water which is reused in gardening at the hospital premises.

The Group Environmental Committee has undertaken research, with a view to formulate initiatives that may lead to the reduction of water consumption across the Group. These strategies will come into effect over the coming year.

ENRICHING LIVES GOALS

Waste Management (Operations and Product/ Packaging Waste) - Aligned to UN SDG Goal 12/15

Goal	17/18	16/17
All locations of operation should segregate 100% of waste generated and should monitor volumes of waste generated per month	🟡	🟡
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.	🟡	🔴

Across the Group, there has been heavy focus on ways of managing waste generated through our operations. Among the year's initiatives to improve how we manage waste were the following:

- Introducing a compost and bio gas plant at Club Hotel Dolphin, which ensures that no organic waste is sent to landfills.
- All kitchen waste generated by the hotels and FMCG is used as animal feed
- All non-degradable materials such as polythene, pet bottles, glass and plastics is handed over to certified recycling companies.
- The Group collects CFL bulbs and e-waste and disposes of it through a licensed third party contractor.
- The Group is conducting research based on biodegradable packing materials with a view to improving our packaging.

Garbage Segregation at Leisure Properties

SUPPLY CHAIN

Supply Chain Responsibility – Labour Practices, Human Rights, and Environment - Aligned to UN SDG Goal 9

Goal	17/18	16/17
Largest 25% of local suppliers and distributors for all locations of operation should sign the supplier code of conduct biennially	🟡	🟡
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.	🟡	🔴

Efficient supply chains are critical to the functioning of our businesses and therefore, the Group has adopted better practices in supply chain management across our diverse businesses. Accountability and Responsibility are entrenched in our supply chain management approach.

While we have been unable to reach the goals we have set for ourselves, we have been able to create greater awareness of the strict implementation of the Supplier Code of Conduct.

Community Impacts - Aligned to UN SDG Goal 3 & 11

Goal	17/18	16/17
100% of waste water should be treated prior to release, and treated waste water should be tested on a quarterly basis.	🟢	🟢
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.	🟢	🟡

Mobility sector commissioned a new water treatment plant at the Welisara Container yard to treat waste water generated from washing containers. The effluent treatment plant was designed to treat 20,000 litres of waste water per day (10-12 operating houses) before it is discharged in to the inland surface waters. The plant uses a professional waste water treatment systems that encompasses chemicals and physical treatment methods. Treated effluent conforms to the standards stipulated by the CEA for discharged waste water (after treatment) in to the common waste water treatment plant within the BOI industrial park.

Our businesses work in close partnership with communities around their locations of operation. We take care that any the negative impact of our operations on the community is minimised and maintain open channels of communication with community leaders. Furthermore, we make every effort to share our knowledge to educate the community on environmental best practices.

ENRICHING LIVES GOALS

Environmental Accidents - Aligned to UN SDG Goal 3

Goal	17/18	16/17
All locations of operation should treat all waste water, which should be tested on a quarterly basis.	●	●
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.	●	●

Across the Hemas Group, we are proud of our environmental-accident free operations. This is a testament to the efficiency of our stringent monitoring and the emphasis we place on the safety of our operations.

The Wellness sector continues to work with INSEE Cement to destroy all hazardous waste generated. As a leading distributor of pharmaceutical products, the Wellness sector takes great care to ensure the proper disposal of damaged or expired pharmaceutical waste.

Currently, such waste of handed over to a private operator for incineration after being examined and approved by NMRA. The incinerator burns the stocks at 14600C, within 4 seconds resulting in virtually zero emissions. 4.3 MT of pharmaceutical waste was disposed during the year. Hemas Hospitals processed 21,673 litres of hazardous waste including chemicals, which were sent to processing units as per the sector's waste management policy. The sector has optimised the use of chemicals in the laboratories, and strictly follows guidelines given by manufacturers.

Compliance - Aligned to UN SDG Goal 3

Goal	17/18	16/17
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.	●	●

The Group has a zero tolerance approach towards environmental non compliance and all locations of operations are in full compliance with the requisite laws and recommendations.

STAKEHOLDERS

Stakeholder Engagement

Goal	17/18	16/17
Each sector must prioritise its key stakeholders and engage with prioritized stakeholder groups through a two-way communication process once every 2 years (through a third party consultant).	●	●

The issues and inputs of each stakeholder group are diverse and of varying degrees depending on the nature of the business they are part of. Therefore, we conduct engagement at multiple levels such as Group, Sector, Business Unit and at Operational Sites. We also conduct formal stakeholder engagement initiatives through the intervention of an external service provider. The implementation of stakeholder engagement mechanisms at sector level was a priority during the year.

While, a third party stakeholder engagement was not carried out this year, the Group continues to engage with the communities informally throughout the year.

The Stakeholder Engagement of the Group

Stakeholder	Method & Frequency of Engagement	Reasons for Engagement	Commitments
Investors	Annual General Meeting/EGMs. Roadshows, Investor forums and presentations (annual). Annual report, quarterly reports, CSE disclosures, media releases. Website, emails, telephone (ongoing).	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.	Increasing shareholder returns. Generate lasting economic value. Good governance and transparency.
Employees	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).	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.	Open door policy and transparency. Training and career development through strategic talent management. Occupational Health and Safety.

ENRICHING LIVES GOALS

Stakeholder	Method & Frequency of Engagement	Reasons for Engagement	Commitments
Customer	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).	To understand customer needs better. To gauge product and service quality. To innovate and improve our products and services.	Product and service quality, affordability, and safety. Environmental and social responsibility. Distribution efficiency.
Business Partners	Regular meetings, reviews and forums (ongoing). Annual registration and procurement committee meetings (annual/quarterly). Industry exhibitions, road shows and trade fairs (ongoing). Emails, reports and other publications, website (ongoing).	To ensure efficiency of the supply chain. To understand the needs/ concerns arising out of business relationships To share best practices.	Meeting contractual obligations. Technical assistance and knowledge transfer. Building long-term partnerships.
Community	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).	To create positive partnerships that accelerate social development. To ensure minimal impact on shared resources. To facilitate preschool education in marginalised communities.	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.

The Group measures the engagement of its employees every two years and the next engagement is planned for 18/19 financial year.

Over the past 2-3 years, the engagement scores have improved: operational staff engagement went up from 51 percent to 52 percent while managerial staff engagement went up from 56 percent to 59 percent. Each subsidiary business has its own engagement drivers and areas that need improvement in order support better Group engagement scores.

Each sector has developed action plans based on improvement areas. The engagement activities cover areas such as improving communication between management and staff; enhancing work environment; initiating development of career paths; activities to enhance bonding among departments; dissemination of information in a periodic manner; initiating or enhancing existing employee recognition programmes etc. The impact of those activities will be visible in the next survey.

Hemas recognises its Employees and the Community as two key stakeholder groups impacted by the Group's operations. Many initiatives were undertaken among both stakeholder group during the ear, some enduring commitments and others, exciting new ones. The pages that follow details the story of how Hemas engaged with the wider community by undertaking projects of national interest, and the work it did within to enhance the value offered to employees who chose to work at Hemas.

EMPLOYEES

“Our Employees are the most valuable resource...”

Employees are the driving force of innovation and has a significant impact on the Group’s earning potential, productivity and long term sustainability, making our employees the most valuable resource at Hemas Holdings. The Group strives to manage its Human Capital through continuous engagement, celebrating diversity, providing a safe work environment, talent management and career development.

Employee Relations

At group-level, Hemas has in place a five year Human Resource strategy upto 2020; the strategy was developed in 2014/15 taking into consideration the organisational needs to reach its vision for the future.

The strategy encompasses four pillars:

1. Energize & Engage,
2. Attract the best,
3. Develop leadership from within and
4. Simplify HR processes.

Workforce Diversity

	2017/2018							
	Permanent Employees	Contract Employees	Employees from Manpower Agencies (Outsourced Personal)	Total				
Wellness	4,543	242	687	5,472	3,167	142	630	3,939
Leisure, Travel and Aviation	881	256	59	1,196	889	241	7	1,137
Mobility	265	239	-	498	191	295	-	486
Other	259	70	2	323	245	56	6	307
Total Number of Employees	5,948	807	748	7,503	4,492	734	643	5,866

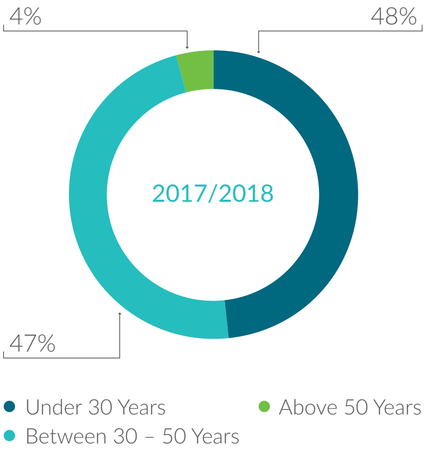
The Permanent Employees of the Group consisted of 4,206 Male Employees [FY 2016/17: 3049] and 1,742 Female Employees [FY 2016/17: 1,443]. The Group does not have any part time employees. The Contract Employees of the Group consisted of 626 Male Employees [FY 2016/17:609] and 181 Female Employees [FY 2016/17: 125]. The Outsourced Personal of the Group consisted of 535 Male Personnel [FY 2016/17: 460] and 213 Female Personnel [FY 2016/17: 183] The increase in the number of employees in the Wellness Sector is a result of the acquisition of Atlas Axillia during the fourth quarter of the financial year.

EMPLOYEES

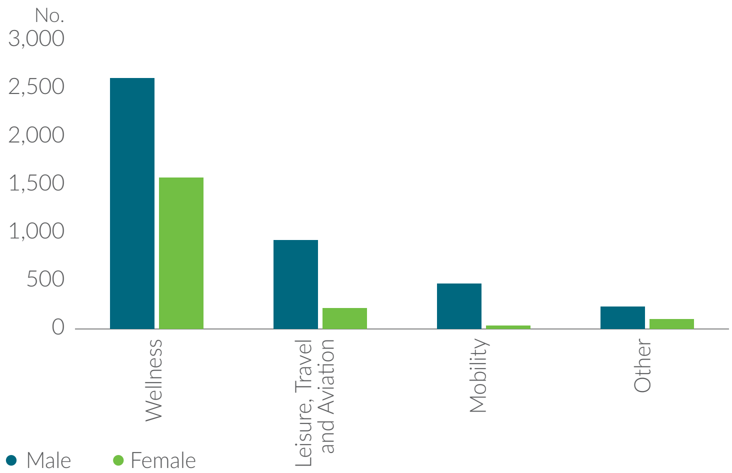
Total Number of Employees by Grade

Sector	2017/2018			2016/2017		
	Male	Female	Total	Male	Female	Total
Directors	35	8	43	36	6	42
Senior Management	148	44	192	119	33	152
Middle Management	464	138	602	542	115	657
Executive Level	817	398	1,215	642	333	975
Non Executive Level	3,367	1,336	4,703	2,472	1,081	3,553

Age Diversity of Employees



Gender Diversity of Employees



The Group continues to monitor the diversity of its workforce based on age and gender. During the year the Group has seen the demographic of its workforce changing with 48 percent of its employees being less than 30 years, bringing with it the opportunity, dynamism and challenges that will positively influence the Group.

Total New Hires by Sector and Gender

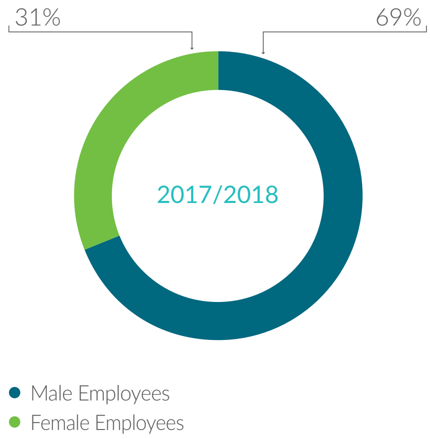
	2017/2018			2016/2017		
	Male	Female	Total	Male	Female	Total
Wellness	1,126	559	1,685	465	295	760
Leisure, Travel and Aviation	203	70	273	146	52	198
Mobility	114	5	119	218	16	27
Other	52	20	72	47	29	76
Total Number of Employees	1,503	654	2,149	876	392	1,262

Of the total new hires of the Group 1,649 were under 30 years, with 460 between the age of 30 – 50 years and 48 above 50 years. All Group hires were done within Sri Lanka. The Healthcare arm of the Wellness sector secured the sales and distribution contract with of a major pharmaceutical company in Sri Lanka; this necessitated increasing staff numbers. As at 31 March 2017, the Healthcare arm cadre had increased 21 percent YOY.

Total Attrition by Age Group

Sector	2017/2018			2016/2017		
	Male	Female	Total	Male	Female	Total
Employees who left during the period, aged below 30	519	285	804	494	288	722
Employees who left during the period, aged between 30-50	325	106	431	294	280	374
Employees who left during the period, aged above 50	56	12	68	30	16	46
Total	900	403	1,303	818	584	1,142

Total Attrition by Gender



The attrition data does not contain employees of Atlas Axillia. The Group acquired Atlas during the fourth quarter of the financial year 2017/18 and employee management is still in the process of being introduced to the company. The attrition rate for the sector is 23.64 percent

Strengthening Employee Relations

The Group carries out a series of activities to strengthen employee relations on an ongoing basis. Initiatives this year included:

- Dialogue with employees through town hall meetings, advisory committees such as Joint Consultative Committee (JCC), employee forums etc at sites of operation.
- Transparent discussions with the three Trade Unions to enhance relationship and reach win-win situations. During the year we faced one dispute which was resolved through discussions.
- Revisiting the Whistle Blowing Policy and rolling it out to ensure that employees have a discrete communication channel with management to raise their concerns.
- Enhancing the quality of exit interviews to gather valuable information to improve people related processes.
- Initiating or improving employee recognition programmes.
- Improving grievance handling procedures.
- Introducing HR Clinics where employees have a dedicated day to address HR process related issues or provide feedback on areas of improvements.

Facilities and Benefits

Providing a conducive work environment for our employees is a priority for Hemas and many group companies improved facilities and benefits for employees during the year. Some of these include:

- Upgrading of Staff Welfare Shops
- Refurbished and improved work environment
- Refurbishing of staff quarters
- A series of workshops on Personality Development was carried out for the children of the staff members
- Minimum standards for medical leave
- The Flexible Work and Part time work Policy
- Introduction of paternity and adoption leave and enhanced maternity leave

Flexible Working Policy

In October 2017, Hemas introduced the Flexible Work Policy, in recognition of the different demands placed on employees in their roles within their families and communities. The policy reflects the Group's belief that an employee who reaches for a balanced lifestyle is a better employee. The Group will henceforth accommodate employee requests for flexible working arrangements wherever they can be undertaken with no disruption to work demands. The policy covers both flexitime and part-time arrangements.

360 You: Be Hemas, Be your Best Self

"360 You", the Hemas Employee Value Proposition (EVP) was launched in October 2017. An EVP is the collective array of offerings from an organisation in exchange for the knowledge, skills and experience of employees. The Hemas EVP journey was undertaken to provide a compelling answer to the question, 'Why would a highly talented person choose to join and work for Hemas?'

An employer brand is created over time based on the employment experience. Research shows that companies with a clear and unique employer brand are able to attract the best talent from the labour market, as it increases employee engagement that will eventually lead to better company performance, creating a win-win situation for both the company and the employees.

To facilitate the conceptualization of the EVP, Hemas engaged professionals with extensive marketing and brand building experience and professional market research teams. Approximately 1500 current, past and potential employees' views were obtained through qualitative and quantitative research, which explored their expectations from an 'employer of choice' and their perceptions of Hemas as an employer. Thereafter the board of management and the HR leadership team came together to define the employment experience at Hemas.

360 You is an expression of how Hemas plans to enrich the lives of its employees. It's an acknowledgement of the fact that that when an employee comes to work, a whole human being comes to work. The various roles an employee plays in the family and their community; their physical, emotional, mental, spiritual wellbeing; the various interests they have in their lives like sports, performing arts, photography, hobbies all define them as individuals. Through 360 You, Hemas recognises that, while an employee is hired to do a specific job, for example, to be an accountant, when that accountant comes to work, the 360 You comes to work. And for the employee to perform at their peak level, their whole self needs to be acknowledged and feel fulfilled.

360 you is built on four pillars:

1. Uniqueness: Each individual is unique because they have unique interests, strengths and aspirations. They are the product of their upbringing, hopes and beliefs. Hemas aims to be a workplace that celebrates this uniqueness and diversity as a source of strength.
2. Excellence and Balance: Hemas aims to support employees in finding balance amongst the different roles they play and in reaching for excellence in things that matter to them, knowing that a better sense of control will help employees become better professionals and more fulfilled individuals.
3. Wellness: Hemas has embarked on a journey to become the "Healthiest Workforce in Sri Lanka" because the company recognises that health and wellness is key to employee contributions to the Hemas team, their families and society.
4. Empowerment: the company aims to introduce policies and resources to empower employees with more decision-making authority at the frontline and to craft their own ways of growing their careers and contributing to the company.

Recognising that this is not an easy promise to fulfil, Hemas has set a 3-year plan in motion where some components are already in place. Ways for individuals to express their unique personalities through avenues like sports, performing arts and photography have been available for a while. The LEAD programme that aims to empower supervisors to be better people managers has also been in operation for over 2 years delivering improved employee engagement levels as the employee engagement survey results show. A flexible working policy and minimum standards for medical leave were introduced during the year. The Women's Network which was set up in March, 2017 is working on areas like maternity, paternity and adoption leave, lactation rooms etc.

The company is committed to continue its focus on this area given the benefits to both employees and the company in attracting, engaging and retaining talented employees for the future.

COMMUNITY

Align to the UN SDG Goal 4

“Hemas focuses on change among communities at national level”

Hemas Outreach Foundation

Enduring Commitment

‘Enriching Lives’ requires us to always consider the interests of those around us and how they are impacted by what we do. A sense of care and responsibility towards the community is thus built into the Hemas DNA, and is integrated into our management philosophy. While we have fostered positive relationship with communities around our businesses, Hemas has also focused on creating positive change among communities at national level, investing and focusing on Early Childhood Care & Development (ECCD) in Sri Lanka as the Group believes this is an investment in the development of human capital in the country. Driven by the Group’s charitable arm - the Hemas Outreach Foundation, our national-level community initiatives are led by the Piyawara programme, a 17-year long engagement that has been hailed as one of the country’s foremost private-public partnerships.

Mission of Hemas Outreach Foundation

"To enrich the lives of underprivileged children of Sri Lanka through Early Childhood Care & Development (ECCD)."

Social Responsibility Approach

The Social Responsibility Policy, reflects the Group’s aim to create a sustainable future for stakeholders and be a responsible corporate citizen. The Policy encourages involvement in community-based initiatives through the Hemas Outreach Foundation instead of undertaking ad-hoc donations and sponsorships.

The Policy also encourages employees to practice ethical marketing and to exercise due caution when disseminating information to the public, and to act responsibly when publishing and updating information online with due regard for their own privacy, the privacy of other persons, and respect for the values, code of conduct, proprietary information, intellectual property and Goodwill of the Group.

Piyawara

Launched in 2002 in partnership with the Children's Secretariat of the Ministry of Women and Child Affairs, Piyawara focuses on Early Childhood Care and Development in Sri Lanka. Piyawara promotes its cause by establishing child-friendly preschools throughout the country, for children between three to five years. The pre-schools are designed to provide holistic education that promotes learning and socialisation and becomes a solid foundation for a child's future.

Piyawara has prioritised several 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.

COMMUNITY

“Investment in early childhood development has been proven to shape the educational success, health and productivity of individuals, ensuring that they are skilled and better prepared to take on the future challenges of a global and digital economy. In fact its rate of return can be high as 13.7 percent

We all want a stable and a prosperous Sri Lanka achieving its full potential through smart investment in early childhood development, we can secure Sri Lanka's economic wealth, we can ensure that Sri Lanka is rich in its most important and precious resource – its human capital”

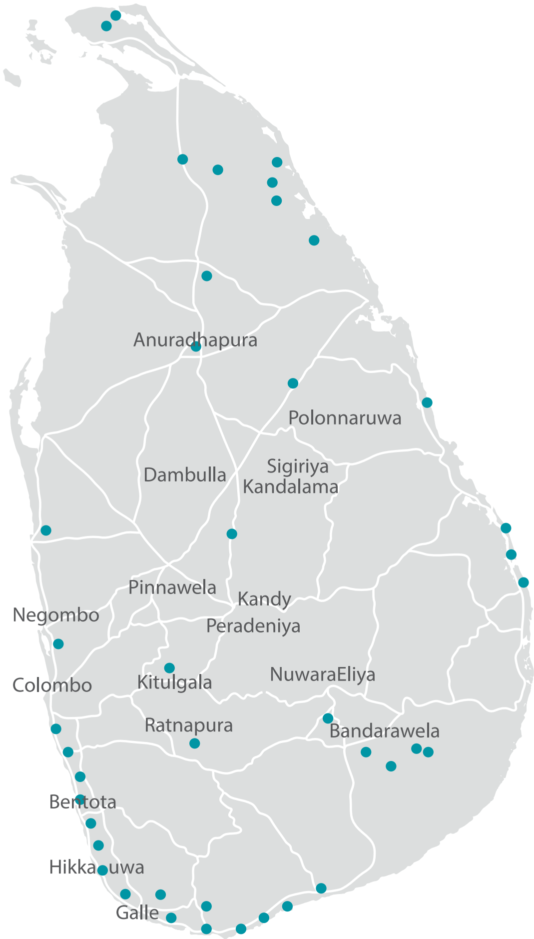
Tim Sutton

UNICEF Representative Sri Lanka – at the special forum organized by the Sri Lanka Parliamentary caucus for children.

Quote from Daily FT 9/11/2017

Piyawara Pre - Schools in Sri Lanka

	Location
1	Wadduwa
2	Kalutara
3	Bentota
4	Balapitiya
5	Ambalangoda
6	Hikkaduwa
7	Rathgama
8	Galle 1
9	Galle II
10	Habaraduwa
11	Tissamaharama
12	Weligama
13	Matara 1
14	Matara II
15	Tangalle
16	Hungama
17	Hambantota 1
18	Hambantota 2
19	Gampaha
20	Matale
21	Polonnaruwa
22	Anuradhapura
23	Dankotuwa



	Location
24	Kurunegala
25	Badulla
26	Ratnapura
27	Jaffna 1
28	Jaffna II
29	Kalmunei
30	Ismailpuram
31	Navadanweli
32	Kantale
33	Ambalnagar
34	Kilinochchi, Killinochchi
35	Mullaitivu Silawathi
36	Mullaitivu Teetakarei
37	Mullaitivu Kepapilaru
38	Boossa, Galle
39	Veheratanna
40	Monaragala, Malhawa, Bibile
41	Maduruketiya, Monaragala
42	Mahasenpura, Wellawaya
43	Dehikindagama, Monaragala
44	Bogaswewa, Vavuniya

44
Pre Schools Islandwide

SCHOOL

Enriched
30,000
Lives of Children Since Inception

Over
115
Teachers

17
Parental Awareness Sessions 2017/18

16
Residential Training Programmes to Improve Teacher Competency Since Inception

Over
3,500
Children Currently Attending Piyawara Pre-Schools

COMMUNITY

New Piyawara Pre-Schools

Three new Piyawara pre-schools were opened during the year, in Dehikindagama, Mahasenpura and Bogasweva. The 42nd school in Dehikindagama was funded by Der Touristik, Germany while the 43rd in Mahasenpura was funded by Reiner Meutsch Stiftung FLY & HELP/ families Kögler, Horn, Döppers, Mühmel from Germany. The two pre-schools located in the Monaragala District were declared open by Chairperson of the Hemas Outreach Mr. Abbas Esufally with the Trustees in attendance.

The 44th Hemas Piyawara Pre-School was declared open in Bogaswewa, Vavuniya by Mr. Shaktha Amaratunga, Trustee of the Hemas Outreach Foundation /Group Director Hemas Holdings PLC together with Wanni Security Forces Commander Major General Kumudu Perera. The Bogasweva school was built with the assistance of the Sri Lanka Army which enabled expense to be kept at a bare minimum. The troops even went the extra mile by manufacturing the bricks by themselves. The school was funded by DER TOURCONTACT Germany through Fly and Help Germany

Piyawara Singithi Diriya

'Piyawara Singithi Diriya' is a special project aimed at improving the lives of children under the age of five, living with their imprisoned mothers at the Welikada prison. The project was launched in collaboration with the Ministry of Women and Child Affairs of Sri Lanka and the Welikada Prison Authorities. As part of the initiative, the Child Care Center at the Prison complex was refurbished and reopened on 04th of February.

