Enriching a Nation

70 years of nurturing lives and serving the nation

Hemas Holdings PLC | Annual Report 2018/19

ENRICHING A NATION

70 years of nurturing lives and serving the nation

Through 70 years, we at Hemas have proudly and successfully developed our business operations in Sri Lanka. Our company has been driven by a 'people-philosophy' which has become the bedrock upon which we continue to grow our business and develop an unmatched portfolio of products and services.

Our fundamental corporate desire has always been to upgrade the lifestyles of the Sri Lankan people by offering world-class local brands that provide our nationwide customer base the best in quality at an affordable price. Our investments in sectors ranging from consumer products to leisure, healthcare, logistics and maritime have continued to grow, keeping in mind future ready innovations, conveniences and comfort demanded by our fast evolving youthful customer base.

Today, we are touched to be considered and loved as a household name in this country. What is most important to us, is that our business has truly improved the lives of the Sri Lankan people in many ways. This has always been the purpose of our brand. We are humbled by our growth and expansion, employing and empowering people, supporting communities and contributing to the nation's development while being a truly great and loved Sri Lankan brand.

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ABOUT THIS REPORT

The Hemas Holdings PLC 2018/19 Annual Report is its first integrated report based on the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), containing an overview of the Group's triple bottom line performance for the financial year ended 31st March 2019.

The Report covers the Group's financial performance, its environmental and social performance as well as the corporate governance framework and risk management process, with each linked to addressing the significant impacts to the Group. The Group's previous communication of its progress was its Annual Report 2017/18.

The Report highlights the Group's overall value creation strategy with regard to its operations, through risk management, addressing of key sustainability concerns and corporate governance. The Report also provides an overview of the Group's future strategies and integrated approach in managing its six capitals, risks, and opportunities through the utilisation of a comprehensive sustainability management framework that is in place.

The reporting scope and boundary, the method in determining materiality and the Group's stakeholder engagement methodology are detailed in the 'Sustainability Integration' section of this report. All information contained in this report has been reviewed internally by the Senior Management of the Group, and also verified independently, in accordance to the policies and methodologies carried in the 'Corporate Governance' section of this report.

The 61 legal entities of the Group, create the financial reporting boundary of this Report, while 35 legal entities form the sustainability reporting boundary of this Report. Geographically, the non -financial information containing in this Report has been limited to Hemas Holdings PLC's operations within Sri Lanka; data has primarily been compiled at different locations of operation and thereafter consolidated to reflect sector and Group performance.

One significant operational change was made to the reporting boundary during the year, Hemas Southern Hospitals (Private) Ltd. was divested by the Group. Any restatement of information in regards to financial and non-financial performance are clearly highlighted in the relevant sections of the report

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

STANDARD AND PRINCIPLES

Reporting
- Integrated Reporting Framework of the International Integrated Reporting Council

Governance
- Laws and regulations pertaining to Companies Act No. 7 of 2007.
- The Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revision to date
- Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Financial Reporting
- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.

Sustainability Reporting
- This Report has been prepared in accordance with the GRI Standards: Core Options

For information regarding this Annual Report please contact:
Hemas Corporate Services (Pvt) Ltd,
Hemas House No 75, Braybrooke Place, Colombo 2.
Tel: 4731731 Ext - 1106

VISION/MISSION

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

WHO WE ARE...

Hemas Holdings PLC touches the lives of millions of loyal customers, every day, via its Consumer, Healthcare, Mobility, Leisure, Travel and Aviation products and services.

Over a span of seven decades, Hemas has delivered an award-winning range of diversified products and services that continue to help enrich lives, empower business, and make a positive contribution to the nation's economic development. Hemas has also expanded regionally with operations in Bangladesh. West Bengal and Myanmar.

Hemas Holding 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.

HEMAS

AWARDS AND ACCREDITATIONS

AWARDS

Hemas Holdings PLC

Corporate Health and Productivity Award by Japanese External Trade Organisation and the Chamber of Young Lankan Entrepreneurs.

- Extra Large Company Category – Gold Award

Atlas Axillia Company (Private) Limited

Sri Lanka Standards Institution (SLSI)

- National Quality Category - Gold Award

Japan Sri Lanka Technical and Cultural Association

- Nagaaki Yamamoto Kaizen/ Lean Category – Gold Award

National Productivity Secretariat

- National Productivity Category – Second Place

National Convention of Quality and Productivity Awards 2018

- Quality Circles Category – Five Gold Awards, One Silver Award and One Bronze Award
- Continuous Improvement Category – Two Gold Awards and One Silver Award
- Individual Kaizen Suggestion Category – Silver Award

Hemas Manufacturing (Private) Limited

SLIM Brand Excellence Awards

- Turnaround Brand of the Year – Gold Award (*Kumarika* Shampoo)

Effie Awards

- Most Effective Brand of the Year (*Velvet* Soap)
- 'David and Goliath' Marketing Campaign – Gold Award (*Velvet* Body Lotion)
- Sustained Success – Silver Award (*Velvet* Soap)
- Personal Care Category – Silver Award (Baby Cheramy)

SLIM Digis Awards

- Personal Care Category – Bronze Award (*Dandex*)

Bangladesh Brand Forum

- Second Most Loved Brand in Personal Care Hair Oil Category in Bangladesh – *Kumarika* Hair Oil

NCE Export Awards

- Other Industrial Products (Medium Category) – Silver Award (FMCG)

Hemas Travels Limited

- Top Agent – Merit Award (Singapore Airlines)
- Best Agent – Merit Award (Korean Airlines)
- Outstanding Sales Achievement Partnership Support Award – (Malaysian Airlines)

Ministry of Tourism - Indonesia

- Great continues effort and support in promoting tourism to Indonesia

FAR Shipping Agency Lanka (Private) Limited

Third Place – Top Five Customers at Sri Lanka Ports Authority for the biggest throughout in the Teus for the year 2017.

Forbes Air Services (Private) Limited

- Innovation Award - Emirates Sky Cargo Team

Hemas Aviation Group

- Valued GSA Award - IndiGo Airlines
- Special Recognition Reward - Malaysian Airlines Cargo

Hemas Hospitals

National Business Excellence Awards 2018

- Healthcare Category - Silver Award

Special Award of Recognition for high quality healthcare provided to Seychelles by His Excellency Maithripala Sirisena – Hemas Hospital, Thalawathugoda.

Employer Branding Awards by World Human Resource Development (HRD) Congress

- Sri Lanka Best Employer 2018-19

Serendib Hotels PLC

Club Hotel Dolphin

- Holiday Check 2019 Award
- Trip Advisor Certificate of Excellence 2019
- TUI TOP QUALITY 2019
- Travellife Gold Certification for Sustainability in Tourism – 2016/18

Hotel Sigiriya

- Travellife Gold Certification for Sustainability in Tourism – 2016/18
- Trip Advisor Certificate of Excellence 2018
- Guest Review Awards 2018 Booking.com - 8.6/10

Avani Bentota

- Travellife Gold Certification for Sustainability in Tourism – 2016/18

Hemas Pharmaceuticals (Private) Limited

- Best Business Associate EM & EU – CIPLA
- Asia Area Growth Acceleration Award for Sri Lanka by AstraZeneca

ACCREDITATIONS

Hemas Maritime (Private) Limited
- ISO 9001:2015

FAR Shipping Agency Lanka (Private) Limited
- ISO 9001:2015

Atlas Axillia Company (Private) Limited
- ISO 9001:2015
- ISO 14001:2015
- ISO 18001:2007

Morison PLC
- GMP – Good Manufacturing Practices certification

Hemas Manufacturing (Private) Limited
- Dankotuwa Manufacturing Facility - ISO 14000 EMS (Environment Management System)
- OHSAS 18001

Hemas Hospitals
- Australian Council on Healthcare Standards International Accreditation
- OHSAS 18001 Certificate for Occupational Health & Safety
- ISO 15189:2012 Accreditation for Clinical Laboratories – Wattala & Thalawathugoda labs

MEMBERSHIPS

Hemas Holdings PLC
- Ceylon Chamber of Commerce
- National Committee on Early Childhood Care and Development
- Ceylon National Chamber of Industries
- Biodiversity Sri Lanka

Mazu Shipping (Private) Limited
- Sri Lanka Association of NVOCC Agents (SLANA)
- Sri Lanka Association of Vessel Operators (SLAVO)

Hemas Maritime (Private) Limited
- Ceylon Association of Ship Agents (CASA)

FAR Shipping Agency Lanka (Private) Limited
- Ceylon Association of Ship Agents (CASA)

Spectra Logistics (Private) Limited
- Association of Container Depot Operations in Sri Lanka (ACDO)
- Association of Container Transporters (ACT)

Hemas Aviation Group
- Sri Lanka Association of Airline Representatives
- Travel Trade Sports Club
- Sri Lanka Malaysia Business Council
- Skal International Colombo
- Sri Lanka China Business Council
- Indo Sri Lanka Business Council

Morison PLC
- Sri Lanka Pharmaceutical Manufacturers Association (SLPMA)
- Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI)

Hemas Manufacturing (Private) Limited
- Ceylon Chamber of Commerce
- Cosmetic Manufacturers Association in Sri Lanka
- Employers' Federation of Ceylon

Hemas Travels Limited
- International Air Transportation Association of Sri Lanka
- Travel Trade Sports Club
- Travel Agents Association of Sri Lanka (TAASL)

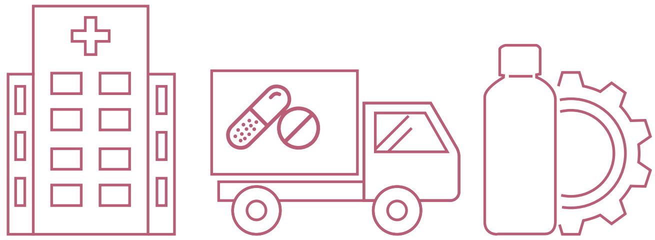
Hemas Hospitals
- Corporate Member of International Federation of Clinical Chemistry (IFCC) 2018 for Laboratories
- Clinical Laboratory Standards Institute (CLSI) Associate Membership 2018 for Laboratories
- American Association for Clinical Chemistry (AACC) Membership for Laboratories
- Employers' Federation of Ceylon
- Private Health Services Regulatory Council
- Private Hospital Association

Diethelm Travels
- SLAITO – Sri Lanka Association of Inbound Tour Operators
- PATA – Pacific Asia Travel Association

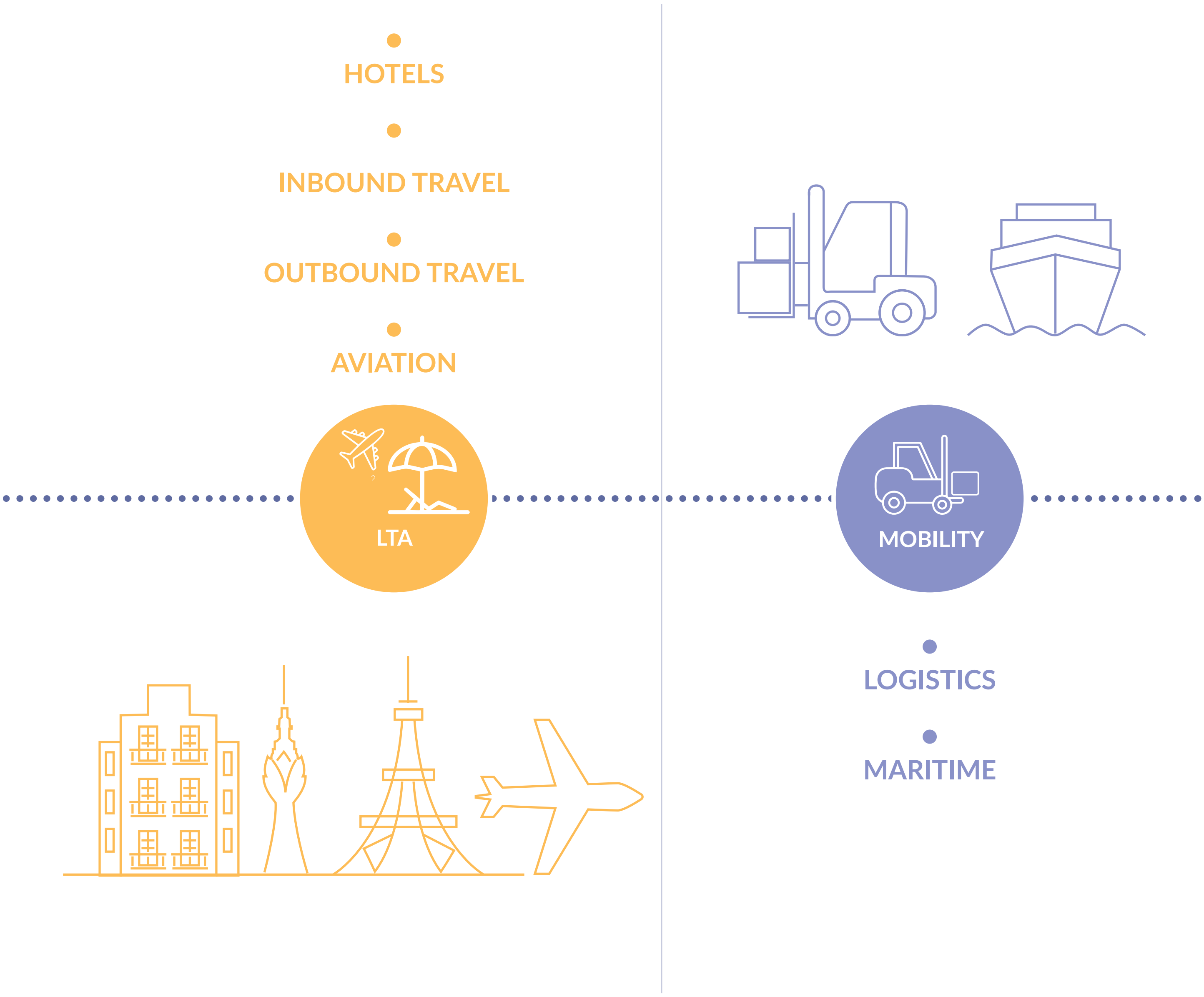
Hemas Pharmaceuticals (Private) Limited
- Sri Lanka Chamber for Pharmaceutical Industry
- Sri Lanka Devices Chamber
- Ceylon Chamber of Commerce – Imports
- Pharma Promoters Association

SECTORAL STRUCTURE

- HOME & PERSONAL CARE
- SCHOOL & OFFICE STATIONERY
- MORISON OTC



- HOSPITALS
- PHARMACEUTICAL DISTRIBUTION
- MORISON - PHARMACEUTICAL MANUFACTURING


HOTELS
INBOUND TRAVEL
OUTBOUND TRAVEL
AVIATION
LTA
MOBILITY
LOGISTICS
MARITIME

VALUE CREATION STRUCTURE

CAPITALS	INPUTS
Financial And Manufactured Capital	• Equity Capital • Debt Capital • Operational cashflow • Property, Plant and Equipment
Natural Capital	• Water • Fossil Fuel • Biodiversity and surrounding nature • Human Capital
Human Capital	• Employee Diversity • Skills • Training • Occupational Health and Safety practices • Employee Wellness
Social And Relationship Capital	• Dedicated Corporate Social Responsibility Foundation • Community Development • Stakeholder Management • Marketing and Labelling
Intellectual Capital	• Research and Development • Patents • Trademarks • Know-how • Dedicated Innovation • Entrepreneurship

OUTPUT

- Profitability growth
- Shareholder return

- Energy efficiency
- Management of emissions and carbon footprint
- Management of effluents and waste
- Environmental Conservation

- Talented and efficient workforce
- Safer work environment
- Healthier workforce
- Increase productivity
- Empowerment

- Enhanced livelihood of communities
- Social license to operate
- Strengthened supply chain
- Better stakeholder relationship
- Accelerating Noticeable Brand Superiority

- Value added to shareholders
- Competitive advantage
- Fuel Investments
- New business opportunities

FINANCIAL HIGHLIGHTS

Year Ended 31 March 2019		2018/19	2017/18	Change %
Operating Results				
Group Revenue	LKR 000	64,082,154	49,874,384	28.5%
Operating Profit	LKR 000	5,661,325	4,245,095	33.4%
Profit Before Taxation	LKR 000	5,093,140	4,392,336	16.0%
Profit After Taxation	LKR 000	3,679,236	2,950,813	24.7%
Profit Attributable to the Parent	LKR 000	3,369,279	2,687,457	25.4%
Gross Dividend Paid	LKR 000	2,835,266	1,061,024	167.2%
Cash From Operations	LKR 000	1,813,421	5,782,146	-68.6%
Financial Position				
Total Assets	LKR 000	62,749,400	57,698,581	8.8%
Equity Attributable to Equity Holders of the Parent	LKR 000	28,098,644	25,478,883	10.3%
No. of Shares	No. '000	596,043	574,934	3.7%
Gearing	%	18.2%	19.7%	-7.6%
Shareholder Information				
Return on Equity	%	12.6%	10.7%	17.5%
Earnings per Share	LKR	5.65	4.52	25.0%
Dividend per Share	LKR	4.93	1.85	166.5%
Dividend Payout	%	87.3%	23.0%	280.0%
Net Assets per Share	LKR	47.14	44.32	6.4%
Market Capitalisation	LKR 000	44,703,257	71,809,257	-37.7%
Price Earnings Ratio	Times	13.27	27.63	-52.0%
Market Price as at 31st March	LKR	75.00	124.90	-40.0%

NON-FINANCIAL HIGHLIGHTS

GRI Standard Indicator	Non – Financial Performance Indicator	*2018/19	2017/18
	Economic Indicators		
GRI 201 -1	Direct Economic Value Added (LKR'000)	2,582,66 2	1,519,645
	Environmental Indicators		
GRI 302 -1	Energy Consumption (GJ)	2,373,988	2,445,746
GRI 303 -3	Total Water Withdrawal (m^3)	413,339	352,690
GRI 305 -1	Direct GHG Emissions – Scope 1 (MT)	5,183	5,371
GRI 305 -2	Direct GHG Emissions – Scope 2 (MT)	16,789	12,302
	Total Carbon Footprint	21,972	17,673
	Carbon Footprint per LKR of Revenue	0.34	0.35
GRI 306 -2	Total Weight of Waste Disposed (MT)	2,623,412	132,042
GRI 306 -3	Number of Significant Spills	None	None
GRI 307 -1	Monetary Value of Significant Environmental Fines**	None	None
	Labour Indicators		
GRI 401-1	Total Workforce	8,095	7503
	Total Attrition Rate (Percent)	22.3	28.0
GRI 403 -9	Injury Rate	0.57	0.83
GRI 404 -1	Average Hours of Training per Year per Employee	9.7	10.4
	Human Rights Indicators		
GRI 408 -1	Number of Incidents of Child Labour	None	None
GRI 409 -1	Number of Incidents of Forced Labour	None	None
	Social Indicators		
GRI 419 -1	Value of Fines for Non-Compliance with Laws and Regulations in the social economic area	None	None

* The data for 2018/19 contains Quarter 1 and Quarter 2 data for Hemas Southern Hospital as during Quarter 3 it was divested by the Group

**Instances of significant fines over Rs. 1 million

CHAIRMAN'S MESSAGE

> Our main priority in the coming year is to make our organisation 'Future Ready' and we will drive this agenda both by simplifying the way we work as a Group, and, also within each of our business units.

Recent events

At the time of writing, it has been a month since Easter Sunday when multiple bomb blasts shattered the decade long peace that most Sri Lankans had taken for granted. We deplore in the strongest possible terms this despicable act of terrorism which took so many innocent lives and injured many more, leaving so many families and communities devastated.

Whilst our political leaders have been found wanting, the country is fortunate to have a highly advanced military intelligence capability that has quickly taken control of the situation, and restored normalcy for the most part.

Macroeconomy

Globally, economic growth in 2018 eased to 3.2%—significantly lower than predicted in early 2018. Emerging markets were particularly tested this past year as capital outflows and equity market corrections resulted in significant currency pressure.

Sri Lanka's economy faced dual challenges over the period under review. Both unprecedented currency devaluation and political upheaval impaired economic growth, slowing the country down to 3.2% annual GDP growth—an 18-year low. Weaker consumer demand continued to play out through the year, despite a modest revival over 2017. The Sri Lankan Rupee fell over 14% against the dollar during the period under review, adding to a strained operating environment for domestic businesses.

On a positive note, the IMF programme supported by its Extended Fund Facility (EFF), which was suspended in November 2018 as a result of the political crisis, was resumed in May 2019. Sri Lanka also climbed up 11 places to rank at 100 in the World Bank's Doing Business Index over the previous year, as more transparent procedures for licensing and commercial dispute resolution were put in place.

Despite these steps forward, the experiences of late 2018 and 2019 have brought into an ever clearer light that the engines of economic growth must be fired up and sustained by a stable, united framework of national governance.

Performance

Whilst undertaking significant programmes intended to transform our businesses, develop leadership, consolidate acquisitions and infuse us with purpose; Hemas Holdings revenues grew by 28.5%, Operating profit by 33.4% and Earnings by 25.4% which resulted in an improvement of our Operating margin to 8.8%.

In the Consumer vertical, sharp and sudden Rupee depreciation over two periods left us with little room to adapt in both Home and Personal Care (H&PC) and Atlas businesses. Consumer spending remained anemic with the entire FMCG industry growing at 4.9%. In this scenario, the H&PC business did well to grow ahead of the market in Sri Lanka. Our operations in Bangladesh saw a modest recovery and is poised for a new phase of expansion.

The integration of Atlas has gone as planned, with a new Managing Director at the helm, and we are upbeat about the sector although performance this year was challenged by unexpected commodity price sharpness which was amplified by the Rupee depreciation.

In Healthcare, our Pharmaceutical margins continue to be pressurised with price control regulations disallowing adjustments for exchange rate movement. Naturally this is unsustainable, and Manufacturers are reviewing their continued commitment to this market and going forward patients may well be deprived of choice in this essential industry.
We continue to make the strongest possible appeals to regulators to establish a pricing formula providing certainty for Manufacturers, and other stakeholders across the value chain.
Morison's new plant is on track to start its first commercial run during the latter part of the coming year which adds a significant domestic production asset to Sri Lanka's pharmaceutical landscape. Our Hospitals had a strong

CHAIRMAN'S MESSAGE

year serving a wider range of patients and adding several new therapies.

Our Leisure sector had a year of sustained recovery and a strong winter season. In Mobility, the Spectra Integrated Logistics facility saw a good uptick in activity as we consolidated our warehousing, with the focus now on filling capacity. The Maritime business benefitted from the growth in activity at the Port of Colombo.

A fuller commentary on our performance will be provided in the CEO's review.

Sustainability

Ayati (meaning 'hope'), a National Centre of Excellence for Children with Disabilities is scheduled to open in the coming year. The Centre will be the first purpose-built facility of its kind, serving children in our community who are differently abled, with a wide range of therapeutic services. We added eight new pre-schools under our flagship community engagement project Piyawara in rural areas and continued the Big Heart educational scholarship programme to support 119 disadvantaged children.

As a Group that is early along in our sustainability journey, this year we strengthened our Sustainability Management Framework—the governance mechanism through which we manage sustainability as a metric of business performance. We have set ourselves challenging 2025 targets— 25% reduction in energy use against 2018, 25% of which will be delivered through renewable means. Our Group also strives to decrease our water consumption by 50% and send zero-waste to landfill. As a part of Hemas 70th Anniversary celebrations, our Green Club reforested large areas of land that had come under threat in Welioya and the Kotakanda Forest Reserve.

People

Hemas Future Leaders Programme graduated a third batch of rising stars in the Group this past year. We are especially proud that over 90% of those that went through this intensive leadership preparation over the past three years have moved further along in their careers and have experienced an enrichment of their roles, contributing significantly to your Company's strategic growth. As a responsible employer we were pleased to note that Hemas' employer supported childcare was recognised and used as a case study by #SheWorks Sri Lanka—an IFC-funded programme for Advancing Gender Equality at the Workplace.

Your Company marked its 70th anniversary this year. Staying true to our ethos of Abhimana, the year was filled with activities dedicated to our children. An event that stood most poignantly was a competition where Sri Lankan children were invited to submit their artistic interpretations exploring their Sri Lankan identity.

Your Company marked its 70th anniversary this year. Staying true to our ethos of Abhimana, the year was filled with activities dedicated to our children.

Governance and Board

We remain committed to improve the effectiveness of our Board, and during the year we initiated several improvements, including an annual evaluation of all Subsidiary Boards. Prof Nilanthi de Silva was appointed to the Board on October 1st, 2018 and we are confident that her rich experience in shaping the Healthcare landscape in this country will add value to our deliberations.

Future Outlook

Across our portfolio, whilst we would see some impact in the first quarter of the next financial year, we are confident that business would get back to normal thereafter. Our main priority in the coming year is to make our organisation 'Future Ready' and we will drive this agenda both by simplifying the way we work as a Group, and, also within each of our business units.

I would like to take this opportunity to thank each and every one of the Hemas family for your contribution over the last year and call on each one of us to redouble our efforts to fulfill our mission of 'Enriching Lives' through the various roles that we play in the organisation.

My sincere thanks to my colleagues on the Board for their wise counsel and guidance. I am humbled by the loyalty of our treasured customers, patients, many business partners and our valued shareholders as we forge ahead in our endeavors.

Husein Esufally
Chairman

24 May 2019

CEO’S MESSAGE

CEO'S MESSAGE

> We are fully committed to playing our part in building a unified and peaceful Sri Lanka. We don't permit any form of discrimination, in particular religious or ethnic.

12.6%

Return on Equity

Rs.5.7

Earnings per Share

Four weeks after the horrific events of Easter Sunday, they continue to impact our thinking. We thank and support the nation's security and intelligence services, who are working tirelessly doing everything possible to minimise the risk of such events happening again. We continue to remember those who have been directly impacted by these terror attacks and are committed to help in whatever way possible to try and rebuild lives both psychologically and materially. We have also put in place stringent measures to ensure the safety and security of our staff and businesses, across all the sectors in which we operate, and have reviewed disaster recovery plans and insurance coverage. As always, we are fully committed to playing our part in building a unified and peaceful Sri Lanka.

Hemas celebrated its 70th birthday on 8th December 2018. Hemas is a great business today because it has been built on strong core values. Every employee is given a copy of the "Hemas Way", a booklet explaining these values. Central to these values is treating all our stakeholders whether they are employees, customers, distributors, business partners, retailers or government officials fairly and respectfully. We don't permit any form of discrimination, in particular religious or ethnic. Your company takes decisions based on our desire to delight our customers, improve our performance and develop our teams. In addition we are committed to reducing our impact on the environment and making a positive difference within every community in which we live and work.

I believe that our values have been demonstrated throughout our performance during a tough Financial Year 2018/19.

The Financial Year has been challenging, with a weak economic growth of 3.2%, the lowest for 18 years, a significant currency devaluation - 14% in the year to 31st March 2019, and the political crisis during Q3. Despite this, we have achieved strong growth crossing Rs. 60 billion in revenues for the first time and growing operating profit by 33.4% and earnings by 25.4%. Atlas, the country's leading school and office stationery brand, which we acquired in January 2018, has been a major factor in this growth.

As ever it has been a busy year with significant achievements as we have continued our strategy of building our consumer and healthcare interests.

Progress through 2018/19

We have successfully integrated Atlas into the Hemas family over the past 15 months. Atlas now contributes 14% to the Group revenue. This has been a great learning experience for all, Hemas benefitting from Atlas' focus on lean management while Atlas has tapped into Hemas' breadth of knowledge in brand building and understanding of regional markets.

We are continuing to build leadership teams through our Future Leaders Program (FLP), successfully completing the third round of FLPs this year.

We now have 74 Future Leaders in our team and it's great to see so many of them being promoted and taking on greater responsibilities within the Group.

During 2018/19 we have continued to strengthen our top leadership by attracting top talent from the market as well. Asitha Samaraweera, the new Managing Director at Atlas has over 12 years' leadership experience in FMCG businesses both in Sri Lanka and internationally. Zalmi Fazeel, our Group Chief Financial Officer joined us in September 2018. He has over 30 years of experience in the finance field having worked both in Sri Lanka and in the Middle East. Kapila Welmillage has taken on the new role of leading our strategic HR thinking and organisational transformation. Kapila has had a successful career across multiple functions both in multinational and local companies in Sri Lanka.

We are actively working towards meeting the Group's Environmental Goals for 2025, driven by our Group Environment Committee. During the year we reduced energy consumption by 3.0% and water intensity to 6.5m^3 per Rs/Mn of revenue.

We continue our innovative approach to corporate social responsibility with AYATI. We are building Sri Lanka's first national center for children with disabilities in partnership with the Faculty of Medicine, University of Kelaniya, and MAS Holdings. The centre will be operational in 2019.

Work is currently ongoing in building Morison's state of the art research and pharmaceutical manufacturing plant, with a capacity of 5 billion tablets per annum. The civil construction work is now 70% complete. This new plant is targeted to be a first in Sri Lanka, working at higher international quality compliance levels than any other plant in the country. It is expected to be operational by early 2020.

Driving the digital agenda, we launched Ayubo.life, our health app aimed at revolutionising health and wellness in Sri Lanka. The team at Hemas Hospitals are also using digital technologies to enhance both patient experience in our hospitals, as well as improve healthcare outcomes.

> We continue to improve health and well-being both within Hemas and across the country.

While we continue to improve health and well-being both within Hemas and across the country, our teams' efforts have been recognised by winning the Gold award at the first ever Corporate Health and Productivity awards organised by the Japanese External Trade Organisation and the Chamber of Young Lankan Entrepreneurs.

Sri Lanka's first Centre of Excellence for Diabetes Education was opened by the College of Endocrinologists in partnership with Morison PLC. The centre is being utilised by the nation's Endocrinologists to enhance their knowledge and to assist in Sri Lanka's efforts to address diabetes prevention and treatment.

> "I believe that our values have been demonstrated throughout our performance during a tough Financial Year 2018/19."

Continuing our push to be successful regionally, we have been working hard growing our Home and Personal Care business in Bangladesh and West Bengal, India. Our pharmaceutical distribution business continues to grow its presence in Myanmar.

We opened our 52nd Piyawara pre-school in Bandarawela in March, 2019 as we continued to provide quality early learning opportunities to the children across the country.

We opened our new logistics facility in the Muthurajawela Industrial Zone in September 2018. This facility is designed to deliver market changing 3PL services through its 30,000-square-meter container yard, with a capacity of 5,500 TEUs, and warehousing of 21,000 pallet positions.

And of course we had a great 70th birthday party!

Improving operational efficiencies

Given the challenging macro environment we have continued, across the business, to focus on operational improvement. We have numerous initiatives running in this regard, with our "Future Ready Programme" taking center-stage.

We have started to see the benefits of our "Future Ready Programme" in driving operational improvement in our Home and Personal Care business. The team worked hard on this through the Financial Year 2018/19 and we are now seeing the results flow through in improved operating margins both in the supply chain, as well as in the sales and distribution functions.

Similarly in our Pharmaceutical Distribution business, we are investing in an ambitious project to enhance the route to market efficiency, thereby ensuring sustainable and healthy margins for all stakeholders. This project is currently in its pilot phase.

Performance of the Company

The year under review was marked by major challenges, due to weak economic growth of 3.2% and steep currency depreciation of 14%. This resulted in a weakened consumer confidence impacting both Consumer and Healthcare consumption. However due to the strength of our brands, our focus on customers and by working hard on execution and cost management we delivered a robust performance with revenue growth of 28.5% and earnings growth of 25.4%.

The acquisition of Atlas and additional one-offs relating to the disposal gain from the sale of Hemas Southern hospital, fair value adjustments and unrealised exchange losses, impacted operating profit for the year. If we remove these we achieved full year revenue growth of 13.3% and operating profit growth of 9.2%, with weak economic growth, significant currency devaluation and price controls on pharmaceuticals being the critical factors depressing performance.

CEO'S MESSAGE

Our personal care categories achieved market share gains in an FMCG industry that grew at 4.9%. We experienced an overall weakened environment due to import tariff increases on raw materials and currency devaluation in the second half putting pressure on costs. Our homecare and personal wash categories experienced a slowdown over last year. Overall, we have achieved revenue growth of 5.9% domestically, with the successful relaunches in our core categories as the main contributing factor.

Our Home and Personal Care international business saw revenue growth of 17.2% during the period in review. We are continuing to invest in growing and revitalising our product portfolio in Bangladesh and West Bengal. Our Morison Over-The-Counter (OTC) consumer segment had a challenging year with changes in the regulatory environment in a poorly performing market. As a result, the Morison consumer segment reported a decline in revenue and profitability.

Our recent acquisition, Atlas contributed 13.7% to the Group's topline and 15.2% to operating profit, in line with expectations. On a like for like basis, Atlas recorded a revenue growth of 14.9% over the same period last year. Atlas' market share increased in its core categories, and has also seen growth in its new 'Back to School' segment comprising of school bags, lunch boxes and bottles. In recognition of its quality and lean management practices, Atlas was recently honoured with the Nagaaki Yamamoto KAIZEN Gold Award; emerging as the Overall Competition Winner for 2018.

Our healthcare sector achieved a consolidated revenue of Rs. 27.7 billion, a YoY increase of 20.3% while operating profit and earnings indicated a decline of 5.0% and 10.5% respectively. With an industry leading principal portfolio and established commercial excellence, our Pharmaceutical Distribution arm registered strong revenue growth. This was mainly on account of the latest addition of new principals last year, and the continued efforts to improve the existing portfolio. However, our operating margin declined due to the impact of price regulation and significant currency depreciation. Additionally, the increase in interest costs from working capital funding added to pressure on earnings.

> "Due to the strength of our brands, our focus on customers and by working hard on execution and cost management we delivered a robust performance with revenue growth of 28.5% and earnings growth of 25.4%."

We continue to work hard to restore margins through constructive engagement with our regulator on pricing strategy, and improve efficiency through route to market optimisation. Based on improved performance in Q4, exchange rate based price increases gazetted in May 2019 and the early success of our pilot projects for route to market improvement, we anticipate a better 2019/20.

Hospitals delivered good results during this financial year, registering an average occupancy rate of 60% across the two hospitals, Wattala and Thalawathugoda. The increase in the number of channeling, surgical and inpatient volumes during the year contributed towards improved operational performance in addition to the lean projects carried out at hospitals. Hospitals Group reduced its gearing due to the cash proceeds received through divesting Hemas Southern Hospital. The Hospitals Group recorded an overall underlying operating profit growth of 19.5% during the year.

Our Pharmaceutical Manufacturing business, Morison posted a segmental revenue of Rs. 2.6 billion and an operating profit of Rs. 238.7 million during 2018/19. Morison's underlying pharmaceutical revenue growth, excluding the Alcon distribution business, which we exited during the latter part of 2017/18, was 8.7%. Profitability was impacted due to pharmaceutical price controls and the significant rupee depreciation on raw material imports. Underlying earnings in the pharmaceutical segment recorded growth, contributing positively towards the healthcare sector earnings. The leadership team's primary focus is on developing an enhanced product portfolio for the new plant, which is under construction.

The Hemas Leisure, Travel and Aviation (LTA) sector achieved revenues of Rs. 5.0 billion, reflecting a growth of 19.4% during 2018/19. Serendib Hotels (SHOT) recorded a strong peak season, with an average occupancy reaching 91% across its owned hotels. Despite a robust revenue contribution, profitability at SHOT declined due to increased finance costs over last year, from the acquisition loan on Lantern and the partial closure of Avani Bentota for soft refurbishment. During the year, Anantara Peace Haven Tangalle improved performance with occupancy of more than 50% during the year, and 75% during the peak season. However the unrealised exchange loss from its foreign currency loan were a drag on Group profitability. The Inbound travel segment experienced a resurgence in operating performance following a restructuring process.

Hemas Logistics and Maritime sector recorded a moderate revenue growth of 0.7% over last year with revenues of Rs. 2.8 billion. The main contributors to the growth were increases in volume in the maritime sector. Although the logistics business experienced a modest growth in 3PL and warehousing segments during the year, profitability was impacted due to the sudden drop in demand in import cargo in Q3, as well as depreciation charges as commercial operations commenced at our new logistics facility.

Our technology business, N*able continued to design and execute innovative technology solutions for many leading Telecom and Financial Service companies during the year. N*able reported stable growth during the year.

> “Irrespective of any challenges thrown our way, I am confident in the strength of the Hemas team, and their ability to respond with a winning mentality and the strong values that have been nurtured over the last 70 years.”

Looking ahead

I want to thank my colleagues throughout the Group for their hard work in delivering these results during a tough year. As always, the guidance and counsel of the Hemas Holdings PLC Board of Directors, and indeed our many subsidiary company board directors, has been invaluable.

The new financial year has got off to a difficult start, with all our sectors being impacted by the horrific recent events. However despite the inopportune macro environment, and irrespective of any other challenges thrown our way, I am confident in the strength of the Hemas team, and their ability to respond with a winning mentality and the strong values that have been nurtured over the last 70 years. Driven by these values, we continue to uphold our mission of building great Sri Lankan brands as we play our part in meeting the healthcare needs of the nation.

Steven Enderby
Chief Executive Officer

24 May 2019

BOARD OF DIRECTORS

Left to Right

1 Abbas Esufally
Non-Executive Director

2 Ramabadran Gopalakrishnan
Independent Director

3 Dr. Anura Ekanayake
Independent Director

4 Prof. Nilanthi De Silva
Independent Director

5 Husein Esufally
Non-Executive Chairman

6 Shaktha Amaratunga
Independent Director

7 Dinesh Weerakkody
Independent Director

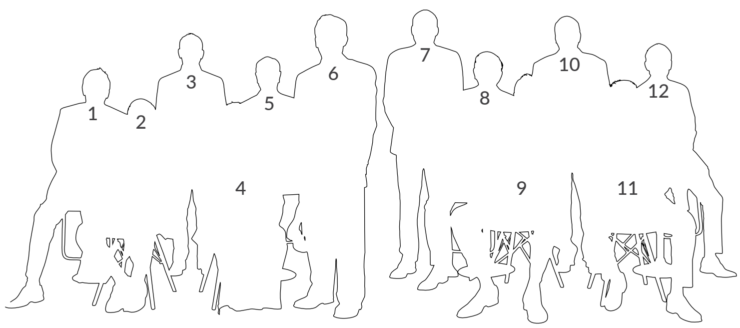
8 Jyotindra Trivedi
Independent Director

9 Murtaza Esufally
Executive Director

10 Imtiaz Esufally
Non-Executive Director

11 Malinga Arsakularatne
Executive Director

12 Steven Enderby
Executive Director / Chief Executive Officer



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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.

Whilst, Mr. Esufally serves as a Board member of the Ceylon Chamber of Commerce and several other companies, he is an active supporter of several social projects. Mr. Esufally holds a Bachelor of Science (Honors) 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 made the 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 40 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 and Diethelm Travel Sri Lanka (Pvt) Ltd. 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 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. He is the Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd, and is a Committee member of the Ceylon Chamber of Commerce. 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

With over 30 years of management experience, Mr. Esufally has been at the forefront of the Transportation industry in Sri Lanka. He presently holds the position of Chairman of the Board of Hemas Maritime (Pvt) Ltd and Spectra Logistics (Pvt) Ltd, along with board positions for the Group's Aviation and Travel companies, and Serendib Hotels PLC. Mr. Esufally also sits on the Audit Committee of Hemas Holdings PLC.

He is a Past President of the IATA Agents Association of Sri Lanka, and is a member of the Advisory Council of the Ceylon Association of Ships' Agents.

Mr. Imtiaz Esufally earned an Honours degree in Accounting and Economics from the University of Kent UK, and is an executive education alumnus of the International Institute for Management Development (IMD) in Switzerland. He is an old boy of St. Thomas' College Mt Lavinia, Sri Lanka.

Malinga Arsakularatne
Executive Director

Mr. Malinga Arsakularatne was appointed as the Managing Director of Hemas 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 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.

BOARD OF DIRECTORS

Ramabadran Gopalakrishnan
Independent Director

Mr. Ramabadran Gopalakrishnan has over 50 years of experience in professional management with 31 years in Unilever and 19 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 board of 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.

He is actively engaged in both instructional and inspirational speaking. He has also authored eight books and serves as Executive in Residence at the SP Jain Institute of Management & Research, Mumbai and is a Distinguished Professor of IIT Kharagpur.

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 Hatton National Bank PLC, the National Human Resource Development Council of Sri Lanka, Chairman of the 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.
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

Independent Director

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 of 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 US$12bn 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 and a limited partner of Disha Counsellors LLP. Mr. Trivedi also serves on the board of trustees of CORO which is an NGO working with the marginalised communities in India in the areas of grass root leadership, women empowerment and gender sensitivity.

Prof. Nilanthi De Silva

Independent Director

Prof Nilanthi De Silva is the Senior Professor of Parasitology at the University of Kelaniya and Director of the Quality Assurance Council of the University Grants Commission of Sri Lanka. She has a large body of research publications on intestinal worm infections and other tropical diseases and is an expert advisor on Neglected Tropical Diseases for the World Health Organisation. She has served in a similar advisory capacity for Children Without Worms in Atlanta, USA; Partnership for Child Development at Imperial College London; and Drugs for Neglected Diseases initiative in Geneva, Switzerland.

Prof De Silva was Dean of the Faculty of Medicine, University of Kelaniya from 2012 to 2018. She is a member of the Sri Lanka Medical Council, and currently its Vice-President. She also serves the Postgraduate Institute of Medicine of the University of Colombo in the Board of Study in Microbiology, the Speciality Board in Medical Education, and its Academic Affairs, Accreditation and Evaluation Committee. She is the Chairman of the Board of Trustees of the Ayati Trust Sri Lanka, a collaborative partnership between the University of Kelaniya, Hemas Outreach Foundation and MAS Holdings, which aims to establish a national centre of excellence for children with disabilities.

BOARD OF MANAGEMENT

Left to Right

1 Zalmi Fazeel
Group Chief Financial Officer

2 Asitha Samaraweera
Managing Director - Atlas Axillia Co. (Pvt) Ltd

3 Kasturi Chellaraja Wilson
Managing Director- Pharmaceuticals, Logistics and Maritime

4 Dimuth De Alwis
Group Human Resource Director

5 Himesh Fernando
Director – Innovation

6 Malinga Arsakularatne
Managing Director - Hemas Leisure, Travel and Aviation Group

7 Murtaza Esufally
Executive Director (HHL)/Managing Director - Morison PLC

8 Chandima Cooray
Chief Digital Officer

9 Roy Joseph
Managing Director - Hemas Manufacturing (Pvt) Ltd

10 Dr. Lakith Pieris
Managing Director – Hemas Hospitals

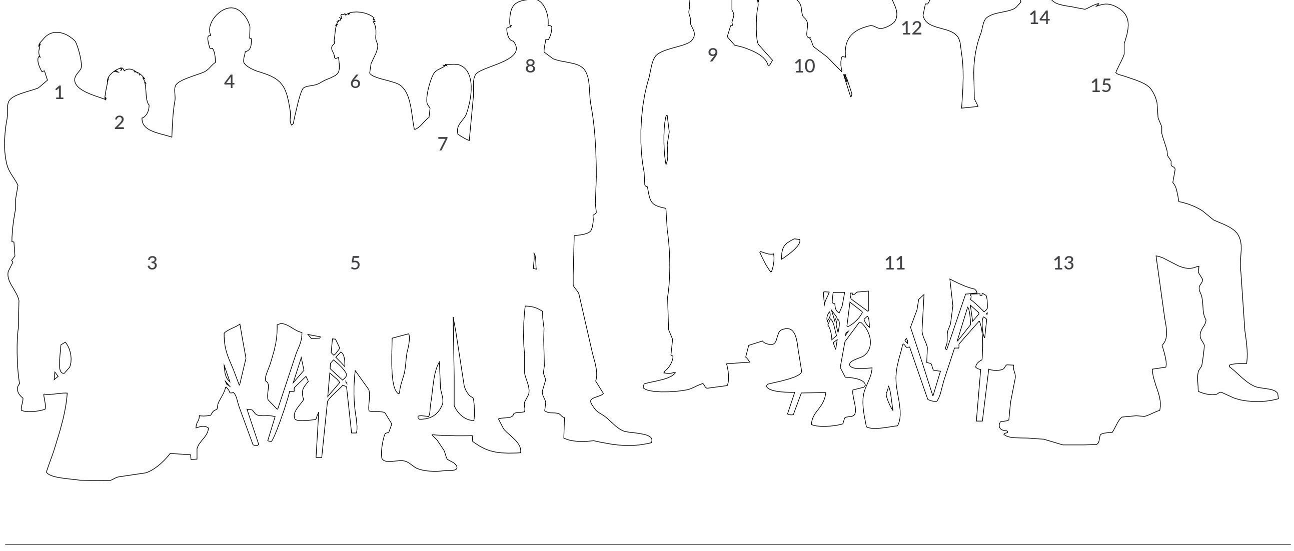
11 Kapila Welmillage
Managing Director – Talent Development and Transformation

12 Steven Enderby
Executive Director/ CEO

13 Ruwani Hettiarachchi
Director Strategy

14 Harith Perera
Director – Industry Relations and Business Development

15 Rakesh Khosla
Managing Director – Sri Lanka, Hemas Manufacturing (Pvt) Ltd



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BOARD OF MANAGEMENT

Harith Perera
Director - Industry Relations & Business Development

Harith is the Director - Industry Relations & Business Development for Hemas Leisure, Travel & Aviation Sector. 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. He was the MD of both companies since inception.
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

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 Havard Business School Alumni and a Fellow of the Chartered Institute of Management Accountants, UK. She also 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

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.

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.

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. Himesh was awarded the Eisenhower Fellowship for Innovation in 2018.

Dr. Lakith Peiris
Managing Director, Hemas Hospitals

Dr. Lakith Peiris is a well-known leader in the healthcare industry having been the CEO of Lanka Hospitals for over seven years. He played a key role in turning around and leading it to become one of the most successful hospitals in the country. Dr. Peiris is now the Managing Director of the Hemas Hospital chain and laboratories. Since his take over, Dr. Peiris has transformed Hemas Hospitals from a secondary care hospital chain serving an underserved population living outside Colombo to a fully-fledged tertiary facility to become Sri Lankas fastest growing hospitals and laboratory chain.

He has had more than 20 years of experience in top management as the head of the organisation at a host of healthcare related MNCs and Sri Lankan enterprises including B|Braun Asia Pacific, Lifeserv and ConvaTec A Bristol Myers Squibb Company of USA among others. He has introduced many international pharmaceutical, medical devices and surgical agency lines to Sri Lanka during his career in the pharmaceutical industry.

An old boy of St Thomas' College, Mount Lavinia, he holds a Doctorate in Business and Management from Malaysia and a Master's Degree in Business Administration from the University of Western Sydney, Australia. A certified Professional Marketer from the Asia Pacific Marketing Federation he holds a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing. He has memberships in a long list of professional Associations and Federations.

He is a member of the Private Health Services Regulatory Council and he serves the Regulatory Council in various sub-committees as well. In April 2018, Lakith Peiris was appointed as the Chairman of the Advisory Committee on Wellness Tourism of the Export Development Board of Sri Lanka by the Ministry of Development Strategies and International Trade through a special Gazette.

Rakesh Khosla
Managing Director – Sri Lanka, Hemas Manufacturing (Pvt) Ltd.

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.

BOARD OF MANAGEMENT

Ruwani Hettiarachchi
Director Strategy - Hemas Holdings PLC

Ruwani leads Strategy and Mergers & Acquisition for Hemas Holdings. 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.

Asitha Samaraweera
Managing Director - Atlas Axillia Company (Pvt) Ltd

Asitha Samaraweera currently is the Managing Director of Atlas Axillia Co. (Pvt) Ltd., a Hemas Holdings Group company.

Before his current role he counts over 12 years' experience in leading FMCG businesses both in Sri Lanka and overseas. Asitha was the CEO of CBL Cocos (Pvt) Ltd., and CBL Global Foods, both subsidiaries of Ceylon Biscuits Limited before joining Atlas Axillia. The company was a leading player in the coconut products industry with a substantial export interest.

Prior to his role at CBL, Asitha headed IFFCO (Frozen Foods) and GFI – leading Dubai-based FMCG companies for six years. The two companies are leading processed meat and frozen bakery product manufacturers in the Middle East.

Prior to his stint in the middle east he served as CEO of Keells Food Products and Vice President at John Keells Holdings PLC. Keells Food Products PLC is the leading processed food manufacturer and marketer in Sri Lanka

Asitha began his career with Nestle joining as a management trainee and rising in the ranks in the marketing arena. In his career in marketing he was involved in many successful campaigns which included the Nestomalt's defeat of Powermalt which is now a well known case study.

He has a background in Marketing with an MSc in International Accounting and Finance, London School of Economics one of the leading universities in the world. He also has a BSc in Business Administration, Washington University, St Louis, MO, USA. His Schooling was at St Thomas College, Mount Lavinia

Kapila Welmillage
Managing Director - Talent Development and Transformation

Kapila joined Hemas Holdings in January 2019 to lead Talent Development & Organisational Transformation. Prior to joining Hemas he was with Brandix group as a CEO for two years. He possesses over 20 years of senior management experience out of which 12 years with Coca-Cola Beverages Sri Lanka Limited, where he was heading Supply Chain, Human Resources, and Sales functions prior to his appointment to the position of Country Manager / Managing Director in 2012.

He started his career at Unilever Ceylon Ltd. as a Management Trainee and progressed up the ladder to become a Plant Manager, Operations Manager and Finance Manager.

Kapila holds a First Class Honours Degree in Electronics & Telecommunications Engineering from the University of Moratuwa and an MBA from the University of Colombo. He is an Associate Member of the Chartered Institute of Management Accountants UK.

Zalmi Fazeel
Group Chief Financial Officer

Mr. Zalmi Fazeel has served as an Executive Vice President heading the finance, legal and IT operations of Saudi Cable Company, Saudi Arabia between 2013 and 2017. He served at the Savola Group, Saudi Arabia, between 2000 and 2013 in various roles, including that of Executive Director-Group Treasury, Chief Financial Officer of Edible Oil Subsidiaries, Head of Finance and IT at the United Sugar Company, and Head of Finance Shared Services. He started his career at Pfizer Sri Lanka currently known as Astron Limited, in 1984. He was appointed to the Board of Astron in 1992, which position he held until he moved to Saudi Arabia in January 2000. He was an independent Board member and Chaired the Audit committee of Hemas Hospitals (Pvt) Limited, from March 2017 to July 2018. At present he serves the Board of Hemas Hospitals (Pvt) Ltd as a Non-Executive Director. He is a Fellow of the Chartered Institute of Management Accountants (UK).

Mr. Zalmi Fazeel has been appointed as the Group Chief Financial Officer of Hemas Holdings PLC with effect from 1st September 2018.

Chandima Cooray
Chief Digital Officer

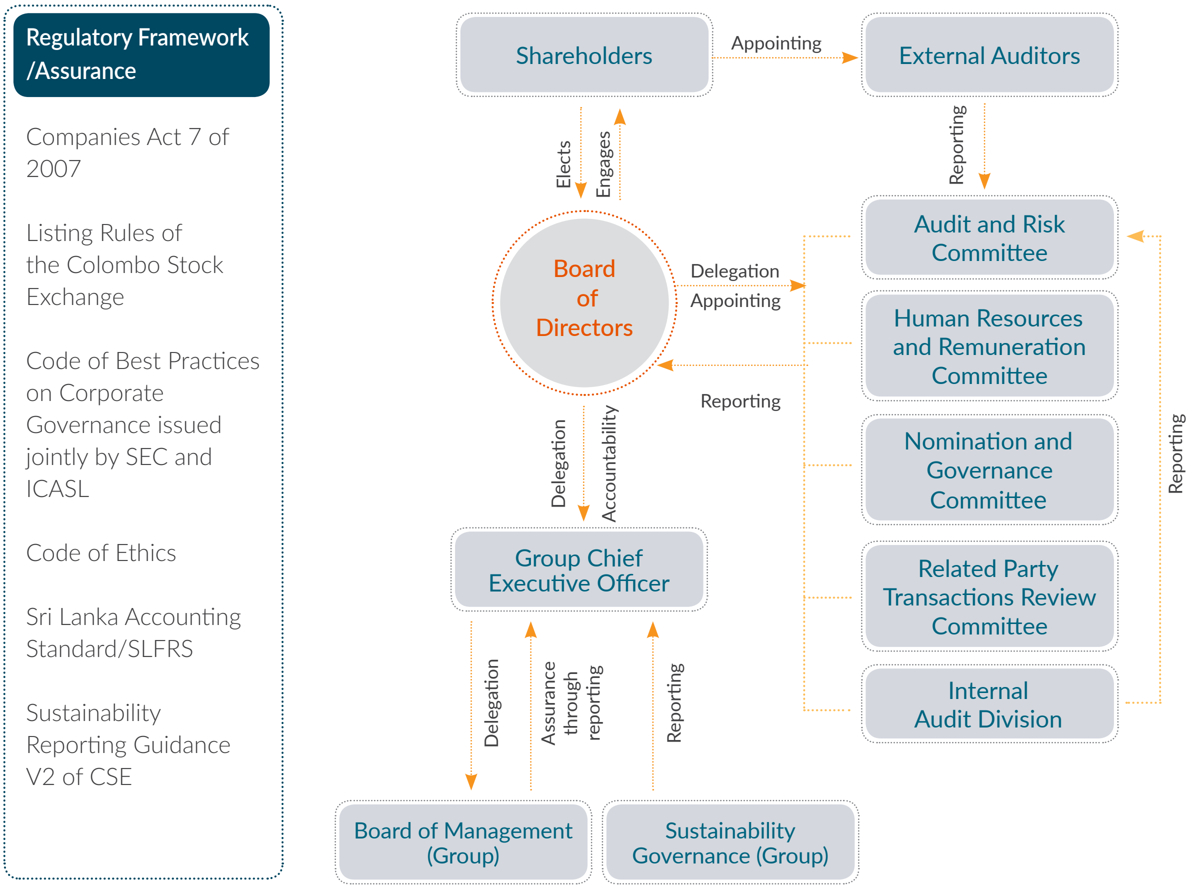
As the Chief Digital Officer at Hemas Holdings PLC., Chandima leads Information Technology, Digital and Innovation teams to help businesses within Hemas embrace more profitable and growth-oriented business models and to deliver a great customer experience across all products/ service touch points. Chandima leads Concept Ventures (Pvt) Ltd., through which Hemas Holdings PLC. invests in promising tech-startups.

Chandima has accumulated over 25 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.

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

CORPORATE GOVERNANCE

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	
	Prof. N. R. De Silva	

The profiles of the Board of Directors are set out on pages 24 to 27 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 2018/19 there were 4 Board Meetings, two Corporate planning meetings and Eighteen Board Sub-Committee Meetings (Audit Committee (5), Nomination and Governance Committee (4), Human Resource and Remuneration Committee (5) and Related Party Transactions Review Committee (4), the attendance of which are summarised below:

	Board	Audit Committee	Human Resources & Remuneration Committee	Nomination and Governance Committee	Related Party Transactions Review Committee
No. of Meetings Held	6	5	5	4	4
Mr. Husein Esufally	6		5		
Mr. Abbas Esufally	6			4	
Mr. Imtiaz Esufally	6	5			4
Mr. Murtaza Esufally	6				
Mr. Ramabadran Gopalakrishnan	6			4	
Mr. Dinesh Weerakkody	3	5			4
Dr Anura Ekanayake	6		5	4	
Mr. Steven Enderby	6				4
Mr. Malinga Arsakularatne	5				
Mr. Shaktha Amaratunga	6	5	5		4
Mr. J M Trivedi	5				
Prof Nilanthi R De Silva*	2				

*Prof. N R De Silva was appointed to the Board on 1st October 2018.

CORPORATE GOVERNANCE

The annual agenda of the Board is pre-determined to ensure that all matters relevant to the effective operation of the Company come to the Board for review at appropriate intervals. In addition, the Board's intervention is sought on a range of matters including business, financial, legal and corporate affairs, on an on-going basis. During the year ended 31 March 2019, 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 Transactions Review Committees;
- reviewed the effectiveness of the Board, matters reserved for the Board and the Terms of Reference of Board Committees and
- 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. During the year under review the Board approved the revised Nomination and Governance Committee Charter.

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 from 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 30 to 33 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 specialised in a multitude of disciplines and experience in Corporate Finance, Accountancy, Management, Marketing, Economics, Law, Human Resources, Healthcare, 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 24 to 27.

BOARD BALANCE

Principle A 5

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

The Board currently consists of Twelve Directors, three of whom, including the Chairman are Non-Executive Directors and six are Independent Non-Executive Directors and three Executive Directors. Each of the Non-Executive Directors has made a declaration as to his independence/non-independence, annually, in the prescribed format and the Board has considered these declarations in ascertaining the Independence of a Director. The Independent Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. 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 Board through the Nominations and Governance Committee reviews the composition of the Board to ensure that the skill representation is in alignment with the current and future requirements of the Group. Further, the Directors could call for expert opinion or advice on matters which they may not have full knowledge, to facilitate effective decision making.

The Independent Directors meets once a year for discussion of governance related items and the outcome is communicated to the Chairman.

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. The Directors 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 58 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 maximum period of nine years from the date of appointment subject to them remaining independent in terms of the listing rules and will submit themselves to be re-elected by the shareholders at regular intervals at the Company's Annual General Meeting as per the Articles of Association. 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 a 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 a noticeable improvement compared to the previous year.

The Board performance evaluation was extended to the unlisted large SBUs in the group during the financial year ended 31 March 2019 covering areas such as Board processes, responsibilities, meetings and succession planning, alignment with parent company objectives, decision making process and strategy development. This will lead to improved board dynamics and greater effectiveness value for long term sustainability.

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 24 to 27.

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 67 to 70 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 sets 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.

DIRECTORS' REMUNERATION

Principle B 1

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

During the year 2018/19, the Company paid remuneration to its Executive Directors within the limits of the Compensation and Benefits Policy adopted by the Group. The remuneration paid to the Executive Directors is approved by the Board on the recommendation of the Human Resources and Remuneration Committee. The Human Resources and Remuneration Committee determines the Company's policy on specific remuneration packages for Executive Directors.

The Non-Executive Directors are paid a monthly retainer for serving on the Board and/or Board Sub-committees. Remuneration packages for senior management are based on a salary survey conducted by the external auditors of the Company. The market rates are evaluated against the existing salary scales and adjusted to be in line with the appropriate percentile recommended by the Human Resources and Remuneration Committee and approved by the Board.

The Human Resources 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 Page 57 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 26 June 2019 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 Group Chief Financial Officer. The Chief Executive Officer and Group 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 2019, 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 Capital from pages 84 to 85 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 Group Chief Financial Officer a declaration prior to the Board approving the Financial Statements for the year 2018/19 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 148 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 48 to 55. 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 Group 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 2019, 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 compliant with the Listing Rules. The Chairman of the Audit Committee is an Independent Non-Executive Director possessing the qualification and experience. 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 Group Chief Financial Officer (GCFO) 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 2018/19 is detailed in their report found on page 56 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 Twelve Directors of whom Nine 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 Six of the Nine 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 61 of the Annual Report.
7.10.3 (b)	The board shall specify if the criteria for independence is not met by a Director and the basis for its determination in the annual report	Not Applicable as it complies with the listing rules.
7.10.3 (c)	A brief resume of the Director which includes information on the nature of his/her expertise in relevant functional areas	Compliant Please refer pages 24 to 27 of the Annual Report.

CORPORATE GOVERNANCE

CSE Rule No	Governance requirement	Level of Compliance
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 page 57 of the Annual Report. The Chairman of the Committee is an Independent Non-Executive Director.
7.10.5 b and c	The Functions and the Disclosure requirements of the Remuneration Committee	Compliant Refer the Human Resources and Remuneration Committee Report found on page 57 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 page 46 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 page 56 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
9.2.4	Frequency of Meeting	Compliant The Committee met 4 times during the financial year under review

CSE Rule No	Governance requirement	Level of Compliance
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 page 244 of the Annual Report
	c. Report of the RPTRC	Compliant Please refer page 56 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 page 56 of the Annual Report

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. For the purpose of strengthening the governance and internal control environment across the subsidiaries of the Group, three additional audit committees and one sub audit committee was established during the financial year 2018/19. 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 2018/2019 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 five formal meetings during the financial year ended 31 March 2019. Mr. Steven Enderby - Chief Executive Officer, Mr. Sanjeewa Samaranayake - former Chief Financial Officer, Mr. Zalmi Fazeel - current Chief Financial Officer, Mr. Prasenna Balachandran - Chief Risk & Control Officer and Mr. Amila Priyadarshana - General Manager Finance were permanent attendees at these Meetings. In addition, External Auditors, Internal Auditors who carried out outsourced assignments and where required other officials of the Group also attended the meetings.

Throughout the year, the Committee members periodically held separate private sessions with the Chief Financial Officer, Chief Risk & Control Officer 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 information and 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.

The Committee obtained independent input from External Auditors on the impact of several new Sri Lanka Accounting Standards that will come in to effect in the future years and satisfied themselves that the necessary preparatory work was being undertaken to enable the Company and the Group to comply and adopt them.

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 judgemental 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 Chief Risk & Control Officer 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 Chief Risk & Control Officer 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 actions and recommendations and, any other significant follow-up matters were documented and presented to the committee on a quarterly basis by the Chief Risk & Control Officer.

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 and the resourcing requirements are also monitored and discussed.

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 finalisation of the full year Financial Statements to obtain their feedback of the year end process and also to ascertain whether there are any areas of concern relating to their work. No matters other than those already discussed with management were raised by the External Auditors.

The Committee is satisfied that the independence of the External Auditors had not been impaired by any event or activity 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 External Auditors have also tabled at the Committee the "Auditors Statement" confirmation from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

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.

Improvements

An interactive forum with the participation of Chairmen of Audit Committees and Management Representatives of the Group was initiated to further improve the effectiveness of the Committees within the Group, exchange best practice and also to identify further improvements. Recommendations from this forum are being implemented.

Shaktha Amaratunga
Chairman of the Committee
24 May 2019

RISK MANAGEMENT

Risk Management is a key aspect of a business and a part of a sound cooperate governance procedure. It is designed to identify, evaluate and manage risks that may hamper the company's objectives. The initiative ensures that a multitude of risks arising because of the group's diversified business operations are successfully managed with a view of safeguarding shareholder's wealth and Company's assets. Throughout its journey, Hemas adopts a business strategy affiliated with risk management principles focusing on wider sustainable development and the constructive social impact. The Group's robust corporate governance structure which includes the link for risk management, sustainability, corporate social responsibility and internal audit processes certifies that the impacts of all risks identified for both the business unit and the Group are proactively managed.

Hemas acknowledges the dynamic business environment it operates and it is intense on implementing an Enterprise Risk Management program by adopting ISO 31000 – Risk Management. This equips us with a structured governance system and provides a proper mechanism to identify risks in a timely manner, and eventually promote a risk culture.

Risk Management Process

The risk management process at Hemas involves; risk identification, analysis, evaluation, reporting and monitoring. Risk Management at Hemas starts from the business divisional level. The head of each division in every business unit of the group is expected to identify and record significant risks throughout its value chain. Risks that have a significant impact over the division's performance are discussed at the Group Risk Management committee (GRMC) quarterly. The board and the audit committee along with the GRMC manage risk management across the group to ensure that risks which are carried within tolerance are managed and/or mitigated.

Below is a small description on the contents of the Risk Management Process.

1. **Establish the Context**
   The Risk Management context consists of two parts; Internal and External.

   The context of the risk management process should be established from the understanding of the external and internal environment in which the organisation operates and should reflect the specific environment of the activity to which the risk management process is to be applied.

   Understanding the context is important because:

   - Risk management takes place in the context of the objectives and activities of the organisation;
   - Organisational factors can be a source of risk;
   - The purpose and scope of the risk management process may be interrelated with the objectives of the organisation.

2. **Risk identification**
   The purpose of risk identification is to find, recognise and describe risks that might help or prevent an organisation achieving its objectives. Relevant, appropriate and up-to-date information is important in identifying risks.

   The organisation can use a range of techniques for identifying uncertainties that may affect one or more objectives. The following factors, and the relationship between these factors, should be considered:

   - Tangible and intangible sources of risk;
   - Causes and events;
   - Threats and opportunities;
   - Vulnerabilities and capabilities;
   - Changes in the external and internal context

   The organisation should identify risks, whether or not their sources are under its control. Consideration should be given that there may be more than one type of outcome, which may result in a variety of tangible or intangible consequences.

3. **Risk Analysis**
   The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk. Risk analysis involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. An event can have multiple causes and consequences and can affect multiple objectives.

   Risk analysis can be undertaken with varying degrees of detail and complexity, depending on the purpose of the analysis, the availability and reliability of information, and the resources available. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

4. **Risk Evaluation**
   The purpose of risk evaluation is to support decisions. Risk evaluation involves; comparing the results of the risk analysis with the established risk criteria to determine where additional action is required. This can lead to a decision to:

   - Do nothing further
   - Consider risk treatment options
   - Undertake further analysis to better understand the risk
   - Maintain existing controls
   - Reconsider objectives

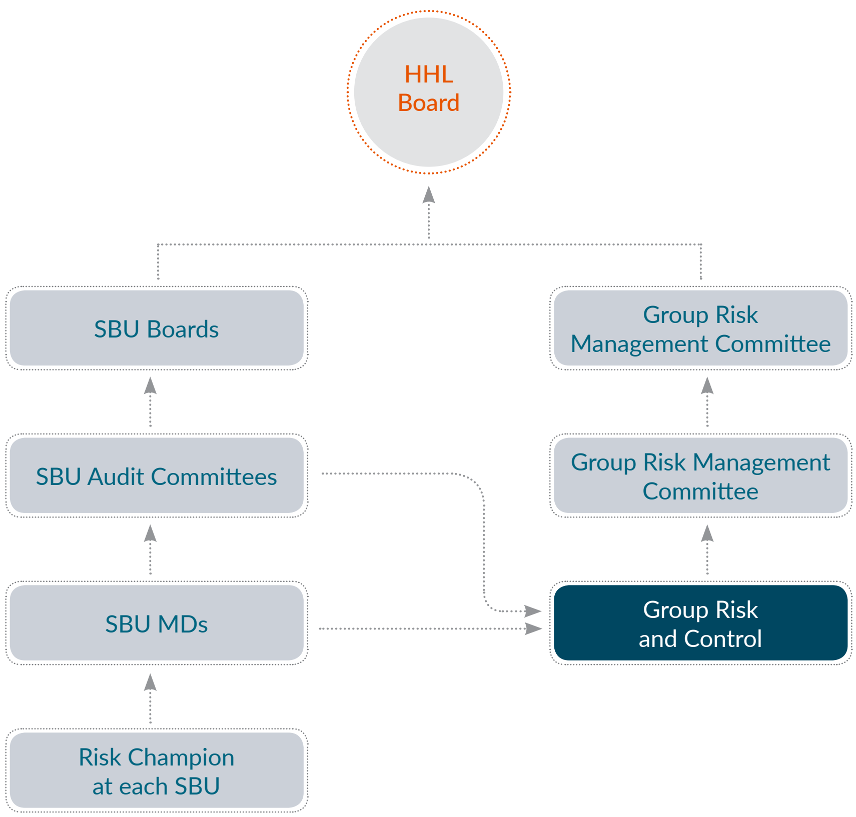
5. **Risk Treatment**
   The purpose of risk treatment is to select and implement options for addressing risk.

   Risk treatment involves an iterative process of:

   - Formulating and selecting risk treatment options
   - Planning and implementing risk treatment
   - Assessing the effectiveness of that treatment
   - Deciding whether the remaining risk is acceptable
   - If not acceptable, taking further treatment

RISK MANAGEMENT

Risk Management Reporting Structure at Hemas



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 heat map is developed based on the assessment of the likelihood of occurrence and the potential impact of risks. Likelihood of occurrence is assessed on the basis of past experience and preventive actions in place. A ranking of Rare, Unlikely, Moderate, Likely and Almost Certain is assigned to all risks based on the likelihood of occurrence. The impact of the event is evaluated by determining the loss it would cause and the extent of the impact. After considering the above two factors, the impact is categorised as Insignificant, Minor, Moderate, Major and Extraordinary. The position of a risk in the risk heat map indicates whether it falls below or above the Hemas risk appetite level. Above risks and the proposed action plans are then reviewed at the GRMC meeting.

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

RISK MANAGEMENT

Managing Risk

	Risk Category	Description	Risk Mitigations at Hemas
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 Political tensions, civil unrest, terrorism and organised crime have the potential to disrupt the Group's business in multiple markets	• Analysing PEST factors and developing appropriate strategies • Insurance cover,business continuity planning, and risk awareness training.
2	Credit Risk	Potential losses arising due to customer bankruptcy	• Efficient debt follows 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	• Centralised 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	• Centralised 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 Category	Description	Risk Mitigations at Hemas
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	• Centralised treasury management • Continuous reviewing of business models and working capital management • Strong relationships with banks and unutilised 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

RISK MANAGEMENT

	Risk Category	Description	Risk Mitigations at Hemas
13	Project Risk	Difficulties in achieving project objectives for new initiatives	• Developing project plans, resource analysis and allocation before commencing a project • Continuous monitoring of project progress through Steering Committee
14	Regulatory and Compliance Risk	Potential losses arising due to violations of or non-conformance with laws, regulations, prescribed practices, internal policies and procedures or ethical standards applicable to the group	• The centralised 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 regulation
16	Social Risk	Labor and human rights violations, environmental degradation, corruption or the implications of undue social and economic stratification or marginalisation 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	• Centralised IT division • A contingency plan to mitigate the risk of system failures
19	Business Probity Risk	Unethical behaviour, fraud and error committed by one or more participants in a particular process which creates lack of trust in business dealings	• Stringent internal controls • Strong internal audit function • Establishment of independent Audit Committees • Implementation of code of conduct

	Risk Category	Description	Risk Mitigations at Hemas
20	Technological Risk	Probability of technological changes adversely affecting any one individual entity or the entire Group.	• Analyse 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.