About 15 – 20 children aged between three months and five years are compelled to reside with their mothers in a separate prison ward under appalling conditions. The prison ward was renovated to create a child friendly environment with proper sleeping conditions, sanitation facilities and an outdoor play area. Hemas has also undertaken to provide the basic daily nutrition requirements of children monthly while consignments of Baby Cheramy products will also be distributed under the supervision of the HOF and Prison Authorities on a monthly basis.

Bogaswewa pre-school before the construction of the Piyawara Pre-School

New Piyawara Pre-School in Bogaswewa

Refurbished child care centre at the Welikade prison complex

Be an Angel to a Little Child Project

Teacher Training Programme - 2017

Piyawara Parental Awareness Programs

17 parental awareness programs were conducted during the year in Kanthale, Tangale, Hungama, Kaluthara, Hirimbura, Galwadugoda, Hambantota, Rathnapura, Matara, Rathgama, Wadduwa, Balapitiya, Ambalangoda, Anuradhapura and Tissamaharama. The programmes, held in collaboration with the local councils and the Ministry of Child Development and Women's Affairs, helped educate parents of Piyawara pre-school children.

Annual Teacher Training Program

The Annual Piyawara Teacher Training Programme was held in Badulla from 17th – 20th August 2017. The programme, organized by Hemas Outreach Foundation together with the Ministry of Child Development and Women's Affairs, brought together nearly 70 representatives from 44 Piyawara Preschools. Participants were given comprehensive insight into the areas of 'Early Childhood Development' and 'Preschool Standards'. This was the 16th consecutive teacher training programme, and enabled skill improvements as well as engagement among Piyawara teachers from across the island,

Be an Angel to a Little Child – Annual Gift Collection Program

Every year, during Christmas employees of the Hemas Group collect gifts to be distributed among children in need. This year, the company focused on the areas of Salalihinigama and Bogaswewa, located in the South of Vavuniya to distribute the gifts. Employees group-wide contributed 522 gifts which were distributed among children with the assistance of the Sri Lanka Army.

The Big Heart Project

The Big Heart Project was launched in 2012 by Baby Cheramy in partnership with Ministry of Child Development and Womens Affairs to celebrate its 50 year anniversary. Project Big Heart is essentially a scholarship programme that supports children who are at the risk of being unable to continue attending school as a result of extreme poverty. The programme is aimed at children between the ages of 6 - 12 years, which allows them to complete their primary education from Grade 1 - Grade 5 and at present the programme supports 119 school children. These children receive a monthly sum of Rs. 2,000 deposited into their bank savings book through standing order. Of these funds, Rs. 1,500 is meant for the child's monthly expenses 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.

COMMUNITY

Ayati

Proposed National Center for children with disabilities

Ayati is a long term national initiative with three main aims:

- Constructing and operating the first National Center for children with disabilities in Sri Lanka
- Changing the mindset of the public to eliminate stigma and promote acceptance of children with disabilities
- Extend the services to the rural areas of Sri Lanka in the long term

Ayati Trust Sri Lanka is a charitable trust established by the Faculty of Medicine of the University of Kelaniya and Hemas Holdings PLC with the patronage of MAS Holdings Private Limited and Rotary District 3220. The Sri Lankan Army has come forward as the construction partner of the project. The objective of the trust is to improve the quality of life of children with physical and mental disabilities. An estimated 20 percent of Children in Sri Lanka have some form of disability and suffer from prejudice and lack of access to specialized services. Sri Lanka does not have a national level facility to address the needs of these children and it requires a national level, collaborative & sustainable solution to address this burning issue.

The proposed center will be a 42,000 sq.ft. building spread across an area of 2 acres at the Ragama Medical Faculty. It is expected to provide facilities for the initial assessment of children with disabilities, as well as appropriate interventional therapy, basic vocational training and life skills. It will also provide a state-of-the-art training and research facility for graduate and undergraduate students.

KEY COMMUNITY INITIATIVES

During the year the sectors of the Group carried out various initiatives focused on developing the communities in their areas of operations. Some of the initiatives include:

- The FMCG sector of the Group engages meaningfully and in innovative ways with its consumers by providing timely, relevant and value added interventions. During the drought season the sector provided clean drinking water to the community in their area of operations. This included placing six 2000 Liters of water tanks at Mohottimulla and Bujjampola area and distributing 433,000 Liters of drinking water.
- Baby Cheramy conducts workshops for new mothers with the help of midwives, to educate and help them take the best care of their babies and building their confidence to face the challenges of motherhood.
- Clogard conducted oral care awareness programmes and dental camps for school children with the help of Dental Therapists
- Fresh Blast Gel conducted "Fresh Nekam" campaign where technology was used to build a conversation by finding similarities among different communities from the North and South
- Fems educated young girls on the importance of feminine hygiene and how to build their confidence to face the world.
- The Little Minds Project, an initiative by Hemas Pharma strives to ease the burden of the parents in the community by purchasing stationary for their children. Conducted for the fourth consecutive year, Hemas Pharma donated the full booklists of 350 school children of the Don Bosco School in Wattala
- The Group together with the Chamber of Commerce assisted the victims of floods that affected them in May 2017 by providing dry rations and donating Rs. 1Mn to rebuild houses undertaken by the Ceylon Chamber of Commerce

THE BUSINESS STRATEGY OF INNOVATION

"Innovation is the key to addressing many challenges the world faces today. The Group takes this as an opportunity to enrich lives through innovation and sustain our operations to meet the needs of the future."

Hemas operates in a complex and dynamic environment where the only constant has become rapid change which gives rise to fresh challenges and opportunities. We know that it is our readiness, willingness and agility to innovate that will help us win in future and enable us to offer a sustainable proposition to our stakeholders, especially those that have invested in Hemas.

The two pronged innovation strategy at Hemas is designed to enable the Group to be ready to embrace and thrive in the future. On the one hand, the open innovation strategy looks outwards and engages a wide network of partners while the '#iaminnovation' strategy works on harnessing the potential of the people and processes within the Group.

Our flagship startup incubator/seed accelerator program named Slingshot seeks strategic investments in key areas of interest– Leisure, Wellness & Mobility. We continued our sponsorship of the 'Startup Battle' of Disrupt Asia 2017 - Sri Lanka's premier startup conference and showcase, where 'Clardia', a comprehensive Family Health Assistant that helps keep track of key health parameters, clinched the title.

Slingshot also partnered with popular local content creators Yamu to launch the 'Slingshot Startup Series', which showcases local and international startup success stories and encourages local startups to apply to our program in the areas of Leisure, Wellness & Mobility. The first edition was on the Healthcare Industry and released in October 2017.

#iaminnovation continues to build an innovation mindset within the Group. We organize Innovation Sessions where maverick business personalities share their stories. Innovation Alerts provide our staff with regular updates on cool new developments related to Leisure, Wellness & Mobility from around the world. The Innovation Challenges platform, which started off gamifying innovative thinking, took a step further by introducing real business challenges to staff and harnessing their potential to propose novel solutions.

The innovation team, businesses and open innovation partners combine their efforts to develop new and innovative products and services. Two key examples during the year were Mosgard and SoulTrek.

An all-natural mosquito repellent lotion named 'Mosguard' was launched by Hemas Manufacturing (Pvt) Ltd in collaboration with the University of Colombo Science and Technology Cell. Mosguard is also free of 'DEET', the synthetic insect repelling agent that is usually present in other products in the category. 'SoulTrek' is a programme to provide responsible and meaningful bespoke luxury holidays in Sri Lanka. The concept for SoulTrek emerged from an idea generation program held by the innovation team and the Leisure/ Travel/Aviation Group, which was then developed to suit business needs.

INDEPENDENT ASSURANCE REPORT

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Independent Assurance Report to Hemas Holdings PLC on the Sustainability Reporting Criteria Presented in the Annual Report- 2017/18

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 criteria presented in the annual report- 2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 71 of the Report.
- Limited assurance on other information presented in the Report (Information presented in the GRI Content Index) in pages 110-111 prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards with a GRI-referenced claim (as identified in GRI Content Index in pages 110-111)

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 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 GRI Standards 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 SLSAE-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 reporting indicators, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability 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, GRI Standards guideline with a GRI-referenced claim (as identified in GRI Content Index in pages 110-111). This report is made solely to the Company in accordance with our engagement letter dated 16 March 2018. 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 2018.
- Comparison of the content of the Report (Information presented in the GRI Content Index) against the criteria presented in the Global Reporting Initiative, GRI Standards with a GRI-referenced claim (as identified in GRI Content Index in pages 110-111)

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 71 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- 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 Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards with a GRI-referenced claim (as identified in GRI Content Index in pages 110-111)

Ernst & Young

Ernst & Young
Chartered Accountants

25 May 2018
Colombo

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	Page Number (or URL)	External Assurance
GRI 101: FOUNDATION 2016			
GENERAL DISCLOSURES			
GRI 102: General Disclosures 2016	ORGANISATIONAL PROFILE		
	GRI 102-01	Page 67	Page 109
	GRI 102-02	Page 24-45	Page 109
	GRI 102-03	Page 67	Page 109
	GRI 102-04	Page 24-45	Page 109
	GRI 102-05	Page 67	Page 109
	GRI 102-06	Page 24-45	Page 109
	GRI 102-07	Page 70	Page 109
	GRI 102-08	Page 95-97	Page 109
	GRI 102-10	Page 68	Page 109
	GRI 102-12	ILO Charter	Page 109
	GRI 102-13	Page 69	Page 109
	STRATEGY		
	GRI 102-14	Page 13-16	Page 109
	ETHICS AND INTEGRITY		
	GRI 102-16	Page 3 & 84	Page 109
	GOVERNANCE		
	GRI 102-18	Page 47-64	Page 109
	STAKEHOLDER ENGAGEMENT		
	GRI 102-40	Page 75, & 91-92	Page 109
	GRI 102-42	Page 75, & 91-92	Page 109
	GRI 102-43	Page 75, & 91-92	Page 109
	REPORTING PRACTICE		
	GRI 102-46	Page 76	Page 109
	GRI 102-47	Page 76-90	Page 109
	GRI 102-48	Page 68	Page 109
	GRI 102-49	Page 68	Page 109
	GRI 102-50	Page 68	Page 109
	GRI 102-51	Page 68	Page 109
	GRI 102-52	Page 68	Page 109
	GRI 102-53	Page 68	Page 109
	GRI 102-54	Page 68	Page 109
	GRI 102-55	Page 110-111	Page 109
	GRI 102 - 56	Page 109	Page 109

GRI STANDARD	DISCLOSURE	Page Number (or URL)	External Assurance
MATERIAL TOPICS			
	ECONOMIC PERFORMANCE		
GRI 201 : Economic Performance 2016	GRI 201-1: Direct Economic Value Generated and Distributed	Page 71	Page 109
	GRI 201-3: Defined Benefit Plan Obligation and Other Retirement Plans	Page 71	Page 109
	ENERGY		
GRI 302 : Energy 2016	GRI 302-1 : Energy Consumption within the Organisation	Page 86	Page 109
	WATER	Page 87	Page 109
GRI 303 : Water 2016	GRI 303-1 : Water Withdrawal by Source		
	EMPLOYMENT		
GRI 401 : Employment 2016	GRI 401-1 : New Employee Hire and Employee Turnover	Page 95-98	Page 109
	TRAINING AND EDUCATION		
GRI 404 : Training and Education 2016	GRI 404-1 : Average Hours of Training Per Year Per Employee	Page 80	Page 109

RISK MANAGEMENT

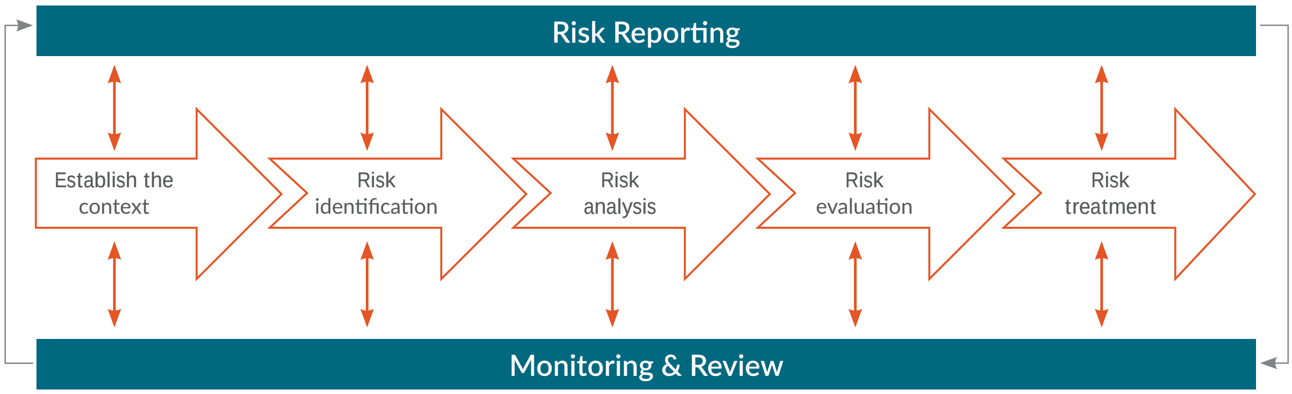
Risk management possesses a unique place in every company to drive the business processes in the path of success. We, the Hemas Group enrich our stakeholders through dealing with opportunities and dynamic market requirements. In performing this, we adopt a sophisticated risk management framework to achieve our corporate vision, which is collateral with the business strategy in energizing the growth while reducing the deleterious influence on society as a whole.

Hemas concedes the vibrant business environment it survives in and stimulates to execute the Risk management approach in accordance with ISO 31000.

This provides an appropriate platform that ensures quality of managing risk is within the guidelines and principles.

Managing risk in a timely manner helps Hemas to perform well in this business environment which is full of uncertainty as well as, continuously attempt to increase operational efficiency and effectiveness.

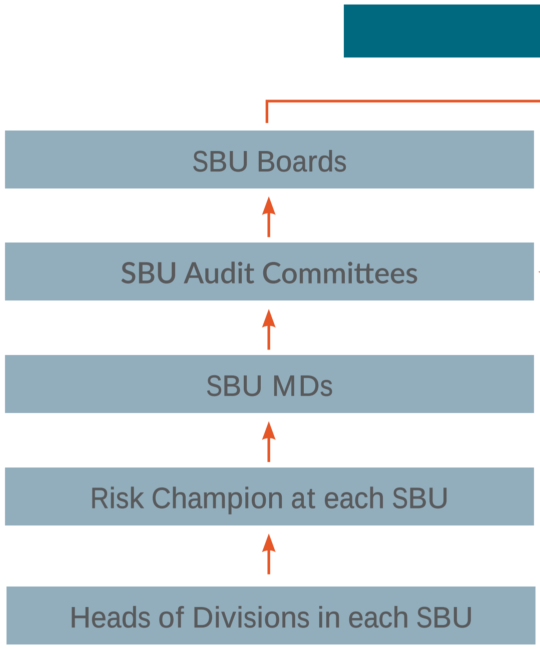
The risk management process at Hemas involves risk identification, analysis, evaluation, reporting and monitoring.



The Risk Management process

The risk management process at Hemas is governed by the Group Risk Management Committee (GRMC) and the Group Audit Committee. Prioritised risks are escalated to the consideration of the Group Board along with responses for the appropriate mitigation plans. The Audit Committees established in the various Strategic Business Units (SBUs) act as an oversight, governing the work performed by the defined reporting protocols in terms of risk management.

The Risk Management Reporting Structure at Hemas is as follows:



The responsibility for managing risk rests with everybody in the organisation 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	• Analysing PEST factors and developing appropriate strategies
2	Credit Risk	Potential losses arising due to customer bankruptcy	• Efficient debt 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

RISK MANAGEMENT

	Risk Category	Description	Risk Mitigation
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
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

	Risk Category	Description	Risk Mitigation
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
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

RISK MANAGEMENT

	Risk Category	Description	Risk Mitigation
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 organisational 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, there were no changes in the membership of the Human Resources and Remuneration Committee

The members of the Human Resources and Remuneration Committee as at 31 March 2018 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 - Chief Executive Officer, Murtaza Esufally - Executive Director and Dimuth De Alwis - Group Human Resources Director attend the meetings by invitation.

Meeting Governance

The Human Resources and Remuneration Committee met five times during the year under review and the attendance of the members at these meetings is given on page 54 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 convenes special meeting of the Committee if circumstances warrant.

The quorum required for the meetings of the committee is Two.

An update on the Committee activities has been a standard agenda item in the quarterly Board Meetings.

Committee Activities

The Committee reviewed and approved the performance based remuneration for the Grade 9 upwards for the year 2017/18. 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 to retaining, motivating and to attract key talent internally and externally.

The Committee, during the year under review, focused mainly on improving the criteria for Performance Bonus for the year 2018/19 with a view to enhancing productivity and efficiency amongst staff at all levels and rewarding high potentials.

The Committee also approved the vesting of the ESOS grants and the allotment for the financial year 2017/18. In addition, the Committee reviewed the performance of the Future Leaders and the mapping of their career progression plan within the Group. The Committee considered the re-introduction of the management trainee program with a view to drawing the strength of external talent with the required skill set to blend with the internal talent pool which will enhance the core competencies which will contribute towards the growth of the Company.

Succession planning continued to be a key topic of the deliberations of the Committee during this financial year and the progress made in the C-Suite succession was monitored closely. The aim of the Committee is to retain and develop the right talent for all the critical roles in the group.

The Directors Emoluments are disclosed in Note 35 to the Financial Statements for the year ended 31 March 2018 found on page 227 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.

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

- 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

25 May 2018

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 as at 31 March 2018.

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

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

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

Mr. Steven M. Enderby
Executive Director/CEO

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

M/s Hemas Corporate Services (Pvt) Ltd who are the Secretaries of the Company acts as the Secretaries 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") to ensure that the transactions are consistent with the Code and that the required disclosures are made in a timely manner as required by the Code, shareholder interests are protected and transparency is maintained.

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 the Company and subsidiary Boards were identified as the KMPs in order to establish greater transparency and governance. Further, 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

- Definition 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, 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 a Related Party Transaction is required in line with the definitions of the Code.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

- Introducing standardised 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 2017/2018. Attendance of the members at these meetings are detailed in the Corporate Governance Report found on page 54 of the Annual Report

During the year under review, the RPTRC considered and reviewed compliance to transfer pricing regulations and discussed and initiated process improvements (Including recommendations provided by independent professional advisors). The Committee also reviewed and approved the RPTs of the Company and its 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 Company has also established a process of identifying the related party transactions with Key Management Personnel and related entities.

The minutes of the RPTRC meetings are tabled at the subsequent Board meetings for information of the Board and the details of the Related Party Transactions reviewed and approved by the Committee are disclosed in Note 35 of the Financial Statements for the year ended 31 March 2018 found on page 226 of the Annual Report.

A. Shaktha Amaratunga
Chairman, Related Party Transactions Review Committee

25 May 2018

AUDIT COMMITTEE REPORT

Role of the Committee

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

- Assisting the Board in fulfilling oversight responsibilities relating to the quality and integrity of the Company's Financial Statements and financial reporting process. This includes review of controls in the preparation and presentation of Financial Statements and ensuring the adequacy of disclosures in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards;
- Exercising oversight responsibilities in relation to the Company's compliance with financial reporting and information requirements of the Companies Act, No. 07 of 2007 and all other legal and regulatory requirements;
- Exercising responsibilities to ensure that the Company's internal controls and risk management processes are adequate to meet the requirements of the Sri Lanka Accounting Standards; and compliance with all legal and statutory requirements;
- Assessing the independence, adequacy 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 the degree of any work undertaken by the External Auditors for the Group other than the statutory audit;
- Approving the remuneration and terms of engagement of the External Auditors;
- Monitoring internal audit activities including execution of the internal audit plan throughout the financial year.

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 Hemas Holdings Audit Committee and vice versa.

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 had four formal meetings during the financial year ended 31 March 2018. Mr. Steven Enderby - Chief Executive Officer, Mr. Sanjeewa Samaranayake - Chief Financial Officer and Mr. Prasenna Balachandran - General Manager Risk & Control, were permanent attendees at these Meetings, Mr. Amila Priyadarshana - General Manager Finance and the External Auditors attend the meetings by invitation.

Throughout the year, the Committee members periodically held separate private sessions with the Chief Financial Officer, General Manager Risk & Control and the External Auditors, allowing the Committee to discuss any issues in more detail.

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

Key Activities

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

Financial Reporting

The Committee reviewed and discussed with Management the un-audited quarterly financial statements and the financial statements for the year prior to the recommendation of same to the Board. The Managing Director/ 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 financial statements for the year were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 therein, presented a true and fair view of the Company's state of affairs as at that date.

AUDIT COMMITTEE REPORT

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

The Committee also discussed with the Company's External Auditors the results of their audit and material judgmental matters, as well as the acceptability of the Company's accounting principles. The External Auditors report to the Committee on the audit for the year and matters arising from the audit were discussed by the Committee in the presence of both, External Auditors and Management.

Risk and Internal Controls

During the year, the Chief Executive Officer along with the General Manager, Risk and Control reported to the Committee the key risks and the process adopted by the Company to identify, evaluate, and mitigate them. The Committee continues to focus on obtaining the required assurance from the business units that effective strategies are in place to capture and mitigate all significant risks that would impact the Company.

The General Manager Risk and Control regularly reported to the Committee on the adequacy and effectiveness of internal controls within the Group. These comprise updates on internal audits conducted, including those performed in the unlisted subsidiaries within the Group. Further, the reporting process includes an update on compliance with the established policies and procedures of the Group and also compliance with laws and regulations. On a quarterly basis, the Committee also reviews the formal compliance reports prepared by all the companies in the Group. Follow-up actions taken by management on the agreed recommendations and any other significant follow-up matters were presented to the Committee on a quarterly basis.

The Committee reviews the Internal Audit plan for the Group at regular intervals and accommodates changes to suit the operating environment and business needs. Performance of the Internal Auditors are also monitored, in addition to the regular review of the Internal Audit plan and the resourcing requirements.

The Committee also reviewed the Whistleblowing arrangements, the processes adopted to manage the Groups key investments and projects, and actions to mitigate key Information Technology related risks of the Group.

External Audit

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

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 Auditors and the level of audit and non-audit fees received by the Auditors.

The Audit Committee reviewed the performance of External Auditors and discussed the review outcomes with Management. The Committee 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.

Self-evaluation and improvements

An evaluation of the effectiveness of the Committee was carried out with the objective of identifying gaps in the current process and also identifying areas to improve. The outcomes from the evaluation with action plans were tabled at the Board. Further, an interactive forum with the participation of Chairmen of Audit Committees of the Group was held to further improve the communication processes between Committees, and to discuss means of improving and exchanging best practices. Recommendations from this forum are being implemented.

A. Shaktha Amaratunga
Chairman of the Committee

25 May 2018

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 2018.

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

Dr. Anura Ekanayake
Independent Non-Executive Director

Mr. Abbas 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 46 to 49 of the Annual Report

Meetings

During the year under review the Committee met four times and the committee members attendance at these meetings is indicated under the Corporate Governance Report on page 54 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. Further, the Board Charter which was reviewed during the latter part of the previous year by the Committee was approved for adoption. The Committee also considered the outcome of the Evaluation of the Board Performance and that of the Subsidiary Boards and initiated measures to improve Board effectiveness. The Committee also considered the succession planning process for the group CEOs position and also reviewed the key attributes, qualification and experience of the new Director appointed to the Board during the year under review.

In addition, the Committee reviewed the reporting structure of the Managing Directors of the Hemas Group and the nomination of Directors to the subsidiary companies. The Committee also approved the Code of Conduct and Ethics for Directors.

The Committee decided to recommend Messrs Husein N Esufally, Imtiaz A H Esufally and Steven M Enderby, 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 29 June 2018.

The Committee also decided to recommend Mr. Jyotindra M Trivedi, who retires in terms of Article 72 of the Company's Articles of Association be re-elected to the Board at the Annual General Meeting to be held on 29 June 2018.