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee was constituted in 2016 with the main objective to have an oversight of Related Party Transactions of the Company and ensure that the Company is in compliance with 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 2019.

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

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

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

Mr. S. M. Enderby
Executive Director/CEO

The Group Chief Financial Officer, and the Group General Manager - Finance, attends these 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.

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.
- 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 four meetings during the financial year 2018/2019. Attendance of the members at these meetings are detailed in the Corporate Governance Report found on page 35 of the Annual Report

The Committee reviewed and approved the RPTs of the Company and its subsidiary companies, in terms of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka.

The Committee also reviewed and approved all non-recurrent and recurrent Related Party Transactions carried out during the financial year 2018/19.

The Committee reviewed and pre-approved all proposed non-recurrent RPTs of the parent Hemas Holdings PLC, and all its listed subsidiaries Morison PLC, Serendib Hotels PLC, Hotel Sigiriya PLC and Dolphin Hotels PLC,. Further, recurrent RPTs were reviewed quarterly by the Committee. Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

Further, declarations were obtained from each KMPs of the Company and reviewed by the committee for the purpose of identifying parties related to them and to provide annual disclosures. The Board of Directors confirms that the Company is in compliance with the Listing Rules of the Colombo Stock Exchange re- Related Party Transactions.

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 34 of the Financial Statements for the year ended 31 March 2019 found on page 244 of the Annual Report.

Shaktha Amaratunga
Chairman, Related Party Transactions Review Committee
24 May 2019

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 2019 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, Mr Kapila Welmillage - Managing Director - Talent Development and Transformation and Dimuth De Alwis - Group Human Resources Director attend these 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 35 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, during the year under review monitored closely the leadership transitions which took place during the beginning of the Financial Year in some of the subsidiaries in order to ensure a smooth transition. The Committee also reviewed the 360^0 Evaluations of those immediately below the C-Suite and the identified development areas. The Committee reviewed on a continuous basis the HR hygiene of the Group and remedial measures were taken where necessary.

The Committee, during the year under review, also focused on the progress made on the development plans of potential C-Suite successors and future leaders to ensure that the required talent is readily available within the Group. The Committee also approved the Exit and Severance Policy and the revised Performance Management System in order to ensure that a performance-based culture is embedded in the Group benefiting all stakeholders. Further, a new recruitment was made to the HR function to be responsible for driving new initiatives including organisational transformation as well as developing our business leaders in alignment with business priorities.

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

The Directors Emoluments are disclosed in Note 34 to the Financial Statements for the year ended 31 March 2019 found on page 245 of the Annual Report.

Functions

- Review and approve the overall remuneration philosophy, strategy, policies and practices of the Company.
- Set and review all components of the remuneration of the Chief Executive Officer, Executive Directors and such other Senior Executives as the Board may determine.
- Review and approve the performance evaluation/ appraisal system for the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve as appropriate the terms of the employment contracts of the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve the terms of the Company's short term/long term incentive schemes including any share option schemes for employees and/or Directors.
- Review and approve the terms of the Company's superannuation and/ or pension schemes.
- Review and approve all components of the remuneration of the non-membership and all other benefits arising from their directorships.
- Consider such other matters relating to remuneration as may be referred to it by the Board.
- Review the Human Resource Strategies of the Company

Dr Anura Ekanayake
Chairman of the Committee
24 May 2019

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 2019.

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

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

Mr. A. N .Esufally
Non-Executive Director

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

The profiles of the Directors are found on pages 24 to 27 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 35 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 Committee also recommended to the Board the appointment of Prof. Nilanthi De Silva, who has extensive knowledge of the Healthcare industry. The Committee also considered the outcome of the Evaluation of the Board Performance and initiated measures to improve Board effectiveness. The Committee also considered the succession planning process for the group CEOs position.

The Committee recommends Dr. S. A. B. Ekanayake and Mr. A. S. Amaratunga, 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 26 June 2019.

The Committee also decided to recommend Prof. Nilanthi R De Silva, 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 26 June 2019.

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
24 May 2019

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 2019 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 24 May 2019.

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 48 to 55 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 Group Chief Financial Officer and approved by two Directors in compliance with Sections 152, 153 and 168 of the Companies Act are given from pages 152 to 251 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 2019. The Auditors' Report on the Financial Statements is given on pages 149 to 151 of the Annual Report as required by Section 168 (1) (c) of the Companies Act.

5. Accounting Policies

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review except for SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments standards the Group adopted with effect from 1 April 2018. For all periods up to and including the year ended 31 March 2019, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

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 2019 was Rs. 64.1 Bn (31 March 2018 - Rs. 49.9Bn). An analysis of the income is given in Note 04 to the Financial Statements on page 165 of this Annual Report.

6.2 Profit and Appropriations

The profit before tax of the Group for the year ended 31 March 2019 was Rs. 5.1 Bn (2018 - Rs. 4.4 Bn) and the profit after tax for the year ended 31 March 2019 was Rs. 3.7 Bn (2018 - Rs. 3.0Bn) 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 152 to 153 of the Annual Report.

6.3 Dividend on Ordinary Shares

6.3.1 Interim Dividend

a. First Interim Dividend - Cash

A first Interim Dividend of Rs. 0.40 per Ordinary share was declared and paid on 5th December 2018 for the financial year ended 31 March 2019 (Rs. 0.40 per share in 2017/2018)

b. Second Interim Dividend - Scrip

A second Interim Scrip dividend of Rs 3.08 per Ordinary share was declared and paid on 15 March 2019 for the financial year ended 31 March 2019.

6.3.2 Final Dividend - Cash

The Directors recommend a Final Dividend for the year of Rs. 1.45 per Ordinary Share which will be payable on 5 July 2019 to Shareholders registered as at 27 June 2019. The Total Dividend for the year under review will then amount to Rs. 4.93 per Ordinary Share (2017/18 - 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 amendments (upto 31 March 2018) thereto and the Inland Revenue Act No. 24 of 2017 effective from 1 April 2018. Deferred Tax has been calculated 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 169 to 173 of the Annual Report.

8. Reserves

The Group's total Reserves as at 31 March 2019 amounted to Rs. 20.4 Bn (2018 - Rs. 19.5 Bn).

The movement of the Reserves are given on page 155 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 14 to the Financial Statements found on pages 175 to 190 of the Annual Report.

10. Valuation of Land, Buildings and Investment Properties

All Land and buildings owned by Group companies were revalued as at 31 March 2018. The carrying value of Land and Buildings amounted to Rs. 12.9 Bn (2018 – Rs. 11.7Bn). All information related to revaluation is given in Note 11.1.1 to the Financial Statements.

Investment properties of business units, when significantly occupied by Group companies, are classified as Property, Plant and Equipment in the Consolidated Financial Statements in compliance with LKAS 40. The Group revalued all its investment properties as at 31 March 2019, and the carrying value amounted to Rs. 1.6Bn (2018- Rs.1.5Bn). All information related to revaluation of the investment properties is provided in Note 12.1.1 to the Financial Statements.

11. Investments and Acquisitions

During the Financial year ended 31 March 2019, there were no acquisitions made by the Company or the Group.

The Group Investments and Acquisitions are detailed in Note 27 to the Financial Statements found on pages 223 to 228 of the Annual Report.

12. Divestments and Disposals

During the year under review, Hemas Hospitals (Pvt) Limited disposed its 100% stake in Hemas

Southern Hospitals (Pvt) Limited (Galle Hospital) to Asiri Hospital Holdings PLC for a consideration of Rs 450Mn.

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 twelve (12) 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 24 to 27 of the Annual Report.

The names of the persons who held office as Directors of the Company as at 31 March 2019 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
Prof N R De Silva

On 1 October 2018, Prof. Nilanthi Renuka De Silva 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 six of the nine 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 26th June 2019 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, Dr. S. A. B. Ekanayake and Mr. A. S. Amaratunga retires by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Board of Directors.

In terms of Article 84 of the Articles of Association Mr. D. S. Weerakkody retires by rotation but does not offer himself for re-election.

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 73 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, Prof N. R. De Silva retires and being eligible, offers herself 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 46 to 47 and pages 56 to 58 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 30 to 33 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 2019	No of Shares as at 31 March 2018
Mr. H. N. Esufally	**5,791,640**	5,586,705
Mr. A. N. Esufally	**2,367,353**	2,283,585
Mr. I. A. H. Esufally	**4,586,284**	4,424,000
Mr. M. A. H. Esufally	**6,164,633**	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
Prof. N R De Silva	**Nil**	Nil

Directors' Interest in Ordinary Shares of the Company – Indirect

Name of Director	No of Shares as at 31 March 2019	No of Shares as at 31 March 2018
A Z Holdings (Pvt) Ltd	**94,092,305**	90,762,875
Saraz Investments (Pvt) Ltd	**89,565,277**	86,396,035
Blueberry Investments (Pvt) Ltd	**88,927,940**	85,781,250
Amagroup (Pvt) Ltd	**88,927,333**	85,780,665
Ms. Sabrina Esufally	**259,170**	250,000
Mr. Adam Esufally	**259,170**	250,000
Ms. Sakina Esufally	**2,073,365**	2,000,000
Ms. Razia Esufally	**259,170**	250,000

14.5 Directors' Remuneration and Other Benefits

The Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31 March 2019 is given in Note 34 to the Financial Statements on page 245 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 2019, other than those disclosed on pages 67 to 70 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 above. 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 2019 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 2019 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 2019.

The details of all Related Party Transactions carried out during the year are disclosed on pages 244 to 245 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 2019.

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 2019 was Rs. 7.73 Bn comprising of 596,043,425 ordinary shares (2018 - 574,934,259 Ordinary Shares - Rs. 5.96Bn). The movement of the Issued Share capital is given below:

Issued Share Capital

Balance as at 31 March 2018	ESOS Allotment	Interim Scrip Dividend	Balance as at 31 March 2019
574,934,259	18,333	21,090,833	596,043,425

Details of the Stated Capital are given in Note 20 to the Financial Statements on pages 209 to 212 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.

19. Share Information

Details of share related information are given on pages 254 to 257 of this Annual Report and information relating to Earnings, Dividends and Net Assets per share is given in the Financial Highlights on page 12 of the Annual Report.

The twenty largest Shareholders of the Company as at 31 March 2019 are indicated on page 256 of this Annual Report.

19.1 Issue of Shares - ESOS

During the year under review the Company made an allotment of shares under the Employee Share Option Scheme established in 2015 the details of which are disclosed under Shareholder Information found on page 257 of the Annual Report.

The Board decided to extend the ESOS scheme by a further period of 2 years to utilise unallocated shares of the ESOS established in 2015.

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 was matured on 29 April 2019.

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

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 2019 was 212,769,785 of the Issued Capital of the Company.

The minimum public holding requirement as at 31 March 2019 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	15,959,062,704.38	35.70	4,192	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 6,659

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. 61 Mn (2018 - Rs. 27Mn).

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 Integration

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 71 to 79 of the Annual Report.

28. Events after the Balance Sheet Date

There have been no material events occurring after the Balance Sheet Date.

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 48 to 55 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 46 to 47 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 pages 46 to 47 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 34 to 35 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

32. Compliance with Applicable Laws and Regulations

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

33. Outstanding Litigation

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

34. Appointment of External Auditors

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

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

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

The Auditors, Messrs. Ernst & Young were paid Rs. 16.5 .Mn (Rs. 15. 1Mn in 2018) 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 24 May 2019, 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 16 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 Wednesday the 26 June, 2019 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

24 May 2019

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 34 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 2019 Rs.000	Value 2018 Rs.000
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	149,339	135,749
	Mr. Steven Enderby	IT Charges	95,791	77,628
		Centralised Services	15,542	18,549
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	390,580	362,776
	Mr. Steven Enderby	IT Charges	42,964	34,446
		Interest Expense	(114)	(307)
		Centralised Services	9,319	11,615
		Treasury Loans Obtained	200,000	35,000
		Treasury Loans Repaid	(200,000)	(35,000)
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	4,476	6,082
	Mr. Steven Enderby	IT Charges	23,966	19,145
		Centralised Services	10,611	8,678
Hemas Capital Hospital (Pvt) Ltd.	Mr. M. Esufally	IT Charges	10,248	9,356
	Mr. Steven Enderby	Centralised Services	8,289	7,287
Hemtours (Pvt) Ltd.	Mr. A. Esufally	IT Charges	33	29
	Mr. Steven Enderby			
	Mr. Malinga Arsakularatne			
Diethelm Travels Lanka (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	310	310
	Mr. Malinga Arsakularatne	IT Charges	19,133	20,900
		Centralised Services	1,950	1,547
		Transport and Accommodation Charges	(2,111)	(4,064)
Diethelm Travel The Maldives (Pvt) Ltd.	Mr. A. Esufally	Centralised Services	26	-
Serendib Hotels PLC	Mr. A. Esufally	IT Charges	2,981	2,278
	Mr. Steven Enderby	Centralised Services	1,391	986
	Mr. Malinga Arsakularatne	Interest Income	35,915	19,736
	Mr. I. Esufally	Corporate Guarantee Fees	426	2,132
		Hotel Charges	-	(943)
		Treasury Loans Granted	-	(310,000)
		Treasury Loans Repaid	310,000	-
Serendib Leisure Management Ltd.	Mr. A. Esufally	IT Charges	9,195	9,405
	Mr. Malinga Arsakularatne	Centralised Services	9,840	3,849

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2019 Rs.000	Value 2018 Rs.000
Dolphin Hotels PLC	Mr. A. Esufally	IT Charges	3,182	2,606
		Centralised Services	2,098	1,555
		Hotel Charges	(302)	(1,834)
Hotel Sigiriya PLC	Mr. A. Esufally	IT Charges	2,298	1,629
	Mr. Malinga Arsakularatne	Centralised Services	926	679
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally	Services Rendered	4,288	3,898
	Mr. A. Esufally	IT Charges	2,951	2,074
	Mr. I. Esufally	Centralised Services	6,035	6,486
	Mr. M. Esufally	Interest Income	-	664
	Mr. Steven Enderby	Treasury Loans Granted	-	(473,500)
	Mr. Malinga Arsakularatne	Treasury Loans Repaid	-	473,500
Hemas Air Services (Pvt) Ltd.	Mr. I. Esufally	IT Charges	3,763	3,337
	Mr. Malinga Arsakularatne	Interest Expense	-	(3,015)
	Mr. Steven Enderby	Centralised Services	1,006	2,096
Hemas Travels (Pvt) Ltd.	Mr. I. Esufally	IT Charges	10,684	10,952
	Mr. Steven Enderby	Centralised Services	3,383	1,275
	Mr. Malinga Arsakularatne	Air Line Ticket Sales	(46,783)	(42,468)
Far shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Interest Income	-	63
		Treasury Loans Repaid	1,447	-
Far Shipping Agency Lanka (Pvt) Ltd.	Mr. I. Esufally	IT Charges	4,143	3,645
		Centralised Services	435	2,052
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	3,657	2,388
	Mr. Malinga Arsakularatne	Centralised Services	2,575	2,633
		Corporate Guarantee Fees	777	-
		Interest Income	94	-
		Treasury Loans Granted	(90,000)	-
		Treasury Loans Repaid	90,000	-
Hemas Transportation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	1,128	706
	Mr. Steven Enderby	Centralised Services	1,345	4,571
Spectra Logistics (Pvt) Ltd.	Mr. I. Esufally	IT Charges	10,777	9,086
	Mr. Steven Enderby	Centralised Services	2,048	1,311
		Interest Income	1,284	2,099
		Treasury Loans Repaid	10,000	10,000
		Rental Income	36,517	33,197

Company	Directors	Nature of Transaction	Value 2019 Rs.000	Value 2018 Rs.000
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	310	310
		IT Charges	153	155
		Interest Expense	(12,834)	(4,158)
		Centralised Services	230	593
		Rental Expense and Service Charges	(55,997)	(54,697)
		Car parking expenses	(3,708)	(3,520)
		Treasury Loans Obtained	495,500	16,000
		Treasury Loans Repaid	(25,149)	(83,069)
Vishwa BPO (Pvt) Ltd.	Mr. Steven Enderby	Services Rendered	465	465
		IT Charges	30,515	22,670
		Interest Expense	(1,183)	(860)
		Centralised Services	629	411
		Shared Services Expenses	(11,948)	(10,875)
		Treasury Loans Obtained	75,000	-
		Treasury Loans Repaid	(85,750)	-
Hemas Corporate Services (Pvt) Ltd.	Mr. Steven Enderby	IT Charges	1,714	1,964
		Interest Expense	(1,180)	(454)
		Centralised Services	2,326	2,109
		Interest Income	-	2,621
		Centralised Corporate Services	(20,833)	(23,320)
		Treasury Loans Repaid	-	50,000
		Treasury Loans Obtained	10,000	18,000
		Treasury Loans Repaid	(6,000)	-
N-able (Pvt) Ltd.	Mr. Malinga Arsakularatne	Services Rendered	155	155
		IT Charges	2,744	1,702
		Centralised Services	4,276	41
		Interest Income	-	8
		IT equipment and services	(49,926)	(91,196)
Morison PLC	Mr. H. Esufally	Services Rendered	27,081	-
	Mr. Steven Enderby	IT Charges	7,070	8,009
	Mr. M. Esufally	Centralised Services	12,756	6,869
Leisure Asia Investments Ltd.	Mr. H. Esufally	Interest Income	-	29
	Mr. A. Esufally	Interest Expense	-	(5)
	Mr. I. Esufally	Treasury Loans Repaid	-	710

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Company	Directors	Nature of Transaction	Value 2019 Rs.000	Value 2018 Rs.000
P H Resorts (Pvt) Ltd.	Mr. A. Esufally	IT Charges	6,680	5,287
	Mr. Steven Enderby	Corporate Guarantee Fees	12,137	10,832
	Mr. Malinga Arsakularatne			
Hemas Maritime (Pvt.) Ltd.	Mr. I. Esufally	IT Charges	3,865	4,762
		Centralised Services	1,082	2,376
Jada Resorts & Spa (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	-	516
	Alternate -Mr. Malinga Arsakularatne	IT Charges	2,193	1,841
		Centralised Services	1,016	899
Mazu Shipping (Pvt) Ltd.	Mr. I. Esufally	IT Charges	747	749
		Centralised Services	67	46
Atlas Axillia Co. (Pvt) Ltd.	Mr. H. Esufally	IT Charges	35	-
	Mr. Steven Enderby	Centralised Services	4,194	-
		Purchases	(60)	-
Spectra Intergrated Logistics (Pvt) Ltd.	Mr. I. Esufally	IT Charges	3,759	2,905
	Mr. Steven Enderby	Centralised Services	539	1,932
Hemas Consumer Brands (Pvt) Ltd.	Mr. H. Esufally	IT Charges	9,875	5,518
	Mr. Steven Enderby	Centralised Services	429	4,983
Digital Healthcare Solutions (Pvt) Ltd.	Mr. M. Esufally	Services Rendered	18,436	-
		IT Charges	4,096	-
		Centralised Services	2,622	1,345
Kalutara Luxury Resort (Pvt) Ltd.	Mr. A. Esufally	Services Rendered	-	449
		IT Charges	1,128	-

SUSTAINABILITY INTEGRATION

Placing great importance on sustainable development, the Group firmly believes that its financial performance and brand image are closely linked with sound corporate governance, product and service excellence, environmental stewardship and social responsibility.

As a result, the Group strives to minimise its operational impacts through the entrenchment of responsible business practices and the monitoring of key sustainability performance indicators. The following section of this Annual Report details the steps taken and methodologies adopted by the Group in embedding sustainability within its operations.

Sustainability at Hemas

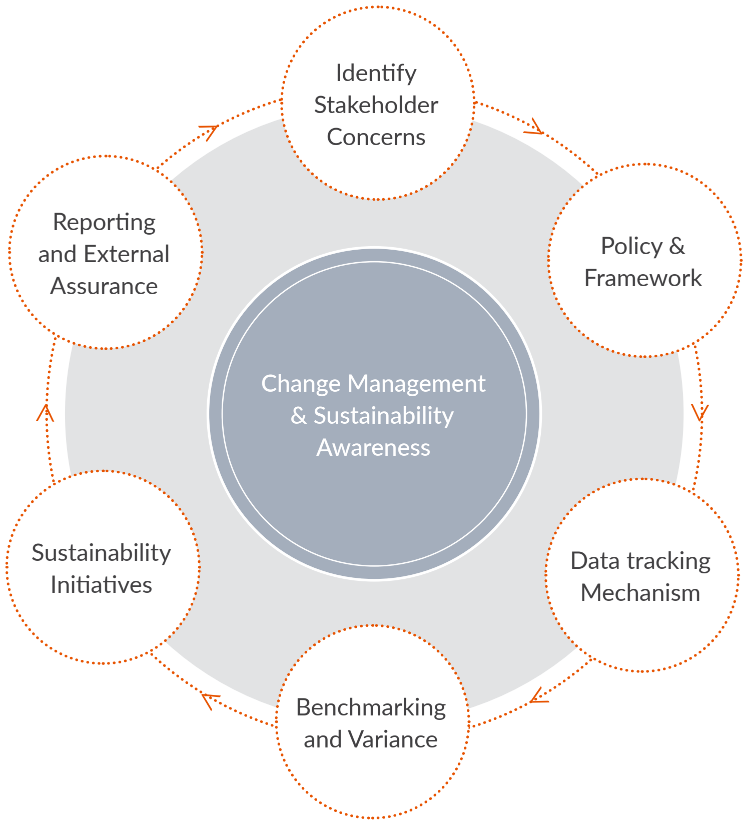
The Group's Sustainability Policy is based on the overall impact of the organisation's operations on the three components of sustainability; Environment, Social, and Economic. At Hemas, sustainability is brought to life through a working culture that embraces sustainability as a natural choice. We inculcate sustainability into our day to day thoughts and activities through learning, sharing, collaborating and reinforcing. The Group believes sustainability should be a way of life that permeates into every single business process and strategic decision made.

The Group's overarching Sustainability Policy and management framework has been developed after taking into account the results of an internal materiality assessment and external independent stakeholder engagement exercise undertaken by the Group.

The Group Sustainability Policy, consisting of policies on environment, society and economy, are aligned to the United Nations Sustainable Development Goals, and has been ratified by the Board of Management of the Group.

Management Approaches to support such policy implementation are in place and are linked to the Group's management of its six capitals (Financial Capital, Manufacturing Capital, Intellectual Capital, Natural Capital, Human Capital and its Social and Relationship Capital) as contained in the section "Group Integrated Performance". The Group has also developed Standard Operating Procedures (SOP's) for each sustainability process under these six capitals to ensure consistency, accuracy and completeness of data and has begun implementing these procedures during the year. Further, the Group has begun carrying out training to familiarise the Sustainability Champions and users of the Policies, Management Approaches and SOPs.

Sustainability Management Framework at Hemas



The Group has in place a comprehensive sustainability management framework which was developed in 2015 following an external stakeholder engagement. During the financial year the Group worked with an external consultant to refine and improve its sustainability management framework as it strives to further integrate sustainability within its business strategy and operations.

The Hemas sustainability management framework enables the translation of general principles of sustainability into corporate practice by providing a systematic, step-by-step guidance towards a more sustainable business. The framework consists of a sustainability organisational structure supported by senior management, a team of Sustainability Champions representing each subsidiary, spreadsheet platform developed through an external consultant for data gathering, a quarterly reporting process of the Group's sustainability performance, sustainability awareness creation, and internal and external sustainability assurance.

The Sustainability Management Framework further includes the establishment of benchmarks and targets for identified sustainability indicators, through which the Group strives to ensure that it selects the most relevant and triple-bottom line feasible sustainability initiatives. During the forthcoming years the Group intends to measure and assess performance of the previous years and establish targets and benchmarks for its sustainability performance. The Group believes that the information derived from its sustainability management framework can then be used to assess the sustainability performance of the Group and its business units, and further, identify potential risk areas and manage them through corrective action.

The framework is further complemented by quality, environmental, health and safety management systems currently utilised by the Group, and the Group's risk management, internal audit, compliance and social responsibility processes. Most Group entities with significant operations are certified under ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health & Safety Management System), OHSAS 18000, ISO14000 and ISO 9001 (Quality Management System), while the remaining entities have adopted the Group's policies on quality, environment and health and safety.

This Sustainability Management Framework will be periodically reviewed and updated to meet the operational requirements of the business units within the Group.

Sustainability Organisational Structure
The Group's sustainability strategy is formulated by the Group Sustainability and Corporate Communications Division with direction from the Group CEO.

The Group Sustainability and Corporate Communication Division is responsible for the operationalisation of the Group's Sustainability Management Framework under which the Group and its subsidiaries carry out sustainability strategies and initiatives. The Division in consultation with external consultants identifies significant stakeholders, material topics, introduces global best practices to the Group, and reviews and monitors the sustainability drive. Additionally, the Division also strives to instill a culture of sustainability within the Group through regular group-wide awareness campaigns.

Sustainability Champions representing each of the Group's subsidiaries are responsible for introducing sustainability initiatives and overlooking their company's overall sustainability performance. Each company identifies its material topics and strives to amalgamate sustainability strategies with business strategies to drive the Group's triple bottom line performance.

Risk and Opportunity Identification
The Group's risk management process is an integral part of its strategic and operational activities, which seeks to effectively identify, control and mitigate a range of structural, operational, financial, and strategic risks that may prevent the organisation from meeting its objectives. The process simultaneously identifies opportunities for business success and assesses the value chain for any potential risks originating from it. A triple bottom line perspective is used to identify the above risks and opportunities.

The 'Precautionary Principle' governs the Group's operational decisions in order to take preventative action in the face of uncertainty to prevent potential risk/impacts to our stakeholders and environment. The Group gives precedence to the prevention of environment degradation and pollution, climate change as well as any impacts on local communities around the areas we operate in.

A comprehensive description on the Group's risk and mitigation actions are stated in the Risk Management section of this report.

Defining the Sustainability Content of the Report
The section 'Significant Stakeholders and Topic Boundary' establishes the significant internal and external stakeholders based on their influence on the Group's operations and how both groups are impacted by the actions of the other. Details of the frequency of engagement of these stakeholders, and of the independent third-party stakeholder engagement that was carried out to establish stakeholder concerns are contained in the 'Stakeholder Engagement' section. The context in which the Group has established its sustainability drive are covered in the Sustainability Integration section and the Sustainability Management Framework sections of this report. The outcomes of the regular stakeholder engagements, the independent external stakeholder engagement and digital media monitoring reports have been considered in identifying the material sustainability topics pertaining to the Group, which are highlighted in the 'Key Sustainability Concerns' section. These concerns, which are prioritised based on importance to external and internal stakeholders are illustrated in the section 'Mapping of Material Topics'. The sustainability indicators identified for reporting are based on the material topics that were identified to be of 'High Importance' to both external and internal stakeholders.

This was done by considering the results of an internal stakeholder engagement which was subsequently mapped using the five part materiality test as specified in AccountAbility UK AA1000AS standard. The Management Approach adopted in ensuring the Group performance in relation to the identified material sustainability topics are hosted online and can be referred on the document titled "Management Approach Disclosures" on the Group's website at www.hemas.com/sustainability. The sustainability content presented in this Annual Report was gathered on a quarterly basis through the introduction of company specific data gathering templates duly completed by the individual company sustainability champions. Each business unit report on all material topics that have been identified by the Group, ensuring the completeness of information.

In order to ensure accuracy of information reported, the Group undertakes internal sustainability assurances carried out by the Sustainability and Corporate Communication Division as well as obtain external verification through an independent assurance process undertaken by Ernst & Young.

61 legal entities of the Hemas Group create the financial reporting boundary of this report, and 35 companies create the non-financial reporting boundary. Of the 61 companies, 26 have been excluded for reporting purposes as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, land-only holding companies, managing companies or companies that are office based. The 61 companies have been listed in the Group Directory and any other exclusions made have been clearly explained under the relevant sustainability topics.

One significant operational change was made to the reporting boundary during the year. Hemas Southern Hospitals was divested by the Group. Wherever comparative sustainability data is presented, this change has been highlighted.

Significant Stakeholders and Topic Boundary

The operations of the Group which span multiple sectors of the economy have resulted in a large and diverse range of stakeholders interacting with the Group on a day to day basis. Functioning with a large number of stakeholder groups translates to numerous and varying expectations from them, and while the Group is conscious of its diverse range of stakeholders it considers only the stakeholders that have a significant influence over the Group, or who would be significantly impacted by the Group's operations in this report. These significant stakeholder groups are illustrated in the forthcoming diagrams.

Following a five part materiality assessment done with the assistance of an external consultant during the financial year, the Group revisited and refined is sustainability management framework. As a result, the Group has expanded its material topics to include Economic Performance, Emissions, Biodiversity, and Socio Economic Compliance.

SUSTAINABILITY INTEGRATION

Significant Stakeholders of the Group

Material Topics	Internal Stakeholders	External Stakeholders
Economic Performance	All Group Sectors and Companies	Investors, Lenders, Government
Energy and Emissions*	FMCG, Logistics, Pharmaceuticals, Atlas, Diethelm, Morison, Hotels, Hospitals.	Investors, Customers, Shareholders, Society, Regulators, Community
Water*	FMCG, Hotels, Hospitals, Atlas, Morison, Logistics	Investors, Customers, Society
Effluent and Waste*	FMCG, Logistics, Pharmaceuticals, Vishwa, Atlas, Morison, Hotels, Hospitals	Regulators, Media, Community, Investors, Pressure Groups
Biodiversity	Hotels and Logistics	Pressure Groups, Community, Media
Environmental Compliance*	FMCG, Logistics, Pharmaceuticals, Atlas, Diethelm, Morison, Hotels, Hospitals	Regulatory Bodies, Media, Community, Pressure Groups
Supplier Assessment – Environment and Social	FMCG, Pharmaceuticals, Logistics, Hotels, Atlas Morison, Hospitals, Diethelm,	Suppliers Community, Customers, Media
Employment	All Group Sectors and Companies	Investors, society, employees
Training,	All Group Sectors and Companies	Employees, Customers, Investors
Occupational Health and Safety	All Group Sectors and Companies	Society, Regulators, Employees
Prevention of Child Labour*	FMCG, Logistics, Pharmaceuticals, Atlas, Morison, Hotels	Media, Employees, Suppliers, Society
Forced Labour and Compulsory Labour*	FMCG, Logistics, Pharmaceuticals, Atlas, Morison, Hotels, Hospitals	Employees, Suppliers, Media, Society
Local Communities*	FMCG, Hotels, Atlas, Morison, Hospitals	Investors, Community, Peers of Hemas Holdings
Anti-Corruption	All Group Sectors and Companies,	Investors, Regulators, Media, Lenders
Customer Health & Safety	FMCG, Pharmaceuticals, Hotels, Hospitals, Morison, Atlas, Diethelm	Customers, Society
Marketing and Labelling	FMCG, Pharmaceuticals, Hotels, Atlas, Morison, Diethelm, Leisure, Hospitals	Regulators, Customers, Society
Customer Privacy	Hotels, Hospitals, Inbound, Outbound	Customers
Socio Economic Compliance	All Group sectors and companies.	Customers, Investors

*While these topics are material to only certain sectors, they are tracked on a quarterly basis and reported for all Group sectors and companies.

Stakeholder Engagement

Stakeholder engagement remains a pivotal dimension in the Group's sustainability strategy. The Group's approach to managing identified significant stakeholders revolves around periodically engaging with these stakeholder groups to understand their perceptions on significant operational impacts and thereby establish significant sustainability topics that impact the Group. These engagements include formal and informal consultations, negotiations, communications, mandatory and voluntary disclosures, certifications and accreditations.

The Annual Report is the Group's primary method of communicating its responses to the material issues identified through the stakeholder engagement process in relation to core business operations.

Stakeholder Engagement

Customers	**Our Business work with a cross section of customers from both the individual and B2B segments**
Reasons for Engagement	To understand customer needs better To gauge product and service quality To innovate and improve our products and services
Methods of Engagement	Customer satisfaction surveys (ongoing) and Annual Engagement Survey One on one interaction through customer meetings/ progress reviews / visits (ongoing) Customer complaint hotlines/social media / marketing communication (ongoing) Industry exhibitions and trade fairs (ongoing)
Our Commitments	Product and service quality, affordability and safety Environmental and social responsibility Distribution efficiency
Employees	**The employees we engage belong to both the executive and Non - Executive cadre and at times, also includes those provided to us by manpower agencies**
Reasons for Engagement	To ensure we provide engaging and inspiring work and a safe workplace To create awareness of group strategy, key events, and sustainability To ensure that we remain a preferred employer
Methods of Engagement	Weekly and monthly management meetings, emails and newsletters Joint Consultative Committees (ongoing) Performance reviews (bi-annual) Employee Engagement Survey (Annual) Team building activities including get-togethers, sports tournaments, talent shows and CSR events (annual)
Our Commitments	Open door policy and transparency Training and career development through strategic talent management. Occupational Health and Safety

SUSTAINABILITY INTEGRATION

Suppliers And Partners	The partners our businesses work with include principals, agents and suppliers both in sri lanka and overseas
Reasons for Engagement	To ensure efficiency of the supply chain To understand the needs/concerns arising out of business relationships To share best prices
Methods of Engagement	Regular meetings, reviews and forums (ongoing) Annual registration and procurement committee meetings (annual/quarterly) Industry exhibitions, road shows and trade fairs (ongoing) Emails, reports and other publications, website (ongoing)
Our Commitments	Meeting contractual obligations Technical assistance and knowledge transfer Building long-term partnerships
Investors	**The investor stakeholder group includes the institutional and individual shareholders as well as the investor community consisting of analysts, fund managers and leading agencies**
Reasons for Engagement	To provide performance information in a timely and relevant manner To share vision and strategy, and to demonstrate potential To understand needs and concerns of investor community
Methods of Engagement	Annual General Meeting/EGMs Roadshows, Investor forums and presentations (annual) Annual report, quarterly reports, CSE disclosures, media releases Website, emails, telephone (ongoing)
Our Commitments	Increasing shareholder returns Generate lasting economic value Good governance and transparency
Community	**Our businesses work closely with the communities in the vicinity of their operations while at group level, we undertake a nationwide flagship community development initiative**
Reasons for Engagement	To create positive partnerships that accelerate social development To ensure minimal impact on shared resources To facilitate preschool education in marginalised communities
Methods of Engagement	Sourcing from suppliers within the local community (ongoing) Employees recruited from the local vicinity (ongoing) Community forums and awareness programmes (ongoing) Regular meetings with local authorities and community leaders (ongoing) Parent/teacher meetings at Piyawara Preschools (monthly)
Our Commitments	Extending opportunities that create positive socioeconomic impacts Development of local economy through local hiring and local sourcing Responsible utilisation of shared resources Increasing future national competitiveness through early childhood care and development

Governance and Regulations	This group includes ministries, government departments and institutions as well as local authorities and legal/regulatory bodies
Reasons for Engagement	To demonstrate compliance and create awareness To contribute to dialogue on policy To identify needs of local communities
Methods of Engagement	Statutory reporting, and correspondence (Monthly/quarterly/annually) Participation in chambers and industry associations (ongoing) Meetings, forums, presentations (ongoing)
Our Commitments	Ensure compliance with legal and regulatory requirements Responsible corporate citizenship Positive contribution to national and local economy Public – private partnerships to execute community projects

Key Sustainability Concerns

During the year, the Group has responded to customer feedback in a structured and consistent manner, driven by the centrally developed media policy, especially with regards to social media platforms. The Group has also strengthened its policy frameworks and management approach, where it has become vital to address its material topics and identify potential risks. Stakeholders such as society, pressure groups and regulatory authorities constantly assess the operations of corporates with regard to the responsible utilisation of resources, conservation of bio-diversity and environmental protection, and these will continue to be high priority areas for the Group. No significant adverse reports relating to environmental and social concerns pertaining to the operations of the Group or its companies have been highlighted during the reporting year.

The Group has always placed great importance in developing the communities within which it operates. The Group's corporate philosophy has always been to be a responsible corporate citizen; and it will continue to do so as it has done for more than 70 years of its existence. The Group also constantly engages with its employees, identifying areas such as employee welfare, training and retention of talent as focus areas.

Each quarter the sustainability performance of the identified material topics are presented to the Board of Management for advice and action. Accordingly, as a step in the Group's newly reviewed sustainability management framework, the Group has committed itself to make necessary changes to policies and management approaches to address the identified stakeholder needs and related potential risks as soon as sustainability performance is presented to the Board of Management. The Group's performance in relation to sustainability concerns is reported through the tracking of key sustainability performance indicators, which is featured in this report and would also be featured in subsequent years.

Group companies with significant operations undertake supplier audits and also assess potential suppliers for environmental and social criteria prior to being selected as a preferred vendor. In the forthcoming years, the Group will seek to broad base these best practices across all its significant operational entities.

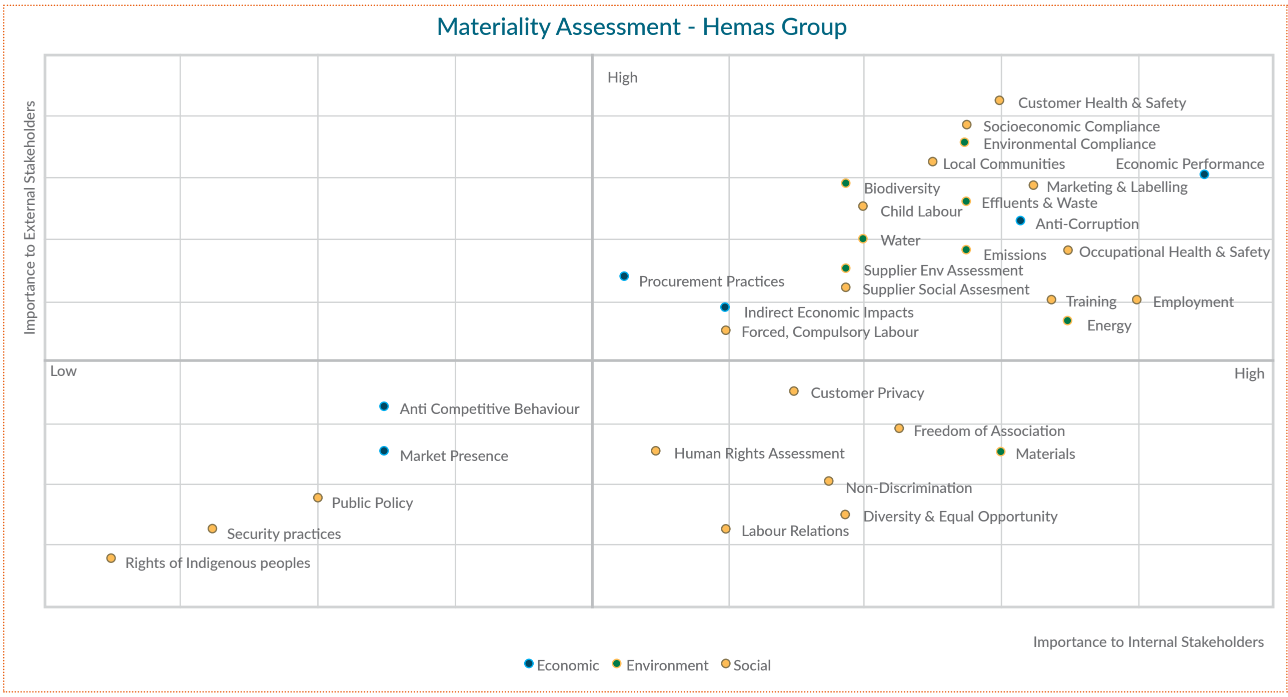
Identification of Sustainability Topics

The Group aligns all identified key sustainability concerns of significant stakeholders to the relevant sustainability topics of the GRI framework. In defining report content, the Group prioritises material topics according to their impacts and importance to significant internal and external stakeholder groups.

Significant stakeholder groups include internal stakeholders such as business units and employees, and external stakeholders such as shareholders, investors, lenders, customers, suppliers, business partners, government and regulatory authorities, peers, pressure groups, media and the community. This identification and prioritisation of material topics for reporting purposes is illustrated in the diagram in the 'Mapping of Sustainability Topics' section of this report

SUSTAINABILITY INTEGRATION

Mapping of Sustainability Topics



Prioritised material topics are categorised according to the Group's management approaches accordingly

Material Topics	Disclosure of Management Approach	Management of Capitals
Economic Performance GRI 201-1: Direct Economic Value Generated GRI 201-3: Defined Benefit Plan Obligation and Other Retirement Plans and Distributed	Economic Performance	Management of Financial and Manufactured Capitals
Anti – Corruption GRI 205-1 : Operations Assessed for Risk Related to Corruption	Environment	Management of Natural Capital
Energy and Emissions GRI 302-1 : Energy Consumption within the Organisation GRI 305-1 : Direct (Scope 1) GHG Emissions GRI 305 -2 : Energy Indirect (Scope 2) GHG Emissions		
Water and Effluent GRI 303-3 : Water Withdrawal GRI 303-4 : Water Discharge		
Environmental Compliance GRI 307-1: Non-Compliance with Environmental Laws and Regulations		
Waste GRI 306-2 : Waste by Type and Disposal Method GRI 306-3 : Significant Spills		

Material Topics	Disclosure of Management Approach	Management of Capitals
Biodiversity GRI 304 - 1 : Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	Labour Practices & Decent Work	Management of Intellectual and Human Capital
Employment GRI 401-1 : New Employee Hire and Employee Turnover		
Training GRI 404-1 : Average Hours of Training Per Year Per Employee		
Occupational Health & Safety GRI 403-9 : Work related injuries	Human Rights	
Prevention of Child Labour, Prevention of Forced and Compulsory Labour GRI 408-1 : Operations and suppliers at significant risk for incidence of Child Labour GRI 409-1: Operations and Suppliers at Significant Risks for Incidents of Forced or Compulsory Labour	Society	Management of Social and Relationship Capital
Local Communities GRI 413-1 : Operations with Local Community Engagement, Impact Assessments, and Development Programs		
Socio – Economic Compliance GRI 419-1 : Non Compliance with laws and regulations in the social and economic area	Product & Service Responsibility	
Customer Health and Safety GRI 416-2 :Incidents of non-compliance concerning the health and safety impacts of products and services		
Marketing and Labelling GRI 417-2 : Incidents of non-compliance concerning product and service information and labelling	Supply Chain	

GROUP'S DISCLOSURES OF MANAGEMENT APPROACH

A summary of the Group's Management Approach specific to each material topic is stated below.

Economic

The Group is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, generating significant economic value addition while delivering sustainable performance.

- The Hemas Group complies with all local regulations of countries in which it operates in, and ensures that its taxes and dues are settled on time, not only to its financiers and government bodies, but also to its suppliers and employees.

- The Group's Outreach Foundation focuses on endeavours that support communities and stimulate local economies, while maintaining the Group's social license to operate.

- The Group tracks its indirect economic impact through workforce details such as wages and benefits, community investments, availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals), operations in areas of high poverty and disadvantaged customer segments, and the number of jobs supported in the supply or distribution chain

- The Group stimulates local economies by directly supporting families and indirectly supporting the livelihoods of various communities of Sri Lanka, through employment opportunities and procurement from local suppliers.

- The Hemas Group has a 'zero tolerance' approach to dishonest, corrupt and illegal conduct and thus takes a proactive approach to corruption prevention by assessing its operations for risk of corruption as part of its risk management process, identifying probable risks of corruption and developing strategies to prevent and manage these risks effectively.

- Induction and other staff training programmes address expected behaviour in terms of the company's ethics, codes, policies and procedures.

- Ongoing communication through employee handbooks and letters of appointment (employees sign their respective letter of appointment at recruitment level, which includes the Group's Code of Conduct) reinforce the Group's commitment to its values and expected behaviour.

Environment

The Group is committed to utilising its environmental resources efficiently and minimising its environmental impacts which occur through operations.

- The Group has in place an environment management system that monitors reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and any impacts to biodiversity.

- The Group also has in place reduction targets and best practices to minimise negative environmental impact, while complying with all applicable laws and regulations.

- The Group has in place a set of Standard Operating Procedures (SOPs) to streamline processes and ensure data accuracy, which is supported with a dynamic internal sustainability assurance process.

- The Group has in place an Environment Committee who meets on a monthly basis to discuss key environmental issues of the Group and work towards achieving the Group Environmental Goals for 2025 which mandates the reduction of water and energy usage and zero waste to landfills.

- The Group has an environmental grievance mechanism to record any environment related grievances of the surrounding communities.

- The Group tracks and monitors any fines paid by the Group Companies, spillages and all other compliance related requirements as per Sri Lankan legislation and the Group has in place a management system to ensure any incidents are recorded.

Labour Practices & Decent Work

An organisation that predominantly engages in the service industry, 'people' are identified as a strategic focus area in the business. Group continuously works towards maintaining a healthy, diverse and skilled workforce together with high employee satisfaction.

- All Group companies, at minimum, adheres to all relevant local labour laws and regulations which are based on ratified ILO conventions.

- Employee engagement surveys are carried out periodically, to understand areas of concern and potential conflict, especially of those in the workforce who do not have access to email.

- As a leading conglomerate Hemas Group also practices beyond compliance through best practices such as medical leave, and flexible working arrangements.

- In order to ensure a healthy return to work rate the Group has in place a maternity and paternity leave policy which exceeds the time limits set out in applicable legislations.

- A performance appraisal process is used to enhance employee performance management and create an open platform for employees and their supervisors to discuss areas of improvement, establish future goals, discuss expectations and accomplishments and obtain overall employee feedback.

- The Group recognises the importance of health and safety of its employees and continuously invests in occupational health and safety and conduct continuous awareness generation activities.

- The Group has in place focused talent identification, recruitment, individual employee development plans, career-paths, training and development programmes, competitive reward systems and careful succession planning to ensure developing and retaining globally competitive people.

- Significant sectors of the Group has Joint Consultative Committees with its employees and has a conducive work environment for freedom of association.

- Employee engagement surveys are carried out periodically, to understand areas of concern and potential conflict, especially of those in the workforce who do not have access to email.

- An open-door policy is followed as an engagement method adopted at business unit level, in addition to the policies which are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

Human Rights

The Group views the advancing and protecting of human rights as imperative and aims to create a work environment that embraces the values of the Group and respects the dignity and rights of the employees.

- All Group companies adhere to policy guidelines related to human rights related material topics, which are also aligned to the local labour laws and regulations.

- Hemas Holdings PLC has zero tolerance towards child labour and therefore does not hire any person below the age of 18 nor endorse it among any of our stakeholders, including our supplier base, distributors and contract manufacturers

- The Group ensures that all employees are employed at their own will and are not subject to coercion or corporal punishment of any type related to work.

- Employee grievances related to disrespecting human rights are identified through various mechanisms such as employee surveys which are carried out regularly, the periodic independent stakeholder engagement activities, the formal grievance procedure available at each SBU, suggestion/grievance boxes, a dedicated HR division for each subsidiary, a central HR division, and an open-door policy where any employee can meet their supervisors and discuss any issues candidly and freely. Such mechanisms are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

Society

As a large conglomerate with island-wide operations, Hemas Group enables sustainable development in surrounding communities.

- The Group has in place a policy governing social responsibility which reflects our aim to create a sustainable future for all our stakeholders and be a responsible corporate citizen. These principles are continuously being embedded into our daily operations.

- The Group seeks to contribute to the social development of the nation by fostering good relationships with communities within which we operate.

- The Group has established a 'Foundation' which drives the Group's social responsibility initiatives from the centre. While the Foundation independently drives the CSR strategy and acts as the base for policy and strategy formulation specific to its area, it continues to be monitored under close scrutiny of the Group's top management. Two members of the Board of Directors sits as the trustees of the foundation.

- The initiatives of the Foundation are linked to UNSDG Goal 4 : Quality Education.

- The Group is committed to responsible business conduct and best practices and as a result all business activities are guided by the governance framework of ethics and a commitment to legal compliance as well as voluntary standards.

- The Group tracks and monitors any fines paid by the Group Companies and all other compliance related requirements as per Sri Lankan legislation.

- Group subsidiaries carries out regular formal and informal engagement to recognise and address any grievances of the communities it operates in.

Product & Service Responsibility

The Group strives to provide products and services that are of high standard and meet international standards of customers health and safety through compliance with all relevant local and

GROUP'S DISCLOSURES OF MANAGEMENT APPROACH

international statutory and regulatory requirements.

- The Group is committed to ensuring that all products and services provided by the Group comply with the applicable legislation and regulation as well as voluntary standards, thereby ensuring customer satisfaction.

- Customer health and safety is a critical aspect of the group's products, services and customer solutions. In representing leading global brands, the customer solutions are backed by warranties, guarantees and product responsibility, as well as design features that uphold high product safety.

- The Group is committed to ensuring that all products sold have the certification, labelling, product and service information required by law. This is especially material to the pharmaceuticals sector, which adheres to all requirements of the National Medicines Regulatory Authority (NMRA), which provides instructions on product and service labelling as well as information dissemination to customers.

- Due the nature of business of some subsidiaries, the Group gives utmost priority to ensure confidentiality of its customers' personal information as part of its customer privacy policy and code of conduct.

- Customers can contact the Head of Corporate Communications or senior management personnel to raise any concerns or communicate any grievances related to product and service responsibility.

Supply Chain

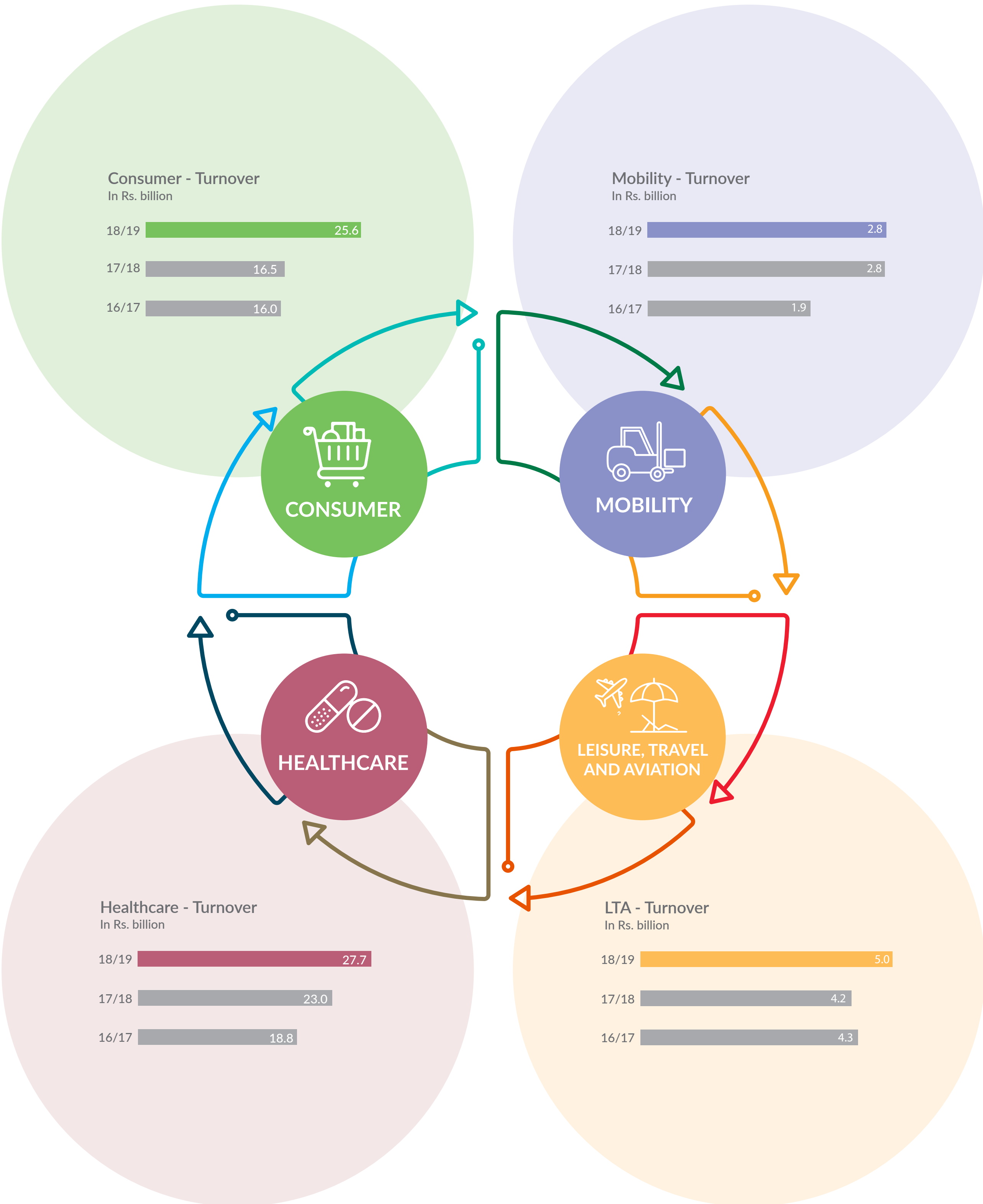
As a large conglomerate, the supply chain of the Group is large and multi-tiered and therefore have established a systematic approach to managing the relationships with our suppliers.

- The Group signs supplier agreements with all significant suppliers which require adherence of suppliers at minimum to Sri Lankan laws and regulations.

- The Group strives to build sound business relations with key suppliers and hopes to carry supplier forums to address any concerns they have and the continuous promotion of sustainability practices in the supply chain.

- The Group has in place an Environmental Assessment and a Social and Human Rights Assessment Checklist with supplementary remediation guidelines to check and rate our suppliers.

- Third party grievances with regard to Supplier assessments and related activities can be informed to the relevant sectors of the Group


Consumer - Turnover
In Rs. billion
18/19 25.6
17/18 16.5
16/17 16.0
Mobility - Turnover
In Rs. billion
18/19 2.8
17/18 2.8
16/17 1.9
CONSUMER
MOBILITY
HEALTHCARE
LEISURE, TRAVEL AND AVIATION
Healthcare - Turnover
In Rs. billion
18/19 27.7
17/18 23.0
16/17 18.8
LTA - Turnover
In Rs. billion
18/19 5.0
17/18 4.2
16/17 4.3

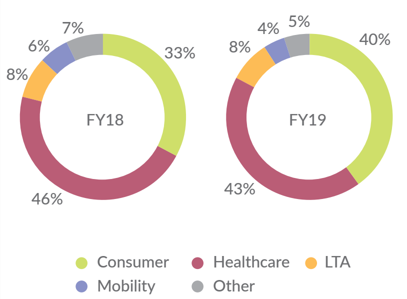
Financial Capital

Group Revenue

The Group achieved a consolidated revenue of Rs 64.1 billion, a robust growth of 28.5% over last year, primarily driven by Atlas, with its full year results consolidated post acquisition. Increased growth momentum in Pharmaceuticals, H&PC – Sri Lanka, and Leisure, Travel and Aviation (LTA) resulted in a Year on Year (Y-o-Y) organic growth of 13%.

The following graph illustrates the changes in the revenue mix when compared to the previous financial year.

Revenue Mix



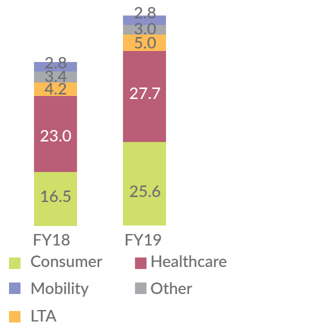
The Consumer segment reported a strong Y-o-Y growth of 55%, which was primarily due to the contribution from Atlas, combined with strong growth in H&PC-Sri Lanka driven by price and volume contributions from the personal care range.

Simultaneously, solid revenue growth in Hemas Pharmaceuticals driven by the acquisition of new agencies, and the strong performance of existing ones, together with an enhanced performance by both Group hospitals, enabled the Healthcare segment to report a growth of 20.3% and a revenue of Rs. 27.7 million.

The LTA sector reported a healthy revenue growth of 19.4%. This was largely due to the inbound travel segment, which reported an improved operating performance in lieu of the efforts made to secure key accounts, as well as fruitful negotiations to improve supplier margins.

The delay in ramping up to full operation in the logistic park distribution centre of the Mobility sector, resulted in a flat growth rate when compared to the previous year.

Group Revenue
In Rs. billion

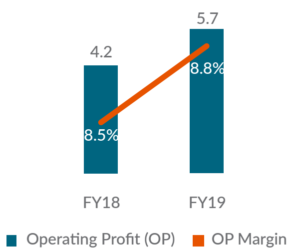


Operating Profit

The Group's operating profit increased by 33.4% from last year to reach Rs.5.7 Billion while delivering an 8.8% margin. Challenges posed by raw material price escalations, a steep currency depreciation of 13%, price controls for Pharmaceuticals, and delayed ramp up in the Logistics segment, all combined to deliver a flat growth in operating profit margins amidst strong revenue growth.

The impact of these challenges successfully mitigated by strategic changes to product mix, combined with higher focus on cost management, and efficiency improvement initiatives.

Operating Profit
In Rs. billion



Net financial expenses and Income tax

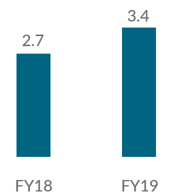
Finance cost increased by 69.3% to Rs. 1,046 million, mainly due to the consolidation of full year results for Atlas, and the increased working capital funding requirement in the Healthcare sector. Finance income declined by 37.5% to Rs. 478 million, following the loss of income from deposits, due to the utilisation of funds for the acquisition of Atlas in early 2018.

The Group's effective tax rate reduced to 28% from 33%, mainly because of the drop in Withholding Tax with timing of intercompany dividend payments, compared to last year.

Earnings and Earnings per share

Net profit and Earnings grew by 24.7% and 25.4% respectively to Rs. 3,679 million and Rs. 3,369 million, as a result of improved operational performance and savings in taxation. Basic Earnings per share increased by 25.0% to Rs. 5.65 per Share.

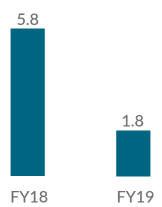
Earnings Attributable to Parent
In Rs. billion



Cashflow

The Group's strong operational performance delivered a positive cash generation of Rs.1.8 billion Operating Cashflow during the Year. The Working capital of the Group has increased by Rs. 4,624 million with increases in Inventory and Trade receivable in the Healthcare sector. Expansions in operations adversely affected Net cashflow from operations.

Operating Cash Flows
In Rs. billion



Net Debt

Net Cash of Rs.565 million reported last year, declined to a net debt position of Rs. 631 million primarily on account of a drop in cash and short-term deposits by Rs. 1,238 million, mainly due to the investment in Atlas.

Short term borrowings increased by Rs. 833 million, while a decline in long-term borrowings of Rs. 874 million was reported resulting in an overall marginal increase of Rs. 41 million over the previous year.

A higher proportion of the debt remains in the short term in order to fulfill operational working capital requirements.

Return on Capital Employed

Significant improvement in the Group's Return on Capital Employed (ROCE) from 14.4% to 16.3%, was enabled by improved operational performance amidst a 8% growth in capital base.

The integration of Atlas coupled with improved earnings from LTA, resulted in an increase of 1.9% in Return on Equity (ROE) from 10.7% to 12.6%.

Growth in revenue resulted in an increase in the asset turnover by ten basis points ending at 1.06 times.

Dividend

The dividend per share for the period under review, including the Scrip Dividend (of Rs. 3.08 per share) made in March 2019, was Rs. 4.93 per share, compared to Rs. 1.85 per share in the previous year.

Economic Value Added Statement

During the year the Group generated Rs. 65.3 billion of economic value, a increase of 28.1% from the previous year, out of which Rs. 62.7 billion was the value distributed and Rs. 2.6 billion was retained for expansion and growth. Further details of the economic distribution is given below:

Economic Value Added Statement

	Group	
In Rs '000	**2018/19**	**2017/18**
Value Generated		
Revenue	64,082,154	49,874,384
Share of Result of Joint Ventures/Associates	(92,725)	(116,482)
Other Investment Income	478,027	765,350
Profit on Sale of Assets & Other Income	653,473	379,941
Valuation Gain on Investment Properties	140,117	34,546
	65,261,046	50,937,739
Value Distributed		
Operating Overheads	50,251,201	38,512,229
Employee Wages & Benefits	8,809,761	7,388,489
Payments to Providers of Funds	2,142,786	2,049,277
Payments to Government	1,413,904	1,441,523
Community Investments	60,732	26,576
	62,678,384	49,418,094
Value Retained for Expansion and Growth		
Depreciation	1,270,844	1,071,018
Amortisation	88,615	92,180
Profit after Dividends	1,223,203	356,447
	2,582,662	1,519,645

Manufactured Capital

The Group's manufactured capital comprises of the wide array of physical infrastructure ranging from Buildings, Plant and Machinery to material goods, that enable creation and distribution of top quality products and services that meet the customer's ever-changing demand, in an effective, cost efficient and sustainable manner.

The primary manufacturing facilities are located in Welisara, Mutwal, Peliyagaoda providing uninterrupted supply of Consumer, pharmaceutical and Stationery products.

Group's total assets as at 31st March 2019 was Rs. 62,749 million, an increase of Rs. 5,051 million (2017/18: Rs. 57,699 million) primarily due to expansion in current assets held by the Group. Cash and short-term deposits decreased to Rs. 6,474 million from Rs. 7,711 million reported last year on account of investments made by the Group, particularly the Healthcare sector. The increase in Non-current assets have increased over the previous year by Rs. 522 million to Rs. 26,186 million due to investments in Property, Plant and Equipment.

Acquisition of Atlas in January 2018 has enhanced the Manufacturing capital of the Group primarily with the addition of its premises at Peliyagoda which has been recognised on a national scale for Quality, Kaizen, Lean and productivity.

In the Year under review, a total capital expenditure was Rs. 2.6 billion was incurred primarily driven by two large projects in the Logistics and Pharmaceutical space.

Morison PLC embarked on establishing a new Plant compliant on EU GMP standards to manufacture 5.0 billion tablets per annum. The facility is being set up in a five-acre SLINTEC Park at Pitipana Homagama for a total investment is Rs. 2,906 million. 70% of the civil operations are completed with a view to commence commercial operations in 2020.

Simultaneously Spectra Logistics teamed with GAC Sri Lanka to open an ultra-modern state of the art container yard aligned with global best practices, in the Muthurajawela Industrial Zone in Wattala. The state of the art digitally advanced yard contains a warehouse with a capacity of 25,000 pallet positions, making it one of the largest distribution centers in Sri Lanka.

Group continuously strives to introduce new technology to drive substantial improvements while engaging in regular maintenance.

Intellectual Capital

Intellectual capital represents the intangible value of the business consisting of the Group's employee knowledge, business training and any proprietary information that instills a competitive advantage.

One of the cornerstones of the Group's Intellectual Capital is its brand equity which is enriched by its heritage spanning over 70 years of enriching lives of its customers.

Group undertakes research and development at the Business Unit level, with Corporate Innovation driving a variety of initiatives to create "future readiness" across businesses via the two-fold Innovation strategy that focuses inward "#iaminnovation" and outward "slingshot".

Key achievements by the Group include successful integration of "Cloud infrastructure" of all business applications enabling greater speed, security and cost efficiency, launch "Idea to action" platform to develop new products, services and business models and achievement in the digital health space.

The Group has been crowned with a wide spectrum of awards and accolades which has increased our brand value significantly. More information on the Groups' awards and accolades can be found in pages 6 to 7.

Group's flagship CSR project Piyawara, which focuses on early childhood care and development through the adding of pre-schools to the national network, has further strengthened and enhanced the Intellectual Capital of the Group.

The Group builds its brand equity by increasing brand recognition amongst its stakeholders by engaging in strategic interviews in media along with press releases highlighting different milestones of the Group.

Our brands form a key component of the Group's Intellectual Capital.

Sector	Brands
Consumer	Baby Cheramy, Paris, PRO, Gold, fems, Clogard, Diva Fresh, Goya, kumarika, Dandex PRO SCALP, bien aimé, Godrej, Velvet, CAPRI, SWA Science of Nature, MOSGUARD, atlas axillia, Homerun, innov8 write on!, ZEBRA X
Healthcare	Morison, HEMAS HOSPITALS

Our brands form a key component of the Group's Intellectual Capital.		
Sector	Brands	
Leisure, Travel and Aviation	HEMAS TRAVELS	SERENDIB LEISURE
Mobility	SPECTRA SYNERGIZING LOGISTICS	

Human Capital

The Group considers its Human Capital an asset and the foundation of its success. As a result, 'people' are identified as a strategic focus area in the business. One of the Group's most vital attributes is creating value through – and for – employees by attracting, developing and retaining globally competitive people necessary to maintain a competitive advantage and achieve the Group's growth targets.

Strengthening Employee Relations and Employee Engagement

During the year, the Group carried out a series of initiatives to engage with its employees and strengthen employee relations. The Group also strives to enhance its employee relations through the facilities and benefits it provides.

- Quarterly Townhall Meetings – Townhall meetings are held once a quarter with staff to disseminate information about the Group's performance during the previous quarter and its plans for the next quarter. Questions to the CEO and the senior management team can be addressed via a portal, through email or in person. Updates on specific initiatives, wellness messages and quiz competitions are also built into the meetings.

- Exit Interviews – All staff leaving the Group go through an exit interview and the feedback is shared with the Board of Directors of the Group. Further, the Human Resources team prepares and implements action plans to address reasons for exits.

- Hemas Awards Ceremony – Each year the Group recognises its exceptional performers at the Hemas Awards Ceremony. Additional awards given at the ceremony include the Values Award, Abhimana Award, Innovation Award, Wellness Award and awards for Business Performance. All entertainment acts for the event are performed by Group employees, providing them a platform to showcase their inherent talents.

- Fun Friday – Organised twice a year by different subsidiaries, Fun Friday acts as a channel for employees to unwind and showcase their talents.

- Medical leave – Whilst not a statutory requirement, the Group introduced a minimum of seven days' medical leave for all employees across the Group.

- Flexible working policy – The Group provides flexible working hours and part-time working options for its employees.

- Maternity, Paternity and Adoption Leave Policy – The Group has in place an enhanced maternity leave (100 days), paternity leave (10 days) and adoption leave policy (same as maternity and paternity for a child under 1 year, and half the benefit for a child between 1 and 5 years), which has been adopted by the significant sectors of the Group.

- KidZone – As a pilot project, a back-up care facility was opened at Hemas House for working parents.

- MumZone – A lactation room for new mothers is available at Hemas House.

- On-site gyms are available for employees at Hemas House and Hemas Pharmaceuticals

Additionally, each subsidiary of the Group carries out sector/subsidiary specific activities to strengthen its employee relations and enhance its employee engagement. These activities have been highlighted in the Sector Review section of this Annual Report.

Employee Diversity

The Group has in place a fair and transparent recruitment process, where equal opportunities are provided for all applicants. Diversity in the workplace is encouraged as the Group believes this results in nurturing innovative thinking, while creating a work environment that promotes a better decision-making process.

The Group encourages all subsidiaries to employ individuals representing vulnerable groups (e.g. visually impaired individuals, hearing impaired individuals, individuals with physical and mental impairments and rehabilitated combatants, who are employable). The Group has in place a mandate that states 0.5 percent of its employees should be individuals from vulnerable groups. As a result, the Group has registered with the Employers Federation of Ceylon and will continue to welcome individuals representing this group to the Hemas family. Currently, the Group has in employment 7 individuals from the aforementioned vulnerable groups which is 0.10 percent of total employees.

Two of the Independent Directors on the Group Board are foreign nationals and the Board of Management of the Group comprises of one foreign national. Out of the 12 members of the Board (12 male and one female), 11 are above 50 years and one is between the age of 30 – 50 years. The Board of Management consists of 15 members (13 male and 2 female members) out of which 7 are above 50 years and 8 are between the ages of 30 – 50 years.

Kosala of Hemas Wins the Swashakthi Abhimani National Award

Kosala Perera, a member of the Group Sustainability and Corporate Communications team recently won the award for the Best Swashakthi Member at the Swashakthi Abhimani National Awards Ceremony organised by the Ministry of Social Welfare and Primary Industries.

Organised in collaboration with the Department of Social Services, the objective of the Swashakthi Abhimani National Awards is to evaluate and recognise: (a) institutions that provide employment to persons with disabilities; and (b) skills development centres that harness the skills of persons with disabilities.

Born with Down syndrome, Kosala at 33 has a winning smile and a positive attitude to life. He is an empowered individual, who has not let his disability get in the way of his development and has worked hard to ensure he becomes a valued team member at Hemas. Kosala has many talents to his credit: He is an award-winning oriental dancer and an artist who has an innate ability to mix and match colours.