Pursuant to section 210 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 re-appointment 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 re-appointment of Executive or Non-Executive Directors to the Main Board.
- Annually evaluate the performance and effectiveness of the Board and provide feedback to the Board Chairman on board effectiveness and the conduct of meetings to facilitate the Directors fulfilling their responsibilities in a manner that serves the interests of stakeholders and Shareholders.
- Monitor compliance with the Corporate Governance Guidelines.
- Carry out an annual evaluation of the effectiveness of the Committee's performance and make applicable recommendations.

Ramabadran Gopalakrishnan
Chairman of the Committee

25 May 2018

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 31 March 2018 and the Auditors' Report on the Consolidated Financial Statements.

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

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

The Registered Office of the Company is situated at "Hemas House", No. 75, Braybrooke Place, Colombo 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 25 May 2018.

1. Principal Activities and Business Review

Hemas Holdings PLC is the holding Company that owns, directly and indirectly, investments in a number of companies constituting the Hemas Group. The Chairman and CEO's Review, Financial Review and Sector Reviews sections are incorporated into this Directors' Report by reference. They contain details of the development and performance of the Group's businesses during the year, an indication of the key performance indicators and information regarding principal risks and uncertainties, together with information equivalent to that required for a business review.

The measures taken by the Company to manage its risks are detailed in the report titled 'Risk Management' on pages 112 to 118 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 Consumer, Wellness and Leisure segments.

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 233 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 31 March 2018. The Auditors' Report on the Financial Statements is given on pages 143 to 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 170 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 31 March 2018 was Rs. 50.9Bn (31 March 2017 - Rs. 43.4Bn). An analysis of the income is given in Note 04 to the Financial Statements on page 171 of this Annual Report.

6.2 Profit and Appropriations

The Profit Before Tax of the Group for the year ended 31 March 2018 was Rs. 4.4Bn (2017 - Rs. 5.1Bn) and the Profit After Tax for the year ended 31 March 2018 was Rs. 3.0Bn (2017 - Rs. 3.8Bn) 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 30th November 2017 for the financial year ended 31 March 2018 (Rs. 0.40 per share in 2016/2017)

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 10 July 2018 to Shareholders registered as at 2 July 2018. The Total Dividend for the year under review will then amount to Rs. 1.85 per Ordinary Share (2016/17 - Rs. 1.85).

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 8 to the Financial Statements on pages 173 to 174 of the Annual Report.

8. Reserves

The Group's total Reserves as at 31 March 2018 amounted to Rs. 20.6Bn (2017 - Rs. 19.2Bn). 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 11 to 13 to the Financial Statements found on pages 176 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 31 March 2018. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of freehold properties owned by the Group are given in Notes 11 and 12 to the Financial Statements from pages 176 to 184 of the Annual Report.

11. Investments and Acquisitions

During the Financial year ended 31 March 2018, the Company acquired 75.1% of the stake in Atlas Axillia Company (Pvt) Limited, Sri Lanka's leading School and Office Stationery Brand, for a consideration of Rs. 5.7Bn with a view of expanding its presence in Sri Lankan consumer market.

The Company, during the year under review, increased its stake in Hemas Hospitals (Private) Ltd by 2.04% by purchasing the shares held by Columbia Asia Healthcare SDN BHD for a consideration of Rs 72.09Mn.

During the year under review, Serendib Hotels PLC (a subsidiary of Hemas Holdings PLC) acquired 100% equity stake of Frontier Capital

Lanka (Pvt) Ltd., a Lantern Villa collection, for a consideration of Rs. 417.6Mn

The Group Investments and Acquisitions are detailed in Note 29 to the Financial Statements found on pages 211 to 212 of the Annual Report.

12. Divestments and Disposals

The Group did not divest/dispose any of its investments in shares in Subsidiary or Associates Companies of the Hemas 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 eleven (11) Directors with extensive financial, governance and commercial knowledge and experience. The profiles of the Directors are set out in the 'Board of Directors' section from pages 46 to 49 of the Annual Report.

The names of the persons who held office as Directors of the Company as at 31 March 2018 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. J M Trivedi

On 15 August 2017, Mr Jyotindra Manibhai Trivedi was appointed as an Independent Non-Executive Director to the Board of Directors of the Company.

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 five of the Eight Non-Executive Directors meet 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 29th June 2018 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. H. N. Esufally, Mr. I. A. H. Esufally and Mr. S. M. Enderby retires by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Board of Directors.

Further, it is proposed to the Shareholders 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 72 years and that he be re-elected as a Director of the Company.

In terms of Article 72 of the Company's Articles of Association, Mr. Jyoyindra M Trivedi retires and being eligible, offer himself for re-election, with the unanimous consent of the Board of Directors.

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 119 to 125 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 50 to 51 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 31 March 2018	No of Shares as at 31 March 2017
Mr. A. N. Esufally	2,283,585	2,283,585
Mr. H. N. Esufally	5,836,705	5,836,705
Mr. I. A. H. Esufally	4,424,000	4,424,000
Mr. M. A. H. Esufally	5,946,500	5,946,500
Mr. 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
Mr J M Trivedi	Nil	Nil

Mr. Malinga Arsakularatne exercised his Employee Share Option Scheme and was entitled to 180,000 shares at price of Rs. 82 share on 05 July 2017. Subsequently, these shares were sold on 12 July 2017 at a price of Rs. 152 per share. This entry has been recorded in the Interest Register of the Company.

Directors' Interest in Ordinary Shares of the Company – Indirect

Name	No of Shares as at 31 March 2018	No of Shares as at 31 March 2017
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

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

14.5 Directors' Remuneration and Other Benefits

The Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31 March 2018 is given in Note 35 to the Financial Statements on page 227 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 31 March 2018, other than those disclosed on pages 135 to 139 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 238 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.

15. Related Party Transactions

Non-recurrent Related Party Transactions

There were no other non-recurrent Related Party Transactions of the Company which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the Annual Report under 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.

Recurrent Related Party Transactions

There were no other recurrent Related Party Transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the Annual Report under the 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 Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party Transactions entered into during the Financial Year ended 31 March 2018.

The details of all Related Party Transactions carried out during the year are disclosed on page 226 of this Report.

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 31 March 2018.

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 31 March 2018 was Rs. 5.96 Bn comprising of 574,934,259 ordinary shares (2017 - 572,733,467 Ordinary Shares - Rs. 5.74Bn). Details of the Stated Capital are given in Note 21 to the Financial Statements on page 198 of the Annual Report. The rights and obligations attaching to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

18.1 Fund Utilisation – Rights Issue

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

Objective as per Rights Issue Circular	Amount allocated as per circular in Rs.	Proposed date of utilisation as per circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amounts utilised in Rs. (B)	% utilisation against allocation (B/A)	Clarification if not utilised including where the funds are invested
Proceeds to be utilised to fund strategic investment opportunities in the Healthcare and FMCG Sectors.	4.1 Bn	2015/2016	4.1Bn	100%	4.1Bn	100%	N/A

At the Extraordinary General Meeting held on 30 June 2017, shareholders approved the extension of utilisation period up to 31 March 2019 and to invest the funds, pending such utilisation, in investment grade short term instruments.

Hemas Holdings PLC acquired 75.1% of Atlas Axillia Company (Pvt) Limited for a purchase consideration of Rs. 5.7Bn on 19 January 2018. Atlas Axillia is Sri Lanka's leading FMCG school and office brand. With this acquisition, Hemas Holdings PLC has fully utilised the funds raised in the Rights Issue.

19. Share Information

Details of share related information are given on pages 236 to 238 of this Annual Report and information relating to Earnings, Dividends and Net Assets per share is given in the Financial Highlights on pages 6 to 7 of the Annual Report.

The twenty largest Shareholders of the Company as at 31 March 2018 are indicated on page 237 of this Annual Report.

19.1 Issue of Shares - ESOS

During the year under review the Company made several allotments of shares under the Employee Share Option Scheme established in 2015 the details of which are disclosed under Shareholder Information found on page 239 of the Annual Report.

19.2 Listed Debentures

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

The Debentures issued by the Company in 2014 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 and to be matured on 29 April 2019.

19.3 Status of Compliance to Minimum Public Holding requirement of the Listing Rules

The number of ordinary shares held by the Public as at 31 March 2018 was 205,222,644 of the Issued Capital of the Company.

The minimum public holding requirement as at 31 March 2018 as per section 7.6(iv) of the listing rules is as follows:

Category	Float Adjusted Market Capitalisation	Public Holding Percentage	No of Public Shareholders	Option
Ordinary Shares	25,628,690,649.10	35.69	4,096	1

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 (ESOP) 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.

The number of persons employed by the Company and its subsidiaries at the year-end was 6,755.

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 34 to the Financial Statements.

25. Corporate Donations

During the year, the Group made donations to charity amounting to Rs. 27Mn (2017 - Rs. 9Mn).

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.

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 65 to 111 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 as disclosed in Note 31 to the Financial Statements on page 215 of this 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 a 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 112 to 118 of this Annual Report.

30.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of internal controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent fraud and irregularities, to ensure that proper records are maintained and 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 123 to 124 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 123 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 52 to 64 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

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

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 Auditors to the Company and authorise 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. 15.1Mn (Rs. 13.6Mn in 2017) as audit fees by the Company. Apart from that, the Company has engaged the 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 25 May 2018, 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 15 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 29th June, 2018 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. Acknowledgment 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

Mr. H. N. Esufally
Chairman

Mr. S. M. Enderby
Director/Chief Executive Officer

Hemas Corporate Services (Private) Limited
Secretaries

25 May 2018

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

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

Company	Directors	Nature of Transaction	Value 2018 Rs.000	Value 2017 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Dividend Income	1,099,201	421,235
	Mr. Steven Enderby	Services Rendered	135,749	130,269
		IT Charges	77,628	84,700
		Interest Expense	-	(5,632)
		Centralised Services	18,549	22,866
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. M. Esufally	Dividend Income	648,000	115,389
	Mr. Steven Enderby	Services Rendered	362,776	332,682
		IT Charges	34,446	31,846
		Interest Expense	(307)	-
		Centralised Services	11,615	8,019
		Interest Income	-	5,387
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	6,082	305
	Mr. Steven Enderby	IT Charges	19,145	17,632
		Interest Income	-	5,602
		Centralised Services	8,678	5,342
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	IT Charges	3,968	3,578
	Mr. Steven Enderby	Centralised Services	1,529	717
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	IT Charges	9,356	10,530
		Centralised Services	7,287	1,746
	Mr. Steven Enderby			
Hemtours (Pvt) Ltd.	Mr. A. Esufally	Dividend Income	-	38,399
	Mr. Steven Enderby	IT Charges	29	-
	Mr. Malinga Arsakularatne	Interest Income	-	1,663

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2018 Rs.000	Value 2017 Rs.000
Diethelm Travels Lanka (Pvt) Ltd.	Mr. A. Esufally Mr. Malinga Arsakularatne	Services Rendered	310	305
		IT Charges	20,900	24,617
		Centralised Services	1,547	2,821
		Transport and Accommodation Charges	(4,064)	(6,183)
Serendib Hotels PLC	Mr. A. Esufally Mr. Steven Enderby Mr. Malinga Arsakularatne Mr. I. Esufally	Dividend Income	-	29,211
		IT Charges	2,278	2,640
		Centralised Services	986	587
		Interest Income	19,736	488
		Corporate Guarantee Fees	2,132	2,626
		Hotel Charges	(943)	-
Serendib Leisure Management Ltd.	Mr. A. Esufally Mr. Malinga Arsakularatne	IT Charges	9,405	8,968
		Centralised Services	3,849	4,200
Dolphin Hotels PLC	Mr. A. Esufally Mr. Malinga Arsakularatne	Dividend Income	339	339
		IT Charges	2,606	2,927
		Centralised Services	1,555	977
		Hotel Charges	(1,834)	-
Hotel Sigiriya PLC	Mr. A. Esufally Mr. Malinga Arsakularatne	IT Charges	1,629	1,665
		Centralised Services	679	495
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally Mr. A. Esufally Mr. I. Esufally Mr. M. Esufally Mr. Steven Enderby Mr. Malinga Arsakularatne	Dividend Income	-	9,003
		Services Rendered	3,898	75,967
		IT Charges	2,074	2,347
		Centralised Services	6,486	2,244
		Interest Income	664	12
Hemas Air Services (Pvt) Ltd.	Mr. I. Esufally Mr. Malinga Arsakularatne Mr. Steven Enderby	Dividend Income	-	4,500
		Services Rendered	-	37,035
		IT Charges	3,337	3,192
		Interest Expense	(3,015)	(7,173)
		Centralised Services	2,096	3,569

Company	Directors	Nature of Transaction	Value 2018 Rs.000	Value 2017 Rs.000
Hemas Travels (Pvt) Ltd.	Mr. I. Esufally Mr. Steven Enderby Mr. Malinga Arsakularatne	Dividend Income	-	33,320
		IT Charges	10,952	12,771
		Centralised Services	1,275	2,491
		Air Line Ticket Sales	(42,468)	(38,642)
Far shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Interest Income	63	375
Far Shipping Agency Lanka (Pvt) Ltd.	Mr. I. Esufally	IT Charges	3,645	3,746
		Centralised Services	2,052	313
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally Mr. Malinga Arsakularatne	IT Charges	2,388	1,407
		Centralised Services	2,633	1,597
Hemas Transportation (Pvt) Ltd.	Mr. I. Esufally Mr. Malinga Arsakularatne Mr. Steven Enderby	Dividend Income	220,649	22,906
		IT Charges	706	53
		Interest Expense	-	(817)
		Centralised Services	4,571	304
		Interest Income	-	10,315
Spectra Logistics (Pvt) Ltd.	Mr. I. Esufally Mr. Steven Enderby	IT Charges	9,086	6,166
		Centralised Services	1,311	181
		Interest Income	2,099	2,876
		Rental Income	33,197	32,929
Peace Haven Resorts Ltd.	Mr. A. Esufally Mr. Malinga Arsakularatne	Interest Income	-	53,343
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Dividend Income	112,500	22,505
		Services Rendered	310	305
		IT Charges	155	121
		Interest Expense	(4,158)	(2,782)
		Centralised Services	593	162
		Interest Income	-	-
		Rental Expense and Service Charges	(54,697)	(39,155)
		Car parking expenses	(3,520)	(2,754)

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2018 Rs.000	Value 2017 Rs.000
Vishwa BPO (Pvt) Ltd.	Mr. Steven Enderby	Dividend Income	5,400	17,415
		Services Rendered	465	458
		IT Charges	22,670	6,443
		Interest Expense	(860)	(842)
		Centralised Services	411	476
		Shared Services Expenses	(10,875)	(9,895)
Hemas Corporate Services (Pvt) Ltd.	Mr. Steven Enderby	Dividend Income	446	3,623
		IT Charges	1,964	2,038
		Interest Expense	(454)	-
		Centralised Services	2,109	40
		Interest Income	2,621	-
		Centralised Corporate Services	(23,320)	(21,594)
N-able (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	155	153
		IT Charges	1,702	1,679
		Centralised Services	41	4,401
		Interest Income	8	6,738
		IT equipment and services	(91,196)	(101,987)
Morison PLC	Mr. H. Esufally	Dividend Income	2,438	2,495
	Mr. Steven Enderby	IT Charges	8,009	8,527
	Mr. M. Esufally	Interest Expense	-	(204)
		Centralised Services	6,869	10,797
		Corporate Guarantee Fees	-	(547)
Mowbray Hotels	Mr. A. Esufally	Interest Income	-	539
	Mr. Malinga Arsakularatne			
Leisure Asia Investments Ltd.	Mr. H. Esufally	Dividend Income	-	52,554
	Mr. A. Esufally	Interest Expense	(5)	-
	Mr. I. Esufally	Interest Income	29	53
P H Resorts (Pvt) Ltd.	Mr. A. Esufally	IT Charges	5,287	5,302
	Mr. Steven Enderby	Corporate Guarantee Fees	10,832	10,363
	Mr. Malinga Arsakularatne			

Company	Directors	Nature of Transaction	Value 2018 Rs.000	Value 2017 Rs.000
Hemas Maritime (Pvt) Ltd.	Mr. I. Esufally	Dividend Income	12	7
		IT Charges	4,762	4,436
		Centralised Services	2,376	-
		Interest Income	-	2,598
Jada Resorts & Spa (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	516	-
	Alternate -Mr. Malinga Arsakularatne	IT Charges	1,841	1,811
		Centralised Services	899	404
Mazu Shipping (Pvt) Ltd.	Mr. I. Esufally	IT Charges	749	769
		Centralised Services	46	34
		Interest Income	-	714
Atlas Axillia Co. (Pvt) Ltd.	Mr. Steven Enderby	Dividend Income	608,310	-
	Mr. H. Esufally			
Spectra Integrated Logistics (Pvt) Ltd.	Mr. I. Esufally	IT Charges	2,905	2,596
	Mr. Steven Enderby	Centralised Services	1,932	-
		Interest Income	-	47,211
Hemas Consumer Brands (Pvt) Ltd.	Mr. H. Esufally	IT Charges	5,518	-
	Mr. Steven Enderby	Centralised Services	4,983	-
Hemas Digital Healthcare Solutions (Pvt) Ltd.	Mr. M. Esufally	Centralised Services	1,345	-
Kalutara Luxury Resort (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	449	-

FINANCIAL STATEMENTS


200 - 100 = x(y)
x(h)
100 y

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 pages 143 to 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

25 May 2018

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hemas Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Accounting for Business Combination During the financial year ended 31 March 2018, the Group acquired 75.1% shareholding in Atlas Axillia co (Pvt) Ltd for a purchase consideration of Rs.5.71Bn and recognized a goodwill of Rs. 1.72Bn. This acquisition was accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in Note 29 to the financial statements. The significant management judgment and estimates involved in the provisional PPA exercise mainly relate to the determination of the fair value of the acquired assets. We have determined this to be a key audit matter based on the materiality of the acquisition, the significant management judgment and estimates made on the provisional PPA.	We performed the following procedures amongst others; • We Read the shareholder agreement to obtain an understanding of the transaction and the key terms. • We involved our internal specialized resources to assist us in assessing the management's valuation methodologies, identification of fair value measurement of the acquired assets and liabilities and reasonableness of the key assumptions. • We also evaluated the appropriateness of the accounting treatment and assessed the adequacy of the related disclosures in Note 29 to the financial statements.
Annual impairment of Goodwill and Intangible assets with infinite useful life Intangible assets include Goodwill on consolidation and Brands with infinite useful life. Goodwill and intangible assets are subject to an annual impairment test using significant estimates as disclosed in Note 14 to the financial statements. Therefore, we have determined this to be a Key audit matter.	We performed the following procedures amongst others; • We have involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the management. • We also assessed the adequacy of the related disclosures in Note 14 to the financial statements.

Other Information included in The 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

25 May 2018
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Revenue	4	50,860,017	43,404,452	831,364	876,004
Cost of Sales		(32,206,161)	(26,662,611)	-	-
Gross Profit		18,653,856	16,741,841	831,364	876,004
Other Operating Income	5	414,487	432,012	2,804,991	6,065,647
Selling and Distribution Expenses		(5,608,121)	(4,748,921)	-	-
Administrative Expenses		(9,098,645)	(7,517,328)	(987,003)	(946,517)
Share of Results of Joint Ventures	16	(80,148)	(116,606)	-	-
Share of Results of Associates	17	(36,334)	(7,197)	-	-
Operating Profit		4,245,095	4,783,801	2,649,352	5,995,134
Finance Cost	6	(618,109)	(519,252)	(231,138)	(242,393)
Finance Income	6	765,350	822,345	446,339	620,483
Profit Before Tax	7	4,392,336	5,086,894	2,864,553	6,373,224
Income Tax Expenses	8	(1,441,523)	(1,333,044)	(112,846)	(46,285)
Profit for the Year		2,950,813	3,753,850	2,751,707	6,326,939
Attributable to:					
Equity Holders of the Parent		2,687,457	3,491,478	2,751,707	6,326,939
Non-Controlling Interests		263,356	262,372	-	-
		2,950,813	3,753,850	2,751,707	6,326,939

		Rs.	Rs.
Earnings Per Share			
Basic Earnings Per Share	9	4.68	6.10
Diluted Earnings Per Share	9	4.66	6.09
Dividend Per Share	10	1.85	1.40

The Accounting Policies and Notes on the Pages 152 to 233 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit for the Year		2,950,813	3,753,850	2,751,707	6,326,939
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	30	(173,964)	131,869	(119,495)	134,406
Net Movement on Cash Flow Hedges	23	(28,247)	5,141	-	-
Exchange Differences on Translation of Foreign Operations		(13,747)	22,460	-	-
Share of Other Comprehensive Income of Joint Ventures / Associates		2,165	269	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods					
Actuarial (Loss)/Gain on Defined Benefit Plans	26	(15,527)	(24,750)	84	(354)
Income Tax Effect		4,026	4,744	(24)	99
Revaluation of Land and Buildings		774,785	-	-	-
Income Tax Effect		(875,230)	(15,622)	-	-
Share of Other Comprehensive Loss of Joint Ventures / Associates		(1,569)	(565)	-	-
Other Comprehensive Income/ (Loss) for the Year, Net of Tax		(327,308)	123,546	(119,435)	134,151
Total Comprehensive Income for the Year, Net of Tax		2,623,505	3,877,396	2,632,272	6,461,090

	Group 2018 Rs.'000	Group 2017 Rs.'000
Attributable to:		
Equity Holders of the Parent	2,429,463	3,622,756
Non-Controlling Interests	194,042	254,640
	2,623,505	3,877,396

The Accounting Policies and Notes on the Pages 152 to 233 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	18,069,039	13,525,589	162,547	112,079
Investment Properties	12	1,507,474	1,472,928	592,125	569,141
Leasehold Rights/Prepaid Lease Rentals	13	766,809	828,405	-	-
Intangible Assets	14	3,445,167	954,060	80,248	102,109
Investment in Subsidiaries	15	-	-	17,850,805	12,029,811
Investment in Joint Ventures	16	1,025,855	1,102,479	-	-
Investment in Associates	17	28,394	1,636	-	-
Other Non Current Financial Assets	18	731,335	907,207	369,708	489,204
Deferred Tax Assets	25	61,510	57,400	-	-
		25,635,583	18,849,704	19,055,433	13,302,344
Current Assets					
Inventories	19	9,909,384	6,288,357	-	-
Trade and Other Receivables	20	14,178,651	9,904,009	333,263	571,048
Tax Recoverable		196,263	181,104	14,418	24,862
Other Current Financial Assets	18	130,857	103,377	342,094	110,611
Cash and Short Term Deposits	28	7,711,402	11,992,000	285,729	4,794,005
		32,126,557	28,468,847	975,504	5,500,526
TOTAL ASSETS		57,762,140	47,318,551	20,030,937	18,802,870
EQUITY AND LIABILITIES					
Equity					
Stated Capital	21	5,960,450	5,741,038	5,960,450	5,741,038
Other Capital and Revenue Reserves	22	141,775	104,938	363,126	326,289
Other Components of Equity		1,955,897	2,158,057	15,177	134,672
Retained Earnings		18,522,441	16,907,218	12,024,751	10,334,008
Equity Attributable to Equity Holders of the Parent		26,580,563	24,911,251	18,363,504	16,536,007
Non-Controlling Interests		4,440,044	3,217,800	-	-
Total Equity		31,020,607	28,129,051	18,363,504	16,536,007
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	23	2,243,540	2,044,817	955,048	1,180,804
Other Financial Liabilities	24	16,941	10,178	-	-
Deferred Tax Liability	25	1,844,002	490,437	138,076	57,139
Employee Benefit Liability	26	850,448	650,125	48,248	54,591
		4,954,931	3,195,557	1,141,372	1,292,534
Current Liabilities					
Trade and Other Payables	27	16,390,081	12,179,714	288,569	236,252
Income Tax Liabilities		493,525	486,263	17,196	19,347
Interest Bearing Loans and Borrowings	23	2,931,913	1,954,903	185,097	718,730
Bank Overdraft	28	1,971,083	1,373,063	35,199	-
		21,786,602	15,993,943	526,061	974,329
TOTAL EQUITY & LIABILITIES		57,762,140	47,318,551	20,030,937	18,802,870

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 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 the Pages 152 to 233 form an integral part of these financial statements.