Playing a vital role in his progress is Kosala's mother, Sunitha Perera, who is a teacher for children with special needs. Sunitha has worked hard to ensure that Kosala's disability does not stand in the way of his development and integration into society. "I was 38 years old when I had Kosala, and I am very fortunate to have him in my life. When I realised he was special, my only goal was to make him independent and give him the right skills. I am very thankful to Hemas for giving my son an opportunity to shine and I appreciate the way he is being treated. Working at Hemas played a key role in uplifting the quality of life and social standing of our family, and has helped Kosala be respected and accepted within the society we live in," said Sunitha.

As an equal opportunity employer, the Group is proud to be a part of Kosala's journey and recognises the progress he has made in a short span of time. Though he is intellectually impaired, it is important to realise that with the right type of training, Kosala can contribute to the economy in a positive way. Kosala has been trained by Hemas to be a useful team member. The Group strives to provide a safe environment for such employees and works with them to achieve their full potential.

Workforce of the Group

Workforce	2018/19	2017/18
Permanent	5951	5948
Contract	708	807
Employees from Manpower Agencies	1436	748
Total	**8095**	**7503**

The Group's employees are predominately full-time employees, and there are no employees outside Sri Lanka in relation to the reporting boundary of this report.

Total Number of Employees by Grade

	2018/19		2017/18	
	Male	Female	Male	Female
Directors	31	7	36	7
Senior Management	137	42	148	44
Middle Management	440	131	464	138
Executive Level	793	405	817	398
Non-Executive Level	3479	1194	3367	1336
Total	4880	1779	4832	1923

Gender Diversity of Employees

	2018/19			2017/18		
	Male	Female	Total	Male	Female	Total
Consumer	1654	359	2023	1460	348	1808
Healthcare	1759	1103	2862	1935	1698	3633
LTA	954	215	1169	923	214	1137
Mobility	426	38	464	470	34	504
Other	77	64	141	230	99	329

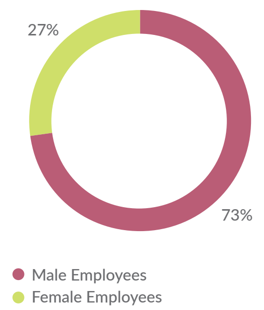
The Group also has in place a Goal which mandates that by 2020, 25 percent of employees across the Hemas Group (excluding the Hospital Sector) should be women. For the financial year 2018/19 the female representation of the Group, excluding Hospitals, is 16.6 percent [FY 2017/18: 16.3 percent]. The Group strives to increase this number in the upcoming years and has taken several steps to attract and retain female employees in the Group.

In 2018, Hemas Group joined the SheWorks Partnership in Sri Lanka, established by the International Finance Corporation (IFC). SheWorks brings together a group of leading companies operating in different industries to identify and implement "gender-smart" solutions that are good for business, employees, and communities.

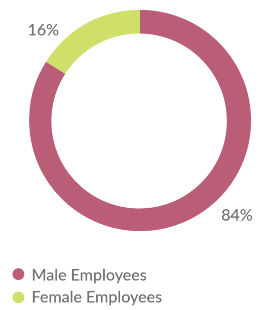
While many companies offer onsite childcare support, the Group took on an innovative approach by providing backup childcare to its employees. As a pilot initiative, the Group set up a specially designed space for children at Hemas House that can accommodate up to 10 children aged 3 to 12 years old. This age group is considered to be one that can be managed by the parent without supervision by additional staff (such as a crèche supervisor or nannies). This allows parents to "hot desk" from one of the adjoining work stations and have peace of mind that their children are safe and occupied. This space is not meant to replace regular childcare arrangements but was designed as an option to be used when regular childcare arrangements fail, as they occasionally do. The facility also provides a MumZone for lactating mothers and a MedZone for all employees who are feeling unwell or need to rest during the working day.

Recognising the initiative, the Group was featured as a case study in 'Tackling Childcare: The Business Case for Employer-Supported Childcare in Sri Lanka", a publication launched by the IFC.

Gender Mix - Permanent Employees



Gender Mix - Contract Employees



Voice of Women: The Hemas Women's Network

Hemas embarked on a journey of becoming a more attractive employer for women by establishing its women's network, the Voice of Women (VOW), in 2017. The inaugural committee carried out focus groups across the different businesses of the Group to understand the needs of the female employees. Together with Human Resource Division of the Group, the network was able to reach the following milestones:

- Extended maternity, paternity and adoption leave policies
- Introduced a flexible working policy
- Established MomZone and KidZone at Hemas House. MomZone is a sanitary space for lactating moms to safely express breastmilk for their infants.
- Celebrated International Women's Day by conducting sessions on nutrition, stress management and self-defence across the Group. The sessions focused on women but were open to both male and female employees and was organised by the newly-appointed second steering committee

With the second steering committee now at the helm, Voice of Women is committed to making Hemas a place where women can thrive.

Age Diversity of Employees

	2018/19	2017/18
Under 30 years	2,872	3,209
Between 30 - 50 years	3,393	3,165
Above 50 years	394	381

The age profile and gender diversity of the Group's governance bodies are disclosed in the profiles of the Board of Directors in the Corporate Governance section of this report.

Employee Benefits

All employees of the Group based in Sri Lanka are eligible for the Mercantile Service Provident Society (MSPS)/ Employee Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions stipulated by law. As per Sri Lankan law, employees contribute eight percent of their salaries towards MSPS/EPF with the company contributing 12 percent or above. Furthermore, the Group contributes three percent towards ETF. The total contribution made by the Group to ETF for the reporting year was Rs. 115 million, while the contribution made to MSPS/EPF was Rs. 470 million. Employees are also entitled to gratuity and the total benefit liability as at 31st March 2019 was Rs. 969 million.

Performance Appraisal

In an effort to enhance the management of employee performance, the Group carries out two performance reviews during a financial year: a mid-year review in September and a year-end review in March. All employees of the Group participate in the performance review process, with the final feedback being conducted between the employee and his/her supervisor. This creates an open platform for employees and their supervisors to discuss performance, understand areas of improvement, establish future goals and obtain feedback.

Training and Development

The Group recognises that achieving its vision and sustainable value-creation objectives rests on the ability of its people. Therefore, developing and retaining globally competitive people is necessary to implement the Group's strategy and meet its growth targets.

The Group identifies the training needs of its employees through performance feedback, talent discussions, and assessment centres. The main types of training and development include:

- Technical skill development
- Soft skill development
- People management development (Hemas' signature people management programme is called LEAD – Leadership by Engagement, Alignment and Development)
- Leadership development of Middle and Senior Managers (Future Leaders Programme)
- Succession planning and related development

Training Hours of Employees		
	2018/19	
	Average Hours per Employee	Total Hours
All Employees	9.6	64,291
Directors Level	19.7	750
Senior Management Level	16.1	2,876
Middle Management	16.7	9,530
Executive Level	10.8	12,937
Non-Executive Level	8.2	38,200
Male Employee	7.8	38,222
Female Employee	14.6	26,069

Training Hours of Employees	
	2017/18
Total Training Hours	70,360.00
Total Hours – Executive	47,801.00
Total Hours - Non Executive	22,559.00
Average Hours - Per Executive	23.30
Average Hours - Per Non Executive	4.80

Talent Management

The Group considers its workforce to be its most valuable asset and, as a result, proactive initiatives are taken to address issues such as attrition. Attrition amongst permanent and contract employees and new hires are tracked and monitored according to composition by gender and age group.

New Hires of the Group	
	2018/19
Under 30 years	1,293
Between 30 - 50 years	377
Above 50 years	32

During the year, the Group hired 1702 new employees [FY 2017/18: 2157] out of which 1126 were male employees [FY 2017/18: 1503] and 576 were female employees [FY 2017/18: 654].

The attrition rate of new hires during the year was 3.5 percent of the total employees, the attrition rate of male new hires was 2.2 percent and female new hires was 1.3 percent of the total employees.

The attrition rate of new hires aged below 30 years was 1.4 percent; aged between 30 – 50 years was 0.9 percent; and aged above 50 years was 1.7 percent of the total employees of the Group.

During the year, 1489 employees left the Group, out of which 969 were male employees and 520 were female employees.

Employee Turnover of the Group	
	2018/19
Under 30 years	941
Between 30 - 50 years	506
Above 50 years	42

The total attrition rate of male employees for the financial year 2018/19 was 14.5 percent [FY 2017/18: 20.5 percent] and the attrition rate of female employees was 7.8 percent [FY 2017/18: 8.3 percent] of the total employees.

The attrition rate of employees below 30 years was 5.8 percent [FY 2015/16: 19.8 percent]; aged between 30 – 50 years was 3.0 percent [FY 2018/19: 8.0 percent]; and ages above 50 years was 0.4 percent [FY 2017/18: 1.2 percent] of the total employees. The attrition rate of the Group was 22.3 percent [FY 2017/18: 28.0 percent]

Health and Safety

The Group recognises the importance to continuously invest in occupational health and safety (OHS) practices and conducts regular awareness generation activities. As a result, most Group companies are OHSAS 18001 certified, and the Group has in place management processes to ensure the mitigation of occupational injuries across its sectors, and also employs a specialised consultant to undertake third party audits of the Health and Safety practices across the Group's locations.

The Group also tracks and monitors all Operational Health and Safety related incidents across all subsidiaries included in its reporting boundary, and such reports are shared with the senior management on a quarterly basis.

During the year, there were 11 high-consequence injuries and 27 recordable injuries of employees. The total number of work-related injuries is 38. The recordable injuries for contractors' personnel were 3 and no high consequence injuries were recorded for such personnel. There were no fatalities reported during the year.

The high consequence injury rate of the Group for employees was 0.16 per 100 employees arising from the Hotels and Hospitals sectors of the Group.

The recordable injury rate was 0.4 per 100 employees arising mainly from the Hotels and Morison sectors. The total work-related injury rate (including both high consequence injuries and recordable injuries) was 0.57 per 100 employees. The recordable injury rate for contractor's personal was 0.21 per 100 such personnel.

The Group defines high consequence injuries as injuries that require more than 6 months of recovery time, and recordable injuries as injuries that require a recovery time of greater than 3 days and less than 6 months. As per Sri Lankan labour law, a recordable injury is defined as an injury with at least 3 lost days, and such minor occupational injuries or diseases that resulted in less than three days have been excluded, although records are maintained for such injuries and diseases.

Sectors of the Group have in place a root cause analysis process for all injuries, and such analysis process improvement to avoid such incident in the future is submitted to the respective management for implementation and discussed with employees.

Hemas Wellness

Employee wellness plays a key role in the Group's strategy and the Group is on a mission to become the healthiest workforce in Sri Lanka. The Group strives to create a culture of wellness, maintain accessibility to wellness services, and promotes awareness of health and wellbeing in all facets of life to every employee.

Hemas Pharmaceuticals - Winners of Fit for Life 3

Key campaigns for the year included the following.

Name	Description
Cholesterol	The campaign covered 2000 staff members who participated in awareness sessions and received self-report feedback. The target employees were factory staff at FMCG and Morison PLC.
Diabetes	2000 employees received a combination of Glucometer tests and Diabetes awareness sessions targeting the nutrition aspect specifically. The highlight was the Diabetes recipe booklet created for World Diabetes Day 2018 in partnership with Saaraketha organics
Fitness & Nutrition	Fit for Life 3 was launched for its third year and proved successful with over 400 Kgs lost by the 200 participants. Hemas Pharmaceuticals emerged as the winners for the third consecutive year. The Wellness Division provided nutritionists who educated the teams and provided locations with a healthy food day as requested. The overall feedback showed a positive self-report rate of 100% .
Stress & Mental Wellbeing	The Attitude for Gratitude campaign is ongoing and it shows a self-report rating of 79%. It was targeted mainly towards office staff.

Child Labour and Forced/Compulsory Labour

The Group ensures that all Group companies adhere to all relevant laws and regulations with regard to Child Labour and Forced/Compulsory Labour. As a management practice, the Group requires all potential employees to produce valid identification during the recruitment process to ensure that the minimum age requirement is met. No cases of child labour or forced labour were reported in the year under review.

Freedom of Association and Collective Bargaining

Significant sectors of the Group have Joint Consultative Committees with its employees and have a conducive work environment for freedom of association.

While all employees of the Group have the ability to freely associate, Morison PLC has a formal collective bargaining agreement.

Moreover, the Group conducts direct management-worker meetings periodically to promote cooperative conflict and grievance resolution practices.

Anti-Corruption

Employees of significant sectors of the Group sign the 'Hemas Way' document, which provides guidelines and other relevant information regarding the Group's policies toward Bribery and Corruption. The 'Hemas Way' is the employee code of conduct which sets forth the expectations of a Hemas team member when living the Hemas values. The 'Hemas Way' is a personal commitment to how day-to-day business will be conducted and the behaviour expected when dealing with internal and external stakeholders. All new employees receive a training on the 'Hemas Way' during their induction. The Group HR Director acts as the officer in charge of the values and ethics in the Group. No significant risks were identified relating to corruption within internal business processes.

Natural Capital

The Hemas Group is committed to utilising its environmental resources efficiently and minimising its environmental impacts, which occur through its operations.

Most Group entities with significant operations are certified under ISO 14001 (Environmental Management System), and the Group has also extended its policies and environmental impact management procedures to its value chain.

The Group especially places importance on the management and reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and any impacts its operations may have on biodiversity. It also further seeks to manage these topics with the use of reduction targets and best practices to minimise negative environmental impact, while complying with all applicable laws and regulations. The Group believes that this also enhances the Financial Capital of the Group through cost savings,

During the year, the Group also established a set of Standard Operating Procedures (SOPs) as it strives to streamline processes and ensure data accuracy. Going forward, the Standard Operating Procedures will be supported by a dynamic internal sustainability assurance process.

As a key component in the Group's strategy of managing its Natural Capital, the Group monitors all its material topics on a quarterly basis and strives to improve its quarter on quarter performance. This information is used by the Group Chief Executive Officer and the Board of Management when analysing the sustainability performance and making decisions related to the operations of the Group.

The Group also has an Environment Committee, which consists of members of the Group Sustainability and Corporate Communications Division, engineers from all sectors and external consultants. The committee meets on a monthly basis to discuss key issues of the Group and work towards achieving the Group Environmental Goals for 2025, which mandates;

- 25% energy reduction by 2022 against 2017/18, and then, a renewable electricity target, which will be either obtained or offset by 2025 against the reduced energy in 2022 as a baseline.

- A 50% reduction of 2017/18 water usage by 2025

- Zero waste to landfill by 2025

Hemas Green Club

Established in 2013, the Hemas Green Club is a team of passionate employees who strive to make a positive difference in the environment that surrounds our communities. To date, the Hemas Green Club has over 100 members representing all sectors of the Group.

Initiatives of the Hemas Green Club included:

Supporting Wildlife Conservation

The club strives to support the conservation of wildlife and, as such, has undertaken the responsibility of sponsoring the care of an orphaned elephant calf at the Elephant Transit Home during his first five years until he is returned to the wild.

Supporting the Elephant Transit Home

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

Green Club Excursion

The Hemas Green Club partnered with the 'Thuruliya Wenuwen Api' project initiated by the Sri Lanka Army to plant 500 edible trees in the Welioya area. The 'Thuruliya Wenuwen Api' campaign was launched by the Army in August 2018 and has partnered with several stakeholders as they strive to build a greener Sri Lanka.

Together with Army soldiers, the Hemas Green Club members planted 300 jak plants, budded gauva, pomegranate and mango trees creating a 'fruit forest' whilst mango trees were planted on either side of the road leading to the 'fruit forest' The area will be monitored and sustained by the Sri Lanka Army. Additionally, 200 plants were distributed to selected farming communities in the area.

Energy and Emissions

As a responsible corporate citizen, the Group ensures that its energy and emissions management policy focuses on minimising the Group's overall carbon footprint through improvement of its energy consumption, non-renewable energy efficiency and by exploring opportunities to increase use of renewable energy sources.

The Group also utilises the skills and expertise of maintenance engineers to identify and coordinate the maximisation of energy efficiency opportunities across the Group. The Group Environmental Committee meets periodically to share information and best practices across the various operating units of the Group.

The Group, as part of its Energy Management efforts commenced monitoring its carbon footprint through a comprehensive data-collection and assessment process. The data collection process is further supported by internal assurance of energy and fossil fuel consumption

All electricity and fossil fuel consumption levels are monitored through calibrated metering. The Greenhouse Gas Protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the Group's carbon emissions, while carbon emission factors found in the Intergovernmental Panel on Climate Change (IPCC) guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating the Group's carbon footprint. Currently, the carbon intensity of the Group is calculated using the total Group revenue, which will form the base for carbon reduction targets in the years to come.

The tables and pie charts contains data related to Hemas Southern Hospital for 2017/18 and for the first two quarters of 2018/19. During the financial year, the Group divested Hemas Southern Hospital, which resulted in the relevant data not being included in the final two quarters of this financial year.

Group Energy Consumption

(GJ)	2018/19	2017/18
Direct energy	2,288,150	2,382,847
Fossil Fuel	2,287,974	2,382,847
- Diesel	1,565,526	1,799,202
- Petrol	277,361	209,778
- Furnace Oil	336,123	373,867
- LPG	108,964	*
Renewable Energy	176	
Solar Power	176	
Indirect Energy - National Grid	85,838	62,899
- Hydro & Renewable	42,061	30,820
- Thermal	43,777	32,078
Total Energy	**2,373,988**	**2,445,746**

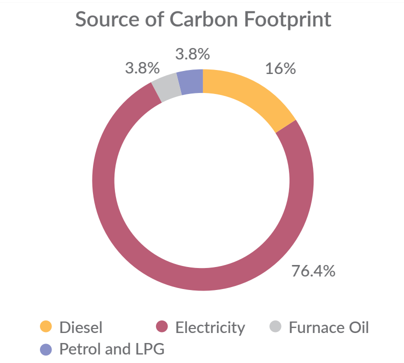
*During the financial year 2017/18, the Group did not track its LPG usage. However, with the enhancing of its sustainability management framework, the Group included the tracking for LPG in 2018/19] to ensure a holistic understanding of the Group's energy usage.

Carbon Footprint		
	Carbon Footprint (MT)	
	2018/19	2017/18*
Total	**21,972**	**17,673**
Scope 1	5,183	5371
Scope 2	16,789	12,302

*Carbon footprint for 2017/18 is understated as all fossil fuels were not tracked during 2017/18

Electricity Consumption		
	2018/19	2017/18
Electricity Consumption (kWh)	23,843,862	17,471,844

One of the key reasons for the increase in the electricity consumption of the Group is the inclusion of Atlas Axillia. As Atlas was acquired during the fourth quarter of 2017/18, electricity consumption for 2017/18 does not contain data in relation to the company.



Understanding the need for the responsible consumption of energy, the Group Environmental Committee has in place initiatives across the sectors that strive to reduce the use of energy:

- Solar power projects at key sectors
- Energy audits across all sectors
- Replacement of LED lights at Atlas factories and Thermal insulation
- Switching AC units to inverter AC at Leisure properties
- Upgrading BMS systems at Hospitals

Water and Effluents

The Group recognises that water is an increasingly scarce and critical global resource and has ensured that all Group companies are committed to being responsible custodians of water resources by measuring, monitoring, and managing water use as standard business practice.

The Group ensures that the quality levels of discharged waste water is in line with the relevant country laws. Water consumption and discharge is tracked and monitored with the use of water meters and where meters are unavailable, through estimates based on pump functional time. During the year, Standard Operating Procedures were introduced across the Group to ensure standardised data reporting and to ensure consistency and accuracy of data.

The Group is also committed to more efficient water consumption through reduced use, increased recycling and by proactively implementing other initiatives that conserve water or mitigate the effects of its use for business operations if and when necessary.

During the year, the total water consumption of the Group was 413,339 m^3 of which 68 percent of water was sourced from third party water sources and the rest from well water.

Understanding the need for optimising the usage of water across the Group, the Group Environment Committee has put forward several water conservation initiatives to be implemented during the upcoming financial year across its businesses. These initiatives includes:

- Rain water harvesting at Leisure properties
- STP treated water for gardening at Leisure properties
- Introduction of a waste water recycling project at Morison
- Upgrading BMS system at Hospitals
- Reverse Osmosis Project at Hemas Manufacturing
- Push tap installation project, atomisation shower project and domestic use water treatment plant for Peliyagoda and Welisara Sites of Atlas

During the year, 94 percent of the Group's water consumption came from areas. that are considered as not water – stressed.

Water Consumption by Sector

	Volume (m^3)	
Sector	**2018/19**	**2017/18**
Consumer	58,925	54,321
Healthcare	113,580	69,966
LTA	188,170	20,285
Mobility	43,758	24,191
Other	8,906	2,127
Total Volume of Water Withdrawn	**413,339**	**352,690**

During 2017/18, data related to Atlas is not included as the company was a new addition to the Group and did not have practices in place for tracking its water consumption.

During the year, the Group discharged 358,700 m^3 of water of which 68 percent was discharged to surface water, 26 percent to the municipality drainage systems and the rest to soakage pits and to the sea. The Group discharged 92 percent of its water to areas that are considered non-water stressed.

Water discharged went through the Effluent Treatment plants at sectors when required and all water discharged met the stipulated standards mandated by the EPLs of the sectors.

Waste Management

The Group recognises that with the increase of its operational footprint, there is also an increase in the consumption of raw materials and in turn, waste generation. Therefore, the Group calls for the optimal use of virgin material through reusing and recycling. Both hazardous and non-hazardous waste streams are monitored by type, volume, disposal method and destination. While the Group is committed to reporting all waste by weight or volume to ensure consistency and comparability, it also places emphasis on overall reduction of waste and responsible disposal of the same.

As the Group Sustainability and Corporate Communications Division is still in the process of implementing waste segregation procedures across the Group, there might be gaps in the data that has been collected. The Division continues to work with the relevant Sustainability Champions to improve the accuracy of data collected by establishing waste management practices and introducing Standard Operating Procedures for data capture, estimation and management.

As the Group has an overall goal of zero waste to landfills by 2025, these practices will help in working towards this goal.

Disposal Method of Waste

Disposal Method	Volume (Kg)
	2018/19
Amount of Hazardous Waste Created and Disposed	**81,352**
Reuse	1,200
Recycling	200
Incineration	77,587
On-Site Storage	2365
Total Non-Hazardous Waste Disposed	**2,542,060**
Reuse	53,622
Recycling	1,400,961
Composting	38,410
Recovery	325,212
Landfill	459,350
On-Site Storage	5,235

As this is the first year of tracking waste date proactively, comparative data will be available from the next financial year.

Biodiversity

While Group's operations do not have a large impact on biodiversity, some of its operations are in the vicinity of protected areas. The Group places great importance in preserving the local natural habitats and ecosystems, and therefore its impact on biodiversity is continuously monitored. The Group has a comprehensive grievance mechanism in place to record any biodiversity-related grievances of the surrounding communities and any official complaints from regulatory authorities.

Environmental Compliance

The Group strives to be in compliance with all environmental laws and regulations of the country at all times and hence tracks and monitors any environmental fines paid by its business units for spillages or any other non-compliance under Sri Lankan legislation. No significant spills or fines worth over Rs. 1 million were reported in the year under review.

Social/Relationship Capital

The Hemas Group places great importance on enhancing its interactions with all its stakeholders and developing long-lasting relationships.

Supply Chain

As a result of the supply chain being large and multi-tiered, the Group has established a systematic approach to managing the relationships with its suppliers. This includes mapping out supply chain risks to address any social concerns that may occur, whilst also realising the opportunity to improve efficiencies and sustainability throughout the procurement, production, and supply chain pipelines. During the year, there was no significant change in the supply chain as its type of operations remained the same.

Significant Suppliers:

- Material Suppliers
- Subcontractors and Outsourced Labours
- Maintenance and Support Services
- Principals
- Pharmaceutical Companies
- Agencies
- Partners
- Hotels
- Amenities and Utility Supplier
- Food and Beverage Suppliers
- Travel Agents
- Outsourced Service Providers
- Tour Operators

Customer Health and Safety

Customer health and safety is a critical aspect of the Group's products, services and customer solutions. In representing leading global brands, our customer solutions are backed by warranties, guarantees and product responsibility, as well as design features that uphold high product safety.

Relevant subsidiaries in the Healthcare sector have in place an adverse drug reaction notification and product complain form on its webpage. Any patient who experiences a reaction or has a complaint can directly communicate through that channel. Field staff are also encouraged to report this information in order to ensure patient concerns are addressed in a timely manner. During the year, there were no significant incidents of non-compliance concerning the health and safety impact of products and services.

Marketing and Labelling

The Group is committed to ensuring that all products sold have the certification, labelling, product and service information required by law. This is especially material to the pharmaceuticals sector, which adheres to all requirements of the National Medicines Regulatory Authority (NMRA), which provides instructions on product and service labelling as well as on information dissemination to customers.

The Group also has in place a Group Sustainability and Corporate Communications Division whose responsibility is to ensure all product and service labelling adheres to the Group brand guidelines. The Group has an 'Advertising Checklist' which sets out mandatory principles expected of all advertisements produced across the Group for internal and external communications, for any channel including social media. It emphasises the need for honesty, cultural sensitivity, and non-discrimination; the need to refrain from messaging that may be misunderstood or deemed offensive; and encourages promoting positive behaviour and role models.

Values of fines and incidents related to non-compliance with regulations and voluntary codes concerning product/service labelling and information is recorded and reported on a quarterly basis. During the year, there were no significant fines or incidents reported of non-compliance concerning product and service information and labelling.

Local Communities

As a diversified conglomerate, the Group possesses many opportunities to enrich communities in and around our operations. The Group recognises that its operations may impact surrounding communities and in order to mitigate risks arising from such impacts, and to support local livelihoods, the Group carries out social responsibility initiatives, such as community service programmes, around its areas of operation.

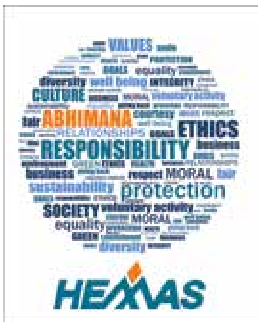
Moreover, the Group recruits locally and also provides indirect employment and supports the livelihood of the communities in which it has operations, which is critical for the socio- economic progress of these communities.

The Group, through the Hemas Outreach Foundation invested approximately Rs. 37 million in social responsibility initiatives and also spent approximately Rs. 21.9 billion in procuring goods and services locally, stimulating local economies and safeguarding the Group's social license to operate.

The Group also has in place a community grievance handling mechanism and continuously engages with the community and its stakeholders to understand any concerns. During the year, all grievances that were brought forward were resolved by the Group.

The Group also plays a key role in addressing government needs and continues to support the national agenda in developing Early Childhood Care and Development (ECCD) in Sri Lanka. Further information on its initiatives, Piyawara and AYATI, is given on page 99 - 102 of this report.

Abhimana



In 2014, Hemas Holdings PLC launched 'Abhimana' - a framework through which the Group aims to tackle the most important social, economic and environmental challenges that impact our organisation and our shareholders. Abhimana strives to make sustainability a lifestyle at Hemas.

The main objective and focus points for Abhimana was to create a 360-degree awareness campaign, beginning from educating staff on the importance of taking responsibility, how their choices matter and how deep the effects and consequences of everyone's actions are.

Since its launch, Abhimana has made significant progress by making an impactful and sustainable difference across various stakeholder groups of each business. The success of Abhimana must be attributed to the Abhimana Champions who have been appointed at each sector/SBU, who have actively and passionately implemented initiatives across the Group, together with the support of their respective teams and the management to effectively 'Enrich Lives'.

Abhimana Award

The Abhimana Award is presented to the SBU that has put forth the most commendable efforts in championing responsible business, to make sustainability a lifestyle at Hemas, whilst reinforcing the core values and culture of our company.

The Abhimana Award winner for 2018 was 'Yathra', a project rolled out by the Hemas Manufacturing team, making them the winner for the fourth consecutive year!

Understanding that each and every stakeholder is a valuable component for a successful business, Hemas Manufacturing embarked on a mission to roll out impactful initiatives under an umbrella brand with the aim of reinforcing relationships and making a positive difference across each stakeholder group.

Through their series of initiatives, they started a voyage towards the betterment and development of their key stakeholders. The SBU was thus able to attract positive sentiments and strengthen the sense of pride, motivation and appreciation towards the company from all stakeholders involved and help build deeper and long-lasting relationships that ensure a sustainable future for the business.

Hemas Outreach Foundation

The Hemas Outreach Foundation focuses on educating and empowering the underprivileged children of Sri Lanka through early childhood care and development.

Vision

"To be seen as the most effective Sri Lankan philanthropic organisation involved in improving the education of underprivileged children"

Mission

"To enrich the lives of underprivileged children of Sri Lanka through early childhood care and development (ECCD)."

Piyawara

Initiated in 2002, the Piyawara programme was launched in partnership with the Children's Secretariat of the Ministry of Women and Child Affairs. The programme aims to enrich the lives of underprivileged children in Sri Lanka by focusing on key aspects within the framework of Early Childhood Care and Development (ECCD).

To date, Piyawara has added 53 pre-schools to the national network and continues to support the national agenda in developing Early Childhood Care and Development (ECCD) in Sri Lanka.

Piyawara stands today as a prime example of a successful government-private sector partnership that addresses a national issue and creates strong communities. As a private sector entity, Hemas Holdings has always believed that early childhood development is the best investment a country can make to its human capital.

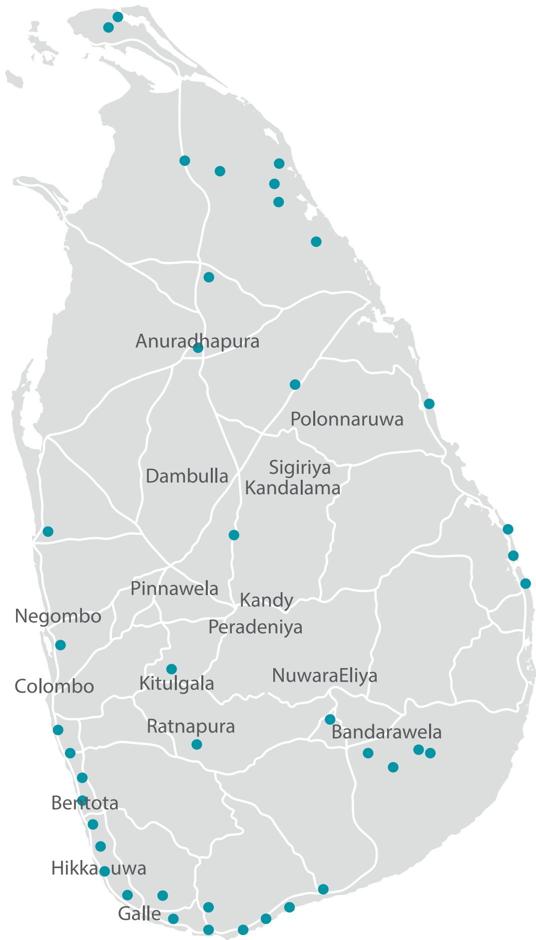
As the Government continues its efforts in the area of ECCD, Hemas will continue making investments and assist the Government in addressing a national need.

Piyawara has prioritised several key aspects within the framework on ECCD:

- Adding pre-schools to the national network
- Infrastructure development of preschools
- Emergency intervention in response to natural or manmade disasters
- Preschool teacher training
- Parental awareness programmes
- Partnering with the Sri Lanka Police on curtailing child abuse
- Recreation facilities for children
- Empowering children with disabilities

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
24	Kurunegala
25	Badulla
26	Ratnapura
27	Jaffna 1



	Location
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
45	Talladi, Mannar
46	Rambewa
47	Neriyakulam
48	Siyambalanduwa
49	Mahakachchikudiya
50	Siyambalewa, A.pura
51	Polgahapitiya
52	Bandarawela
53	Alagalla

8
New Pre-Schools

15
Parental Awareness

80 Teachers
Annual Teacher Training

119 Children
Big Heart Project Beneficiaries

Parental Awareness Program

Fifteen parental awareness programmes were conducted during the year in Matara, Ratnapura, Hambantota, Wadduwa, Badulla, Hirimbura, Tangalle, Kalutara, Wellawaya, Galwadugoda, Rathgama, Kanthale, Hungama, Balapitiya and Ambalangoda with the aim of educating the parents of the Piyawara preschool children. The programmes were held in collaboration with the local councils and the Ministry of Child and Women's Affairs.

Annual Teacher Training Program

The Annual Teacher Training Program was conducted for the 17th consecutive year in Anuradhapura. The three-day residential training programme was aimed at the head teachers of Piyawara pre-schools and the training sessions included inter-school visits, exchange programmes, and meeting parent groups. The programme also focused on providing necessary physical and psychological skills to handle children, making their lives better.

The key objectives for the teacher training for the year:

- Introducing mathematical concepts to pre-schoolers through activity
- Methods of developing the languages skills of pre-schoolers, as language and social skills are developed at this age.
- How to identify kids with disabilities in a preschool.

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

Each year, remaining true to the spirit of the Christmas season, the Hemas family comes together to collect gifts to be distributed among the children in underserved communities. This year, the staff came together for the seventh consecutive year to bring a smile to the faces of innocent young

children in poverty-stricken areas of Mannar, Thalladi, and Rambewa (Diviyaudabandawewa) in the Anuradhapura district in celebration of Christmas.

Big Heart Project

Big Heart Project was launched in 2012 by *Baby Cheramy* in partnership with the Ministry of Child Development and Women Affairs to celebrate the 50th anniversary of *Baby Cheramy*. Big Heart project is a scholarship programme for children who are unable to attend school due to poverty. The programme is aimed at children between 6 -12 years and at present the programme supports 119 school children. The children receive a monthly sum of Rs. 2000 which assists them in completing their primary education from Grade 1 to Grade 5. Of these funds, Rs. 1,500 is spent for the child's monthly expenses and the balance Rs. 500 is compulsory to be saved. The project is monitored by the Department of Child Probation and quarterly progress reports are sent to Hemas.

Ayati

In an effort to improve the quality of life and independence of children with disabilities, Hemas Holdings PLC together with the Medical Faculty of the University of Kelayniya and MAS Holdings built 'AYATI' – Sri Lanka's first national center for children with disabilities.

The centre has been set up at the Faculty of Medicine of the University of Kelaniya at Ragama, as it is the only medical faculty in the entire Asian region that has a Department of Disability Studies, which offers a multidisciplinary team for the care of children with disabilities. It is also easily accessible by public transport as both the railway and bus stations are in close proximity to the Faculty premises.

Disability includes mental and physical disabilities. Children with disabilities have individual, innate strengths and talents through which they can contribute positively to society. It is with this understanding that Ayati (meaning 'Hope' in Sanskrit) was set up, to help improve quality of life and independence of children with disabilities, while also providing them with opportunities to develop and blossom into their full potential. This will help these children better integrate into mainstream society, which will have a significantly positive impact on their lives, their families and society at large.

Ayati is a long-term national initiative which has three main aims:

- Constructing and operating a National Centre for children with disabilities
- Changing the mindset of the public to eliminate any stigma and promote acceptance of children with disabilities
- Extending similar services to the rural areas of Sri Lanka in time to come

Hemas 70 Celebrations

Coinciding with Sri Lanka's 70th Independence Day celebrations, the Group marked its 70th year in 2018. In lieu of this milestone anniversary, the Group embarked on a meaningful initiative that went beyond the cliché corporate gala dinners and, instead, made a positive and memorable event for our stakeholders, employees and the community in general.

The core objectives of the Hemas 70 celebrations included:

- Bringing together all employees of the Hemas family in one venue
- Involving employees' families for enhanced relations with the Company
- Providing a worthy platform for engagement with key stakeholders

A series of events were organised to commemorate 70 years of enriching lives.

Hemas Vesak Kalapaya

The first event of the Hemas 70 Celebrations, the Hemas Vesak Kalapaya, the Lantern Competition and the Ice Cream Dansala was held at the main Gangaramaya Vesak Kalapaya. The series of events received tremendous response from the public with thousands of devotees visiting the dansala. The whole Hemas Family came together to ensure the success of the event, with the lanterns being built by the employees from across the Group. The judges for the competition were Mr. Roshan Mahanama, Mrs. Yehali Sangakkara, Mrs. Pooja Umashanka, and Mr. Kumar De Silva.

Winners of the Lantern Competition:
First Place: Atlas – Kerawalapitiya
Second Place : Atlas – Peliyagoda
Third Place : Hemas Consumer Brands – Dankotuwa
Most Creative Lantern : Atlas – Kerawalapitiya
Most Eco-Friendly Lantern : Atlas – Peliyagoda

The winning Atlas team

Reforestation Programme in Dankotuwa to Commemorate World Environment Day

The Kotakanda Forest Reserve has been affected due to the surface soil being used for development projects that were done around Sri Lanka. This has damaged the eco system and action has been taken to reverse the environmental damage that has been caused.

As a part of the Hemas 70 celebration, the Group partnered with the Divisional Secretary in Dankotuwa and the community to increase the forest cover of Sri Lanka by developing the surface soil and reforesting one acre in the Kotakanda Forest Reserve. The initiative received tremendous support and positive feedback, and was declared the national programme for the Puttalam District for World Environment Day. The project is sustained by the local communities and the Divisional Secretariat.

Children's Art Exhibition and Competition

The children of the Hemas family took part in an art competition and exhibition held to celebrate the 70th anniversary of the Group.

Paintings of the 100 finalists were on display at the Lionel Wendt Gallery whilst a panel of independent judges chose the winners according to age categories. The theme titled *'Mage lankawa ape asin'* (Our Sri Lanka through my eyes) saw how children perceived our beautiful island.

The Planet Saver Award

The Planet Saver Award was open to all sectors in the Hemas Group. The goal of the awards was to come up with an initiative/s that will make a positive impact on the environment. Each sector had to carry out a pilot project and a presentation was made to independent judges on the results of their initiative. The winner of the Planet Saver Awards was Morison PLC

Hemas 70 Photography Competition and Exhibition

The annual photography competition and exhibition was held for the fifth consecutive year. Over 700 entries were received from employees across Hemas Group and the best 70 entries were shortlisted and exhibited during the Hemas 70 celebrations on December 8, 2018 at the Havelock Grounds.

Grand Finale: Hemas 70 Walk and Musical Show

The Group celebrated their 70th anniversary with a colourful parade and a musical show attended by over 5000 employees of the Hemas Family on December 8th, 2018 at the Havelock Grounds.

The parade and musical show was the grand finale of a series of events celebrating the milestone.

The night saw performances from artists such as Bhathiya and Santhush, Umaria, Lahiru, with Wayo headlining the celebrations, with the festivities going on into the night.

At the parade, awards were presented to Best Sector, which was won by Atlas, and Best Stall which was won by Atlas and Hemas Manufacturing.









DRIVING TECHNOLOGY AND INNOVATIONS

> "With Hemas Slingshot program we've attracted many startups in Sri Lanka to pitch for funding and/or opportunity to solve a problem for Hemas. Through this route we've made investments in many startups in healthcare."

Hemas IT : Delivering speed and insight

In an ever changing world driven by technology, ironically, often internal IT infrastructure struggles to keep up with required pace of change. To bring speed and agility Hemas IT was on a drive to embrace 'cloud' platforms for the last 3 years. In 2018/19 this journey was completed with all business applications including core SAP S/4 HANA being moved to 'cloud' infrastructure across Singapore, India and latest facilities of SLT, Sri Lanka. Apart from speed, this move has delivered a better level of security and cost efficiency where a small team of specialists can monitor and manage entire IT infrastructure from anywhere.

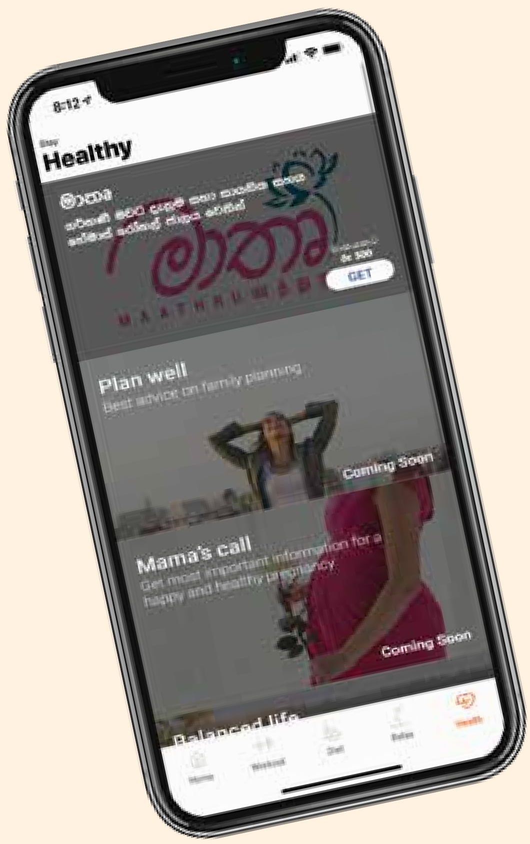
It is our belief that right information, in right form at the right time should be available not only to top manages but across the organisation. In combining mobile, analytics and our core information platform SAP S4/HANA, we are extending the reach of useful data from factory floor supervisors, warehouse operators to sales teams across the country empowering them to make better decisions closer to action.

Pursuing the digital opportunity by powering Sri Lankan startup evolution

With Hemas Slingshot program we've attracted many startups in Sri Lanka to pitch for funding and/or opportunity to solve a problem for Hemas. Through this route we've made investments in many startups in healthcare. Each of these startups are creating unique products/services to uplift the standards of healthcare in Sri Lanka with potential to go regional.

Ayubo.life

During the last 12 months, ayubo.life was used by more than 50,000 people. ayubo.life established itself as an engaging health and wellness platform with thousands participating in each of the sponsored 'Step Challenges' cumulating more than a Billion Steps, has supported 30+ corporates in the



journey of making their employees healthier, powered the 'Hemas Health' app for Hemas Hospitals and are in the discussion of connecting leading hospitals to ayubo.life eco-system to make healthcare truly user-centric. Its ability to activate population level wellness initiatives while addressing health & wellness needs of the individual at scale gives ayubo.life confidence to strive forward with the mission 'Create healthier nations'.

Building networks to innovate

As Jack Welch says 'If the internal rate of change is lower than external rate of change, the end is near', then innovation needs to be engrained in everything we do.

While driving to embed innovation within the culture of Hemas, it was also important to break down internal constraints. Hemas innovation team has created a network of external experts in R&D from cutting edge technologies to traditional Ayurveda spaces connected with internal teams with consumer insights to work on a pipeline of new generation consumer products. Some of the technical experts we are working with include the Sri Lanka Institute of Nanotechnology and the Innovation Cell of the University of Colombo.

Developing the offerings of tomorrow, together

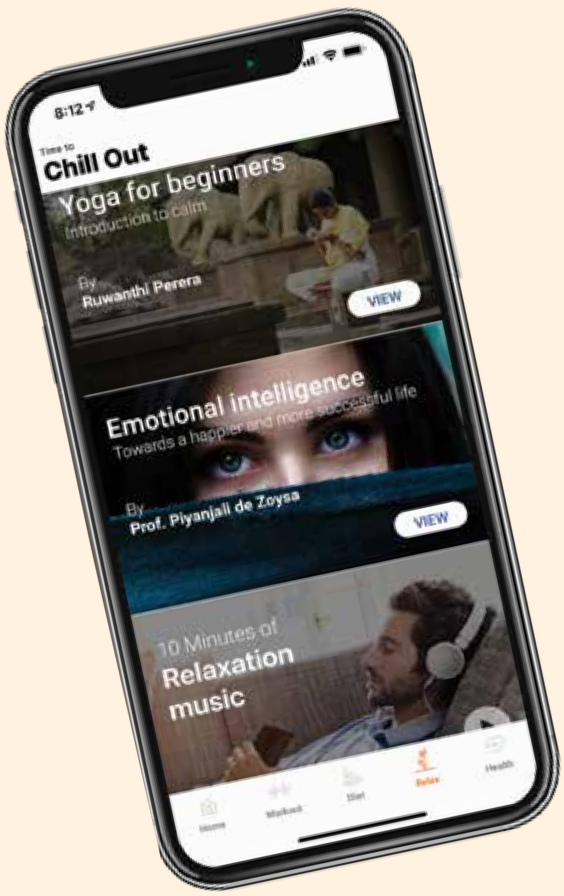
We have been harnessing the creativity and capability of our diverse workforce by launching "Idea to Action" platforms across Hemas Group with the intention of developing new products, services and business models which cater to the markets of tomorrow.

From a luxury experiential tourism offering which caters to the expanding mindful travel segment to Sri Lanka's first online physiotherapy platform which provides on demand healthcare coupled with convenience and new factory systems which rely on AI to reduce our exposure to the volatility of the labor market, our staff have contributed to create the innovative offerings of Hemas Group for the markets of tomorrow.

We are also exploring new business models, reflecting the worldwide migration to online sales from physical locations and we are continuously exploring channels which enable "direct to consumer" engagement and lay the groundwork for us to make our customers lives ever easier.

Getting ready for Circular Economy

Recognising the need to take 'going green' beyond CSR, we are embracing the principles of Circular Economy to bring true sustainability to our products in a way that makes economic sense. We are working on long term initiatives to make our products truly 'earth friendly' and short term initiatives to create upcycle opportunities for material we use in products today.



SECTOR INTEGRATED REVIEW

CONSUMER

- Home & Personal Care – Sri Lanka
- Home & Personal Care – International
- School & Office Stationary – Atlas Axillia
- Morison - OTC*

*All sustainability data relating to Morison PLC as a whole is carried in the Healthcare sector review.

Industry Overview

The Year 2018/19 proved to be very challenging with unexpected import tariff increases and steep currency devaluation in the second half putting pressure on costs. On the demand side, consumption remained depressed, only recovering modestly in the third quarter, aided by a more stable pricing environment. Political turmoil in the third quarter led to a steep depreciation of the currency, and business confidence driving GDP to new lows. These market conditions led to volume decline across H&PC categories, with value growths coming only from significant price increases. Similarly, the Consumer Healthcare industry faced challenges during the year due to weaker overall consumer confidence compared to the previous year.

In trying circumstances, householders maintained a modest purchase basket of consumer staples, whilst deferring non-essential purchases. However, there remains a segment of Sri Lankans willing to experiment and broaden their repertoire of personal care products, discovering brands and engaging more frequently on social media.

On the other hand, revenue in the local stationery market grew by approximately 8-9% during this period. Taking expansion into consideration, modern trade retail and bookshop chains grew by 15-17%. Consumer trends included the use of larger size books and the shift to colour pencils and felt pens. Consumers were divided into two groups, those seeking the most affordable options and prices, as opposed to those looking for additional benefits and performance with the willingness to pay extra in order to obtain them. Consumer uptake during the peak back to school season reached a new high while competitor aggression was average, barring a few exceptions.

Sector Overview

The preferred choice of consumers across the country, Hemas Consumer specialises in a range of products for babies as well as adults, encompassing hair, skin and oral care, toiletries, and fragrances. The year under review was also the first complete year of the company's management of Atlas, Sri Lanka's most loved stationery brand and a market leader, producing notebooks, pens, pencils and colouring products. During the year under review Hemas Consumer focused on its core brands, strengthening and increasing value across its range of products.

Home and Personal Care

Hemas Consumer segment consists of four/three segments – Home and Personal Care (H&PC) – Sri Lanka, Home and Personal Care (H&PC) – International, Morisons Consumer/ Over the counter (OTC) and school and office supply manufacturer – Atlas.

Hemas Home and Personal care portfolio continues to delight householders with safe, Sri Lankan products, deeply connected to their values. It remains the brand of choice in Baby care, Beauty soap and Hair oil, while continuing to have a strong following in Oral care, Feminine hygiene and Laundry detergent. The year was spent strengthening core categories in their authentic Sri Lankanness—finding uniquely Sri Lankan propositions that set the products apart on the shelf.

Emerging categories like *Kumarika* hair serum and *Swa* face masks have found a small but loyal fan following, and as these categories grow in importance to the businesses, Hemas Home and Personal Care will continue to strengthen their availability.

Material Topics for the Sector:
Economic Performance, Anti-Corruption, Water, Energy, Effluent and Waste, Environmental Compliance, Supply Chain, Employment, Occupational Health and Safety, Training, Child Labour, Forced and Compulsory Labour, Socio Economic Compliance, Customer Safety, Marketing and Labelling

> H&PC Sri Lanka delivered a solid performance in a weakened business environment growing revenue faster than the market, driven by a favourable mix growth across its Personal Care portfolio.

EBIT

Rs. 2.7 bn

2017/18 - Rs.1.4 bn

39.9%
Revenue

48.4%
EBIT

Contribution to the Group

Morison PLC – Over the Counter Products (OTC)

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

School and Office Stationery

When Hemas acquired a controlling interest in Atlas Axillia Company (Pvt) Limited in January 2018, it did so with full confidence in the excellent future prospects of the brand. The year under review has proved the wisdom and foresight of that decision.

It's outstanding lean management practices and exceptional quality recently resulted in the brand being honoured with the Nagaaki Yamamoto KAIZEN Gold Award; emerging as the overall competition winner for 2018. Atlas, is one of Sri Lanka's most respected local brands, holding a 40% market share, and is a multiple winner in the 'most loved brand' category. Well known for being innovative as well as price conscious, the Atlas range of school stationery and notebooks, pens, pencils and colour products, serve as a stunning example of how a Sri Lankan business can reach global benchmarks, performing well and succeeding even against volatile economic trends. Atlas products retail in over 70,000 outlets across Sri Lanka and include the well know brand names "Atlas", "Zebra X", "Homerun" and "Innov8".

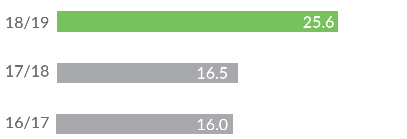
Consumer

Output (Rs.mn)	2018/19	2017/18	% Change	2016/17
Revenue	25,555	16,490	55.0%	16,013
EBITDA	3,087	1,675	84.0%	2,252
EBIT	2,738	1,433	91.1%	2,074
Earnings	1,890	1,228	53.9%	1,680

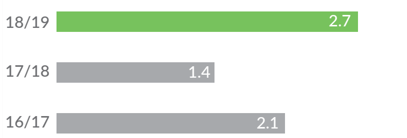
Financial Capital

H&PC Sri Lanka delivered a solid performance in a weakened business environment growing revenue faster than the market, driven by a favourable mix growth across its Personal Care portfolio. Relaunches of its flagship brands *Baby Cheramy* and *Clogard* aided its performance, and strong activations on key brands *Fems*, *Velvet*, *Kumarika* and *Dandex* supported growth this year. Hemas Personal Care portfolio was able to win a larger share of market across key categories such as Toothpaste, Hair Wash, Feminine Hygiene and Personal Wash.

Consumer - Turnover
In Rs. billion

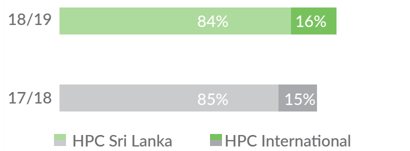


Consumer - EBIT
In Rs. billion



Operating performance was challenged by currency-led cost increases, however the company has undertaken a significant profit improvement programme under which it delivered EBITDA growth. The programme was a mix of cost reduction in supply chain and streamlining its route-to-market approach, which has yielded benefits through the year. This year the company sought to engage those users of *Kumarika* hair serums, *Clogard* gel and *Swa* face masks and other *Mosguard* repellents through the use of digital and social media receiving accolades for their campaigns.

Consumer Turnover
%



In Bangladesh, revenue grew by 6.1% in 2018/19. The business was able to arrest share decline in Q4 through sustained marketing activities and working closely with the trade. The business is building its resilience continuously to compete in tough conditions while prioritising sustainable growth. Having effectively managed trade spends, the business was able to deliver strong profit growth in the second half, achieving an annual profit growth in line with sales growth.
The decision of the company to explore other adjacent markets saw significant traction for *Kumarika* Hair oil in West Bengal. Although, on a small base the Brand achieved impressive growth, well above plan. Exports to other markets too were encouraging with revenue growth. Hemas H&PC continues to engage in the exploration of new markets.

Additionally, Morison's OTC products witnessed a steep decline in performance and profitability due to multiple factors including a sharp drop in consumer consumption, an increased cost of raw materials, competition from herbal and natural portfolios, and delays in cosmetic registrations. Measures taken to compete in a challenging market included strengthening the medical marketing team and investing in additional marketing spend further impacted profitability.

The Sector has witnessed a successful integration of Atlas into the Hemas family over the past 15 months, with Atlas contributing approximately 14% to the Group revenue. This has been a great learning experience for both with Hemas benefitting from Atlas' focus on lean while Atlas tapping into Hemas breadth of knowledge in brand building and understanding in regional markets.

In the school and office stationery segment, revenue growth has been healthy with core categories recording double digit growth. The nascent category of "Back to School" comprising school back packs, bottles and lunch boxes recorded a growth for the business and will continue to drive growth.

Gross profit was impacted due to the significant increases in paper and plastic prices in Q2 & Q3, and by the sharp local currency depreciation in Q3 of approximately 14%. This impact was mostly offset by price increases and cost savings through lean production techniques. During the year, key overhead costs were on target, growing at a slower pace than the topline.

Due to the seasonal nature of the business, working capital is generally financed by short term loans. Benefitting from its integration into the Hemas Group, Atlas has been able to generate significant savings by negotiating more favourable terms and better interest rates, enabling favourable movement in profitability.

Manufactured Capital

H&PC Sri Lanka invested Rs. 367 million in capital expenditure during the year.

Further, H&PC Sri Lanka invested in automation that would improve flexibility and efficiency in the production process by installing an online feeding mechanism in the soap plant, and process enhancement in the drying plant through a new soap noodle blowing system. The focus to drive operational excellence in manufacturing through lean initiatives helped cut down 10% of manufactured waste across all related processes by eventually contributing to EBIT margin.

Atlas operates out of its own premises at Peliyagoda and leased premises at Welisara and Doluwa in Kandy. The total value of physical assets employed in the business amounts to Rs. 1.6 billion. These plants have been developed over the years through the efforts of our in-house design and engineering teams. The company achieved over Rs. 50 million in savings due to process improvements in the past year which included process re-engineering, re-design and Kaizen initiatives.

Intellectual Capital

Home and Personal Care portfolio of brands formulate an important part of our intellectual capital. The company continues to protect the brands under its custody, and develop their equity.

The know-how and market insights the company has developed over years of serving the Sri Lankan consumer are also a part of our intellectual assets, and it is this depth of understanding and responsiveness to consumer taste and ritual that helps Hemas consumer brands win in the market.

Whilst, the team in Bangladesh has been working towards a 360° refresh of the core *Kumarika* proposition, the Business has also focused on developing a highly skilled and resilient team for sustainable growth. The company has worked on, enhancing their skills to win in a fiercely growing competitive environment. Many initiatives were carried out, including those to address challenges in the sales and distribution network. Enhanced skills of distributor management by the sales team has led to increased distributor engagement. Tirelessly pursuing these initiatives the team is also proud to hold the highest employee engagement score across the Group

At Atlas, one of its key strengths lies in the knowledge, experience and expertise of our management team and staff. The company works continuously to train and develop its' people, investing in programmes that enhance skills, add professional value and encourage innovation. More details about the initiatives carried out during the year under review are available in the Human Capital report below.

Human Capital

The sector has adopted the Human Resource Policies and best practices of the Group and tracks indicators including attrition, diversity, occupational health and safety, and training hours through its Sustainability Performance Management System.

Employee Engagement and Strengthening Employee Relations
Enhancing its employee engagement and employee relations plays a strategic importance in the operation of the sector. The sector organises various events that brings its employees together

> Emerging categories like Kumarika hair serum and Swa face masks have found a small but loyal fan following, and as these categories grow in importance to the businesses, Hemas Home and Personal Care will continue to strengthen their availability.

During the year Home and Personal Care SBU carried out a series of initiatives that looked at strengthening its employee relations. The initiatives include:

- Quarterly Communication – The Managing Director together with the leadership team meets its employees on a quarterly basis to review the previous quarter and talk about the challenges going forward. All communications are in line with the overall vision of the company
- Coffee with MD - The Managing Director meets with employees for an informal "chat", allowing him to know the team, feel their pulse and build better relationships with all divisions. Additionally, this creates a platform for employees to get to know the leadership of the company and encourages open communication.
- Managers Day out in the Field During a period of one-week, non-sales employees went into the market to build engagement with the sales staff and motivate them. Over 130 non-sales staff participated in 43 teams, covering over 150 Sales territories.
- Field visit with sales Director and Lunch with Marketing Director - Informal forums were created to increase the interactions between the leadership team members and employees from cross functional teams.
- Sports Club - Sports Club provide the organisation with a valuable service to build employee relationship. Each year a new committee get appointed and the following events are organised by the club: Annual Christmas Party, Annual Cricket Tournament and Annual Carom Tournament etc.
- Focus Group Discussions with White Collar and Blue Collar Employees - Focus group discussions were conducted with both white collar and blue collar employees, which created a forum for employees to share their views on current employee engagement practices of the company and also to express their opinions and share their expectations on new employee engagement activity requirements.
- Celebrating Wins - Events were organised to celebrate key business achievements such as key brands winning awards at national and international award ceremonies such as Effie Awards, Slim Brand Excellence Award and National Chamber of Exports award, Hemas Awards, Achievements at National Sales Congress 2018.

Key activities employee relations has been a key aspect in the operations of the sector and various initiatives were carried out to strengthen the relation the sector has with its employees.

Some of the key activities carried out by Home and Personal Care SBU includes:

- Advisory Committees - Two advisory committees exist in the Manufacturing premises and Finish Good Stores. Objective of this is to create better Employer – Employee relationship in the organisation through employee engagement. This team comprise of worker level employees, where they meet up with the management staff on a monthly basis. Discussion points includes, productivity Improvement, quality Improvements and any employee grievance
- Exit Interviews - Exit interviews are conducted for all employees in the organisation to better understand the areas that needs improvement. On occasions the Managing Director speaks to people who are leaving the organisation. Areas of concern are taken up at the Leadership team meetings, discussed and addressed.
- FIT (Factory Improvement Team) Meeting - On a weekly basis Executives from the Supply Chain Division gets together to discuss the continuous improvements of the factory, including KPIs, Budget maintenance, 5S concept, HR related issues and new projects.
- Stand up Meetings at the Factory Floor - Each morning a reflection meeting is conducted at the factory floor, which reviews the previous days work, concerns, productivity issues and quality issues. The meeting also discusses about the production targets for the day. This give the employees and opportunity to speak up their concerns with Management on a daily basis.
- Managers Day Out - Manager's day out at production was an innovative employee engagement activity which involved non - production managers to work on production lines for a half a day. This gave them

an opportunity to really learn how production in done in the floor. This also enabled them to interact with employees, share ideas, and get to know them

Employee Diversity

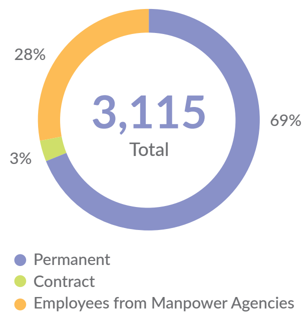
The sector continues to welcome and celebrate diversity within its employees and has in place a fair and transparent recruitment process where equal opportunities are provided for all applicants.

Home and Personal Care SBU has become a partner of EFC (Employers' Federation of Ceylon) Employers Network on Disability that provides equal employment opportunity for differently abled employees.

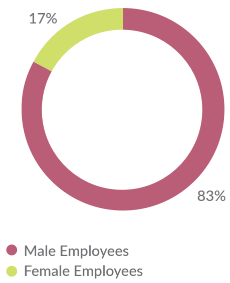
Home and Personal Care SBU strives to be an employee that provides equal opportunity and as a result has in place a programme called Athwela Api. The program focuses on creating equal job opportunities for individuals with disability who are employable. As a first step the company worked with relevant institutions and created a platform to reach out to a large target audience and after numerous interviews two employees were selected to work in the company.

Celebration of key multi-religious and multi-cultural events such as New Year celebration, Christmas celebrations, Sinhala – Tamil New year celebration, Vesak and Poson celebrations, and Eid celebrations took place in the company throughout the year

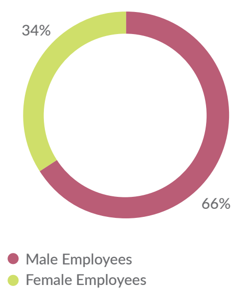
Workforce - Consumer Sector



Gender Mix - Permanent Employees



Gender Mix - Contract Employees



Age Diversity of Employees – Consumer Sector		
	2018/19	2017/18
Under 30 Years	875	897
Between 30 – 50 Years	1,066	849
Above 50 Years	82	62

During the year the sector hired 462 new employees [FY 2017/18:691] of which 359 were male employees [FY 2017/2018: 538] and 103 were female employees [FY 2017/18: 153].

The attrition rate of new hires during the year was 4.2 percent of the total employees, of which 78 percent were male employees 22 percent were female employees. No new hires left the sector during the financial year.

The attrition rate of new hires aged below 30 years was 3.3 percent, aged between 30 – 50 years was 0.8 percent of the total employees of the sector. No employees aged above 50 years left the sector.

The total attrition rate of male employees for the financial year 2018/19 was 10.2 percent [FY 2017/18: 29.0 percent] and the attrition rate of female employees was 3.0 percent [FY 2017/18: 10.0 percent]. The attrition rate of employees below 30 years was 9.1 percent [FY 2017/18: 31.0 percent], aged between 30 – 50 years was 4.0 percent [FY 2017/18: 7.0 percent] and ages above 50 years was 0.1 percent [FY 2017/18: 0.8 percent] of the total employees. The attrition rate of the sector was 13.3 percent [FY 2017/18: 39.7 percent]

Training and Development

The sector places great importance on training and development of its employees as it understands that this is vital to the sustainability of the business.

During the year, Home and Personal Care SBU invested over Rs. 22.0 million on its employees, with over Rs. 8.0 million invested in foreign training exposure, and 73 percent of its employees being covered by at least one training programme. The key programmes conducted included:

- Hemas Hotshot Management Trainee Programme - With the aim of developing the talent pipeline for the future, the Hemas Hotshot Management Trainee Programme was launched during the year.
- Leadership Team Development and Succession Planning Initiatives - Initiatives took place to identify succession to the Business Head and the company has identified potential candidates to be groomed as the future business head. This is one of the key strategic HR initiatives to build the future leadership. To arrive at a comprehensive Development Need assessment, the company initiated, Caliper test for all leadership team members, Caliper 360D feedback for all leadership team members, Coaching initiated for two leaders. Following this the company had several development need reviews meetings to finalise the development plans for all individuals.
- Individual Development Plans (IDP's) – This was completed for all Grade 5 and above to finalise the Succession Planning to the rest of the Level in the organisation.
- Diploma in Sales Management Programme – The second batch of 24 sales talent commenced the Diploma in Sales Management. The Course is a 11 month programme customised for the Company. The programme is developed in partnership with Diventaras Training (Pvt) Ltd and the certificate is awarded by CIM Sri Lanka.
- Grooming Sales Talent through Participation in National Sales Congress (NASCO) - The company trained its sales team to participate in the NASCO Awards Ceremony conducted by SLIM in an effort to develop the teams and recognise them in the field of sales. The sales team was trained to face the competitive interview by conducting mock interviews with all participants and the team won awards in all participating categories.
- Mid-Year Sales Conference Training and Motivation Intervention – A full day training and motivational programme was conducted during the Mid-Year Sales Conference for over 300 Sales Representatives. Separate programmes were conducted for Tamil Sales Representatives.
- English Language Classes for Sales Executives and Key Positions - As part of improving business communication skills and the English language skills of Sales Executives, an english training programme was introduced and completed. Additionally, the company has also tied up with the British Council for a business communication skills development programme for some of the senior managers within the organisation.
- Executive Development Programme (EDP): As an initiation of strengthening and uplifting the competencies of employees from Grade 02 and 03, the company launched a three month Executive Development Program in February 2018 in association with PIM – Affiliated with University of Sri Jayewardenepura.
- Launching of Hemas FMCG Learning Interventions Academy - The Hemas FMCG Learning Interventions Academy was launched with the objective of creating a platform of knowledge management at Home & Personal Care SBU
- Converting Future Ready (FR) Learnings in to Digital Learning Materials - With the objective of retaining the learning from the FR upstream project digital learning materials were created in partnership with E&Y subject matter experts.

Atlas identifies the training needs of its employees through annual performance appraisals, training and development discussions with individuals, as a result of business need (strategies and innovations) and knowledge and talent management process. Individual development is a very important part of the performance management process and the annual training needs analysis is conducted at line manager level to ensure managers take direct responsibility for managing and developing people and organisational capabilities. The annual training and development plan is designed to facilitate and deliver all needs identified through the above process for long and short term.

As the company strives to build maximum level of competencies, the following training programmes were organised for employees.

- On the job training for the shop floor employees
- Understudy for Supervisory category
- Specialised training for addressing an identified need
- In-house and external training sessions by specialists as per the annual training schedule
- Training provided through suppliers (both local and foreign)
- Exposure to trade shows
- Coaching

Atlas partners with related institutions to carry out training programmes that focuses on uplifting specific skills of its employees. During the year the following technical trainings were conducted:

- Injection Moulding – NAITA / Rubber and Plastic Institute
- Printing Technology – INGRIN Institute
- Lean Management and Kaizen Development -Japanese Consultants
- Supply Chain Management – ISM

Training Hours – Consumer Sector		
	Total Hours	Average Hours
All Employees	25,657	28.51
Directors Level	402	33.50
Senior Management Level	1,097	27.65
Middle Management	5,142	16.65
Executive Level	5,061	9.61
Non-Executive Level	13,957	28.51
Male Employee	19,107	11.48
Female Employee	6,550	18.25

Health and Safety

The Consumer sector has adopted the Group's health and safety approach and takes a proactive approach to the management of health and safety practices.

All companies in the sector are OHSAS 18001/ISO 18001 certified and adhers to all relevant health and safety regulations.

The Consumer sector places great importance on the health and safety of its employees and adheres to the Group's approach and best practices on Occupational Health and Safety.

During the year Home and Personal Care SBU launched a Health and Safety Road Map as a strategic initiative for the next few years. The roadmap included developing a safety foundation, safety capability building, reporting and investigation quality, risk management, strengthening engineering controls and interdependent safety culture. The roadmap also included the recruitment of a dedicated resource to support the team on health and safety procedures and best practices. Other initiatives includes:

- A company specific safety policy was launched and rolled out.
- Appointment of a safety committee, fire committee and first aid teams by training employees
- Safety based employee engagement initiatives were conducted as part of building and increasing awareness among employees on good health and safety practices.
- Fire Safety Awareness Week: A week was announced as the "Fire Safety Awareness Week". Objective of the event was to check the level of awareness among all employees on fire safety procedures of the company. Debates, spot quiz competitions, dramas etc were performed by our own employees as part of this initiative.

Tag a Hazard Week: A special week was declared as Tag a Hazard Week for employee engagement in Health and Safety. Objective of the week was to identify and report health and safety risks which are present and take mitigating actions on same. An interactive programme was launched creating excitement with drama etc. It also included a recognition scheme for people who came up with Hazards tags.

- Training Need analysis on Health and Safety - A dedicated Training need analysis was conducted in each division under health and safety to prioritise and develop a health and safety training plan.
- Medical Centre - A dedicated medical centre is in place at Home & Personal Care SBU Complex for emergency medical treatment and medical advice. Additionally, a qualified, full time nurse has been deployed at the medical centre.
- Accident Reporting, Investigation and Recording Procedure was introduced - Capturing all accidents through medical center, report through accident reporting and investigation format, root cause analysis and finalising corrective/ preventive actions, closing accident report and sharing the same at FIT meeting, was introduced.
- Contractor Management Procedure - With the objective of communicating company safety procedures to third-party contractors a contract management procedure was introduced.
- Launching of Athwela Suraksha – A two-day residential programme was conducted at the Dankotuwa factory focused on road safety to all sales representatives.

During the year Atlas improved the health and safety of its employees by rectifying identified unsafe conditions and infrastructure development in the office and factory premises. The identification was done following an audit of the location. Additionally, the following initiatives were also conducted during the year:

- Initiating a behaviour-based safety management to develop the safety culture in company premises.

- Participating at the National Safety and Health Awards Competition conducted by the National Institute
- Conducting fire safety audits to identify and improve the company fire safety lapses
- Introducing an authorised licence system for high risk works, like forklift and electrically operated hand tools usage.

The recordable injury rate was 0.02 per 100 employees and the total work related injury rate (including both high consequence injuries and recordable injuries) was is 1.4 per 100 employees. There were no high consequence injuries during the year.

The recordable injury rate for contractor's personal was 0.27 per 100 such personnel and no high consequence injuries were recorded for such personnel. There were no fatalities during the year.

The sector defines high consequence injuries as injuries that require more than 6 months of recovery time, and recordable injuries as injuries that require a recovery time of greater than 3 days and less than 6 months. As per Sri Lankan labour law a recordable injury is defined as an injury with at least 3 lost days, and such minor occupational injuries or diseases that resulted in less than three days have been excluded, although records are maintained for such injuries and diseases.

Child Labour and Forced/Compulsory Labour

The sector aligns itself to the Group policies governing the aspects of child labour and forced labour and ensures it adheres to all relevant laws and regulations. The sector requires all potential employees to produce valid identification during the recruitment process to ensure the minimum age requirement is met.

No cases of child labour or forced labour were reported in the year under review.