25 May, 2018
Colombo

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital	Other Capital and Revenue Reserves	Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
	Attributable to Equity Holders of the Parent									
			Other Components of Equity							
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April 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	-	-	(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
Final Dividend Paid - 2015/16	-	-	-	-	-	-	(572,545)	(572,545)	-	(572,545)
Interim Dividend Paid - 2016/17	-	-	-	-	-	-	(229,074)	(229,074)	-	(229,074)
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	(192,459)	(192,459)
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
Profit for the Year	-	-	-	-	-	-	2,687,457	2,687,457	263,356	2,950,813
Other Comprehensive Income	-	-	(74,708)	(9,452)	(149,015)	(12,174)	(12,645)	(257,994)	(69,314)	(327,308)
Total Comprehensive Income	-	-	(74,708)	(9,452)	(149,015)	(12,174)	2,674,812	2,429,463	194,042	2,623,505
Transfers	-	-	-	-	-	-	-	-	-	-
Exercise of Share Options	219,412	-	-	-	-	-	-	219,412	-	219,412
Share Based Payments	-	36,837	-	-	-	-	-	36,837	-	36,837
Final Dividend Paid - 2016/17	-	-	-	-	-	-	(831,198)	(831,198)	-	(831,198)
Interim Dividend Paid - 2017/18	-	-	-	-	-	-	(229,826)	(229,826)	-	(229,826)
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	(370,144)	(370,144)
Adjustment in Respect of Changes in Group Holding	-	-	41,674	1,699	10	(194)	1,435	44,624	1,398,346	1,442,970
As at 31 March 2018	5,960,450	141,775	1,928,834	41,654	(15,821)	1,230	18,522,441	26,580,563	4,440,044	31,020,607

The Accounting Policies and Notes on the Pages 152 to 233 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 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 - 2015/16	-	-	-	(572,545)	(572,545)
Interim Dividend Paid - 2016/17	-	-	-	(229,074)	(229,074)
As at 31 March 2017	5,741,038	326,289	134,672	10,334,008	16,536,007
Profit for the Year	-	-	-	2,751,707	2,751,707
Other Comprehensive Income	-	-	(119,495)	60	(119,435)
Total Comprehensive Income	-	-	(119,495)	2,751,767	2,632,272
Exercise of Share Options	219,412	-	-	-	219,412
Share Based Payments	-	36,837	-	-	36,837
Final Dividend Paid - 2016/17	-	-	-	(831,198)	(831,198)
Interim Dividend Paid - 2017/18	-	-	-	(229,826)	(229,826)
As at 31 March 2018	5,960,450	363,126	15,177	12,024,751	18,363,504

The Accounting Policies and Notes on the Pages 152 to 233 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit Before Taxation		4,392,336	5,086,894	2,864,553	6,373,224
Adjustments for,					
Depreciation	11	1,071,018	988,068	34,462	42,868
Gain on Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets/Leasehold Properties	5	(24,344)	(113,168)	(8,439)	(82,673)
Gain on Fair Value Adjustment of Investment Properties	12	(34,546)	(35,051)	(22,984)	(40,863)
Amortisation of Intangible Assets	14	92,180	68,700	21,861	22,723
Amortisation of Leasehold Rights	13	36,208	6,117	-	-
Provision for Obsolete Stocks	19	(9,028)	19,435	-	-
Provision for Impairment of Trade and Other Receivables	20	99,746	58,965	11,450	5,638
Impairment/(Reversal) of Investment in Subsidiaries/Joint Ventures/ Other Financial Assets		24,572	-	-	(4)
Gain on Sale of Non Current Investment	5	(5,364)	(3,899)	-	(5,157,913)
Exchange Gain on Foreign Currency Borrowings	23	(8,169)	(27,894)	-	-
Share Based Payment Expense	22	72,436	49,154	20,205	18,068
Finance Cost	6	618,109	519,252	231,138	242,393
Finance Income	6	(765,350)	(822,345)	(446,339)	(620,483)
Investment Income	5	-	-	(2,764,812)	(781,016)
Share of Results of Associates	17	36,334	7,197	-	-
Share of Results of Joint Ventures	16	80,148	116,606	-	-
Provision for Employee Benefit Liability	26	164,700	137,484	2,209	28,362
Operating Cash Flows before Working Capital Changes		5,840,986	6,055,515	(56,696)	50,324
Working Capital Changes					
(Increase)/Decrease in Inventories		(2,453,528)	(1,075,480)	-	-
(Increase)/Decrease in Trade and Other Receivables		285,143	(2,328,212)	279,374	(54,852)
Increase/(Decrease) in Trade and Other Payables		3,608,047	1,537,868	52,318	(260,536)
Increase/(Decrease) in Other Non Current Financial Liabilities		6,762	4,431	-	-
Cash Generated from Operations		7,287,410	4,194,122	274,996	(265,064)
Finance Cost Paid		(611,408)	(518,804)	(231,138)	(240,314)
Finance Income Received		761,020	817,023	446,339	565,649
Income Tax Paid		(1,571,491)	(1,405,586)	(23,638)	(76,907)
Employee Retirement Benefit Paid	26	(83,385)	(81,381)	(8,468)	(857)
Net Cash flows from/(used in) Operating Activities		5,782,146	3,005,374	458,091	(17,493)
Investing Activities					
Purchase of Property, Plant and Equipment	11	(2,416,892)	(1,827,820)	(88,382)	(35,317)
Purchase of Intangible Assets	14	(16,667)	(172,509)	-	(27,242)
Acquisition of/Investment in Subsidiaries	29	(5,036,944)	(14,598)	(5,820,994)	(2,364,075)
Investment in Joint Ventures / Associates		(26,000)	(8,564)	-	-
Disposal of/(Investment in) Financial Assets		(30,951)	7,743	-	337,264
Dividend Received from Joint Ventures		-	25,200		-
Investment in Lease Hold Rights	13	-	(718,771)	-	-
Proceeds from Disposal of Investments		-	-	-	694,458
Proceeds from Disposal of Property, Plant and Equipment Investment Properties/Intangible Assets/Leasehold Properties		169,849	500,311	11,891	262,569
Investment Income Received		-	-	2,764,812	781,016
Net Cash flows from/(used in) Investing Activities		(7,357,605)	(2,209,008)	(3,132,673)	(351,327)
Financing Activities					
Interest Bearing Loans and Borrowings (Net)		(2,162,685)	(584,491)	(991,682)	100,862
Proceed from Exercise of Employee Share Options		183,813	15,443	183,813	15,443
Proceeds from Non-Controlling Interest		118,463	475,836	-	-
Dividends Paid to Equity Holders of the Parent		(1,061,024)	(801,619)	(1,061,024)	(801,619)
Dividends Paid to Non-Controlling Interest		(370,144)	(192,459)	-	-
Net Cash flows from/(used in) Financing Activities		(3,291,577)	(1,087,290)	(1,868,893)	(685,314)
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,867,036)	(290,924)	(4,543,475)	(1,054,134)
Net Foreign Exchange Difference		(11,582)	22,729	-	-
Cash and Cash Equivalents at the Beginning of the Year	28	10,618,937	10,887,132	4,794,005	5,848,139
Cash and Cash Equivalents at the End of the Year	28	5,740,319	10,618,937	250,530	4,794,005

The Accounting Policies and Notes on the Pages 152 to 233 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting Entity

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 2018 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 2018 were authorised for issue, in accordance with a resolution of the Board of Directors on 25 May 2018.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. Basis of Preparation

2.1 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 Companies Act No. 7 of 2007.

2.2 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.

2.3 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items;

Items	Basis of Measurement
Land and Buildings recognised as Property, Plant and Equipment	Measured at cost at the time of acquisition and subsequently carried at fair value at the date of revaluation
Land and Building recognised as Investment Property	Measured at cost at the time of acquisition and subsequently carried at fair value
Financial Instruments reflected as Available-for-Sale	Measured at Fair Value
Retirement Benefit Obligations	Measured at the present value of the defined benefit plan

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs'000), except when otherwise indicated.

Functional currency of all the group companies is Sri Lankan Rupees other than the following companies whose functional currency is given below.

Name of the Entity	Relationship	Country of Incorporation	Functional Currency
Hemas Consumer Brands (Pvt) Ltd	Subsidiary	Bangladesh	Bangladesh Taka (BDT)
Diethelm Travel The Maldives (Pvt) Ltd	Subsidiary	Republic of Maldives	US Dollar (USD)
N-able Global Pte Limited	Subsidiary	Singapore	US Dollar (USD)
LTU Asia Aviation Services Co.,Ltd.	Subsidiary	Thailand	Thai Baht (THB)
Hemas Consumer Products (Pvt) Ltd.	Subsidiary	Pakistan	Pakistani Rupee (PKR)
Kyanmar Pharmaceutical Limited	Subsidiary	Singapore	US Dollar (USD)
Hemas Mandalar Pharmaceutical Limited	Subsidiary	Myanmar	Kyat (MMK)
Aviation Services (Pvt) Ltd.	Associate	Maldives	US Dollar (USD)
Discover the world (Thailand) Co.Ltd.	Subsidiary	Thailand	Thai Baht (THB)

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 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.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the Financial Statements by the Group and the Company.

3.1 Basis of Consolidation

Subsidiaries and Equity accounted investees are disclosed in Note 37 to the Financial Statements.

3.1.1 Subsidiaries

The Consolidated Financial Statements comprise the Financial Statements of the Parent and its Subsidiaries for the year ended 31 March 2018. 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:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- 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:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether 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 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 Interest, even if this results in the Non-Controlling Interest 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.

Following entities have been consolidated as subsidiaries in which the Group holds less than a majority of voting rights (de facto control) based on the contractual arrangement to govern the operating policies of that entity.

Entity	Equity Control %
Diethelm Travel The Maldives (Pvt) Ltd.	49%
Welanka Holidays (Pvt) Ltd.	40%
Spectra Logistics (Pvt) Ltd.	50%
LTU Asia Aviation Services Co.,Ltd.	40%

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.

3.1.2 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 Interest 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.

3.1.3 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.

3.1.4 Non - Controlling Interests

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading “Non–Controlling Interests” in the Statement of Comprehensive Income. Losses applicable to the Non-Controlling Interests in a subsidiary is allocated to the Non-Controlling Interest even if doing so causes the Non-Controlling Interests to have a deficit balance.

3.1.5 Equity Accounted Investees (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.

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.

3.1.6 Transactions Eliminated on Consolidation

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.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.7 Investment in Subsidiaries

Investment in Subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the income statement. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

3.2 Foreign Currency

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.

3.2.1 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).

3.2.2 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.

3.3 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 non-current assets and liabilities.

3.4 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 summarised under the respective Notes.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 30.

3.5 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.

3.5.1 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:

3.5.2 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.

3.5.3 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the 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.

3.5.3.1 Revaluation of Property, Plant and Equipment and Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss and Land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Group engaged an independent valuation specialist to assess fair value as at 31 March 2018 for investment properties and revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The valuation methodology adopted and the key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 11 and 12.

3.5.3.2 Impairment of Non - Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to Other Comprehensive Income.

In this case, the impairment is also recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.5.3.3 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.

3.5.3.4 Share Based Payment Transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of most appropriate inputs to the valuation model including the expected life of the share option, volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.3.

3.5.3.5 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.

3.6 Assets and Bases of Their Valuation

3.6.1 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.

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% - 33.3%
Computer Hardware	25% - 33.3 %
Motor Vehicles	16.7% - 25%
Crockery and Cutlery	50% - 100%
Soil Erosion Prevention	10%

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.

3.6.2 Leased Assets

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.

3.6.2.1 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.

3.6.2.2 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 13 to the Financial Statements.

3.6.3 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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.

3.6.4 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% - 33.3%
Brand Name	6.7% - 10%
Development Expenses	10% - 33.3%

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.

3.6.4.1 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.

3.6.4.2 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in Note 3.1.2.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.7 Financial Instruments

3.7.1 Financial Assets

3.7.1.1 Initial Recognition and Measurement

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

All financial assets are recognised initially at fair value plus transaction costs of assets in the case of investments not at Fair Value through Profit or Loss.

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

3.7.1.2 Subsequent Measurement

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

- Financial Assets at Fair Value through Profit or Loss
- Held to Maturity Investments
- Available-For-Sale Financial Investments
- Loans and Receivables

3.7.1.2.1 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.

3.7.1.2.2 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 Effective Interest Rate (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.

3.7.1.2.3 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.

3.7.1.2.4 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.

3.7.1.3 De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is de-recognised 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.

3.7.1.4 Impairment of Financial Assets

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

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

3.7.1.5 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.

3.7.1.6 Available-for-Sale Financial Investments

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

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

In the case of debt instruments classified as Available-for-Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

3.7.2 Financial Liabilities

3.7.2.1 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.

3.7.2.2 Subsequent Measurement

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

3.7.2.2.1 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.

3.7.2.2.2 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.

3.7.2.3 De-recognition

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

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

3.7.3 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.

3.7.4 Fair Value of Financial Instruments

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

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

An analysis of fair values of financial instruments and further details of measurement is provided in Note 30.

3.7.5 Derivative Financial Instruments and Hedge Accounting

3.7.5.1 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 premeasured 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.

3.7.5.1.1 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 nonfinancial 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.

3.8 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 basis

(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.

3.9 Cash and Cash Equivalent

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.

3.10 Liabilities and Provisions

3.10.1 Employee Benefits

3.10.1.1 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.

3.10.1.2 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 Unit Credit method (PUC). 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 based on half a month salary.

The gratuity liability is not externally funded.

3.10.2 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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.

3.10.3 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.

3.10.3.1 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.

3.10.3.2 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.

3.11 Revenue

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:

3.11.1 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.

3.11.2 Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

3.11.3 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.

3.11.4 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.

3.11.5 Dividends

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

3.11.6 Rental income

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

3.11.7 Others

Other income is recognised on an accrual basis.

3.12 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

3.12.1 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.

3.12.2 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.

3.12.3 Tax on Dividend Income

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss.

3.12.4 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.

3.13 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.

3.14 Segment Reporting

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.

3.15 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.16 Events Occurring After The Reporting Date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

3.17 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the

Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

3.17.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 is effective for periods beginning on 1 January 2018. The standard establishes a five -step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

Group has carried out a gap analysis with the assistance of an external consultant covering all the segments and currently the group is in the process of developing the SLFRS 15 based revenue recognition policies and adjusting the relevant business processes to adopt these new policies to be effective from 01 April 2018. Further, the group has established a project across its operating segments to evaluate the impact of SLFRS 15.

- The group has five primary operating segments out of which Consumer and Healthcare sectors significantly contribute to the group revenue. SLFRS 15 requires changes to the way that the transaction prices are determined and allocated to individual performance obligations in these two sectors, which impact the classification and the timing of revenues. However no material impact to the profit is expected.
- Leisure, Travel and Aviation Sector and Mobility sector have contracts with customers which relates to rendering of services. However no material impact to the profit is expected from these sectors by adopting SLFRS 15.

3.17.2 SLFRS 9 – Financial Instruments

In December 2014, CA Sri Lanka issued the final version of SLFRS 9 Financial instruments classification and measurement which 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 periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Company plans to adopt the new standard on the required effective date. During the year, the Company has performed a detailed gap analysis of SLFRS 9.

The Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of SLFRS 9. In addition, the Company will implement changes in classification of certain financial instruments.

3.17.3 SLFRS 16- Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor'].

SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- Recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value

- Present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS 16 substantially carries forward the lessor accounting requirement in LKAS 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS 16 will become effective on 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

4 Revenue

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Sale of Goods	36,200,827	31,931,951	-	-
Rendering of Services	14,659,190	11,472,501	831,364	876,004
	50,860,017	43,404,452	831,364	876,004

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

5 Other Operating Income

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gain/(Loss) on Disposal of Non Current Investments**	5,364	3,899	-	5,157,913
Gain on Disposal of Property Plant & Equipment/Intangible Assets/ Leasehold Properties/ Investment Properties	24,344	113,168	8,439	82,673
Change in Fair Value of Investment Properties	34,546	35,051	22,984	40,863
Rental Income	6,485	5,359	5,890	3,087
Commission Income	14,858	43,873	-	-
Foreign Exchange Gain	194,733	149,826	-	-
Dividend Income from Investments in Related Parties	-	-	2,764,795	781,001
Dividend Income from Available-for-Sale Investments	72	209	17	15
Sundry Income	134,085	80,627	2,866	95
	414,487	432,012	2,804,991	6,065,647

**The gain reported in FY 2016/2017 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.

6 Finance Cost and Income

6.1 Finance Cost

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest Expense on Overdrafts	98,609	43,507	41,543	6,353
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	8,838	17,449
- Others	511,677	471,682	180,757	218,591
Foreign Exchange Loss-Foreign Currency Borrowings	6,701	632	-	-
Finance Charges on Lease Liabilities	718	2,983	-	-
Total Interest Expense	617,705	518,804	231,138	242,393
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	404	448	-	-
Total Finance Cost	618,109	519,252	231,138	242,393

6.2 Finance Income

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest Income on Loans and Receivables				
-Related Parties	-	-	34,878	144,049
-Others	761,020	817,023	411,303	476,164
Total Interest Income	761,020	817,023	446,181	620,213
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	4,330	5,322	158	270
Total Finance Income	765,350	822,345	446,339	620,483

7 Profit Before Tax

Stated After Charging/(Crediting)

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Included in Cost of Sales				
Depreciation	311,138	291,254	-	-
Provision/(Reversal) for Obsolete Stocks	(9,028)	19,435	-	-
Included in Administrative Expenses				
Employees Benefits including the following;				
- Defined Benefit Plan Cost - Gratuity	164,700	137,484	11,767	6,707
- Defined Contribution Plan Cost - MSPS/EPF/ETF	337,464	278,766	23,801	24,737
Depreciation	759,880	696,814	34,462	42,868
Amortisation of Intangible Assets	92,180	68,700	21,861	22,723
Auditors' Remuneration				
- Audit	15,122	13,650	2,097	1,590
- Non Audit	10,694	9,278	-	-
Legal Fees	6,248	9,340	465	5,975
Donations	26,577	8,989	19,780	3,418
Impairment of Trade Receivables	112,255	56,802	-	3,475
Included in Selling & Distribution Cost				
Transport Cost	264,568	178,352	-	-
Advertising Cost	1,232,234	941,039	-	-

8 Income Tax Expenses

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Current Income Tax				
Current Income Tax Charge (Note 8.1)	1,046,900	1,132,719	31,933	52,113
Adjustment in Respect of Income Tax of Prior Years	(6,988)	22,956	-	-
Tax on Dividends	384,486	131,475	-	-
Deferred Tax				
Deferred Tax Charge/(Reversal) arising due to Origination and Reversal of Temporary Differences (Note 25)	17,125	45,894	80,913	(5,828)
	1,441,523	1,333,044	112,846	46,285

8.1 Reconciliation Between Income Tax Expenses and Accounting Profit

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Accounting Profit Before Tax	4,392,336	5,086,894	2,864,553	6,373,224
Intra Group Adjustments/Share of Results of Joint Ventures/ Associates	116,482	123,802	-	-
Income not subject to Income Tax	(4,950)	(4,950)	(2,769,745)	(5,762,085)
Exempt Profit	(489,130)	(462,723)	(265,494)	(459,867)
Aggregate Disallowed Expenses	2,386,624	2,965,585	454,607	257,030
Aggregate Allowable Expenses	(2,260,908)	(2,865,982)	(108,464)	(222,183)
Adjustment for Tax Losses	(94,966)	(29,528)	(61,409)	-
Taxable Profit	4,045,488	4,813,098	114,048	186,119
Income Tax at 28%	628,167	558,811	31,933	52,113
Income Tax at 20%	168,884	242,122	-	-
Income Tax at 15%	3,059	846	-	-
Income Tax at 12%	115,451	79,499	-	-
Income Tax at 2% of Revenue	3,790	3,238	-	-
Income Tax at Other Rates	127,549	248,203	-	-
Current Income Tax Charge	1,046,900	1,132,719	31,933	52,113

8.2 Unutilised carry forward Group tax losses as at 31 March 2018 is Rs.999Mn. (Provisional) (2017 - Rs.904Mn)

8.3 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% (2016/17- 28%) on taxable profit during the year 2017/2018 with the exception of the Companies stated in page 174.

Management has used its judgement in 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.

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

Company/ Sector	Nature	Exemption or Concession	Period
Hemas Developments (Pvt) Ltd.	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	20%	Open-ended
Hemas Southern Hospital (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

8.3.2 Exemptions/Concessions Granted Under the Inland Revenue Act

Company/ Sector	Nature	Exemption or Concession	Period
Hemas Capital Hospital (Pvt) Ltd.	Entitled for a tax exemption period of 9 years as per Sec 17A	Exempt	9 years ending 2023/2024
Spectra 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

8.3.3 As per ''Income Tax Ordinance of 1984'' in Bangladesh, taxable profits of Hemas Consumer Brands (Pvt) Ltd. is charged at 35% for profits on Imported Finished Products and 31.5% is charged for profit on locally manufactured products.

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

8.3.5 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%.

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

8.3.7 LTU Asia Aviation Services Co., Ltd. and Discover The World (Thailand) Co., 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 15%.

8.3.8 As per the "Myanmar Income Tax Law" tax is charged at 25% on the taxable profits of a company incorporated under the Myanmar Companies Act. Accordingly, Hemas Mandalar Pharmaceuticals Limited is liable for income tax at the rate of 25%.

9 Earnings Per Share (EPS)

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year plus weighted average number of ordinary shares that would be issued on conversion of all the diluted potential ordinary shares.

The following reflect the income and share data used in the Earning Per Share computation,

9.1 Basic Earnings Per Share

	Group	
	2018 Rs.'000	2017 Rs.'000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share	2,687,457	3,491,478
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	574,009	572,629
Basic Earnings Per Share	4.68	6.10

9.2 Diluted Earnings Per Share

	Group	
	2018 Rs.'000	2017 Rs.'000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share	2,687,457	3,491,478
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Diluted Earnings Per Share	576,927	573,273
Diluted Earnings Per Share	4.66	6.09

10 Dividend Per Share

Group / Company

10.1 Dividends Paid

	2018 Rs.'000	2017 Rs.'000
Declared and Paid During the Year		
Dividends on Ordinary Shares;		
Final Dividend	831,198	572,545
Interim Dividend	229,826	229,074
	1,061,024	801,619

10.2 Dividend Per Share

	2018 Rs.	2017 Rs.
Final Dividend out of 2016/2017 (2017-2015/2016) Profits	1.45	1.00
Interim Dividend out of 2017/2018(2017-2016/2017) Profits	0.40	0.40
	1.85	1.40

The Final Dividend for 2016/2017 has been paid on 11 July 2017 and Interim Dividend for 2017/2018 has been paid on 30 November 2017.