Freedom of Association and Collective Bargaining

The sector has Joint Consultative Committees with its employees and has a conducive work environment for freedom of association.

The sector conducts direct management-worker meetings periodically, to promote cooperative conflict and grievance resolution practices.

Anti-Corruption

The Consumer sector follows the Group's policies on anti-corruption and the Code of Conduct.

Continuous assessment on risk related to corruption is carried out to develop mitigation plans to ensure the occurrence of such risks is at a minimum.

No significant risks were identified relating to corruption within internal business processes.

Natural Capital

The sector in an effort to minimise its operational environmental impacts monitors its material topics, energy and emissions, water, and effluents and waste to generate reduction targets and strive towards global best practices in the forthcoming years. Further, the sector also complies with all applicable local laws and regulations.

Energy and Emission

As a key contributor to the carbon footprint of the Group, the sector continuously works towards reducing its energy usage. As such, several initiatives are done by the sector that also contributes to the overall Group Environmental Goal on energy reduction.

During the year, Home and Personal Care SBU revamped its chiller plant which saw a 180,000 kWh electricity saving per annum. Additionally, the centralising of its chiller system saw a saving of 72,000 kWh electricity saving per annum.

Atlas converted its injection moulding plant to an energy efficiency model plant resulting in a saving of approximately 8 percent. Additionally, the replacing of 650 fluorescent bulbs to LED bulbs saw an energy saving of 36000 kWh. The company hopes to further reduce its consumption by approximately 5 percent of the current year through the adoption of lean practices, including 10 solar tubes being planned for factory to maximise usage of daylight and converting 1,200 fluorescent lights to LED lights.

Carbon Footprint – Consumer Sector

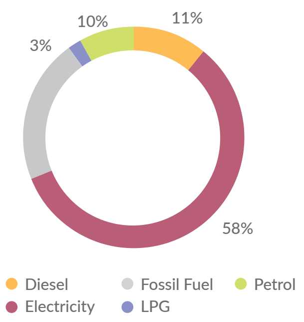
	Carbon Footprint (MT)	
	2018/19	**2017/18**
Total	**7,390**	**3,949**
Scope 1	1,571	982
Scope 2	5,819	2,968

Energy and Electricity Consumption –Consumer Sector

	2018/19	2017/18
Energy Consumption (GJ)	50,706	50,666
Electricity Consumption (KwH)	8,265,191	4,214,939

Increase in the carbon footprint of the sector is a result of data for Atlas not being included in the previous year. As the company was acquired during the last quarter of 2017/18, the Group did not track its energy and electricity consumption for 2017/18.

Source of Carbon Footprint



Water and Effluents

The sector has adopted the Group's approach for water and effluent and strives to reduce its consumption of water keeping in line to the Group's Environment Goal on water reduction. The sector measures, monitors and manages its water use as standard business practice.

During the year Home and Personal Care SBU introduced a reverse osmosis plant for reuse of waste water, which resulted in $18m^3$ water saving per day with an annual saving of approximately $6m570m^3$, the company introduced a steam condensate recovery project which saw $5m^3$ water savings per day. Additionally the upgrading of the water treatment plant softener and the introduction of dishwasher to the cafeteria resulted in the daily saving of $10m^3$ and $0.5m^3$ respectively with the expected annual saving to be $3650m^3$ and $182m^3$.

Atlas is in the process of introducing two waste water treatment projects to treat domestic water and re-use it for gardening. Further, the company hopes to install taps with atomisation to reduce the usage of water from them by approximately 25 percent.

During the year the total water consumption of the Group was 58925 m^3 of which 57 percent of water being from third party water sources and the rest from well water. 55 percent of the Group's water consumption came from areas that are considered as not water – stressed.

The Group discharged 51201 m^3 of water of which 54 percent was discharged to the municipality drainage systems and the rest to soakage pits. The Group discharged 54 percent of its water to areas that are considered as not water – stressed.

Water discharged were through the Effluent Treatment plants at sectors when required and all water discharged met the stipulated standards mandated by the EPL's of the sectors.

Waste Management

The sector keeping in line to the Group's approach on management of waste, monitors its hazardous and non-hazardous waste streams by type, volume, disposal method and destination.

During the year, Atlas carried out an awareness campaign highlighting the negative impact of e-waste. Two e-waste collection centers were set up at its office and factory to collect household e-waste of employees. During the year Green Links Lanka collected approximately 750kg of e-waste from the company. Additionally, Neptune Recyclers collected approximately 105kg of office waste paper.

Disposal Method of Waste

Disposal Method	Volume (Kg)
	2018/19
Amount of Hazardous Waste Created and Disposed	**2,050**
On-Site Storage	2,050
Total Non-Hazardous Waste Disposed	**1,679,950**
Reuse	52,537
Recycling	1,368,143
Incineration	259,270

As this is the first year of tracking waste date proactively for management reporting purposes comparative data will be available from the next financial year.

Environmental Compliance

The sector tracked and monitored all fines paid, spillages and all other compliance related requirements as per Sri Lankan legislation. There were no significant fines reported during the year under review. The sector defines significance as spillage or fines where the financial loss is worth over Rs. 1 million.

Social/Relationship Capital

The sector proactively engages with its stakeholders to develop long lasting relationships.

Supply Chain

Significant Suppliers:	Raw Material Suppliers
	Subcontractors and Outsourced Labours
	Maintenance and Support Services

Home and Personal Care SBU conducts periodical supplier visits to ensure that the material delivered is of required quality and to monitor the working environment, safety procedures etc at the supplier factories. The company carried out the following to strengthen its relations with suppliers;

- Signing of new contracts for 3P manufacturing
- Evaluating medium and long term contractual agreements with strategically important suppliers
- Training sessions done by the suppliers for the company technical and marketing staff on perfumes.
- Exposing the technical team to suppliers' processes and practices
- Assisting business partners to improve and upgrade their operations (eg: financial assistance, buy back agreements, forward contracts etc)

Atlas regularly meets with suppliers at trade fairs and visits them or invites them to the office/factory for discussion and future planning.

Customer Health and Safety

Customer health and safety plays a vital role for the consumer sector and it constantly benchmarks its self to international standards and competitors. Home and Personal Care SBU continues its raw material related risk mitigation exercise with initial initiatives already being rolled out to the market.

Marketing and Labelling

The sector ensures that all products sold have certification, labelling, product and service information required by law. Additionally, the sector also adheres to the 'Advertising Checklist' of the Group which sets out mandatory principles in related to internal and external communications. Values of fines and incidents related to non-compliance with regulation and voluntary codes concerning product/ service labelling is recorded and reported quarterly. No significant fines were reported during the year.

Local Communities

The sector places great importance in enriching the surrounding communities it operates in and as a result carries out initiatives around the area of operations.

Home and Personal Care SBU carries out bi-annual meetings with the village committee and carries out a stakeholder engagement activity every two years.

Based on the stakeholder engagement survey results conducted recently, the company has developed a strategic plan in engaging with community.

In approaching the goal, the company has developed four focus areas: Education, Environment and Clean Water, Health, and Infrastructure Development. Initiatives under each pillar has been identified and the company is in the process of implementing them

During the year, the following initiatives were also carried out

- Conducted a "Vesak Bana" program with participation of a renowned Dhamma preacher
- Renovated and maintained the garden of Dankotuwa hospital.
- Provided drinking water and containers to store water for the villages who were impacted by drought season.
- Placed six 2000 Litre water tanks at Mohottimulla and Bujjampola area and distributed 433,000 Litres of drinking water.
- Distributed 138 plastic barrels among the villages and 130 among employees
- Distributed 100 numbers of 9 litter water bottles and 35 numbers of 5 liters water bottles among the employees

During the year Atlas carried out various initiatives which included:

- Island-wide programs were conducted to enhance child psychology and creativity in liaison with experts. The program also involved teachers and parents
- Facilitated teacher training programs focused on building creativity of a child using arts and crafts.
- Atlas books are used as a knowledge hubs as inside each book cover a message to motivate children with advises, motivational quotes, good behavioural practices, IQ tips etc is carried
- "Manasaloka", an exhibition to encourage experiential learning was held for primary and scholarship students
- The company offers in-plant training for undergraduates from Sri Lankan universities and students from technical institutes. Each year the company provides training for 10 students/undergraduates.
- Using its network, the company identifies people in need and donates stationary; the company partnered with Ridi Viharaya and donated school supplies to 1000+ students in the Kurunegala District and partnered with Ape Lanka to donate school supplies to 250

children in Poonakary in Northern province.

- A Vesak lantern competition was held for the children in the neighbouring community. Additionally, school supplies were also donated to these children.
- Employees volunteered to rebuild a house in the neighbourhood that was damaged by fire and also actively takes part in community events such as dansala, sharamadana at children homes, community temple etc.

Strategy and Outlook

Recognising an increasing trend for Herbal/Natural products the Business partnered with top Ayurveda Consultants from both India and Sri Lanka to strengthen *Kumarika*'s herbal proposition, as well as building a portfolio of differentiated products.

A significant re-launch of the *Kumarika* Brand is slated for early this year. The enhanced formulation, strengthening *Kumarika*'s Hair fall credentials together with revamped contemporary packaging, has been well accepted by consumers, according to initial research findings.

Encouraged by its recent success in West Bengal, we will explore posibility in venturing into other adjacent markets in Q1, next year.

While the business environment continues to look very challenging on multiple levels, Hemas will continue to focus on improving the quality of its efforts on the demand creation and cost optimisation fronts to drive profitable growth. On the demand side, Hemas H&PC Consumer will invest in improving its offerings keeping in mind the evolving needs and aspirations of consumers. On the cost side, every effort will be made to increase efficiency, efficacy and sustainability.

Under the Morison's OTC category, a near term revival of the business is key priority and the business is tirelessly working towards that.

In the stationery category, design led New Product Development and Innovation, entering new verticals, growing premium propositions harder, and building on strong brand equity, will form the backbone of the marketing strategy across categories. Targeted marketing to shopper segments will be facilitated through sharper channel classification and profiling.

Excellence in procurement and a responsive lean supply chain and operations will enable the brand to continue to offer unique and differentiated value to the consumer whilst building the brand health and profitability of the business.

Atlas will actively pursue new geographies, new technology platforms and solutions and key stakeholder partnerships to support the current growth momentum, and build the company purpose of "making learning fun". Whilst the macro-economic and socio political environment are uncertain at present, given the inelastic nature of "education and learning", the business remains confident that it will continue to grow and succeed.

HEALTHCARE

- Hospitals
- Pharmaceutical Distribution
- Morison Pharmaceuticals*

*All sustainability data relating to Morison PLC as a whole is carried in the Healthcare sector review.

Industry Overview

Sri Lanka has invested in a robust public health system, which ensures access to affordable healthcare for all. This effort is sustained by dedicated players in both the public and private healthcare sectors. Government spending on healthcare has increased by almost 11.0% in the year under review compared to a 6% Y-o-Y growth indicated in 2017.

The Sri Lankan healthcare market growth trajectory is expected to continue upwards due to the rapid growth in Non-Communicable Diseases (NCDs) and a rising ageing population. The number of people above the age of 60 years is projected to increase from the prevailing 11% to 18% by 2025, and 28% by 2050.

Demand for private health services is anticipated to increase due to improvement in income levels, increased prevalence of NCDs, growth in the ageing population and developments in the medical insurance sector.

Select private healthcare providers are currently engaged in strengthening competitive positions through capacity expansion both within and outside Colombo. Competition is expected to increase in the near term with more public and unlisted private hospitals coming up.

Sri Lanka's total pharmaceutical market is estimated at approximately Rs. 80 billion, with a 50% contribution made by the private sector. Close to 85% of all pharmaceuticals are imported into the country. Today the Public sector is also looking to grow the local pharmaceutical manufacturing industry in order to meet the increased demand.

Under the banner of the Sri Lanka Chamber of the Pharmaceutical Industry (SLPC), private pharmaceutical importers have been engaged in a continuous and unified effort to retain branded generics that would otherwise have pulled out of the market due to expanding price ceilings, and tirelessly advocating for the introduction of new and innovative drugs into the local market. Thus, the private pharmaceuticals sector, despite being subjected to adhoc price cuts, has recorded a growth of 9.5% with a healthy CAGR growth of 8.8% (source: IQVIA) over the last five years.

Government has pledged to support local pharmaceutical manufacturers and has welcomed healthy competition within the industry. The introduction of joint venture schemes with the State Pharmaceutical Corporation (SPC), a 20% price advantage for local manufacturers seeking SPC tenders and a 10 to 15 year buyback guarantee for government purchases, have all proved extremely encouraging and advantageous.

Challenges in the Industry

Government concern regarding the rising cost of healthcare resulted in price controls covering a range of frequently used medical tests, drugs, and devices. Adding to this, the private sector pharmaceutical importers faced enormous exchange losses amounting to over Rs. 4.0 billion due to the consistent devaluation of the rupee since 2015 and with stringent price controls spanning over 60% of molecules in 3 stages in the last couple of years. The burden of rupee devaluation in excess of 14% in the last year, added with inflation and rising interest rates continue to dampen the industry, affecting importers, distributors, retailers and invariably the consumers.

Inconsistent price controls and the lack of a proper mechanism to capture the devaluation of exchange, impacts the continued supply of quality medications in the long run. This creates an uneven playing field attracting substandard substitutes that are harmful to patients' lives and allowing mala-fide importers to manipulate the system.

Statistics from the Central Bank of Sri Lanka Annual Report 2018 suggests that private consumption expenditure on health activities at current prices

Material Topics for the Sector:
Economic Performance, Anti-Corruption, Water, Energy, Effluent and Waste, Environmental Compliance, Supply Chain, Employment, Occupational Health and Safety, Training, Child Labour, Forced and Compulsory Labour, Socio Economic Compliance, Customer Safety, Marketing and Labelling, Customer Privacy.

> Demand for private health services is anticipated to increase due to improvement in income levels, increased prevalence of NCDs, growth in the ageing population and developments in the medical insurance sector.

EBIT

Rs. 2.2 bn

2017/18 - Rs. 2.3 bn

Contribution to the Group

grew by only 4.1% in 2018, at a slower pace, compared to 7.4% growth recorded in 2017. This may be as a result of lower disposable income and hindered consumer spending due to a general downturn in the economy.

Capacity constraints are a key concern for the hospital sector as the specialised skills required for the industry remain in relatively short supply resulting in a doctor centric culture. These capacity restraints can be detrimental to the development of a sustainable healthcare industry, and one in which the patient should be paramount.

Sector Overview

Sri Lanka's largest private healthcare service provider, Hemas Healthcare is comprised of Hemas Pharmaceuticals - the largest distributor of pharmaceuticals, surgical and diagnostics products in Sri Lanka, Hemas Mandalar - a pharmaceutical distribution arm in Myanmar, Morison PLC – a renowned pharmaceuticals manufacturing company, and Hemas Hospitals, an internationally accredited, multi-speciality private hospital.

Hemas Healthcare reported a consolidated revenue of Rs. 27.7 billion, a growth of 20.3% over last year. Operating profits and earnings declined by 5.0% and 10.5% respectively. The healthcare sector was a key contributor to Group profitability.

Hemas Pharmaceuticals Distribution

As one of the largest pharmaceutical distributors in the country, committed to delivering high quality medications at affordable prices, Hemas Pharmaceuticals works hard to ensure that quality and compliance are never compromised.

With a robust sales and distribution network of over 3,000 pharmacies that spans the entire island, Hemas Pharmaceuticals is a reputed, ethical and professional player, having established strong industry connections with government authorities, businesses and the medical community; it is also the preferred local partner of its' many internationally renowned principals.

Hemas Hospitals

Hemas Hospitals is one of the fastest growing hospital chains in Sri Lanka, and the only hospital chain accredited by the Australian Council for Health Standards International (ACHSI).

A trusted provider of exceptional health care services in Sri Lanka, Hemas Hospitals pioneered providing community-based expert healthcare services, and has now converted into a chain of fully fledged multispecialty hospitals.

Hemas Hospitals currently operates two hospitals in Wattala and Thalawathugoda, as well as one of the largest diagnostic laboratory chains in Sri Lanka. In a relatively short period of time, Hemas Hospitals have earned a reputation for ensuring the best customer experience and superior clinical outcomes.

Hemas contribution as a healthcare provider in Sri Lanka was recognised at the 15th National Business Excellence Awards 2018, winning the Silver award in the healthcare category. Hemas Hospitals was also recognised as one of the Best Employer Brands in Sri Lanka for the year 2018/19 at the 13th Best Employer Branding Awards of Sri Lanka conducted by the Employer Branding Institute of India.

Morison PLC

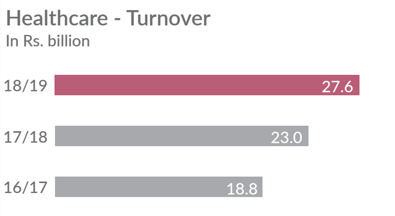
With over seven decades of experience in pharmaceutical manufacture and distribution, Morison PLC is responsible for the production of multiple medicines and Over the Counter (OTC) brands that are trusted household names across Sri Lanka. Formerly known as J.L.Morison Son & Jones (Ceylon) PLC, Morison PLC is 100% Sri Lankan owned and is renowned for its stringent quality standards and absolute compliance with recognised pharmacopeia specifications and good manufacturing practices, as set out by the World Health Organisation (WHO).

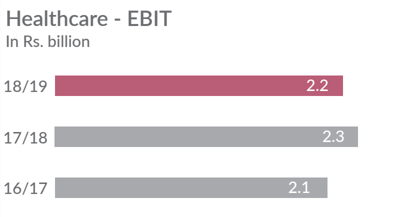
The Pharmaceutical manufacturing arm provides branded generic products to the prescription market. Morison has over 60 registered formulations of essential generic drugs that have been used to supply the Government of Sri Lanka and thousands of General Practitioners. The distribution division represents global pharmaceutical and diagnostic principals such as Biocon, Atco, Searle, Roche diagnostics and other renowned brands, and Consumer healthcare is comprised of owned brands such as Lacto Calamine, Morison's Gripe Mixture and Valmelix, as well as respected marketed brands such as L'oreal and Garnier.

Financial Capital

Due to its' continued efforts to attract new business and grow its' existing portfolio of agencies. Owing to new additions into their portfolio, Hemas Pharmaceuticals continued its steadily increasing growth in the private pharmaceutical market, stamping an overall growth of 16.1% while surpassing the market growth rate of 9.52% during the same period (source : IQVIA).

Despite strong revenue growth, the Pharmaceutical distribution business's operating margins were adversely affected due to Government imposed price controls, as well as exchange losses resulting from the steep devaluation of the rupee coupled with the absence of a steady pricing mechanism. Nevertheless, Hemas Pharmaceuticals invested behind, redefining its supply chain dynamics to ensure sustainable and healthy margins for all parties along the value chain this year. The company also invested in technology with the goal of increasing productivity and efficiency and combating margin pressures.





The Hospital Group achieved an average occupancy of 60% during the financial year 2018/19, Thalawathugoda recorded a 65% occupancy, and Wattala 52%. Growth in the topline was fuelled by the hospitals' enhanced surgical capabilities particularly in Orthopaedics, Gastroenterology, Urology and Neurosurgery. EBITDA margins continued the robust growth witnessed over the past 3 years, a positive outcome when compared to many industry peers and the growth of industry as a whole. The continuous effort placed on driving cost saving initiatives and lean projects throughout the hospital group and the laboratory chain resulted in considerable savings, with knock on EBITDA growth, and improved EBITDA margins as stated earlier.

On November 2nd, 2018 Hemas Hospitals sold its stake in wholly-owned Hemas Southern Hospitals (Pvt) Limited to Asiri Hospitals Holdings PLC for a consideration of Rs. 450 million. As a result of this divesture the Hospital group managed to considerably reduce both its' borrowing exposure as well as its' finance expenses. The disposal gain recorded from the sale amounted to Rs. 73.7 million.

Healthcare				
Output (Rs.mn)	**2018/19**	**2017/18**	**% Change**	**2016/17**
Revenue	27,697	23,026	20.3%	18,842
EBITDA	2,703	2,706	-0.1%	2,478
EBIT	2,181	2,297	-5.0%	2,065
Earnings	1,493	1,668	-10.5%	1,385

Whilst Morison PLC recorded a revenue of Rs. 3.6 billion, the pharmaceuticals segment recorded a revenue of Rs. 2.6 billion, an underlying growth of 14.8% over last year, excluding Alcon, an agency we exited last year. Pharmaceutical price control policies and the heavy depreciation of the Sri Lankan Rupee served to create a negative effect on overall margins.

A solid investment in the long term, the Center for Excellence in Endocrinology was launched during the year. Morison's state of the art research pharmaceutical manufacturing plant was the biggest capital expenditure, valued at USD 16.5 million. Further investment came in the form of 'Citadel', a high tech space dedicated to training and development at Morison.

Manufactured Capital

In line with our strategic pillar for delivering Best Clinical Outcomes, Hemas Hospitals successfully ventured into other specialties with the launch of a fully-fledged advanced fertility center in Wattala, equipped with the latest machinery and facilities. The state-of-the-art Cosmetic center "Adora" launched in Thalawathugoda for a total investment of Rs. 145 million. Further investments were made to acquire the latest medical equipment required to facilitate the demand for the hospital's growing surgical capabilities. The front end customer service platform was revamped with dedicated resources that enable timely customer feedback, and the delivery of a superior customer experience. These efforts yielded a positive Net Promoters Scores (NPS) reaffirming our capabilities in delivering exceptional customer care.

Morisons PLC invested in a new plant built in SLINTEC Park, Pitipana Homagama. Built over 5 acres for a total investment of USD 16.5 million, the plant includes a 100,000 sq ft factory with a capacity of 5 billion tablets per annum and 1,500 kilo litres. The plant is expected to be operational by end 2019.

The new plant will complement the company's existing plant in Mutwal which produces 2 billion tablets and 800 kilo litres of medicine per annum. The Mutwal plant is a WHO facility approved by the NMRA. The company's warehousing and office facilities are based on a 7 acre property in Kelaniya.

The investment into the 'Citadel' concept allows for vital human resource development which will play a central part in the transformation of the company's philosophy into one that is more innovative and forward thinking.

Intellectual Capital

With the global pharmaceutical sector recognising the integral role technology plays in terms of taking the industry to new heights, Hemas Pharmaceuticals has invested in building a technology platform designed to add value to its principals, while ensuring a sustainable model for the company in the long term. Hemas Pharmaceutical segment will endeavour to leverage technology proliferation in healthcare to collect, understand and utilise data. Moving beyond a traditional distributor role, the company is focussed on being a preferred strategic partner to its principals by creating value in both tangible and intangible aspects. Accordingly, Hemas Pharmaceuticals is exploring the incorporation of Artificial Intelligence into its operation, yet another step on the road to formulating a more targeted and data driven market.

It was a remarkable year for Hemas Hospitals as we successfully launched many initiatives under the Innovation pillar with the ultimate goal of becoming Sri Lanka's first SMART Hospital. Under this initiative a unique web based Laboratory portal, a new website for the laboratory network and a SMS alert service with access to view reports online was introduced. Similarly, our own healthcare and wellness app "Hemas Health" was launched with customised features such as online channelling, medication orders, "Telephysio" and "Ask an expert". The Hemas Hospital website was also relaunched with a fresh look and interactive content.

Hemas Hospitals pioneered yet another innovative solution in the local healthcare industry with LIVETRACK, a mechanism which enables customers to save time, reduce stress and enjoy a 'wait free' appointment.

At Morisons PLC the year under review saw a long term plan come in to fruition with the setting up of the Centre of Excellence in collaboration with the College of Endocrinologists. The centre will help medical professionals enhance their knowledge through awareness sessions, research and discussions which support the implementation of the National Diabetes Management Strategy.

Training programs are implemented on a regular basis during the year, however in 2018/19 Morison PLC made it a point to introduce innovative initiatives such as the "Ignites Learning Week" and "Coffee with the MD". The introduction of the M Pulse publication also created an additional touch point for employees.

More details can be found in the company's Human Capital section below.

Human Capital

The sector has adopted the Human Resource Policies and best practices of the Group and tracks indicators including attrition, diversity, occupational health and safety, and training hours through its Sustainability Performance Management System.

Employee Engagement and Strengthening Employee Relations

The sector continues to enhance its employee engagement and strengthen its employee relations through the various initiatives it carries out during the year.

Hemas Pharmaceuticals increases its employee engagement through cricket matches, cultural celebrations, and employee outdoor hikes. The company attempts to build a culture of performance amongst its employees through the Pharmaceutical Awards conducted annually.

During the year, Morison PLC introduced a quarterly newsletter, 'M Pulse' as it strives to engage with its employees on a regular basis. Morison PLC further enhances its employee engagement through various events and activities such as departmental trips, secret santa, movie nights and participation at mercantile swimming meets, cricket competitions etc.

Hemas Hospitals relooked at its overall HR processes and streamlined it to improve its employee engagement. The HR activity calendar was changed to accommodate the varied interests of employees aligning with the Group's 360 You programme.

Hemas Pharmaceuticals strives to enhance its relationship with employees through initiatives such as Welfare Society for employees, family critical illness aid that is provided when needed, inhouse gym facilities, library, company sponsored higher education opportunities, and zero interest education loans. Additionally, the Managing Director addresses all employees who are given an opportunity to voice their concerns and bring forward any difficulties they may face.

Hemas Hospitals strengthened its employee relations through its Joint Consultative Committees, skip level meetings with the Managing Director and General Manager, Town Hall meetings, quarterly review meetings and its 'Tea with MD' programme. During the year, Hemas Hospitals carried out a compensation and benefit survey to understand and be in par with the market rates. An enhanced medical leave policy was also introduced to the employees.

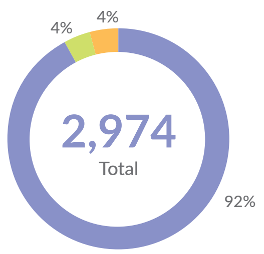
Morison PLC conducted team building programmes for its Finance, Commercial and Supply Chain, OTC and Pharmaceutical teams in an effort to strengthen its relations with its employees. Further, the company also has Coffee with MD, a monthly skip level meeting to connect with the Managing Director, quarterly review for Assistant Manager and above categories to cascade business highlights and other important announcements such as business strategy for the upcoming year.

Based on the achievement of production targets a voucher is issued for all factory employees. Additionally, the company opened a new learning facility 'Citadel', which is available to all employees.

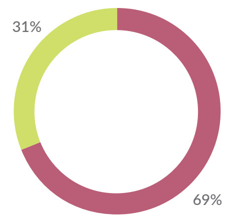
Employee Diversity

The sector has a fair and transparent recruitment policy and a non-discriminative policy when selecting people. The sector continues to welcome and celebrate diversity within its employees and celebrates multicultural activities within the year. Management of the sector maintains an open-door policy where employees can walk in with any concerns they have.

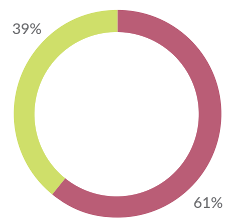
Workforce - Healthcare Sector



Gender Mix - Contract Employees



Gender Mix - Permanent Employees



Age Diversity of Employees – Healthcare Sector		
	2018/19	2017/18
Under 30 Years	1,394	1,499
Between 30 – 50 Years	1,310	1,301
Above 50 Years	158	177

During the year the sector hired 904 new employees [FY 2017/18: 1002] of which 505 were male employees [FY 2017/2018:596] and 399 were female employees [FY 2017/18: 406].

The new hire attrition rate was 2.8 percent of the total employees, out of which 31.7 percent were male new hires and 68.3 percent were female new hires.

The attrition rate of new hires aged below 30 years was 2.6 percent, aged between 30 – 50 years was 0.2 percent of the total employees of the sector. No employees aged above 50 years left the sector.

The total attrition rate of male employees for the financial year 2018/19 was 13.5 percent [FY 2017/18: 14.5 percent] and the attrition rate of female employees was 11.1 percent [FY 2017/18: 9.9 percent]. The attrition rate of employees below 30 years was 16.6 percent [FY 2017/18: 16.0 percent], aged between 30 – 50 years was 7.4 percent [FY 2017/18: 7.3 percent] and ages above 50 years was 0.6 percent [FY 2017/18: 1.0 percent] of the total employees. The attrition rate of the sector was 24.7 percent [FY 2017/18: 24.4 percent]

Celebrating Avurudu at Hemas Pharmaceuticals

Training and Development

The sector understanding the importance of enhancing the ability of its people has placed special emphasis on capacity and skill development of its employees.

During the year Morison PLC introduced 'Ignite Learning Week', a training programme where members from the senior management educates and provides training on selected topics within their expertise. The sessions were open to all interested employees of the company. Additionally, Morison PLC also provides overseas training for its employees, training on teamwork for factory cross functional teams, speech craft programmes and training for Lock-Out Tag-Out (LOTO) system

Hemas Hospitals and Hemas Pharmaceuticals uses the nine-block methodology to understand the potential of its employees and identify successor for critical roles, and thereafter the second tier is developed via various training programmes

Hemas Pharmaceuticals provides all its new employees training related to their job role including capacity training certification specific to the core role. During the financial year the company unveiled the Development Forum and conducted 14 soft skills training for its employees. In addition, special outbound programs are conducted to enable leadership development, trust building and bonding among its employees.

Hemas Hospitals carried out programmes focused on developing technical and behavioural competencies, leadership development training, and attitude development. Additionally, 'Hemas Hospitals Career Hard Talk', 'Illakkaya' programmes were introduced to promote career development.

Training Hours – Healthcare Sector

	2018/19	
	Total Hours	Average Hours
All Employees	704	1.5
Directors Level	18	4.5
Senior Management Level	58	4.4
Middle Management	352	8.8
Executive Level	194	1.6
Non-Executive Level	82	0.3
Male Employee	449	1.1
Female Employee	255	6.7

Health and Safety

The sector places great importance on the health and safety of its employees and has in places practices that promotes the same. The sector also tracks and monitors all Operational Health and Safety related incidents, and such reports are shared with the senior management on a quarterly basis. The sector also gives priority to the Group Wellness Programme and conducted specific employee health and wellness programmes as it strives to contribute to the Group's goal of being the 'Healthiest Workforce by 2020'.

Hemas Hospitals in Thalawathugoda and Wattala obtained the OHSAS 18001 certification for Occupational Health and Safety, and a health and safety platform is in place with emergency preparedness activities including fire drills, incident reporting process, and accident handling process.

Morison PLC regularly conducts training sessions on first aid, fire drills and internal and external occupational health and safety. Further, a Mental Wellbeing 21 days challenge and session on the topic "You are the CEO of Your Life" was also conducted. The company provides employee counselling and also has a special focus on the health of its field based employees and carries out awareness sessions on the risks of smoking, importance of healthy eating habits and road safety training.

The recordable injury rate of the sector was 0.2 per 100 employees and the total work related injury rate (including both high consequence injuries and recordable injuries) is 0.4 per 100 employees. The high consequence injury rate was 0.2 per 100 employees. There were no fatalities during the year.

The sector defines high consequence injuries as injuries that require more than 6 months of recovery time, and recordable injuries as injuries that require a recovery time of greater than 3 days and less than 6 months. As per Sri Lankan labour law a recordable injury is defined as an injury with at least 3 lost days, and such minor

Hemas Pharmaceuticals has a gym with an instructor which could be used by employees. A campaign was held recently that encourages employees to use the staircase with the budgeted calories that an employee can burn from taking each step clearly indicated on the staircase. This initiative fits into the overall Group Wellness Goal of having the healthiest workforce in Sri Lanka.

occupational injuries or diseases that resulted in less than three days have been excluded, although records are maintained for such injuries and diseases.

Child Labour and Forced/Compulsory Labour

The sector aligns itself to the Group policies governing child labour and forced labour and ensures it adheres to all relevant laws and regulations. The sector requires all potential employees to produce valid identification during the recruitment process to ensure the minimum age requirement is met.

No cases of child labour or forced labour were reported in the year under review.

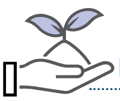
Freedom of Association and Collective Bargaining

All employees of the sector has a conducive work environment for freedom of association.

The sector conducts direct management-worker meetings periodically, to promote cooperative conflict and grievance resolution practices.

Anti-Corruption

The Healthcare sector follows the Group's policies on anti-corruption and the Code of Conduct. The sector conducts continuous assessment on risk related to corruption to develop mitigation plans to ensure the occurrence of such risks is at a minimum. No significant risks were identified relating to corruption within internal business processes.



Natural Capital

The sector to minimise its operational environmental impacts monitors its material topics, energy and emissions, water, and effluents and waste to generate reduction targets and strive towards global best practices in the forthcoming years. Further, the sector also complies with all applicable local laws and regulations.

Energy and Emission

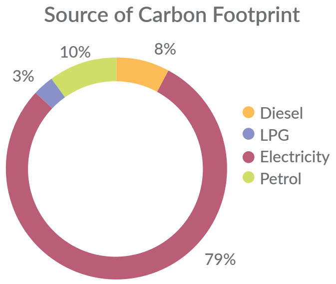
The Group Environment and Energy Management Approach governs the sectors energy use and emissions generation which mandates the adoption of lean energy practices and ensures the conservation of energy and minimising the Group's carbon footprint.

With numerous energy saving initiatives being carried out across the sector, Hemas Hospitals has the following key initiatives with focus on reduction of energy use.

- Energy consumption has been made a key indicator in the selection criteria for procuring equipment to the Hemas Hospital in Thalawathugoda and Wattala
- Solar Power project for Hemas Hospital in Thalawathugoda
- Upgrading of the BMS System
- Chilled Water Pumps
- Energy Saving Valves for AHUs
- LED Light Fittings
- Cooling Tower VFD installation

Carbon Footprint – Healthcare Sector

	Carbon Footprint (MT)	
	2018/19	2017/18
Total	**5,320**	**4,453**
Scope 1	460	304
Scope 2	4,860	4,563



The increase in carbon footprint is attributed to LPG gas not being tracked during 2017/18. With the enhancement of the sustainability management framework, LPG gas has been included when calculating the carbon footprint of the sector.

Solar Panels installed at Hemas Hospital, Thalawathugoda

Energy and Electricity Consumption – Healthcare Sector		
	2018/19	2017/18
Energy Consumption (GJ)	31,379	25,348
Electricity Consumption (KwH)	6,900,944	5,915,586

Water and Effluents

The sector has adopted the Group's approach for water and effluent and strives to reduce its consumption of water in an effort to contribute to the Group's Environment Goal on water reduction. The sector measures, monitors and manages its water use as a standard business practice.

Total water consumption of the sector for the financial year 2018/19 was 113,580m^3, of which 99 percent came from third party water sources and the rest well water. All water came from areas that are considered non water stressed.

During the year Morison carried out several initiatives that focused on optimising its water usage.