11 Property, Plant And Equipment

11.1 Group

	Freehold Land	Freehold Buildings	Buildings on Leasehold Land	Plant and Machinery	Furniture, Fittings & Other Equipment	Motor Vehicles	Capital Work-in-Progress	Total 2018	Total 2017
	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	2,908,413	4,971,532	1,804,874	1,885,813	4,561,085	1,343,980	131,932	17,607,629	16,015,648
Additions	9,417	72,595	1,387	138,861	609,331	186,384	1,398,917	2,416,892	1,827,820
Acquisition through Subsidiaries	1,170,515	674,101	4,463	1,227,340	219,731	83,159	-	3,379,309	12,337
Revaluations	446,853	315,521	12,411	-	-	-	-	774,785	-
Transfers (From Revaluation Adjustment)	-	(299,118)	(102,836)	-	-	-	-	(401,954)	-
Disposals	(20,706)	-	-	(11,369)	(157,147)	(125,098)	(19,048)	(333,368)	(277,260)
Exchange Translation Difference	(5,390)	-	-	(236)	236	(168)	-	(5,558)	2,104
Transfers and Adjustments	9,074	4,314	-	43,818	(1,035)	-	(42,828)	13,343	26,980
Balance at the End of the Year	4,518,176	5,738,945	1,720,299	3,284,227	5,232,201	1,488,257	1,468,973	23,451,078	17,607,629
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	149,988	52,424	905,701	2,351,868	622,059	-	4,082,040	3,251,319
Charge for the year	-	159,341	51,584	200,738	474,427	184,928	-	1,071,018	988,068
Acquisition through Subsidiaries	-	27,908	360	657,915	118,582	48,293	-	853,058	3,684
Transfers (From Revaluation Adjustment)	-	(299,118)	(102,836)	-	-	-	-	(401,954)	-
Disposals	-	-	-	(8,644)	(131,693)	(69,897)	-	(210,234)	(190,675)
Exchange Translation Difference	-	-	-	(103)	309	(63)	-	143	729
Transfers and Adjustments	-	(3,230)	-	7,810	(16,612)	-	-	(12,032)	28,915
Balance at the End of the Year	-	34,889	1,532	1,763,417	2,796,881	785,320	-	5,382,039	4,082,040
Carrying Value									
At the End of the Year	4,518,176	5,704,056	1,718,767	1,520,810	2,435,320	702,937	1,468,973	18,069,039	
At the Beginning of the Year	2,908,413	4,821,544	1,752,450	980,112	2,209,217	721,921	131,932	13,525,589	

11.1.1 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-2018
Land at Dankotuwa	16A-0R-12.8P	- Price per perch for land	Rs. 63,000 to 100,000	162,100	
Buildings at Dankotuwa	185,187 Sq.ft.	- Price per square foot for building	Rs. 2,000 to 6,750	742,646	
		Market Comparable Method			
Land at Industrial Property at Welisara	1A-0R-33.12P	- Price per perch for land	Rs 540,000 to 660,000	116,000	31-Mar-2018
Buildings at Industrial Property at Welisara	55,094 Sq.ft.	- Price per square foot for building	Rs 2,000 to 5,750	172,515	
		- Depreciation rate	40%		
Hemas Pharmaceuticals (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2018
Land at Hendala, Wattala	1A-0R-17.8P	- Price per perch for land	Rs.675,000 to 800,000	126,000	
Warehouse Building at Hendala, Wattala	37,863 Sq. ft.	- Price per square foot for building	Rs.3,000 to 5,750	153,022	
		- Depreciation rate	30%		
Hemas Hospitals (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2018
Buildings on Leasehold Land at Wattala	120,133 Sq.ft.	- Rate of return	7%	898,300	
Hemas Southern Hospital (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2018
Land at Galle	2R-23.83P	- Price per perch for land	Rs. 2,550,000 to 2,975,000	247,785	
Buildings at Galle	38,778 Sq.ft.	- Rate of return	6.5%	340,500	
Hemas Capital Hospital (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2018
Buildings on Leasehold Land at Thalawathugoda	60,512 Sq.ft.	- Rate of return	7%	568,600	

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
Mowbray Hotels Limited					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2018
Land at Kandy	32A-1R-29P	- Price per perch for land	Rs 40,000 - 50,000	207,600	
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					
Perera Sivaskantha & Co Incorporated Valuers		Profit Basis of Valuation			31-Mar-2018
Buildings on Leasehold land at Bentota	95,112 Sq.ft.	- Average daily rate	Rs 15,500 - 20,000	570,128	
	75 Rooms	- Discount rate	8%		
Dolphin Hotels PLC					
Perera Sivaskantha & Co Incorporated Valuers		Profit Basis of Valuation			31-Mar-2018
Land at Waikkal	14A 2R 10 P	- Average daily rate	Rs. 9,000	511,000	
Buildings at Waikkal	220,339 Sq.ft.	- Discount rate	7%	1,337,000	
	154 Rooms				
Hotel Sigiriya PLC					
Perera Sivaskantha & Co Incorporated Valuers		Profit Basis of Valuation			31-Mar-2018
Buildings on Leasehold land at Sigiriya	70,172 Sq.ft.	- Average daily rate	Rs 8,000 - 10,000	283,200	
	79 Rooms	- Discount rate	8%		
Morison PLC					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2018
Land at Aluthmawatha	27.78 P	- Discount rate	7%	122,870	
Building at Aluthmawatha	21,930 Sq.ft.			71,130	
		Market Comparable Method			
Land at Pethiyagoda, Kelaniya	7A 3R 0.25 P	- Price per perch for land	Rs. 75,000 - 490,000	560,000	
Building at Pethiyagoda, Kelaniya	83,686 Sq.ft.	- Price per square foot for building	Rs. 25 -70	295,200	
M.S.J. Industries (Ceylon) (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Valuers		Investment Method			31-Mar-2018
Land at Aluthmawatha	1R 19.15 P	- Discount rate	7%	208,000	
Building at Aluthmawatha	21,901 Sq.ft.			58,000	

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
Atlas Axillia Co. (Pvt) Ltd.					
K. T. D Tissera - Chartered Valuation Surveyor		Market Comparable Method			31-Mar-2018
Land at Peliyagoda	32.26 P	- Price per perch for land	Rs. 1,000,000	32,260	
Land at Peliyagoda	1A 3R 19.5 P	- Price per perch for land	Rs. 2,000,000 - 3,000,000	600,000	
Building on Freehold Land, Peliyagoda	84,875 Sq.ft.	- Price per square foot for building	Rs. 1,000 - 4,000	300,000	
Frontier Capital (Pvt) Ltd.					
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor		Profit Basis of Valuation			31-Aug-2017
Land at Mirissa	A0 R1 P34	- Average room rate	Rs.25,000 - 28,000	156,888	
Buildings on Freehold Land, Mirissa	7,235 Sq.ft.	- Discount rate	9.5%	113,988	

11.1.2 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-2018
Land	1A-3R-8P	- Price per perch for land	Rs 540,000 -715,000	188,500	
Building	67,300 Sq.ft.	- Price per square foot for building	Rs. 1,500 - 5,500	225,250	
		- Depreciation rate	35%		
Freehold Property at Hendala		Market Comparable Method			31-Mar-2018
Land	2R-4.13P	- Price per perch for land	Rs 1,000,000 - 1,200,000	80,000	
Building	2,960 Sq.ft.	- Price per square foot for building	Rs. 3,500	5,250	
		- Depreciation rate	50%		

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 Developments (Pvt) Ltd.					
Perera Sivaskantha & Co Incorporated Values		Investment Method			31-Mar-2018
Freehold Property at Braybrooke Place					
Land	1R-10P	- Gross monthly rental	Rs. 190 - 235	488,500	
Building	99,372 Sq.ft.	- Rate of return	6%	1,134,000	
Lantern Villa (Pvt) Ltd.					
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor		Profit Basis of Valuation			31 - Aug - 2017
Land , Mirissa	1R 34 P	- Average room rate	Rs. 25,000 - 30,000	145,495	
Buildings on Freehold Land, Mirissa	7,235 Sq. ft.	- Discount rate	9.25%	116,038	
G.W.G. Abeygunawardene FRICS - Chartered Valuation Surveyor		Residual Method of Valuation			
Freehold Land at Mirissa	1R 5.24 P	- Price per perch for land	Rs. 1,500,000 - 2,000,000	88,000	21 - Apr - 2017
Evolution Capital (Pvt) Ltd.					
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor		Profit Basis of Valuation			31 - Aug - 2017
Land , Mirissa	1R 38.4 P	- Average room rate	Rs. 25,000 - 30,000	146,806	
Buildings on Freehold Land, Mirissa	7,235 Sq. ft.	- Discount rate	9.25%	120,679	

11.1.3 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 Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent 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.	Price per perch for Land Price per square foot for building Depreciation rate	Estimated fair value would increase/(decrease) if; Price per perch increases/ (decreases) Price per square foot increases / (decreases) 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 characterised by the real estate market.	Gross monthly rental Years from purchase (Present value of 1 unit per period) Void period	Estimated fair value would increase/(decrease) if; Gross Annual Rental increases/ (decreases) Years from Purchase increases / (decreases) Void Period increases /(decreases)
Profit Basis of Valuation		
In a trade related property the best measure of value is the income generation. It is based on a hypothetical operator who is knowledgeable prudent and efficient rather than actual.	Average room rate	Estimated fair value would increase (decrease) if; Average room rate increases/ (decreases)
Residual Method of Valuation		
Residual valuation is the process of valuing land with development potential. The sum of money available for the purchase of land is calculated from the value of the completed development minus the costs of development.	Average room rate	Estimated fair value would increase (decrease) if; Average room rate increases/ (decreases)

11.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 2,417 Mn (2017-Rs. 1,828 Mn) by means of cash.

11.1.5 Carrying Value

	Group	
	2018 Rs.'000	2017 Rs.'000
At Cost	6,377,339	4,382,481
At Valuation	11,676,900	9,131,991
On Finance Lease	14,800	11,117
	18,069,039	13,525,589

11.1.6 Details of the assets pledged as a security for liabilities are given in Note 33 to these financial statements.

11.1.7 The carrying amount of revalued Freehold Land, Freehold Buildings & Buildings on Leasehold Land if they were carried at cost less depreciation would be as follows,

	Cost	Accumulated Depreciation	Net Carrying Amount 2018	Net Carrying Amount 2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold Land	701,380	-	701,380	348,553
Building on Freehold Land	4,753,658	(852,061)	3,901,597	3,265,539
Building on Leasehold Land	876,289	(195,074)	681,215	640,922
	6,331,327	(1,047,135)	5,284,192	4,255,014

11.1.8 Property, Plant and Equipment includes fully depreciated assets having a cost of Rs.1,810 Mn (2017-Rs.1,188 Mn).

11.2 Company

	Furniture and Fittings	Office Equipment	Computer Hardware	Motor Vehicles	Capital Work-in-Progress	Total 2018	Total 2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Valuation							
Balance at the Beginning of the Year	64,943	28,878	91,873	154,643	-	340,337	321,364
Additions	16,262	14,930	2,090	32,100	23,000	88,382	35,317
Disposals	(1,935)	(2,506)	(195)	(27,533)	-	(32,169)	(16,344)
Balance at the End of the Year	79,270	41,302	93,768	159,210	23,000	396,550	340,337
Accumulated Depreciation							
Balance at the Beginning of the Year	33,690	15,626	82,421	96,521	-	228,258	194,040
Charge for the Year	8,964	3,917	5,637	15,944	-	34,462	42,868
Disposals	(1,155)	(1,680)	(195)	(25,687)	-	(28,717)	(8,650)
Balance at the End of the Year	41,499	17,863	87,863	86,778	-	234,003	228,258
Carrying value							
At the End of the Year	37,771	23,439	5,905	72,432	23,000	162,547	
At the Beginning of the Year	31,253	13,252	9,452	58,122	-	112,079	

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 88Mn (2017-Rs.35Mn) by means of cash.

11.2.2 Property, Plant and Equipment includes fully depreciated assets having a cost of Rs.176Mn (2017-Rs.165Mn).

12 Investment Properties

12.1 Group

	2018 Rs.'000	2017 Rs.'000
At the Beginning of the Year	1,472,928	1,735,779
Change in Fair Value	34,546	35,051
Transfers/ Disposals	-	(297,902)
At the End of the Year	1,507,474	1,472,928

Rental Income Derived from Investment Properties	-	-
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	-	-
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(260)	(865)
Net Profit / (Loss) Arising from Investment Properties Carried at Fair Value	(260)	(865)

12.1.1 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					
Perera Shivaskantha & Co. Incorporated Valuers					
Freehold Property at Tangalle	1A-2R-26.26P	Market Comparable Method			31-Mar-2018
Land		- Price per perch for land	Rs 350,000 - 375,000	93,125	
		- Sensitivity	+5% - 97.77 Mn		
			-5% - 88.46 Mn		
Peace Haven Resorts Limited					
Perera Shivaskantha & Co. Incorporated Valuers		Market Comparable Method			31-Mar-2018
Freehold Property at Tangalle					
Land	A19- R02-P34.16	- Price per perch for land	Rs. 400,000 - 525,000	1,414,350	
		- Sensitivity	+ 10% -1,556 Mn		
			- 10% - 1,273 Mn		

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 11.1.3.

12.2 Company

	2018 Rs.'000	2017 Rs.'000
At the Beginning of the Year	569,141	700,480
Change in Fair Value	22,984	40,863
Disposals	-	(172,202)
At the End of the Year	592,125	569,141
Rental Income Derived from Investment Properties	28,290	28,470
Direct Operating Expenses Generating Rental Income(Including Repair and Maintenance)	(5,565)	(7,017)
Direct Operating Expenses that did not generate Rental Income (Including Repair and Maintenance)	(273)	(181)
Net Profit Arising from Investment Properties Carried at Fair Value	22,452	21,272

12.2.1 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
Perera Sivaskantha & Company Incorporated Valuers					
Freehold Property at Welisara		Market Comparable Method			31-Mar-2018
Land	1A-3R-8P	- Price per perch for land	Rs 540,000 - 715,000	188,500	
Building	67,300 sq.ft.	- Price per square foot for building	Rs. 1,500 - 5,500	225,250	
		- Depreciation rate	35%		
Freehold Property at Hendala		Market Comparable Method			31-Mar-2018
Land	2R-4.13P	- Price per perch for land	Rs 1,000,000 - 1,200,000	80,000	
Building	2,960 sq.ft.	- Price per square foot for building	Rs. 3,500	5,250	
		- Depreciation rate	50%		
Freehold Property at Tangalle		Market Comparable Method			31-Mar-2018
Land	1A-2R-26.26P	- Price per perch for land	Rs 350,000 - 375,000	93,125	
		- Sensitivity	+5% - 97.77 Mn		
			-5% - 88.46 Mn		

13 Leasehold Rights/Prepaid Lease Rentals

	Group	
	2018 Rs.'000	2017 Rs.'000
At the Beginning of the Year	828,405	115,751
Additions	-	718,771
Transfers	(25,388)	-
Amortisation for the Year	(36,208)	(6,117)
Balance at the End of the Year	766,809	828,405

13.1 Details of Leasehold Properties

Company	Property	Extent	Lease period	Value Rs'000
Serendib Hotels PLC	Land at Bentota	2A - 0R - 6.0P 1A - 0R - 37.0P	50 Years 30 Years	25,763
Hotel Sigiriya PLC	Land at Sigiriya	8A - 0R - 16.0P	30 Years	1,702
Hemas Hospitals (Pvt) Ltd.	Land at Wattala	1A - 1R -27.5P	30 Years	32,464
	Land at Wattala	0A - 2R - 9.0P	15 Years	8,371
Hemas Capital Hospital (Pvt) Ltd.	Land at Thalawathugoda	3R-34.0P	30 Years	20,435
	Land at Pannipitiya	17.0P	10 Years	2,500
Spectra Integrated Logistics (Pvt) Ltd.	Land at Walisara	6A	11 Years	5,533
	Land at Muthurajawela	15A	30 Years	670,041

14 Intangible Assets

14.1 Group

	Software Rs.'000	Brands Rs.'000	Goodwill on Consolidation Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
Cost					
Balance at the Beginning of the Year	399,572	427,500	340,248	1,167,320	1,001,462
Additions	16,667	-	-	16,667	172,509
Transfers	24	-	(9,074)	(9,050)	(79)
Acquisition through Subsidiaries	82,168	723,221	1,871,738	2,677,127	157
Disposals	(7,247)	-	-	(7,247)	(6,729)
Balance at the End of the Year	491,184	1,150,721	2,202,912	3,844,817	1,167,320
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year	148,595	44,000	20,665	213,260	149,123
Amortisation	75,055	17,125		92,180	68,700
Transfers	(39)	-	-	(39)	(57)
Acquisition through Subsidiaries	57,374	36,875	-	94,249	157
Disposals	-	-	-	-	(4,663)
Balance at the End of the Year	280,985	98,000	20,665	399,650	213,260
Carrying Value	210,199	1,052,721	2,182,247	3,445,167	954,060

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 recoverable 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. (15% - 18%)

Long-Term Growth Rate for
Cash Flows for Subsequent Years : Based on historical growth rate and business plan. (2% - 7%)

Inflation Rate : Based on the current inflation rate and the percentage of the total cost subject to the inflation.

14.2 Company

	Software	
	2018 Rs.'000	2017 Rs.'000
Cost		
Balance at the Beginning of the Year	169,461	142,219
Additions	-	27,242
Balance at the End of the Year	169,461	169,461
Accumulated Amortisation		
Balance at the Beginning of the Year	67,352	44,629
Amortisation	21,861	22,723
Balance at the End of the Year	89,213	67,352
Carrying Value	80,248	102,109

15 Investment In Subsidiaries

	Direct Holding		Direct Investment	
	2018	2017	2018	2017
	%	%	Rs.'000	Rs.'000
Non-Quoted Investments				
Hemas Corporate Services (Pvt) Ltd.	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd.	100%	100%	909,869	909,869
Hemas Manufacturing (Pvt) Ltd. - Ordinary Shares	100%	100%	509,905	509,905
Hemas Manufacturing (Pvt) Ltd. - Preference Shares	-	-	483,490	483,490
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	5,500,011
Hemas Transportation (Pvt) Ltd.	100%	100%	640,529	640,529
Far Shipping Lanka (Pvt) Ltd.	100%	100%	3,000	3,000
Hemas Hospitals (Pvt) Ltd.	85%	83%	2,547,122	2,475,028
Vishwa BPO (Pvt) Ltd.	100%	100%	6,172	6,172
Concept Ventures (Pvt) Ltd	100%	100%	100,800	59,500
Atlas Axillia Co. (Pvt) Ltd.	75%	-	5,707,600	-
			16,695,089	10,874,095
Impairment of Investment in Exchange & Finance Investments (Pvt) Ltd.			(9,412)	(9,412)
			16,685,677	10,864,683
Quoted Investments				
Serendib Hotels PLC	56%	56%	1,101,845	1,101,845
Dolphin Hotels PLC	1%	1%	19,193	19,193
Morison PLC	1%	1%	44,090	44,090
Total			17,850,805	12,029,811

15.1 Material Partly-Owned Subsidiaries

The following table summarises the financial information relating to the Group's subsidiaries that has material Non-Controlling Interests, before intra-group eliminations.

	31.03.2018 Serendib Hotels PLC and Group Rs.'000	31.03.2017 Serendib Hotels PLC and Group Rs.'000
Non-Current Assets	4,463,170	3,683,625
Current Assets	626,121	662,383
Non-Current Liabilities	(564,625)	(253,893)
Current Liabilities	(928,268)	(810,693)
Net Assets	3,596,398	3,281,422
Carrying Amount of Non-Controlling Interest	1,589,248	1,413,637
Revenue	1,875,799	1,771,496
Profit for the Year	192,451	163,994
Other Comprehensive Income/(Loss) for the Year, Net of Tax	(137,467)	(7,082)
Total Comprehensive Income for the Year	54,984	156,912
Profit for the Year Attributable to Non-Controlling Interests	101,456	98,278
Other Comprehensive Income for the Year, Net of Tax Attributable to Non-Controlling Interest	(71,658)	(3,773)
Total Comprehensive Income for the Year Attributable to Non-Controlling Interests	29,798	94,505
Cash flows from Operating Activities	52,093	297,635
Cash flows (used in) Investing Activities	(208,373)	(235,196)
Cash flows from/(used in) Financing Activities	243,290	(353,251)
Net Increase/(Decrease) in Cash and Cash Equivalents	87,010	(290,812)
Dividend Paid to Non-Controlling Interest	36,968	83,250

Details of the Commitments and Contingencies are given in Note 32 to these financial statements.

16 Investment in Joint Ventures

	Holding 2018 %	Holding 2017 %	2018 Rs.'000	2017 Rs.'000
Unquoted				
Cost				
HIF Logistics (Pvt) Ltd.	-	49%	-	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
			1,441,398	1,452,178
Disposed / Transferred During the Year				
Far Shipping Agency Lanka (Pvt) Ltd.			-	3,000
HIF Logistics (Pvt) Ltd.			10,780	-
Cumulative Loss Accruing to the Group Net of Dividend			(429,282)	(274,162)
Cumulative Other Comprehensive Income Accruing to the Group			(2,134)	(565)
Share of Net Assets Disposed/ Transferred During the Year			5,093	(77,972)
			(415,543)	(349,699)
Carrying Amount of the Investment			1,025,855	1,102,479

	2018 Rs.'000	2017 Rs.'000
Group Share of Joint Ventures' Statement of Financial Position;		
Current Assets	227,753	208,443
Non-Current Assets	2,826,395	2,905,388
Current Liabilities	(473,293)	(181,088)
Non-Current Liabilities	(1,555,000)	(1,830,264)
Equity	1,025,855	1,102,479
Group Share of Joint Ventures' Statement of Profit or Loss;		
Share of the Joint Venture Revenue	820,419	628,098
Share of the Joint Venture Profit Net of Tax	(80,148)	(116,606)

Details of the Commitments and Contingencies are given in Note 32 to these financial statements.

17 Investment in Associates

	Holding 2018 %	Holding 2017 %	2018 Rs.'000	2017 Rs.'000
Unquoted				
Aviation Services (Pvt) Ltd.	49%	49%	8,564	8,564
Healthnet International (Pvt) Ltd.	49%	-	49,999	-
Pulz Solutions (Pvt) Ltd.	30%	-	6,000	-
Hire 1 Technologies (Pvt) Ltd.	20%	-	29,500	-
			94,063	8,564
Cumulative Loss accruing to the Group Net of Dividend			(43,531)	(7,197)
Cumulative Other Comprehensive Income Accruing to the Group			2,434	269
Impairment of Investment in Associate			(24,572)	-
Carrying Amount of the Investment			28,394	1,636

	2018 Rs.'000	2017 Rs.'000
Summarised Financial Information of Associate		
Group Share of Associates' Statement of Financial Position;		
Current Assets	29,318	2,485
Non Current Assets	34,938	4,785
Current Liabilities	(35,862)	(5,634)
Carrying Amount of Associates	28,394	1,636
Group Share of Associates' Statement of Profit or Loss;		
Share of the Associate Revenue	97,877	9,999
Share of the Associate Profit Net of Tax	(36,334)	(7,197)

Details of the Commitments and Contingencies are given in Note 32 to these financial statements.

18 Other Financial Assets

Available-for-Sale Investment — Quoted Equity Shares

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 fair value of the unquoted equity shares is estimated using appropriate valuation techniques and if it's impracticable to assess 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 Available for Sale Investment valuation are given below:

	Valuation Technique	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%
		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 an 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 evaluates, among other factors ,historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Summary	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Available-for-Sale Investments				
Quoted Equity Shares (Note 18.1.1 (a))	2,324	329	295	297
Unquoted Equity Shares (Note 18.1.1 (b))	601,500	804,941	309,413	428,907
Unquoted Preference Shares (Note 18.1.2)	81,000	81,000	60,000	60,000
	684,824	886,270	369,708	489,204
Loans and Receivables				
Loans to Company Employees	115,492	97,042	4,094	4,901
Loans Due from Related Parties (Note 18.1.3)	-	-	338,000	105,710
Refundable Deposits	46,511	20,937	-	-
Other Investments	15,365	6,335	-	-
	177,368	124,314	342,094	110,611
Total Other Financial Assets	862,192	1,010,584	711,802	599,815
Total Non-Current (Note 18.1)	731,335	907,207	369,708	489,204
Total Current (Note 18.2)	130,857	103,377	342,094	110,611

18.1 Other Financial Assets - Non Current

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Investment In Equity Securities (Note 18.1.1)	603,824	805,270	309,708	429,204
Unquoted Preference Shares (Note 18.1.2)	81,000	81,000	60,000	60,000
Refundable Deposits	46,511	20,937	-	-
	731,335	907,207	369,708	489,204

18.2 Other Financial Assets - Current

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Loans to Company Employees	115,492	97,042	4,094	4,901
Loans Due From Related Parties (Note 18.1.3)	-	-	338,000	105,710
Other Investments	15,365	6,335	-	-
	130,857	103,377	342,094	110,611

18.1.1 Investment In Equity Securities - Non Current

(a) Quoted

Group	No. of Shares		Carrying Value		Fair Value	
	2018	2017	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Overseas Realty (Ceylon) PLC	1,000	1,000	28	20	28	20
Eden Hotels Lanka PLC	127	127	2	1	2	1
Galadari Hotels PLC	2,500	2,000	22	18	22	18
CT Holdings PLC	10,934	-	1,913	-	1,913	-
CIC Holdings PLC	296	-	17	-	17	-
Blue Diamond Jewelers PLC	1,300	1,300	1	1	1	1
Royal Palm Beach Hotels PLC	85	85	2	2	2	2
Hayleys PLC	13	-	3	-	3	-
Lankem Ceylon PLC	50	-	2		2	-
John Keells Holdings PLC	2,377	2,081	334	287	334	287
			2,324	329	2,324	329
Company						
Overseas Realty (Ceylon) PLC	500	500	9	10	9	10
John Keells Holdings PLC	2,081	2,081	286	287	286	287
			295	297	295	297

(b) Unquoted

Group	No. of Shares		Carrying Value	
	2018	2017	2018 Rs.'000	2017 Rs.'000
Rainforest Ecology (Pvt) Ltd.	1,000,000	1,000,000	12,000	12,000
Takas Investments (Pvt) Ltd.	219,998	-	20,000	-
Pulz Solutions Pvt Ltd.	-	350,000	-	3,500
Jada Resorts and Spa (Pvt)Ltd.	53,535,680	53,535,680	569,500	789,441
			601,500	804,941
Company				
Jada Resorts and Spa (Pvt)Ltd.	29,086,200	29,086,200	309,413	428,907
			309,413	428,907
Total				
Group			603,824	805,270
Company			309,708	429,204

18.1.2 Unquoted Preference Shares

Group	No. of Shares		Carrying Value	
	2018	2017	2018 Rs.'000	2017 Rs.'000
Giddawa Hydro Power (Pvt) Ltd.	810,000	810,000	81,000	81,000
			81,000	81,000
Company				
Giddawa Hydro Power (Pvt) Ltd.	600,000	600,000	60,000	60,000
			60,000	60,000

18.1.3 Loans Due From Related Parties

		Company	
	Relationship	2018 Rs.'000	2017 Rs.'000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	-	50,000
Spectra Logistics (Pvt) Ltd.	Subsidiary	20,000	30,000
FAR Shipping Lanka (Pvt) Ltd.	Subsidiary	5,000	5,000
Leisure Asia Investments Ltd.	Subsidiary	-	710
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	3,000	-
Serendib Hotels PLC	Subsidiary	310,000	20,000
		338,000	105,710
Non-Current		-	-
Current		338,000	105,710

Terms and Conditions

Security - Unsecured
Repayment -To be Repaid on Demand
Interest - Based on Market Rates (AWPLR + Margin)

19 Inventories

	Group	
	2018 Rs.'000	2017 Rs.'000
Raw Materials	1,091,775	800,540
Work In Progress	184,579	76,059
Finished Goods & Other Stocks	8,286,710	5,171,127
Goods In Transit	530,143	433,482
Less: Provision for Obsolete Stocks	(183,823)	(192,851)
	9,909,384	6,288,357

20 Trade and Other Receivables

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Trade Receivables				
- Related Parties (Note 20.1)	-	-	105,616	249,366
- Others	11,363,262	7,590,540	736	3,897
	11,363,262	7,590,540	106,352	253,263
Less: Allowance for Impairment				
- Related Parties	-	-	(6,391)	(12,758)
- Others	(296,495)	(215,582)	-	(2,920)
	(296,495)	(215,582)	(6,391)	(15,678)
	11,066,767	7,374,958	99,961	237,585
Other Receivables				
- Related Parties (Note 20.2)	-	-	90,726	189,975
- Others	1,972,892	1,715,274	73,513	56,358
Advances and Prepayments	1,138,992	826,286	69,063	89,293
Less: Allowance for Impairment				
- Others	-	(12,509)	-	(2,163)
	14,178,651	9,904,009	333,263	571,048

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

Group	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
2018	11,066,767	7,239,596	2,105,306	707,509	387,552	272,920	353,884
2017	7,374,958	3,929,480	2,196,412	559,202	207,084	127,795	354,985

Company	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
2018	99,961	51,141	37,251	6,778	3,673	1,118	-
2017	237,585	135,718	28,134	20,802	15,707	15,130	22,094

Movements in the Allowance for Impairment of Trade Receivables;

	Group			Company		
	Individually Impaired	Collectively Impaired	Total	Individually Impaired	Collectively Impaired	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at 1 April 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	69,132	146,450	215,582	-	15,678	15,678
Charge for the Year	-	112,255	112,255	-	-	-
Recovered during the year	-	(17,753)	(17,753)	-	(9,123)	(9,123)
Write off / Transfers	(4,061)	(9,528)	(13,589)	-	(164)	(164)
As at 31 March 2018	65,071	231,424	296,495	-	6,391	6,391

20.1 Trade Dues From Related Parties

		Company	
	Relationship	2018 Rs.'000	2017 Rs.'000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	4,099	16,321
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	317	189
Vishwa BPO (Pvt) Ltd.	Subsidiary	1,958	634
Hemas Travels (Pvt) Ltd.	Subsidiary	890	12,312
Hemas Air Services (Pvt) Ltd.	Subsidiary	429	8,748
Hemas Southern Hospital (Pvt) Ltd.	Subsidiary	1,384	654
Hemas Hospitals (Pvt) Ltd.	Subsidiary	11,530	12,665
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	839	3,650
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	710	850
Hemas Aviation (Pvt) Ltd.	Subsidiary	1,612	2,292
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	35,538	27,353
Forbes Air Services (Pvt) Ltd.	Subsidiary	1,637	45,272
Hemas Developments (Pvt) Ltd.	Subsidiary	62	164
Hemtours (Pvt) Ltd.	Subsidiary	3	-
Diethelm Travels Lanka (Pvt) Ltd.	Subsidiary	1,882	5,192
Serendib Leisure Management Ltd.	Subsidiary	1,202	12,403
Serendib Hotels PLC	Subsidiary	4,133	12,056
Leisure Asia Investments Ltd.	Subsidiary	-	157
Dolphin Hotels PLC	Subsidiary	285	1,601
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	-	459
Far Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	363	588
Hemas Transportation (Pvt) Ltd.	Subsidiary	1,096	53
N-able (Pvt) Ltd.	Subsidiary	514	4,499
Peace Haven Resorts Ltd.	Subsidiary	-	11
P H Resorts (Pvt) Ltd.	Joint Venture	6,833	15,285
Morison PLC	Subsidiary	3,753	10,130
M S J Industries (Ceylon) (Pvt) Ltd.	Subsidiary	581	28
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	219	46,946
Spectra Logistics (Pvt) Ltd.	Subsidiary	11,939	8,854
Hemas Maritime (Pvt) Ltd.	Subsidiary	23	-
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	10,011	-
Sigiriya Hotels PLC	Subsidiary	157	-
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	1,617	-
		105,616	249,366

20.2 Other Dues From Related Parties

		Company	
	Relationship	2018 Rs.'000	2017 Rs.'000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	-	52,216
Hemas Development (Pvt) Ltd.	Subsidiary	-	19
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	894	1,431
Forbes Air Services (Pvt) Ltd.	Subsidiary	174	2,530
Hemas Aviation (Pvt) Ltd.	Subsidiary	6	779
Hemas Travels (Pvt) Ltd.	Subsidiary	1,774	4,272
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	2,149	3,319
Vishwa BPO (Pvt) Ltd.	Subsidiary	2,280	780
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	29	28
Hemas Hospitals (Pvt) Ltd.	Subsidiary	5,119	14,448
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	33	4,434
Hemas Southern Hospital (Pvt) Ltd.	Subsidiary	8	396
N-able (Pvt) Ltd.	Subsidiary	1,484	2,346
Peace Haven Resorts Ltd.	Subsidiary	-	5,987
P H Resorts (Pvt) Ltd.	Joint Venture	-	225
Hemas Air Services (Pvt) Ltd.	Subsidiary	2,649	596
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	-	9
Far Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	-	109
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	805	22,604
Leisure Asia Investments Ltd.	Subsidiary	-	4,241
Hemas Transportation (Pvt) Ltd.	Subsidiary	1,260	4,510
H & M Shipping Services (Pvt) Ltd.	Joint Venture	-	1
Hemas Maritime (Pvt) Ltd.	Subsidiary	-	726
HIF Logistics (Pvt) Ltd.	Joint Venture	-	123
Mowbray Hotels Ltd.	Subsidiary	595	601
Serendib Leisure Management Ltd.	Subsidiary	3,492	39,130
Serendib Hotels PLC	Subsidiary	-	4,480
Dolphin Hotels PLC	Subsidiary	-	31
Morison PLC	Subsidiary	14,424	13,731
M S J Industries (Ceylon) (Pvt) Ltd.	Subsidiary	1,643	1,604
Spectra Logistics (Pvt) Ltd.	Subsidiary	823	3,725
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	-	1
Hemas Consumer Brands (Pvt)Ltd.	Subsidiary	19,863	-
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	31,222	-
Concept Ventures (Pvt) Ltd.	Subsidiary	-	543
		90,726	189,975

21 Stated Capital

21.1 Fully Paid Ordinary Shares

	2018		2017	
	Number	Rs.'000	Number	Rs.'000
Balance at the Beginning of the Year	572,733,467	5,741,038	572,545,133	5,722,837
Exercise of Share Options	2,200,792	219,412	188,334	18,201
Balance at the End of the Year	574,934,259	5,960,450	572,733,467	5,741,038

21.2 Rights, Preferences and Restrictions of Classes of Capital

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

21.3 Share Based Payment 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, to create a Employee Share Option Scheme (ESOS) to offer 13,900,000 ordinary shares being 2.4% of the total number of shares in issue to Executive Directors and Senior Executives of the Company and its subsidiaries whom the Board deems to be eligible to be awarded the shares.

Accordingly 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	Grant Price (Rs.)	Vesting Period	Exercise Period
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
Grant 3	27.07.2017	3,420,000	149.50	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 one year 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 exercise period for each option granted is three years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
For the Year Ended 31 March				
Total expense arising from Share-Based Payment Transactions	72,436	49,154	20,205	18,068

Movement During the Year

As at 31 March	Group			
	2018		2017	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	5,324,839	85.04	3,053,750	82.00
Granted During the Year	3,420,000	149.50	3,008,750	87.50
Exercised During the Year	(2,200,792)	83.52	(188,334)	82.00
Cancelled during the Year	(731,883)	-	(549,327)	-
Outstanding at the End of the Year	5,812,164	120.94	5,324,839	85.04
Exercisable at the End of the Year	2,607,164	85.82	2,386,089	82.00

As at 31 March	Company			
	2018		2017	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	1,605,312	85.04	907,500	82.00
Granted During the Year	966,250	87.50	888,750	87.50
Exercised During the Year	(249,583)	82.00	(16,667)	82.00
Cancelled during the Year	(197,740)	-	(174,271)	-
Outstanding at the End of the Year	2,124,239	114.49	1,605,312	85.04
Exercisable at the End of the Year	1,157,989	85.28	716,562	82.00

*WAEP - Weighted Average Exercise Price (Rs.)

The following information were used and results were generated using Black Scholes Option Pricing Model for ESOS granted.

	Grant 3	Grant 2	Grant 1
Dividend yield (%)	1.70	1.70	1.50
Expected volatility (%)	20.60	1.73	1.75
Risk free interest rate (%)	11.14	10.00	5.00
Expected life of share options (Years)	4	4	4
Weighted average share price at the date of exercise of these options (Rs.)	149.50	87.50	82.00
Weighted average remaining contractual life for the share options outstanding (Years)	3.3	2.3	1.3
Weighted average fair value of options granted during the year (Rs.)	48.36	28.84	20.92
Exercise price for options outstanding at the end of the year (Rs.)	149.50	87.50	82.00

22 Reserves

22.1 Other Capital and Revenue Reserves

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the Year	104,938	58,542	326,289	279,893
Provision for Share Base Payment	72,436	49,154	20,205	18,068
Exercise of Share Option	(35,599)	(2,758)	(35,599)	(2,758)
Charge from Group Companies	-	-	52,231	31,086
Balance at the End of the Year	141,775	104,938	363,126	326,289

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.

22.2 Revaluation Reserve

The Revaluation Reserve relates to the net surplus on revaluation of Property, Plant and Equipment.

22.3 Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve comprise all foreign currency differences arising from the translation of the financial statements of foreign operations and equity accounted investees.

22.4 Available-for-Sale Reserve

The Available for Sale Reserve comprises the cumulative net change in the fair value of available for sale financial assets.

22.5 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 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	
	2018 Rs.'000	2017 Rs.'000
Balance At the Beginning of the Year	13,598	10,396
Net Movement of Cash Flow Hedge Reserve	(12,174)	3,202
Effect of Changes in Holding	(194)	-
Balance at the End of the Year	1,230	13,598

23 Interest Bearing Loans and Borrowings

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the Year	3,999,720	4,612,109	1,899,534	1,796,594
Obtained During the Year	34,393,059	19,658,231	2,304,000	1,456,540
Acquisition through Subsidiaries	3,339,886	-	-	-
Interest Cost	112,082	112,078	112,082	112,078
Repayments	(36,689,372)	(20,349,663)	(3,175,471)	(1,465,678)
Exchange Differences through Statement of Profit or Loss	(8,169)	(27,894)	-	-
Exchange Differences through Other Comprehensive Income	28,247	(5,141)	-	-
Balance at the End of the Year	5,175,453	3,999,720	1,140,145	1,899,534
Non-Current	2,243,540	2,044,817	955,048	1,180,804
Current	2,931,913	1,954,903	185,097	718,730
	5,175,453	3,999,720	1,140,145	1,899,534

23.1 Details of Interest Bearing Loans and Borrowings

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2018 Rs.'000	2017 Rs.'000
Hemas Holdings PLC	Commercial Bank	Term Loan	8.75% Fixed	-	-	449,774
	National Development Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from October 2014.	76,978	230,934
	-	Debenture	11.00% Fixed	Capital repayable in April 2019	1,024,768	1,047,567
Hemas Pharmaceuticals (Pvt)Ltd.	CITI Bank	Short term loan	10.70% Fixed	Repayable in April 2018	588,000	-
	National Development Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from October 2014	23,022	69,066
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Standard Chartered Bank	Short term loan	12.65%	Repayable in April 2018	20,000	-
	Standard Chartered Bank	Short term loan	12.24%	Repayable in April 2018	44,000	-
	Standard Chartered Bank	Short term loan	12.07%	Repayable in April 2018	66,000	-
	Standard Chartered Bank	Short term loan	12.28%	Repayable in April 2018	20,000	-
	Standard Chartered Bank	Short Term Loan	13.00%	-	-	11,700
	Standard Chartered Bank	Short Term Loan	13.00%	-	-	4,500
	Standard Chartered Bank	Short Term Loan	12.75%	-	-	89,500
	Standard Chartered Bank	Short Term Loan	12.90%	-	-	5,000
	Union Bank of Colombo PLC	Short Term Loan	12.12%	Repayable in April 2018	33,500	
Hemas Hospitals (Pvt) Ltd.	Cargills Bank Limited	Term Loan	8.25% Fixed	Repayable in 36 installments starting from March 2015	6,254	78,051
	Commercial Bank	Term Loan	8.75% Fixed	-	-	171,429
	Commercial Bank	Term Loan	8.75% Fixed	-	-	50,000
	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from April 2016	77,143	-
	Hatton National Bank	Short Term Loan	AWPLR+0.25%	Repayable is May 2018	110,000	-
	Sampath Bank	Term Loan	AWPLR	Repayable in 60 installments starting from October 2015	156,067	214,567
	Sampath Bank	Term Loan	AWPLR+0.5%	Repayable in 60 installments starting from April 2016	63,760	85,180
	Standard Chartered Bank	Term Loan	SLIBOR + 1.0%	Repayable in 36 installments starting from March 2017	384,583	422,917
	Union Bank of Colombo PLC	Term Loan	8.40% Fixed	Repayable in 48 installments starting from November 2015	30,817	50,707
Hemas Southern Hospitals (Pvt) Ltd.	Hatton National Bank	Term Loan	8.50% Fixed	Repayable in 60 installments starting from January 2016	54,910	74,950

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2018 Rs.'000	2017 Rs.'000
Hemas Capital Hospital (Pvt) Ltd.	Hatton National Bank	Term Loan	8.50% Fixed	Repayable in 60 installments starting from December 2014	66,400	106,480
Spectra Logistics (Pvt) Ltd.	Central Finance	Finance Lease	-	-	231	1,304
	Commercial Bank	Finance Lease	-		6,014	
	Commercial Bank	Term Loan	AWPLR+1%	-	-	3,666
	Commercial Bank	Term Loan	AWPLR+1%	-	-	2,917
	Commercial Bank	Term Loan	AWPLR+1%	Repayable in 60 installments starting from November 2014	3,167	5,167
	Commercial Bank	Term Loan	8.90% Fixed	Repayable in 48 installments starting from April 2015	5,700	11,400
	Commercial Bank	Term Loan	First 2 Years 8.75% Fixed, 3rd year AWPLR+1%	Repayable in 36 installments starting from May 2015	12,564	24,312
	Sampath Bank	Finance Lease	-	-	-	68
Spectra Integrated Logistics (Pvt) Ltd.	Commercial Bank	Term Loan	AWPLR+1.15%	Repayable in 60 Instalments starting from October 2018	500,000	-
	Standard Chartered Bank	Term Loan	3 months LIBOR + 3.2% (USD Loan)	Repayable in 60 Instalments starting from September 2018	408,666	-
	Standard Chartered Bank	Term Loan	3 months LIBOR + 4% (USD Loan)	Repayable in 54 installments starting from April 2014	29,482	67,200
Serendib Hotels PLC	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	-	-	13,231
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	-	-	6,137
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	-	-	16,470
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	-	-	7,326
	Hatton National Bank	Term Loan	AWPLR + 1%	Repayable in 34 Instalments starting from July 2017	116,000	-
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	Repayable in 60 instalments starting from September 2013	10,576	30,172
Dolphin Hotels PLC	Commercial Bank	Term Loan	At a margin Over 1 Month Euro LIBOR	Repayable in 72 instalments from November 2012	52,287	87,235
Lantern Villa (Pvt) Ltd.	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from Nov 2015	38,133	-

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2018 Rs.'000	2017 Rs.'000
	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from Oct 2014	14,667	-
Evolution Capital (Pvt) Ltd.	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from Oct 2014	37,927	-
	National Development Bank	Term Loan	Fixed Rate p.a	Repayable in 60 installments starting from Feb 2016	20,149	-
Morison PLC	Commercial Bank	Term Loan	8.75% Fixed	Repayable in 48 installments starting from April 2015	125,024	250,016
	Commercial Bank	Short Term Loan	11.22%	Repayable in April 2018	100,000	-
	Commercial Bank	Short Term Loan	10.95%	Repayable in April 2018	50,000	-
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	-	-	14,000
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	-	-	13,600
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	-	-	50,000
	Standard Chartered Bank	Short Term Loan	AWPLR	-	-	57,022
M S J Industries (Ceylon) (Pvt) Ltd.	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	-	-	4,389
	Nations Trust Bank	Short Term Loan	AWPLR +0.25%	-	-	41,094
N - Able (Pvt) Ltd.	Cargills Bank	Short Term Loan	AWPLR +1.5%	-		59,174
	Cargills Bank	Short Term Loan	AWPLR + 3.0%	Repayable in August 2018	79,868	-
	Hatton National Bank	Short Term Loan	AWPLR + 4.0%	Repayable in May 2018	195,000	-
	Hong Kong & Shanghai Banking Corporation	Short Term Loan	COF + 2.0%	Repayable in September 2018	63,685	-
	Nations Trust Bank	Short Term Loan	AWPLR + 1.25%	Repayable in April 2018	22,954	-
	Sampath Bank	Short Term Loan	AWPLR +2.0%	-		15,490
	Sampath Bank	Short Term Loan	AWPLR + 2.0%	Repayable in April 2018	52,100	-
	Standard Chartered Bank	Short Term Loan	SLIBOR + 2.0%	Repayable in June 2018	57,840	-
N - Able Global (Pvt) Ltd.	Hong Kong & Shanghai Banking Corporation - Singapore	Short Term Loan	LIBOR +1.75%	-	-	56,008
Atlas Axillia Co.(Pvt) Ltd.	People's Bank	Short Term Loan	AWPLR -01%	Repayable in September 2018	200,000	-
Hemas Mandalar Pharmaceutical (Pvt) Ltd.	Commercial Bank	Short Term Loan	1 month LIBOR + 3.75% (USD Loan)	Capital repayable in 5 Months	127,217	-

23.2 Company

	2018 Rs.'000	2017 Rs.'000
Interest Bearing Loans & Borrowings-Non Current		
Loans due to Related Parties (Note 23.2.1)	15,399	166,259
Bank Loans	-	76,978
Debentures (Note 23.2.2)	939,649	937,567
	955,048	1,180,804
Interest Bearing Loans & Borrowings-Current		
Loans due to Related Parties (Note 23.2.1)	23,000	5,000
Bank Loans	76,978	603,730
Debentures (Note 23.2.2)	85,119	110,000
	185,097	718,730

23.2.1 Loans due to Related Parties

Subsidiaries	As at 01.04.2017 Rs.'000	Obtained During the Year Rs.'000	Repayments / Transfers Rs.'000	As at 31.03.2018 Rs.'000	Non-Current Rs.'000	Current Rs.'000
Hemas Air Services (Pvt) Ltd.	83,791	-	(83,791)	-	-	-
Hemas Developments (Pvt) Ltd.	76,718	16,000	(83,069)	9,649	9,649	-
Vishwa BPO (Pvt) Ltd.	10,750	-	-	10,750	5,750	5,000
Hemas Corporate Services (Pvt) Ltd.	-	18,000	-	18,000	-	18,000
	171,259	34,000	(166,860)	38,399	15,399	23,000

	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
Total Loans due to Related Parties	194,259	226,000	(249,000)	171,259	166,259	5,000

Terms and Conditions

Treasury Loans
Security - Unsecured
Repayment - To be Repaid on Demand
Interest - Based on Market Rates (AWPLR + Margin)

23.2.2 Debentures

	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the Year	1,047,567	1,045,489
Interest	112,082	112,078
Repayments	(134,881)	(110,000)
Balance at the End of the Year	1,024,768	1,047,567
Non-Current	939,649	937,567
Current	85,119	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.

24 Other Non-Current Financial Liabilities

	Group	
	2018 Rs.'000	2017 Rs.'000
Rent Deposits/Advances	16,941	10,178
Total Other Financial Liabilities at Amortised Cost	16,941	10,178

25 Deferred Tax

	Deferred Tax Assets		Deferred Tax Liabilities	
Group	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the Year	57,400	47,829	490,437	424,484
Reversal/(Charge) arising During the Year	14,453	6,884	31,578	52,778
Recognised through Other Comprehensive Income	(10,343)	2,297	860,861	13,175
Acquisition through Subsidiaries	-	390	461,126	-
Balance at the End of the Year	61,510	57,400	1,844,002	490,437

	Deferred Tax Liabilities	
Company	2018 Rs.'000	2017 Rs.'000
Balance as at Beginning of the Year	57,139	63,066
Reversal/(Charge) arising During the Year	80,913	(5,828)
Recognised through Other Comprehensive Income	24	(99)
Balance at the End of the Year	138,076	57,139

25.1 The Closing Deferred Tax Liability/(Asset) Balances Relate to the Following;

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revaluation of Land and Buildings to Fair Value	1,318,097	123,384	-	-
Revaluation of Investment Properties to Fair Value	69,757	62,755	135,161	62,755
Accelerated Depreciation for Tax Purposes	743,662	487,484	18,189	14,664
Employee Benefit Liability	(196,537)	(144,259)	(13,509)	(15,285)
Losses Available for Offset against Future Taxable Income	(30,676)	(33,958)	-	-
Others	(121,811)	(62,369)	(1,765)	(4,995)
	1,782,492	433,037	138,076	57,139

26 Employee Benefit Liability

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the Year	650,125	566,044	54,591	26,732
Acquisition through Subsidiaries	103,481	3,228		
Charge for the Year (Note 26.1)	164,700	137,484	11,767	6,707
Actuarial (Gain)/Loss	15,527	24,750	(84)	354
Benefits Paid	(83,385)	(81,381)	(8,468)	(857)
Transfers	-	-	(9,558)	21,655
Balance at the End of the Year	850,448	650,125	48,248	54,591

26.1 Post Employee Benefit Expenses for

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Current Service Cost	84,868	72,506	5,216	3,766
Interest Cost	79,832	64,978	6,551	2,941
	164,700	137,484	11,767	6,707

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2018. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2018	2017
Demographic Assumptions		
Retirement Age	55 Years	55 Years
Rate of Employee Turnover (%)	1	1
Financial Assumptions		
Discount Rate Assumed (%)	10.5	12.0
Future Salary Increase (%)	8.5	10.0

26.2 Sensitivity of Assumptions Used in the Actuarial Valuation

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

The sensitivity of the 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

31 March 2018	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%	(159,330)	159,330	(2,968)	2,968
If Discount Rate Decreases By 1%	194,035	(194,035)	3,333	(3,333)
If Salary Increment Rate Increases By 1%	195,316	(195,316)	3,366	(3,366)
If Salary Increment Rate Decreases By 1%	(160,422)	160,422	(3,046)	3,046

31 March 2017	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

26.3 Following payments are expected weighted average life span obligation on the future years:

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Years From the Current Period				
1st Following Year	63,089	84,287	861	8,000
2nd Following Year	37,444	19,713	821	855
3rd Following Year	46,367	36,749	921	1,080
4th Following Year	62,844	57,254	20,993	1,335
5th Following Year	72,126	73,751	13,954	24,901
Beyond 5 years	458,584	565,159	20,269	78,316

27 Trade and Other Payables

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Trade Payables				
- Others	11,547,830	8,164,953	-	-
Other Payables				
- Related Parties (Note 27.1)	-	-	33,375	34,604
- Others	2,050,254	1,432,902	112,402	104,523
Sundry Creditors including Accrued Expenses	2,755,478	2,554,943	134,284	89,926
Dividend Payables-Unclaimed	36,519	26,916	8,508	7,199
	16,390,081	12,179,714	288,569	236,252

27.1 Non Trade Dues to Related Parties

	Relationship	Company 2018 Rs.'000	Company 2017 Rs.'000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	2,225	5,331
Forbes Air Services (Pvt) Ltd.	Subsidiary	-	2
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	3,245	-
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	2,146	151
Vishwa BPO (Pvt) Ltd.	Subsidiary	978	74
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	350	681
N-Able (Pvt) Ltd.	Subsidiary	955	7,454
Hemas Travels (Pvt) Ltd.	Subsidiary	4,585	1,844
Hemas Air Services (Pvt) Ltd.	Subsidiary	-	563
Hemas Developments (Pvt) Ltd.	Subsidiary	6,186	8,237
Serendib Leisure Managements (Pvt) Ltd.	Subsidiary	376	400
Dolphin Hotels PLC	Subsidiary	22	-
Hemas Transportation (Pvt) Ltd.	Subsidiary	774	774
Spectra Logistics (Pvt) Ltd.	Subsidiary	5,377	5,377
Concept Venture (Pvt) Ltd.	Subsidiary	2,463	-
Morison PLC	Subsidiary	3,693	3,693
Mazu Shipping (Pvt) Ltd.	Subsidiary	-	23
		33,375	34,604

28 Cash and Cash Equivalents in Statement of Cash Flows

28.1 Favorable Balances

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Cash and Bank Balance	4,454,061	4,936,308	111,389	201,748
Money Market Investments	577,040	2,724,701	-	2,147,661
Fixed Deposits, Commercial Papers, Treasury Bills and REPO Investments	2,680,301	4,330,991	174,340	2,444,596
	7,711,402	11,992,000	285,729	4,794,005

28.2 Unfavorable Balances

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Bank Overdraft	(1,971,083)	(1,373,063)	(35,199)	-
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	5,740,319	10,618,937	250,530	4,794,005

29 Business Combinations

29.1 Acquisitions of Subsidiaries

The Group acquired controlling stake of 51.15% Holding in Frontier Capital Lanka (Pvt) Limited (Group) on 15 September 2017 and subsequently acquired the remaining stake of 48.85% on 23 March 2018. Further on 19 January 2018 Group acquired the controlling stake of 75.1% in Atlas Axillia Co. (Pvt) Ltd.

	2018 Rs.'000		
	Atlas Axillia Co. (Pvt) Ltd.	Frontier Capital (Pvt) Ltd. (Group)	Total
Assets			
Property, Plant and Equipment	1,607,558	918,693	2,526,251
Intangible Assets	155,918	-	155,918
Other Non Current Financial Assets	20,000	-	20,000
Inventories	1,155,851	2,619	1,158,470
Trade and Other Receivables	4,638,284	6,823	4,645,107
Other Current Financial Assets	21,000	-	21,000
Cash and Cash Equivalents	994,501	4,608	999,109
	8,593,112	932,743	9,525,855
Liabilities			
Interest Bearing Loans and Borrowing	3,209,920	129,966	3,339,886
Employee Benefit Liability	102,212	1,269	103,481
Deferred Tax Liability	362,297	98,829	461,126
Trade and Other Payables	311,092	257,496	568,588
Tax Payable	113,689	5,486	119,175
Bank Overdraft	-	18,971	18,971
	4,099,210	512,017	4,611,227
Total Identifiable Net Assets	4,493,902	420,726	4,914,628
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	(1,118,981)	(205,525)	(1,324,506)
Brand Arising on Acquisition	613,221	-	613,221
Goodwill Arising on Acquisition	1,719,458	94,281	1,813,739
Purchase Consideration Transferred	5,707,600	309,482	6,017,082
Net Cash Acquired with the Subsidiary	(994,501)	14,363	(980,138)
Net Cash Flow on Acquisition	4,713,099	323,845	5,036,944

Measurement of fair value

In accordance with SLFRS 3, the amounts recorded for the transaction are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Assets Acquired	Valuation Technique
Property, Plant and Equipment (Note 11.1.1)	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.
	Profit Basis of Valuation - In a trade related property the best measure of value is the income generation. It is based on a hypothetical operator who is knowledgeable prudent and efficient rather than actual.
	Residual Method of Valuation - Residual valuation is the process of valuing land with development potential. The sum of money available for the purchase of land is calculated from the value of the completed development minus the costs of development.
Intangible Assets	Relief from royalty method – The relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.
Inventories	Market Comparison Technique – The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

30 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.

Group	Notes	Carrying Amount 2018 Rs.'000	Carrying Amount 2017 Rs.'000	Fair Value 2018 Rs.'000	Fair Value 2017 Rs.'000
Financial Assets					
Trade and Other Receivables	20	13,039,659	9,077,723	13,039,659	9,077,723
Other Financial Assets					
Loans to Company Employees	18.2	115,492	97,042	115,492	96,372
Refundable Deposit	18.1	46,511	20,937	46,511	20,937
Other Investments	18.2	15,365	6,335	15,365	6,335
Available for Sale Investments	18.1	684,824	886,270	684,824	886,270
Cash and Short Term Deposits	28.1	7,711,402	11,992,000	7,711,402	11,992,000
Total		21,613,253	22,080,307	21,613,253	22,079,637
Financial Liabilities					
Rent Deposits/Advances	24	16,941	10,178	16,941	10,178
Interest Bearing Loans and Borrowings	23	5,169,208	3,998,348	5,169,208	3,998,348
Obligations Under Finance Leases	23	6,245	1,372	6,245	1,372
Trade and Other Payables	27	16,390,081	12,179,714	16,390,081	12,179,714
Bank Overdraft	28.2	1,971,083	1,373,063	1,971,083	1,373,063
Total		23,553,558	17,562,675	23,553,558	17,562,675

Company	Notes	Carrying Amount 2018 Rs.'000	Carrying Amount 2017 Rs.'000	Fair Value 2018 Rs.'000	Fair Value 2017 Rs.'000
Financial Assets					
Trade and Other Receivables	20	264,200	481,755	264,200	481,755
Other Financial Assets					
Loans to Company Employees	18.2	4,094	4,901	4,094	4,231
Loans Due from Related Parties	18.2	338,000	105,710	338,000	105,710
Available for Sale Investments	18	369,708	489,204	369,708	489,204
Cash and Short Term Deposits	28.1	285,729	4,794,005	285,729	4,794,005
Total		1,261,731	5,875,575	1,261,731	5,874,905
Financial Liabilities					
Interest Bearing Loans and Borrowings					
Loans due to Related Parties	23.2	38,399	171,259	38,399	171,259
Bank Loans	23.2	76,978	680,708	76,978	680,708
Debentures	23.2	1,024,768	1,047,567	1,024,768	1,047,567
Other Non Current Financial Liabilities					
Trade and Other Payables	27	288,569	236,252	288,569	236,252
Bank Overdraft	28.2	35,199	-	35,199	-
Total		1,463,913	2,135,786	1,463,913	2,135,786

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 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of the quoted equity shares recorded under Available-for-Sale financial assets are determined by reference to published price quotations in an active market. The fair value of the unquoted equity shares are 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.

30.1 Fair Value Hierarchy

The Group/Company held the following financial instruments carried at fair value on the Statement of Financial Position:

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

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Group 31 March 2018	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	684,824	2,324	-	682,500
Non-Financial Assets Measured at Fair Value				
Land and Building	11,676,900	-	-	11,676,900
Investment Properties	1,507,474	-	-	1,507,474

31 March 2017	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	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

Company 31 March 2018	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	369,708	295	-	369,413
Non-Financial Assets Measured at Fair Value				
Investment Properties	592,125	-	-	592,125

31 March 2017	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	489,204	297	-	488,907
Non-Financial Assets Measured at Fair Value				
Investment Properties	569,141	-	-	569,141

30.1.1 Reconciliation of Fair Value Measurement under Level 3 Hierarchy

Financial Assets Measured at Fair Value

	Group	Company
	Available-for-Sale Financial Assets Equity Shares	Available-for-Sale Financial Assets Equity Shares
	Rs.'000	Rs.'000
As at 1 April 2016	393,071	354,501
Recognised in Other Comprehensive Income	131,869	134,406
Purchased	2,500	-
Transfers	361,496	-
Disposals	(2,995)	-
As at 31 March 2017	885,941	488,907
Recognised in Profit or Loss	(45,977)	-
Recognised in Other Comprehensive Income	(173,964)	(119,495)
Additions/ Acquisition	20,000	-
Transfers	(3,500)	-
As at 31 March 2018	682,500	369,412

Non-Financial Assets Measured at Fair Value

	Group		Company
	Land and Building	Investment Properties	Investment Properties
	Rs.'000	Rs.'000	Rs.'000
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)
As at 31 March 2017	9,131,991	1,472,928	569,141
Recognised in Profit or Loss	(125,535)	34,546	22,984
Recognised in Other Comprehensive Income	774,785	-	-
Purchased / Acquisition	1,899,747	-	-
Transfers	16,618	-	-
Disposals	(20,706)	-	-
As at 31 March 2018	11,676,900	1,507,474	592,125

31 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 2018 as required by section 56(2) of the companies Act No 07 of 2007 , the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to declaring the final dividend which is to be paid on 10 July 2018.

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 2018.

Other than those mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

32 Commitments and Contingencies

32.1 Capital Commitments

	2018 Rs.'000	2017 Rs.'000
Hemas Capital Hospital (Pvt) Ltd.	12,278	32,070
Hemas Southern Hospital (Pvt) Ltd.	9,553	6,021
Hemas Hospitals (Pvt) Ltd.	99,446	12,771
Spectra Integrated Logistics (Pvt) Ltd.	132,558	351,394
Morison PLC	18,899	27,769
Hemas Manufacturing (Pvt) Ltd.	2,942	53,796
	275,676	483,821

Morison 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 Company has also entered into agreements with a design consultant for a total sum of USD 200,000 of which 40% has already been paid.

32.2 Other Commitments/ Contingencies

(a) Hemas Holdings PLC

The Company has provided a Corporate Guarantee to Serendib Hotels PLC for Euro 0.66Mn (Equivalent to Rs. 110.3Mn) in favour of Hatton National Bank PLC.

The Company has provided a Corporate Guarantee to PH Resorts (Pvt) Limited for USD 12Mn (Equivalent to Rs. 1,872Mn) in favour of The Hongkong and Shanghai Banking Corporation Limited.

The Company has obtained a Guarantee from Hatton National Bank PLC on behalf of Hemas Aviation (Pvt) Ltd. favouring Etihad Airways for USD 150,000 (Equivalent to Rs. 23Mn)

(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 groups headquarters amounting to USD 10,000.

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 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 Sethmil 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 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. The trial is in progress.

(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 300 Enterprise Programme.

The Tax Appeals Commission provided a determination confirming such assessments for 2008/2009 , 2009/10 and the company filed a case against such determinations in the Court of Appeal which is ongoing. An appeal lodged for the year of assessments 2010/2011 is due for hearing at the Tax Appeals Commission. Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, and no provisions has been made in the financial statements for the year ended 31st March 2018 in this regard.

(d) Serendib Hotel PLC

The Company has provided Corporate Guarantees to Kalutara Luxury Hotel & Resort (Pvt) Ltd (Other Related Company) for USD 5.2Mn (Equivalent to Rs. 790.3Mn) in favour of Hong Kong & Shanghai Banking Corporation.

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 trade license issued by the Marawila Pradeshiya Sabha. The matter is fixed for trial.

(e) Far Shipping Agency Lanka (Pvt) Ltd.

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

The Company has obtained a guarantee from Standard Chartered Bank favouring Director of Merchant Shipping to obtain Shipping license amounting 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 Charted Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement Cargo amounting to USD 250,000.

The Company has obtained a guarantee from Standard Charted Bank on behalf of Hemas Aviation (Pvt) Ltd, favouring Alitalia - Societa Aerea Italiana S.P.A amounting to EUR 75,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring China Southern Airlines Company Limited on behalf of Hemas Aviation (Pvt) Ltd. amounting to USD 470,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring Sri Lankan Catering on behalf of Hemas Aviation (Pvt) Ltd amounting to Rs. 1,000,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring Sri Lankan Airlines Ltd on behalf of Hemas Aviation (Pvt) Ltd amounting to Rs. 20,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring Druk Air Corporation Ltd on behalf of Hemas Aviation (Pvt) Ltd amounting to USD 100,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring EVA Air Corporation on behalf of Hemas Aviation (Pvt) Ltd amounting to USD 50,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring Interglobe Aviation Ltd on behalf of Hemas Aviation (Pvt) Ltd amounting to USD 500,000.

The Company has obtained bank guarantee from Standard Chartered Bank favouring Discover Momentum LLC on behalf of 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 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. 173,264,000.

The Company has provided Corporate Guarantees to Hemas Integrated Logistics (Pvt) Ltd for USD 1,200,000 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 , favouring Airport And Aviation (SL) Ltd amounting to USD. 33,000.

(i) 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 Corp. (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.

(j) 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.

(k) Spectra 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.

The Company has obtained a corporate guarantee from Standard Chartered Bank favouring The Director General of Customs amounting to Rs. 3,000,000.

The Company has obtained a Shipping guarantee from Standard Chartered Bank favouring The Asha Shipping Limited amounting to Rs. 896,479.

(l) Hemas Hospitals (Pvt) Ltd.

The Company has provided Corporate Guarantees to Hemas Southern Hospitals (Pvt) Ltd (Subsidiary) for Rs.100 Mn and Hemas Capital Hospital (Pvt) Ltd (Subsidiary) for Rs.200Mn, in favour of Hatton National Bank PLC.

(m) Hemas Pharmaceutical (Pvt) Ltd.

The Company has provided Corporate Guarantees to Hemas Surgical & Diagnostics (Pvt) Ltd (Subsidiary) for Rs.150 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.

(n) Hemas Transportation (Pvt) Ltd.

The Company has provided Corporate Guarantees to Mazu Shipping (Pvt) Ltd (Subsidiary) for Rs.20 Mn in favour of Standard Chartered Bank.

32.3 Lease Commitments

	2018 Rs.'000	2017 Rs.'000
Lease Rental Due on Non Cancellable Operating Leases:	119,231	111,978
Within one Year	541,958	514,854
One to five Years	1,331,814	1,462,798
More than five Years	1,993,003	2,089,630

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
Frontier Capital Lanka (Pvt) Ltd.	Land and Building	Light house Villa (Pvt) Ltd.
Spectra Integrated Logistics (Pvt) Ltd.	Land	Scanwell Logistics (Pvt) Ltd.
Morison PLC	Land	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.

33 Assets Pledged

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

Name Of the Company	Nature Of Asset	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2018 Rs.'000	2017 Rs.'000	
Dolphin Hotels PLC	Freehold Land and Building	Primary Mortgage Bond No.1425 dated 13/07/2010 for Rs.244.6M executed over Club Hotel Dolphin's Hotel premises at Waikkala owned by the company to Commercial Bank of Ceylon PLC. Land extent is 7A:3R:31P. (GBP Loan of Rs.234Mn) A supplementary Mortgage Bond in GBP executed in connection with Primary Mortgage Bond No.1425 dated 13/07/2010 linking the Rupee exposure in foreign currency.	1,848,000	1,846,609	Property, Plant and Equipment
Lantern Villa (Pvt) Ltd.	Freehold Land and Building	Primary Mortgage of Rs.42Mn over allotments of Land marked Lot X depicted in Plan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligam Pradeshiya Sabaha in District of Matara together with everything else standing thereon owned by the Company. Further mortgage of Rs. 20Mn over the allotments of Land marked Lot X depicted in Plan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligam Pradeshiya Sabaha in District of Matara together with everything else standing thereon owned by the Company.	286,033	-	Property, Plant and Equipment
	Investment in Subsidiary by Frontier Capital Lanka (Pvt) Ltd.	Rs.10 Mn over 2,401 shares of Rs.1,000/- each of Lantern Villa (Pvt) Ltd. held by Lighthouse Villas (Pvt) Ltd. and 600 shares of Rs.1,000/- each of Lantern Villa (Pvt) Ltd. held by Frontier Capital Lanka (Pvt) Ltd.	600	-	

Name Of the Company	Nature Of Asset	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2018 Rs.'000	2017 Rs.'000	
Evolution Capital (Pvt) Ltd.	Freehold Land and Building	Primary fixed mortgage of R. 20 Mn over land marked as Lot 0003 in zone 3 Cadastral Map No. 820079 made by Surveyor General, situated in Talaramba containing in extent of 0A-0R-28.05P owned by Lantern Villa (Pvt) Ltd.	266,388	-	Property, Plant and Equipment
		Primary fixed mortgage of R. 11Mn over land marked as Lot 1 in zone 3 Cadastral Map No. 820079 made by Surveyor General, situated in Talaramba containing in extent of 0A-0R-19.041P owned by Lantern Villa (Private) Limited.			
		Rs.42 Mn Over the allotments of Land marked as Lot 1 and 2 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P34 situated at Kamburugamuwa in Weligam Korale in the District of Matara together with everything else standing thereon owned by the Company			
	Investment in Subsidiary by Frontier Capital Lanka (Pvt) Ltd.	Rs.10Mn over 240,000 shares of Rs.10/- each of Evolution Capital (Private) Limited held by Lighthouse Villas (Pvt) Ltd., 60,000 shares of Rs.10/- each of Evolution Capital (Pvt) Ltd. held by Frontier Capital Lanka (Pvt) Ltd. and 80 shares of Rs.10/- each of Evolution Capital (Pvt) Ltd. held by Mr. Pratheepan Karunagaran.	600	-	
Spectra Logistics (Pvt) Ltd.	Property , Plant and Equipment	Mortgage over vehicles procured under the Bank Loans from Commercial Bank of Ceylon PLC	43,860	65,462	Property, Plant and Equipment
Spectra Integrated Logistics (Pvt) Ltd.	Property , Plant and Equipment	Primary mortgage over the machinery up to US$ 1Mn	86,942	97,874	Property, Plant and Equipment
Morison PLC & Its Subsidiaries	Inventory	Documents of title to goods shipped	893,000	796,800	Inventory
	Trade Debtors	Charged over trade finance facilities (import credit)	588,500	581,700	Trade Debtors
Diethelm Travels The Maldives (Pvt) Ltd.	Fixed Deposit	Pledged up to the value of EURO 5,000 to Bank of Ceylon	958	812	Cash & Short term deposits
Atlas Axillia Co. (Pvt) Ltd.	Inventory / Trade Debtors	Overdraft facility	25,000	-	Inventory / Trade Debtors
	Inventory / Trade Debtors	Short Term Loan (Import & Local)	100,000	-	Inventory / Trade Debtors
	Inventory / Trade Debtors	Trade finance facilities - To retire import bills under Letter of Credit or collection terms and to facilitate working capital	200,000	-	Inventory / Trade Debtors

34 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group operations and to provide guarantees to support its operations. The Group has loan and 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 Group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Hemas Holdings PLC.

The Board of Directors reviews and agrees policies for managing each of these risks which are 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 of 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 floating rate borrowings as follows:

	Increase / (Decrease) in basis points	Effect on Profit before tax (Rs.000)	
		Group	Company
2018	+150	(31,530)	-
	-150	31,530	-
2017	+150	(20,755)	-
	-150	20,755	-

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 US Dollars, 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 Rupee, as indicated below, against the foreign currencies as at 31 March would have increased / (decreased) profit or loss by the amounts shown below.

	2018		2017	
	Group		Group	
	Strengthening Rs.'000	Weakening Rs.'000	Strengthening Rs.'000	Weakening Rs.'000
USD (5% Movement)	204,713	(204,713)	149,981	(149,981)
EURO (5% Movement)	(11,329)	11,329	24,511	(24,511)
GBP (5% Movement)	(2,978)	2,978	4,630	(4,630)
TAKA (5% Movement)	(21,005)	21,005	(51,441)	51,441

Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted and unquoted equity securities at fair value is disclosed in Note 18.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group/Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with bank, and loans given to subsidiaries.

Trade Receivables

Customer credit risk is managed by each Company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit Quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

Large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 20. The Company does not hold collateral as security.

Financial Instruments and Cash Deposits

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's Treasury Policy. Investments of surplus funds are made only with approved counterparties as per this Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year. The limits are set to 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 20 except for financial guarantees.

Liquidity Risk

The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and intercompany borrowings. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Capital Management

Capital includes ordinary shares and preference shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 a managing capital during the years ended 31 March 2018 and 31 March 2017.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 2018	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	-	-	2,931,913	2,243,540	-	5,175,453
Other Non-Current Financial Liabilities	-	-	-	16,941	-	16,941
Trade and Other Payable	-	16,390,081	-	-	-	16,390,081
Bank Overdraft	1,971,083	-	-	-	-	1,971,083
	1,971,083	16,390,081	2,931,913	2,260,481	-	23,553,558

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 Payable	-	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

Company As at 31 March 2018	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	-	-	185,097	955,048	-	1,140,145
Trade and Other Payable	-	288,569	-	-	-	288,569
Bank Overdraft	35,199	-	-	-	-	35,199
	35,199	288,569	185,097	955,048	-	1,463,913

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 Payable	-	236,252	-	-	-	236,252
Bank Overdraft	-	-	-	-	-	-
	-	236,252	718,730	1,180,804	-	2,135,786

35 Related Party Disclosures

Refer Note 37 for effective equity holding percentages and other key information's 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 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 23.2.1 & 18.1.3 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 32.2 in the financial statements.

Terms and Conditions:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

35.1.1 Company

Nature of Transaction	Subsidiaries 2018 Rs.'000	Subsidiaries 2017 Rs.'000	Joint Ventures/ Associates 2018 Rs.'000	Joint Ventures/ Associates 2017 Rs.'000	Other 2018 Rs.'000	Other 2017 Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
Services Rendered	546,676	611,543	-	-	965	-	547,641	611,543
Bank Guarantee Fees	2,132	2,080	10,832	10,363	-	-	12,964	12,443
IT Charges	262,011	245,394	5,287	5,302	2,859	1,926	270,157	252,622
Rent	33,197	32,929	-	-	-	-	33,197	32,929
Loan Interest Income	34,878	144,049	-	-	-	-	34,878	144,049
Dividend Income	2,764,795	781,001	-	-	-	-	2,764,795	781,001
Treasury Loans Granted	(1,250,337)	(1,362,900)	-	-	-	-	(1,250,337)	(1,362,900)
Loan Interest Expense	(8,839)	(17,450)	-	-	-	-	(8,839)	(17,450)
Receipt of Services	(179,576)	(171,673)	-	-	-	-	(179,576)	(171,673)
Shared Service Fee	(10,875)	(9,895)	-	-	-	-	(10,875)	(9,895)
Purchase of Air Tickets and Foreign Currency	(42,468)	(38,642)	-	-	-	-	(42,468)	(38,642)
Treasury Loans Obtained	69,000	226,000	-	-	-	-	69,000	226,000
Repayment of Loans / Transfer	816,187	2,047,601	-	-	-	-	816,187	2,047,601
Insurance Services Rendered	-	-	-	-	(12,318)	(10,241)	(12,318)	(10,241)
Other	97,504	75,071	-	-	889	404	98,393	75,475

The provision made for on accounts of related party receivables is disclosed in Note 20 to these financial statements

35.1.2 Group

Company	Relationship	Name of Director	Nature of Transaction	Value 2018 Rs.'000	Value 2017 Rs.'000
PH Resorts (Pvt) Ltd.	Joint Venture		Services Rendered	590	5,073
			Purchase of Air Tickets and Foreign Currency	6,094	8,309
			Transport Charges	12,027	9,377
			Support services, Promotional & IT services	9,554	8,040
Healthnet International (Pvt) Ltd.	Associate		Sales of Goods	78,877	310
Hire 1 Technologies (Pvt) Ltd.	Associate		Services Rendered	128	-
ET Properties (Pvt) Ltd.	Key Management Personal	Mr. I. A. H. Esufally	Services Rendered	18	18
			Rent & Utilities	74,544	79,331
Janashakthi General Insurance Limited	Key Management Personal	Mr. H. N. Esufally	Insurance Related Services	164,369	21,212

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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Short Term Benefits	403,371	382,998	130,132	138,437
Post Employment Benefit	3,829	5,468	-	-

(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		Mobility		Others		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue												
Segmental Revenue - Gross	17,600,369	16,192,236	23,345,965	19,022,634	4,171,976	4,302,348	2,837,321	1,931,444	4,733,279	3,587,438	52,688,910	45,036,100
Intra Segmental Revenue	(189,667)	(172,142)	(240,746)	(180,357)	-	-	(23,040)	-	(308,278)	(193,875)	(761,731)	(546,374)
Segment Revenue	17,410,702	16,020,094	23,105,219	18,842,277	4,171,976	4,302,348	2,814,281	1,931,444	4,425,001	3,393,563	51,927,179	44,489,726
Inter Segmental revenue	(13,985)	(7,350)	-	-	-	-	-	-	(1,053,177)	(1,077,924)	(1,067,162)	(1,085,274)
Total Revenue	17,396,717	16,012,744	23,105,219	18,842,277	4,171,976	4,302,348	2,814,281	1,931,444	3,371,824	2,315,639	50,860,017	43,404,452
Results												
Segmental Results	1,424,681	2,074,149	2,305,117	2,064,632	263,201	502,839	835,972	451,122	(501,940)	(220,189)	4,327,031	4,872,553
Finance Cost	(39,960)	(64)	(248,159)	(204,940)	(32,443)	(15,009)	(28,349)	(22,186)	(269,198)	(277,053)	(618,109)	(519,252)
Finance Income	110,356	156,680	17,942	9,948	47,106	39,684	19,850	9,691	570,096	606,342	765,350	822,345
Change in Fair Value of Investment Properties	-	-	-	-	34,612	21,738	-	-	(66)	13,313	34,546	35,051
Share of Results of Associate	-	-	-	-	(3,445)	(7,197)	-	-	(32,889)	-	(36,334)	(7,197)
Share of Results of Joint Venture	-	-	-	-	(80,148)	(160,929)	-	44,323	-	-	(80,148)	(116,606)
Profit/(Loss) before Tax	1,495,077	2,230,765	2,074,900	1,869,640	228,883	381,126	827,473	482,950	(233,997)	122,413	4,392,336	5,086,894
Income Tax	(340,149)	(539,487)	(438,888)	(444,726)	(118,820)	(84,733)	(126,962)	(78,452)	(416,704)	(185,646)	(1,441,523)	(1,333,044)
Profit / (Loss) for the Year	1,154,928	1,691,278	1,636,012	1,424,914	110,063	296,393	700,511	404,498	(650,701)	(63,233)	2,950,813	3,753,850
Attributable to:												
Equity Holders of the Parent	1,190,422	1,679,706	1,583,564	1,384,595	35,547	167,421	542,670	335,547	(664,748)	(75,791)	2,687,457	3,491,478
Non-Controlling Interests	(35,494)	11,572	52,448	40,319	74,516	128,972	157,841	68,951	14,047	12,558	263,356	262,372
	1,154,928	1,691,278	1,636,012	1,424,914	110,063	296,393	700,511	404,498	(650,701)	(63,233)	2,950,813	3,753,850

As at 31 March	Consumer		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets and Liabilities												
Non-Current Assets												
Property, Plant and Equipment	4,000,146	2,226,938	3,945,265	3,774,407	4,313,437	3,497,824	1,694,702	538,364	2,016,306	1,582,457	15,969,856	11,619,990
Investment Property		-		-	-	-			3,628,975	3,542,879	3,628,975	3,542,879
Other Non Current Financial Assets	21,996	5	984,511	893,248	683,630	465,849	13,518	11,947	385,108	1,058,663	2,088,763	2,429,712
Other Non Current Assets	2,804,263	2,667,306	1,831,419	1,805,577	8,382,747	8,687,777	3,112,128	2,733,535	19,840,249	13,532,980	35,970,806	29,427,175
Segmental Non-Current Assets	6,826,405	4,894,249	6,761,195	6,473,232	13,379,814	12,651,451	4,820,348	3,283,846	25,870,638	19,716,979	57,658,400	47,019,756
Deferred Tax Assets											61,510	57,400
Eliminations/Adjustments											(32,084,327)	(28,227,452)
Total Non Current Assets											25,635,583	18,849,704
Segmental Current Assets												
Other Current Financial Assets	56,099	38,328	28,927	33,268	35,259	7,844	12,184	17,364	383,023	127,954	515,492	224,758
Segmental Current Assets	7,372,804	6,107,168	11,363,067	7,623,895	4,404,213	3,513,355	2,064,266	1,314,817	7,548,733	10,396,024	32,753,083	28,955,259
Tax Recoverable											196,263	181,104
Eliminations/Adjustments											(1,338,281)	(892,274)
Total Current Assets											32,126,557	28,468,847
Total Assets											57,762,140	47,318,551
Non-Current Liabilities												
Segmental Non Current Liabilities	248,400	120,832	988,647	1,246,475	386,014	195,918	778,174	64,056	1,175,445	1,506,530	3,576,680	3,133,811
Other Non-current Financial Liabilities	1,083,678	1,083,678	585	1,858	14,537	6,148	1,630	1,985	-	-	1,100,430	1,093,669
Deferred Tax Liability											1,844,002	490,437
Eliminations/Adjustments											(1,566,181)	(1,522,360)
Total Non-Current Liabilities											4,954,931	3,195,557
Current Liabilities												
Segmental Current Liabilities	4,170,054	3,493,454	9,676,457	5,774,248	4,420,562	3,123,286	1,176,471	641,016	3,256,497	3,404,768	22,700,041	16,436,772
Income Tax Liability											493,525	486,263
Eliminations/Adjustments											(1,406,964)	(929,092)
Total Current Liabilities											21,786,602	15,993,943
Total Liabilities											26,741,533	19,189,500
Total Segment Assets	14,255,308	11,039,745	18,153,189	14,130,395	17,819,286	16,172,650	6,896,798	4,616,027	33,802,394	30,240,957	90,926,975	76,199,773
Total Segment Liabilities	5,502,132	4,697,964	10,665,689	7,022,581	4,821,113	3,325,352	1,956,275	707,057	4,431,942	4,911,298	27,377,151	20,664,252
Other Segmental Information												
Acquisition Cost of Property Plant and Equipment	256,854	646,990	460,866	577,164	85,183	215,555	1,247,584	133,569	366,405	254,542	2,416,892	1,827,820
Depreciation of Segmental Assets	231,262	171,928	370,797	381,559	190,880	171,261	87,953	85,684	190,126	177,636	1,071,018	988,068
Provision for Retirement Benefit	30,215	23,849	51,410	44,005	30,191	29,567	6,807	5,118	46,077	34,945	164,700	137,484
Impairment/Amortisation of Intangibles	10,929	5,803	38,257	31,451	17,245	7,266	3,521	1,342	22,228	22,838	92,180	68,700

37 Group Companies

Name /Principle Place of Business	Relationship	Effective Holding 2018	Effective Holding 2017	Voting Power 2018	Voting Power 2017	Principal Activities
CONSUMER						
Hemas Manufacturing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Manufacturing and Trading 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%	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
Morison PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	91%	91%	91%	Importing and Distribution of Consumer Products
Atlas Axillia Co.(Pvt) Ltd. No. 96, Parakrama Road, Peliyagoda.	Subsidiary	75%	-	75%	-	Manufacturing and trading of all kinds of school and office stationery.
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
Kynmar Pharmaceutical (Pvt) Limited No.51, Goldhill Plaza #07-10/11 Singapore.	Subsidiary	51%	-	51%	-	Distribution of Pharmaceutical Products
Hemas Mandalar (Pvt) Limited No.1001, Pyay Road, 10 Mile, Insein Township, Yangon, Myanmar.	Subsidiary	51%	-	51%	-	Distribution of Pharmaceutical Products
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala.	Subsidiary	85%	83%	85%	83%	Hospital Services
Hemas Southern Hospital (Pvt) Ltd. No.10, Wakwella Road, Galle, Sri Lanka.	Subsidiary	85%	83%	85%	83%	Hospital Services
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda.	Subsidiary	85%	83%	85%	83%	Hospital Services
Digital HealthCare (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	93%	-	93%	-	Develop and Operating Mobile Application for Healthcare Service and Operating Wellness Centers
Morison PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	91%	91%	91%	Importing and Distribution of Pharmaceuticals and Medical Aid

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2018	2017	2018	2017	
M S J Industries (Ceylon) (Pvt) Ltd. P.O Box 430,126 Aluthmawatha Road, Colombo 15.	Subsidiary	91%	91%	91%	91%	Manufacturing and Trading Pharmaceuticals
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	56%	56%	56%	56%	Operating a Tourist Hotel and Investment Holding Company
Hotel Sigiriya PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	35%	35%	56%	56%	Operating a Tourist Hotel
Dolphin Hotels PLC No. 75, Braybrooke Place, Colombo 02.	Subsidiary	43%	43%	56%	56%	Operating a Tourist Hotel
Serendib Leisure Management Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	56%	56%	Provision of Hotel Management Services
Frontier Capital Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	-	56%	-	Operating a Tourist Hotel
Evolution Capital Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	-	56%	-	Operating a Tourist Hotel
Lantern Villas (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	-	56%	-	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%	24%	60%	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%	100%	100%	100%	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

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2018	2017	2018	2017	
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. 849, Worawat Building, 21st Floor, 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%	49%	49%	Airline Representation
Discover The World (Thailand) Co. LTD. 849, Worawat Building, 21st Floor, Silom Road, Bangrak, Bangkok.	Subsidiary	24%	-	60%	-	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
LOGISTIC AND MARITIME						
Far Shipping Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Shipping Agent
Far Shipping Agency Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	60%	60%	60%	60%	Shipping Agent
Hemas Transportation (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Investment Holding Company
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
Spectra Logistics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	50%	50%	50%	General Carries & Warehousing
Spectra Integrated Logistics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	50%	50%	50%	General Carries & Warehousing
Mazu Shipping (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01.	Subsidiary	100%	100%	100%	100%	Shipping Agent

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2018	2017	2018	2017	
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
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.	Associate	49%	49%	49%	49%	Online Pharmacy Services
Pulz Solutions (Pvt) Ltd. 8th Floor, Concept Nursery, SLIIT, New Kandy Road,Malabe.	Associate	30%	-	30%	-	Research & Development, Manufacturing and Sales & Distribution of Invention.
Hire 1 Technologies (Pvt) Ltd. No.199/29, Obesekara Crescent, Rajagiriya.	Associate	20%	-	20%	-	Providing Digital Logistics Services

TEN YEAR SUMMARY

Year Ended 31 March Rs'000	2018	2017	2016	2015
Operating Results				
Group Revenue	50,860,017	43,404,452	37,976,564	32,496,953
Profit Before Taxation	4,392,336	5,086,894	4,074,369	3,094,939
Taxation	1,441,523	1,333,044	1,148,399	704,200
Profit After Taxation	2,950,813	3,753,850	2,925,970	2,390,739
Profit Attributable to the Parent	2,687,457	3,491,478	2,653,208	1,927,051
Equity & Liabilities				
Stated Capital	5,960,450	5,741,038	5,722,837	1,600,603
Reserves	2,097,672	2,262,995	2,081,186	1,327,720
Retained Earnings	18,522,441	16,907,218	14,187,670	12,730,653
Non Controlling Interests	4,440,044	3,217,800	2,661,619	2,263,623
Non Current Liabilities	4,954,931	3,195,557	4,236,430	4,244,615
Current Liabilities	21,786,602	15,993,943	13,437,433	12,271,106
	57,762,140	47,318,551	42,327,175	34,438,320
Assets				
Property, Plant and Equipment	18,069,039	13,525,589	12,764,329	11,465,089
Investment Property	1,507,474	1,472,928	1,735,779	1,763,665
Leasehold Property	766,809	828,405	115,751	109,545
Intangible Assets	3,445,167	954,060	852,339	755,953
Investments (Joint Ventures, Associate & Others)	1,785,584	2,011,322	2,102,962	2,091,425
Deferred Tax Assets	61,510	57,400	47,829	72,731
Current Assets	32,126,557	28,468,847	24,708,186	18,179,912
	57,762,140	47,318,551	42,327,175	34,438,320
Key Indicators				
Earnings Per Share (Rs.)	4.68	6.10	4.71	3.74
Dividends Per Share (Rs.)	1.85	1.40	1.10	1.10
Dividend Cover (No. of Times)	2.54	4.36	4.28	3.40
Interest Cover (No. of Times)	6.87	9.21	7.70	7.33
Net Asset Per Share (Rs.)	46.23	43.50	38.41	30.39
Cash from Operating Activities (Rs.'000)	5,782,146	3,005,374	4,250,945	3,329,052
Current Ratio (No. of Times)	1.47	1.78	1.84	1.48
Gearing (%)	18.72	16.04	18.55	26.86
ROE (%)	10.44	14.89	14.09	12.86

2014	2013	2012	2011	2010	2009
27,259,281	26,974,910	22,210,017	18,552,220	15,221,418	15,342,278
3,192,344	2,406,155	1,521,080	1,569,345	1,094,719	856,932
469,673	472,422	259,772	214,154	160,075	137,854
2,722,671	1,933,733	1,261,308	1,355,191	934,644	719,078
2,409,276	1,657,655	1,164,525	1,210,159	901,730	775,128
1,600,603	1,600,603	1,600,603	1,468,426	1,369,223	1,369,223
1,492,495	1,724,228	1,601,854	646,083	805,983	837,675
11,207,426	8,828,511	7,447,822	6,613,376	5,516,910	4,821,392
3,329,111	2,259,037	1,990,665	1,589,630	1,488,104	837,062
4,322,629	2,613,184	1,938,996	2,203,470	1,570,430	2,000,989
10,174,363	6,757,388	8,075,746	6,585,210	5,316,281	4,969,471
32,126,627	23,782,951	22,655,686	19,106,195	16,066,931	14,835,812
12,563,655	10,038,723	10,283,616	7,446,650	7,033,615	7,180,680
1,683,130	578,453	474,685	1,309,965	1,261,410	1,178,710
145,847	90,592	94,455	98,386	61,845	64,911
1,333,219	436,670	461,499	491,318	333,073	191,214
2,854,479	2,033,993	503,468	445,257	241,564	257,924
58,580	39,596	35,621	35,014	22,805	21,832
13,487,717	10,564,924	10,802,342	9,279,605	7,112,619	5,940,541
32,126,627	23,782,951	22,655,686	19,106,195	16,066,931	14,835,812
4.68	3.22	2.27	2.36	1.76	1.51
0.75	0.55	0.50	0.70	0.36	0.25
6.05	5.82	4.50	3.40	4.90	6.00
7.15	7.50	4.30	6.20	3.30	2.80
27.75	46.15	20.70	17.30	15.10	13.80
2,686,659	1,863,616	1,096,261	1,994,663	1,407,985	1,458,434
1.33	1.56	1.34	1.40	1.30	1.20
25.90	25.50	25.00	27.80	25.80	32.90
18.21	14.50	12.00	14.60	12.30	11.50

SHARE & DEBT INFORMATION

1. Analysis of Shareholders as at 31-Mar-2018

Shareholdings	RESIDENT No.of Shareholders	RESIDENT No.of Shares	RESIDENT Percentage (%)	NON-RESIDENT No.of Shareholders	NON-RESIDENT No.of Shares	NON-RESIDENT Percentage (%)	TOTAL No.of Shareholders	TOTAL No.of Shares	TOTAL Percentage (%)
1 to 1000 Shares	2,826	1,127,329	0.19%	25	11,919	0.00%	2,851	1,139,248	0.19%
1001 to 10,000 Shares	935	2,981,931	0.52%	18	89,337	0.02%	953	3,071,268	0.54%
10,001 to 100,000 Shares	194	5,546,196	0.96%	15	347,406	0.06%	209	5,893,602	1.02%
100,001 to 1,000,000 Shares	31	8,604,304	1.50%	20	7,221,533	1.26%	51	15,825,837	2.76%
Over 1,000,000 Shares	13	377,106,385	65.59%	31	171,897,919	29.90%	44	549,004,304	95.49%
	3,999	395,366,145	68.76%	109	179,568,114	31.24%	4,108	574,934,259	100.00%

2. Categories of Shareholders

	No.of Shareholders	No. of Shares
Individual	3,856	37,270,408
Institutional	252	537,663,851
	4,108	574,934,259

3. Share Trading

	2018	2017
Market Price		
Highest Price	154.90	110.00
	30/6/2017	22/3/2017
Lowest Price	108.00	81.00
	3/4/2017	6/4/2016
As at year end (Rs.)	124.90	108.70
No. of Trades	3,216	3,224
No of Shares Traded	45,206,524	51,533,534
Value of Shares Traded (Rs. Mn)	6,114	5,193
Market Capitalisation (Rs Mn)	71,809.16	62,256.00

4 Computation of Public Shareholding

As at 31 March	2018 No of shares
Issued Share Capital as at 31 March 2018	574,934,259
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	18,240,790
Spouses of Directors and Chief Executive Officer	-
Key Management Personnel	-
Close Family Members (b)	2,750,000
Controlling Interest (c)	348,720,825
Over 10% Holding	-
Public Holding	205,222,644
Public Holding as a % of Issued Share Capital	35.69%
Total Number of Shareholders	4,108
Number of Persons Holding Shares Excluded when Computing Public Holding %	12
Number of Shareholders representing the Public Holding	4,096

5 Major Shareholders

	List of 20 Major Shareholders as at 31St March	2018 No of Shares	%	2017 No of Shares	%
1	A Z Holdings (Private) Limited	90,762,875	15.79	90,762,875	15.85
2	Saraz Investments (Private) Limited	86,396,035	15.03	86,396,035	15.09
3	Blueberry Investments (Pvt) Ltd	85,781,250	14.92	85,781,250	14.98
4	Amagroup Pvt Ltd	85,780,665	14.92	85,780,665	14.98
5	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	40,804,579	7.10	44,673,822	7.80
6	Citibank Newyork S/A Norges Bank Account 2	17,184,764	2.99	8,988,919	1.57
7	HSBC International Nominees Ltd-JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets	14,964,257	2.60	14,964,257	2.61
8	BNYMSANV-Re-First State Investments ICVC-Stewart Investors Indian Subcontinent Fund	11,962,613	2.08	11,962,613	2.09
9	BNYMSANV Re-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund	9,745,440	1.70	8,286,047	1.45
10	CB London S/A Verdipapirfondet Holberg Rurik	7,863,006	1.37	-	-
11	HSBC Intl Nom Ltd-JPMCB-Pacific Assets Trust Plc	6,793,862	1.18	4,344,132	0.76
12	Mr. M. A. H. Esufally	5,946,500	1.03	5,946,500	1.04
13	HSBC Intl Nominees Ltd-JPMCB-Scottish ORL SML TR GTI 6018	5,884,769	1.02	8,006,561	1.40
14	Mr. H.N. Esufally	5,586,705	0.97	5,586,705	0.98
15	BNYMSANV Re-First State Investments ICVC-Stewart Investors Global Emerging Markets Sustai	5,036,288	0.88	3,317,420	0.58
16	Mr. I.A.H. Esufally	4,424,000	0.77	4,424,000	0.77
17	Mellon Bank N.A.-Florida Retirement System	4,407,711	0.77	3,062,621	0.53
18	HSBC Intl Nom Ltd-State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Maste)	4,066,195	0.71	3,949,115	0.69
19	HSBC Intl Nom Ltd-SSBT-Allianz Global Investors Fund-Allianz Emerging Asia Equity	3,655,431	0.64	-	-
20	BNYMSANV Re-First State Investments ICVC-First State Asia All-Cap Fund	3,600,452	0.63	191,606	0.03
		500,647,397	87.10	476,425,143	83.20

SHARE & DEBT INFORMATION

a) Directors' Shareholding

	2018	2017
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. J. M. Trivedi	-	-
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 2018	31 March 2017
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 2018	31 March 2017
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

Employee Share Option Plan as At 31 March 2018

	Date of Grant	Employee Category	Shares Granted	Expiry date	Option Grant Price (Rs.)	Shares Adjusted	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	-	1,780,306	12,500	466,827	-	794,117	794,117	-	82.00
		Executive Directors	687,500				180,000	-	130,520	-	376,980	376,980	-	
		Senior Executives	2,366,250				1,600,306	12,500	336,307	-	417,137	417,137	-	
Grant 2	27.07.2016		3,008,750	26.07.2020	87.50	-	608,820	96,250	490,633	-	1,813,047	1,813,047	-	87.50
		Executive Directors	687,500				-		153,490	-	534,010	534,010	-	
		Senior Executives	2,321,250				608,820	96,250	337,143	-	1,279,037	1,279,037	-	
Grant 3	27.07.2017		3,420,000	26.07.2021	149.50	-	-	215,000	-	-	3,205,000	-	3,205,000	149.50
		Executive Directors	687,500				-	-	-	-	687,500	-	687,500	
		Senior Executives	2,732,500				-	215,000	-	-	2,517,500	-	2,517,500	

GLOSSARY

Asset/Capital Employed
Average total assets divided by average capital employed

Asset Turnover
Total revenue divided by average total assets.

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 (EPS)
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.

Quick Ratio

Current assets minus inventory, divided by current liabilities.

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 Fifteenth 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 29th day of June 2018 at 3.30 p.m. for the following purposes;

AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2018 together with the Reports of the Directors and Auditors thereon.

2. To re-elect, Mr. Husein N. Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.

3. To re-elect, Mr. Imtiaz A. H. Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.

4. To re-elect, Mr. Steven M. Enderby who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.

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 of the Companies Act No.07 of 2007 shall not apply to Mr. Ramabadran Gopalakrishnan who has attained the age of 72 and that he be re-elected a Director of the Company."

6. To re-elect, Mr. Jyotindra M. Trivedi who retires in terms of Article 72 of the Articles of Association, as a Director.

7. To declare a final dividend of Rs. 1.45 per Ordinary Share as recommended by the Board.

8. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.

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

10. To consider any other business of which due notice is given

By order of the Board of,
HEMAS HOLDINGS PLC

Hemas Corporate Services (Private) Limited
Secretaries

25 May 2018.

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 Hemas House 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	whom failing
Mr Jyotindra Manibhai Trivedi of Colombo 2	

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Friday the 29th day of June, 2018 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 2018 together with the Reports of the Directors and Auditors thereon.		
2. To re-elect, Mr. Husein N Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
3. To re-elect, Mr Imtiaz A. H. Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
4. To re-elect, Mr. Steven M Enderby who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
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.		

Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

		For	Against
6.	To re-elect Mr. Jyotindra Manibhai Trivedi who retires in, in terms of the Article 72 of the Articles of Association, as a Director.		
7.	To declare a final dividend of Rs. 1.45 per Share as recommended by the Board.		
8.	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.		
9.	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 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 Hemas House, 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
31 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
J M Trivedi

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
S. M. Enderby

Secretaries
Hemas Corporate Services (Pvt) Ltd
No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731 (hunting)
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
The 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
Digital Plates & Printing by Karunaratne & Sons (Pvt) Limited