- Through Ultra filtrations unit, makeup water is used for the cooling towers resulting in saving 5000 litres of water per day.
- The company carried out water audits in both Kelaniya and Mutuwal which allowed the identification of leaks which were fixed. Additionally, the audits were used to build awareness amongst the teams.
- Bottle washing machines were replaced with air jet cleaners, which resulted in the reduction of water usage. Approximately 5000 litres of water was saved per month.
- The company installed a multi filter and activated carbon filters at Mutwal which brought the COD level below 100 mg/L and BOD level below 10 mg/L.
- The company is attempting to achieve Zero discharge in its new plant in Pitipana, and as of now is conducting feasibility studies in this regard.

As Hemas Hospitals strives to optimise its water usage, the company plans to enhance its effluent treatment to improve the effluent water quality and to reuse waste water.

During the year the sector discharged 84,269m^3 of water of which 81 percent was to the surface, 10 percent to third party, which includes drainage systems and other organisations and the rest to soakage pits. The effluent discharged were as per the regulations of CEA and the EPLs of the respective business units. Of the discharge water 97 of discharge were to areas that are considered non-water stresses and the rest to areas considered to be water stress.

Waste Management

The sector keeping in line to the Group's approach on management of waste monitors its hazardous and non-hazardous waste streams by type, volume, disposal method and destination.

During the year Morison introduced several initiatives that focused on better managing its waste, including:

- The company decanted bottles in an effort to recycle the glass, and the weight of the recovered glass bottles are 8.53 MT. The total savings as a resulted on this initiative is approximately Rs. 741,387
- Solid waste baskets were introduced as a part of its waste segregation in Kelaniya and Mutwal. This was made a mandatory practice as the waste was sent to the municipal council.
- As a result of the cooling tower a reduction in 8 cubic meters was seen in daily waste water which would ultimately have been discharged to the sea
- Paper used in the company was recycled through Geocyc (Pvt) Ltd. As per Geocyc approximately 2930 kg of paper was recycled which resulted in saving of 50 trees, 92,000+ litres of water, and 584 kg of Carbon emission.
- Disposable Electronic Items (e-waste) responsibly to an authorised vendor Green Links (Pvt) Ltd.

Disposal Method of Waste – Healthcare Sector	
	2018/19
Amount of Hazardous Waste Created and Disposed	**79,302**
Reuse	1,200
Recycling	200
Incineration	77,588
Total Non-Hazardous Waste Disposed	**238,292**
Reuse	1,085
Recycling	10,662
Composting	38,410
Landfill	182,900
On-Site Storage	5,235

As this is the first year of tracking waste date proactively for management reporting purposes comparative data will be available from the next financial year.

Environmental Compliance
The sector strives to be in compliance with all environmental laws and regulations of the country at all times and hence tracks and monitors any environmental fines paid for spillages or any other non-compliance to Sri Lankan legislation. No significant spills or fines worth over Rs. 1 million was reported in the year under review.

Social/Relationship Capital

Enhancing the sector's interaction with all its stakeholders is one of key aspects Healthcare sector focuses on, and it ensures that the operations are carried in an open and ethical manner, engaging with stakeholders at various stages to ensure the alignment of mutual interests.

Hemas Hospitals introduced a digital platform to obtain real-time feedback of customers allowing to respond to any concerns customers have. Community forums were conducted to directly engage with the customers. Many developments were done based on their inputs, such as the New car park at Thalawathugoda.

Supply Chain
Significant Suppliers:

Significant Suppliers:
- Principals
- Pharmaceutical Companies
- Manpower Agencies
- Maintenance Service Providers
- Agencies
- Partners

Suppliers plays a key role in the sectors operations and as a result, maintaining strong relationships with the suppliers is important for the sector.

During the financial year Hemas Hospitals conducted monthly meetings with key suppliers enabling Hospitals to sign up for long term sustainable and beneficial partnerships. Hemas Hospitals uses these meetings to share patient safety aspects with suppliers. Standardisation of material are done together with the suppliers, and additionally a sustainability code is shared with the same.

Hemas Pharmaceuticals has in place agreements with its distributors, and additionally the regulatory team and external auditors carries out audits of the distributors. During the year 43 audits were carried out by External auditors.

Morison PLC carries out open and transparent dialogues to understand and drive mutually beneficial initiatives. It also partners with local and international business partners focusing on national causes. An example of this is the opening of the first Center of Excellence for Diabetics in Sri Lanka. The company strives to understand the current requirements to the government hospital system and works hand in hand in managing the supply chain, stepping in and supporting fulfilling urgent order requests.

Customer Health and Safety
Customer health and safety is a vital topic for the operations of the sector.

Hemas Hospitals in Thalawathugoda and Wattala gives highest priority for the health and safety of its customers and are accredited with Australian Council on Healthcare Standards International and OHSAS 18001 Health and Safety standard.

Hemas Pharmaceuticals has in place an adverse drug reaction notification and product complain form in its webpage. Any patient who experiences a reaction or has a complaint can directly communication through that channel. Field staff are also encouraged to report such information in order to ensure patient concerns are addressed in a timely manner.

Morison PLC ensures it adheres to all quality norms and responds to any quality issues, if any through a process led by its quality assurance team.

Marketing and Labelling
Hemas Pharmaceuticals adheres to all requirements of the National Medicines Regulatory Authority (NMRA), which provides instructions on product and service labelling as well as information dissemination to customers. Values of fines and incidents related to non-compliance with regulations and voluntary codes concerning product/service labelling is recorded and reported on a quarterly basis. No significant fines are incidents were reported during the financial year.

Customer Privacy
Hemas Hospitals gives utmost priority to ensure confidentiality of its customers' personal information as part of its customer privacy policy and code of conduct.

Hemas Hospitals has established control mechanisms on IT systems and regular audits are also conducted to ensure security measures are adequate, while instances of loss of data and privacy, as well as customer complaints concerning the same are tracked and reported to the Sustainability Division on a quarterly basis.

Local Communities
The Healthcare sector of the Group strives to establish strong relationships with local communities to obtain its social license to operate. The sector also encourages and empowers its employees to engage in community activities that are carried out by the sector.

Morison PLC focuses on building capacity and promoting sustainable livelihoods by supporting area development activities through sponsorships, donations, and engagement activities. The company carries out medical camps in Mattakuliya and Kelaniya and additionally engages with the Medical Faculty of Ragama by sponsoring medicine for the community projects.

Hemas Hospitals conducted community forums in both Wattala and Thalawathugoda to better understand the needs of the community and address any grievances they may have. Additionally, the following initiatives were also conducted: a Poson Kalapaya in Wattala, Public health and education programs, launch of Suwasisu, a program to strengthen the health of school children, Siphalen Eha – A career guidance program for school leavers, Health camps, Poson Dansala in Hemas Hospitals Thalawathugoda and free ambulance services to community events, including annual religious events such as pereharas and church feasts.

During the year, Hemas Pharmaceuticals carried out many activities including sponsoring the AGM for Pharmaceuticals Owners Association and Pharmacy Education Program. The company also carried out their flagship project 'Dinana Daruwo' for the fifth consecutive year. Dinana Daruwo aims at providing opportunities for underprivileged children in rural schools to improve their knowledge by providing educational support, counselling and career guidance. Through this initiative Hemas Pharmaceuticals was able to relieve the burden of parents while bringing a smile on to the faces of 352 students, who got their full book list to start their new year with happiness.

Strategy and Outlook

With the objective of establishing a sustainable pricing mechanism in tandem with the state, and with the best interest of a sustainable industry at heart, Hemas Pharmaceuticals will remain proactive in its approach and will continue to play a pivotal role in the Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI).

Focused on being a total solutions provider in the pharmaceuticals space, the company has gradually transformed its business via the addition of value added aspects including marketing, strategic planning and industry nurturing.

As a prominent player in pharmaceutical distribution in Sri Lanka, Hemas Pharmaceuticals is continuously driven by the goal of regional expansion. Having already established its operations in Myanmar, the company is looking towards using its experience in outside markets to target more prospective countries in the future. It is vital for Sri Lanka to benchmark its pharmaceutical industry with that of the South Asian region so that we as a nation still have access to the latest medications and medical technology.

The company has also invested in an ambitious project to enhance its supply chain dynamics, thereby ensuring sustainable and healthy margins for all stakeholders across the board.

Sri Lanka's First Centre of Excellence for Diabetes Education Opens

Sri Lanka's first Centre of Excellence for diabetes education was opened by the college of Endocrinologist in partnership with Morison PLC. The centre will be utilised by Endocrinologists and other specialities to enhance their knowledge to strive to assist in Sri Lanka's efforts to address Diabetes, which is a growing national concern.

There is an alarming increase of prevalence in diabetes in Sri Lanka, where a Colombo Urban Study shows that 27.1% of the Colombo urban population suffers from diabetes.

The Centre of Excellence will cater to provide for a much-needed opportunity for medical professionals to enhance their knowledge through awareness session, research, and discussions.

The Centre for Excellence in Diabetes is a forum which will facilitate the work of healthcare professionals in their effort to implement the National Diabetes Management Strategy. It will provide easy access to Global and Local information about diabetes management through technology and resources. The centre will be an excellent resource where health care professionals can meet to develop solutions for diabetes.

Hemas Pharmaceuticals Launches Pharmacists Skill Development Program

During the year Hemas Pharmaceuticals in conjunction with the Pharmaceutical Society of Sri Lanka launched its inaugural Pharmacists Skill Development Programme with the objective of gearing pharmacists with the necessary skills, qualifications and training to serve patients better.

Currently, there are more than 3,700 pharmacists serving patients across the island and it is our intention to upgrade their skills and knowledge of medicines and patient safety to ensure that there are capable professionals behind pharmacy counters. Enhancing the knowledge and skills of practicing pharmacists will increase efficiency, minimise errors in storing and dispensing medicine and improve patient counselling on drugs.

The Pharmacists Skill Development Programme will target existing Pharmacy staffs in order to equip them with a recognised and credible qualification that will help them pursue further accreditations to enhance their careers. This sustainability initiative by Hemas Pharmaceuticals will also promote patient safety in terms of medicine purchase and usage.

Conducted in partnership with the Pharmaceutical Society of Sri Lanka the programme will be conducted at no cost to students who will be trained on standard pharmacy practices and provided with the required knowledge to sit for the Sri Lanka Medical College pharmacy registration exam. As a partner, Pharmaceutical Society of Sri Lanka will work with Hemas Pharmaceuticals to provide lectures and technical support to ensure the successful execution of the program

At Hemas Hospitals our competitive advantage is the consistent pursuit of growth through clinical excellence, service quality and innovation with a customer centric approach. We aim to differentiate ourselves from the rest of the players in the industry through our digital journey by becoming the first SMART hospital, and to add value to our customers by offering them a unique experience.

In line with strengthening our core capabilities, we are in the process of transforming our hospitals from secondary care to tertiary care facilities, adding selected specialties and focusing on expanding our clinical programme sustainably. We intend to maximise the advantage of our island-wide laboratory chain to capture market share through tie-ups with local and international parties. Expanding the scope and building key capabilities in our surgical sphere through the ideal mix of resident and visiting consultants will also be an area of importance, as will critical talent engagement and up-skilling existing talent.

In the short term, Morison PLC aims to revive its core business, ensuring steady profit generation. This revival will include two primary strategies. The first is the growth of the company's portfolio of brands through innovation, category development and commercial execution. In addition, cost and financial discipline will be leveraged to fund growth and improve margins.

The company is ahead of the game in the manufacturing of pharmaceuticals in terms of the required site specific regulatory process, and therefore, despite heavy competition, Morisons PLC will be geared to complete these complex processes by Q2 of FY 2021. With this in mind Morisons PLC is also seeking additional compliances, and is focused on building capacity as per EU GMP specifications.

An increasing demand for private healthcare is projected for 2019 and beyond. The digitalisation of processes, and investments in breakthrough medical technologies are key factors in meeting this demand both efficiently and effectively.

Despite an overall economic slowdown, the outlook for the Healthcare industry in Sri Lanka remains positive and Hemas continues to see this growing segment as one of that offers tremendous opportunities. Encouraged by the concerted effort that both the Government and private sector are making to invest in this segment, Hemas will continue to play a pivotal role, increasing our investment and striving in every way possible to serve the country and its people.

SECTOR INTEGRATED REVIEW

LEISURE, TRAVEL AND AVIATION

LEISURE, TRAVEL AND AVIATION

Industry Overview

Tourism is one of Sri Lanka's primary economic sectors. During the year under review the country recorded a grand total of 2.4 million tourist arrivals, narrowly missing the intended target of 2.5 million tourists. The numbers represent a 7% growth from the corresponding period in the previous year. During this time, arrivals from Australia, the United States and the United Kingdom increased by 35%, 28% and 19% respectively. Arrivals from India, Germany and France grew by 7%, 3% and 1%. Chinese tourist numbers however fell by 3%.

A surge in inventory in key tourist regions in Sri Lanka through Local and Foreign investment over the last couple of years, resulted in intense competition for the hotels sector. While it is estimated that a further 1,200 room keys will be available In Negombo, with 4,700 more in the Southern coastal region and 550 more within the cultural triangle by the end of 2019, there is considerable pressure on existing properties to invest in refurbishments in order to remain competitive.

Other trends in the industry include a growth in the informal sector as well as the need for more boutique villas in Sri Lanka. A shift towards round trips and experiential travel is also noted, and many bookings upgrade from 4+ to 5 star resorts due to marginal price differentiation.

Driven by the island nation's evolving tourism industry, Hemas Leisure, Travel and Aviation (LTA) sector has made its mark all along the tourism spectrum, creating an impact with its portfolio of exceptional hotels and villas, superior inbound and outbound travel management services and world class airline representation. With quality management expertise and sustainability defining every business within the cluster, Hemas LTA is able to face the challenges of the sector with confidence.

The terror attacks of 21 April 2019 have had a dampening effect on the tourism industry in Sri Lanka. With booking cancellations and countries across the world introducing travel advisories and bans, the industry faces an uphill struggle. The hotel & travel sector is working closely with the Government of Sri Lanka to implement strategies that will help mitigate losses and lay the foundation for a swift and steady rebuilding of the industry. The vital role the tourism industry plays for Sri Lanka and its citizens cannot be underestimated, and Hemas is 100% committed to doing its part to support this endeavor.

Sector Overview

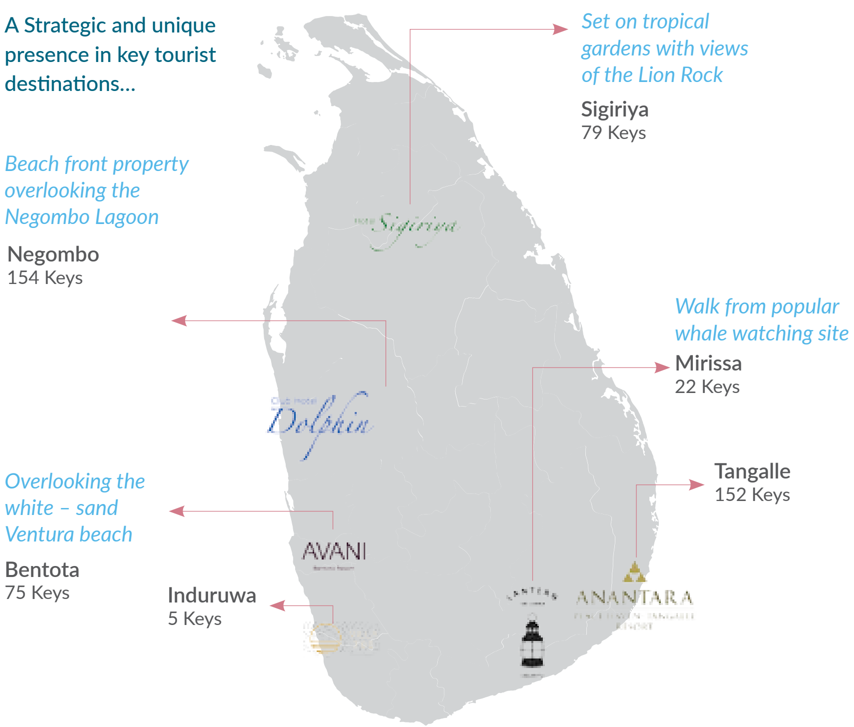
Hotels

Serendib Leisure Hotels offer guests an abundance of choices; be it jungle, lagoon or beach, historical wonder to sun kissed relaxation, the company's offerings provide an elegant and luxurious setting for virtually every attraction Sri Lanka has to offer.

A leading local hotel group, whose unique hotel brands champion a sustainable tourism philosophy, Serendib Leisure entered the boutique hotel and villa space in 2017, increasing its portfolio, and consolidating the company's reputation as a diversified and branded leisure operator.

The company's impressive portfolio includes the five star Anantara Peace Haven Tangalle Resort, as well as four remarkable properties under Serendib Hotels – Avani Bentota, Club Hotel Dolphin, Hotel Sigiriya, and the recently acquired Lantern Boutique Hotel. Serendib Leisure, the management arm of Serendib Hotels, manages Villa 700, a five room property in Induruwa.

A Strategic and unique presence in key tourist destinations...



> Hemas LTA has proved its mettle time and time again. We are confident that with the right action and assistance from the Government of Sri Lanka, the local tourism industry will weather the current storm and emerge better and stronger than ever before.

EBIT

Rs. 415.9 mn

2017/18 - Rs. 214.2 mn

Contribution to the Group

SECTOR INTEGRATED REVIEW

LEISURE, TRAVEL AND AVIATION

Travels and Aviation

Hemas Travels

The outbound arm, Hemas Travels, are specialists in the creation of tailor-made tours to destinations around the globe. One of the largest B2B Outbound Travel Agents in the Sri Lanka, General Sales Agent (GSA) to Royal Caribbean Cruise Liners (RCCL) and Celebrity Cruises, the preferred sales agent for Cosmos Coach Tours in Sri Lanka, the local representative for Indian Railway Catering and Tourism Corporation Ltd, and GSA for Gulliver's Travel Association (GTA), Hemas Travels has proved itself over the years as one of the best in the business

A multiple award winner, Hemas Travels gained more accolades during the year under review including Otilla Woldwide's 'Sri Lanka's Top Agent' title, and Travel Boutique Online Group's commendation for Exceptional Travel Contribution.

Diethelm Travel Sri Lanka

Diethelm Travel Sri Lanka (DTSL) is the clusters' inbound travel arm, specialising in traditional travel markets like Europe, Germany and India. The company counts such prestigious tour operators as – Audley Travel- UK, Tourasia – Switzerland, and Tischler Reisen – Germany as part of its' European portfolio.

Hemas Aviation

An industry pioneer, Hemas Aviation has set the standard in the local industry, delivering a dedicated customer and process driven service to global aviation brands. From Sales, Marketing and Distribution for both online and offline airlines covering passenger and cargo services to support services such as Airport Ground Supervision and integrated back office finance functions, the company provides a range of related services both at home and across the region.

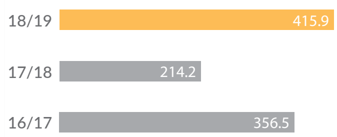
LTA				
Output (Rs.mn)	**2018/19**	**2017/18**	**% Change**	**2016/17**
Revenue	4,982	4,172	19.4%	4,302
EBITDA	648	422	53.5%	534
EBIT	416	214	94.1%	356
Earnings	213	36	499.4%	167

Financial Capital

The Hemas LTA sector recorded a revenue of Rs. 5.0 billion, signifying a growth of 19.4%. Underlying operating profit for the sector stood at Rs. 302.4 million, 68.4% growth compared to the previous year, whilst earnings at Rs. 213.1 million, indicating a growth of 499.4%. The sector recorded an intangible property gain of Rs. 113.5 million and excluding such one-off gains, the underlying earnings grew by Rs. 98.7 million over last year.

LTA - Turnover
In Rs. billion

LTA - EBIT
In Rs. million



AVANI Bentota Resort achieved an occupancy of 93% during Q4 and 73% for the full year; Club Hotel Dolphin generated occupancy of 91% during Q4 and 82% for the full year; and Hotel Sigiriya's occupancy was 90% Q4 and 79% for the full year.

All Serendib Leisure properties enjoyed higher room rates in Rupee terms compared to the previous year due to favourable exchange rate movements with the local currency depreciating against the Pound, Euro and US Dollar.

With an average occupancy of 79% across all Serendib Hotels against 74% last year. SHOT hotels reported a revenue of Rs. 2.0billion, a growth of 10.7% and profitability of Rs. 214.6 million, a decline of 29.3% over last year. A part closure of AVANI Bentota Resort during the first half of the year, contributed to a dip in profitability whilst increasing administrative costs. Furthermore, this was the first full year of operations of the Lantern Beach Collection (acquired in September 2017) under the Serendib Hotels umbrella, and this contributed to the increase in expenses compared to the previous year.

The Travel and Aviation segment recorded a revenue of Rs. 2.9 billion, an improvement of 28.2% over the previous financial year. A large portion of the success of this performance can be attributed to the inbound travel segment.

The year under review was one in which Diethelm Travel Sri Lanka focused on making positive changes that would allow the business to bounce back from the challenging year faced in 2017/18. The company pursued an intensive retention drive with its' principals, focusing on strengthening its relationships across the board. Renegotiation of existing contracts with suppliers and business partners while winning key accounts in new segments improved margins in the Inbound Travel Segment.

During the year under review Hemas Aviation secured the Ground Supervision contract for Chongqing Airlines, a subsidiary of China Southern Airlines.

During the year under review, Forbes Air Services which holds the Emirates Airlines GSA managed to achieve its principals targets despite the early set back of the Colombo-Singapore Route cancellation.

Manufactured Capital

Serendib Hotels began to reap the benefits of its strategic investment in the villa segment when Lantern Beach Collection, a 22 room villa property registered an occupancy of 73% during the year under review. The company plans to continue adding boutique properties to its portfolio, and is aggressively pursuing villa management opportunities.

Intellectual Capital

One of the company's key strengths lies in the experience and expertise of its senior team. With an average of more than 15 years of experience in the industry, each member of our team is insightful, knowledgeable and committed to the highest quality standards, ensuring excellent customer service and exceptional problem solving capabilities. World renowned partner brands such as Emirates, Malaysian Airlines and China Southern Airlines, along with hospitality giants Anantara and Avani Resorts, have put their trust in the Hemas LTA sector over the long term, confident of receiving the best possible advice, representation and results.

Efforts were made to further consolidate Serendib Leisure's position as a reliable hotel and villa operator.

Human Capital

The LTA Sector is governed by the Group Human Resources policies and best practices. The sector ensures that the best practices of the Group are embedded into its daily operations to ensure that they are carried out in an ethical manner.

During the Financial Year 2018/2019 the sector utilised its Sustainability Performance Management System to track all material indicators including attrition, training hours, health and safety incidents, incidents related to child labour and forced labour.

Employee Engagement and Strengthening Employee Relations

During the year the sector strived to engage with its employees in a meaningful way and strengthen its employee relations.

The sector rolled outs its new LTA values and have been engaging with its employees regularly to create awareness. The sector also introduced SharkTank Challenge amongst its employees to generate new ideas.

Based on the engagement survey carried out by Hemas Travels, initiatives based on employee relations, rewards and recognition and collaboration was introduced.

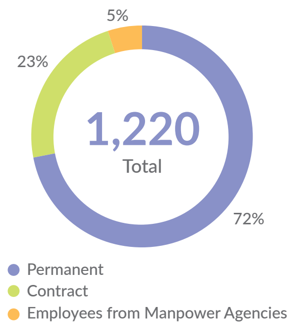
In its effort to strengthen its employee relations the sector conducts activities including year-end get-togethers, award nights, monthly staff meetings, employee of the month at Hotels and recognition of employees with long standing service at Forbes Air Services etc.

Club Hotel Dolphin regularly carries out their 'Job Swap Program' where employees swap their jobs for the day. Through this initiative the hotel hopes to give each employee a better understanding of the full operations of the hotel and the job role of each individual leading to a better engagement and communication amongst each other. The hotels of the sector revamped the associate meal calendar, and the fitness centre in an effort to improve the facilities provided to its employees.

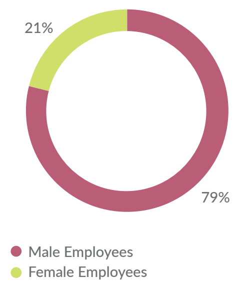
Employee Diversity

The Sector encourages diversity in the workplace and has in place a fair and transparent recruitment policy.

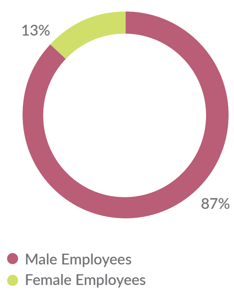
Workforce - Healthcare Sector



Gender Mix - Permanent Employees



Gender Mix - Contract Employees



Age Diversity of Employees – LTA Sector		
	2018/19	2017/18
Under 30 Years	387	437
Between 30 – 50 Years	688	609
Above 50 Years	94	31

During the year the sector hired 233 new employees [FY 2017/18: 273] of which 178 were male employees [FY 2017/2018: 203] and 55 were female employees [FY 2017/18: 70].

Age Diversity of New Hires – LTA Sector		
	2018/19	2017/18
Under 30 Years	176	190
Between 30 – 50 Years	56	77
Above 50 Years	1	6

The attrition rate of new hires during the year was 1.6 percent of the total employees, of which 85 percent were male new hires employee and 15 percent female new hires left the sector during the financial year.

The attrition rate of new hires aged below 30 years was 1.2 percent, aged between 30 – 50 years was 0.4 percent of the total employees of the sector. No employees aged above 50 years left the sector.

The total attrition rate of male employees for the financial year 2018/19 was 11.4 percent [FY 2017/18: 17.4percent] and the attrition rate of female employees was 6.4 percent [FY 2017/18: 5.5percent]. The attrition rate of employees below 30 years was 10.0 percent [FY 2017/18: 13.2 percent], aged between 30 – 50 years was 6.6 percent [FY 2017/18: 7.5 percent] and ages above 50 years was 1.3 percent [FY 2017/18: 1.5 percent] of the total employees. The attrition rate of the sector was 17.9 percent [FY 2017/18: 23.0 percent]

Training and Development

The sector places importance on the development of its staff and as a result pays special attention to its training programmes.

Hemas Aviation has identified the next level of leaders and product owners for each airline and have different training mechanisms in place to train these employees to take up future leadership roles in the company. Additionally, Airline principals trains the staff on the main system and other related training (foreign and local). Hemas Aviation also provides on the job training to staff under the guidance of manager/ supervisor.

Forbes Air Services provides training in Dubai for its Emirates staff while the senior leadership team carries out off site workshops to the staff. Diethelm Travel conducts training to its chauffeurs to ensure optimum safety standards are met.

Hemas Travels has in place a training plan based on the business and personal training needs, and both Diethelm Travels and Hemas Travel receives local and foreign training through tours organised to educate and familiarise employees with a destination/location that is being promoted.

Training Hours – LTA Sector		
	2018/19	
	Total Hours	Average Hours
All Employees	13,765	11.8
Directors Level	132	33.0
Senior Management Level	493	17.0
Middle Management	1,338	14.7
Executive Level	1,128	4.0
Non-Executive Level	10,674	14.0
Male Employee	5,605	5.9
Female Employee	8,160	38

Health and Safety

The LTA sector places a great importance on the health and safety of its employees and continuously carries out awareness and training programs to its employees.

The recordable injury rate was 1.37 per 100 employees and the high consequence injury rate is 0.43 per 100 employees. Total work-related injury rate is 1.8 per 100 employees. There were no injuries in the sector of its contract personal. There were no fatalities during the year.

The sector defines high consequence injuries as injuries that require more than 6 months of recovery time, and recordable injuries as injuries that require a recovery time of greater than 3 days and less than 6 months. As per Sri Lankan labour law a recordable injury is defined as an injury with at least 3 lost days, and such minor occupational injuries or diseases that resulted in less than three days have been excluded, although records are maintained for such injuries and diseases.

Child Labour and Forced/Compulsory Labour
The LTA sector has adopted the policies and best practices of the Group for child labour and forced labour and ensures that the sector adhere to all relevant laws and regulations. No cases of child labour or forced labour were reported in the year under review.

Anti-Corruption
The sector carries out continuous assessment on risk related to corruption and develops mitigation plans to ensure the occurrence of such risks is at a minimum. No significant risks were identified relating to corruption within internal business processes.

Natural Capital

The sector endeavours to minimise its operational environmental impacts by monitoring its material topics, energy and emissions, water, and effluents and waste to generate reduction targets and strive towards global best practices in the forthcoming years.

The material topics of the sector is tracked on a quarterly basis with the information shared with the Board of Management quarterly, which includes the CEO of the Group and the Managing Director of the sector.

The hotels of the sector conducts audits of its locations and the audit report is shared with the senior management.

Further, the sector also complies with all applicable local laws and regulations.

Energy and Emission
The Group Environment and Energy Management Approach governs the sectors energy use and emissions generation which mandates the adoption of lean energy practices and ensures the conservation of energy and minimising the Group's carbon footprint.

As the sector strives to optimise its use of energy within its operations several initiatives were started.

During the year, Club Hotel Dolphin with an investment of Rs 8 million implemented a bio gas plant which converts food waste into LPG. At present the plant converts 500kg of food waste into 37.5 kg cylinder of LPG and 500 litres of flurry liquid fertilizer per day. This initiative also plays a role in the Group's Environmental Goal which seeks to send zero waste to landfill in the coming years.

Additionally, Avani Bentota has initiated a solar power project in an effort to reduce its consumption of energy.

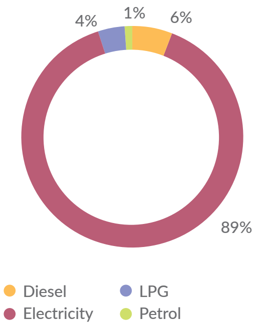
Carbon Footprint – LTA Sector

	Carbon Footprint (MT)	
	2018/19	2017/18
Total	**5,320**	**4,453**
Scope 1	460	304
Scope 2	4,860	4,563

Energy and Electricity Consumption - LTA Sector

	2018/19	2017/18
Energy Consumption (GJ)	34,302	28,431
Electricity Consumption (KwH)	7,241,801	6,692,421

Source of Carbon Footprint



Water and Effluents

The sector is governed by the Group's approach to water and effluent and is committed to be responsible custodians of water resources by measuring, monitoring, and managing its water use as a standard business practice.

During the upcoming financial year, Hotel Sigiriya will commence rain water harvesting and as a result has started a water tank project with a capacity of 10,000 litres.

Total water consumption of the sector for the financial year 2018/19 was 188,170 m^3, of which 57 percent of water were from well and the rest came from third party water sources such as the municipality and were from areas that are considered non-water stressed.

During the year the sector discharged 170,566 m^3 of water of which 92 percent was to the surface and the rest to soakage pits and the municipality drainage systems. All of the discharge was to areas that are considered non-water stress. All discharge met with the respective EPL and CEA regulations.

Waste Management

The sector keeping in line to the Group's approach on management of waste monitors its hazardous and non-hazardous waste streams by type, volume, disposal method and destination.

Hotels initiated the collection of PET bottles, including from the surrounding villages to ensure waste is being disposed in a responsible manner. Additionally, hotels only use biodegradable straws and chemicals in an effort to promote environmentally friendly practices.

Forbes Air Services have initiated a paper recycling process and have also implemented a system that provides SMS alerts of deposits credited to the account in favour of customer bookings made. This resulted in a saving of paper that would have been used for internal record keeping purposes.

Disposal Method of Waste

Disposal Method	Volume (Kg)
	2018/2019
Total Non-Hazardous Waste Disposed	**623,818**
Recycling	22,156
Recovery	352,212
Landfill	276,450

As this is the first year of tracking data related to waste proactively for management reporting purposes, comparative data will be available from the next financial year.

Biodiversity

The sector places great importance in persevering the local natural habitats and ecosystems and therefore its impact on biodiversity is continuously monitored.

During the upcoming year, Hotel Sigiriya will plant 150 Kumbuk trees for World Earth Day 2019 under the theme 'Save the Species'. The trees will be planted around the Sigiriya Water Garden to protect the water resources.

The sector has a comprehensive grievance mechanism in place to record any biodiversity related grievances of the surrounding communities and any official complaints from regulatory authorities.

Environmental Compliance

The sector tracked and monitored all fines paid, spillages and all other compliance related requirements as per Sri Lankan legislation. There were no significant fines reported during the year under review. The sector defines significance as spillage or fines where the financial loss is worth over Rs. 1 million.

Social/Relationship Capital

The sector focuses on enhancing its interaction with all its stakeholders to better understands and to formulate strategies to engage with stakeholders in a meaningful manner.

Supply Chain

Significant Suppliers:
- Hotels
- Amenities and Utility Suppliers
- Food and Beverage Suppliers
- Travel Agents
- Manpower Agencies
- Outsourced Suppliers
- Tour Operators

The sector strongly believes that entrenching sustainability in its supply chain helps create value through building mutually beneficial, long-lasting relationships. Serendib Leisure

Management Limited has in place practices that ensure the supply chain responsibility and sustainability, including:

- Supplier Selection Criteria – Serendib Leisure procurement team checks and evaluates profiles of the company, history, company background, owners and Director's profile, product and brand profile, annual turnover, business registration documents, quality certification (ISO / HACCP/ GMP certificates), safety certifications, environment certifications, employee portfolio, organisational structure, vision and mission statement, and policy statement.

- Supplier Registration – It is mandatory that all goods and service providers are registered with Serendib Leisure, prior to initiating any business transactions. The "Supplier Registration Form" will cover all required areas to ensure that Vendors are in conformity with Serendib Leisure Standards.
- Vendor MOU – Serendib Leisure signs a MOU with each vendor which lists out all areas that it requires the vendor to comply with. This MOU will ensure that all vendors carry out their business legally according to the Laws of Sri Lanka, including labour and environment laws.
- Vendor Audits – The procurement team of Serendib Leisure visits the factories of all food and beverage manufacturers to ensure they follow required criteria in manufacturing processes, safeguarding environment and related laws.
- Audits by Third Party: Independent audits are carried out in relation to hygiene, manufacturing process and practices, labour hiring, protecting environment laws

Customer Health and Safety
During the year food safety manuals were rolled out across all hotels. While a full comprehensive crisis manual is under development, critical Standard Operating Procedures that cover key emergencies have been initiated and rolled out.

Local Communities
The sector strives to obtain social license to operate by working closely with its surrounding communities.

The hotels of the sector have target meetings with community groups and works with them to develop programmes and activities that would benefit them. Additionally, monthly beach cleaning programs and a blood donation campaign was also carried out. During the year the sector uplifted the livelihoods of the community through the development of infrastructure in the area including the maintenance of the Bentota Railway station and the building of a dharma shalawa at the Diyakapilla temple.

The hotels of the sector looked at building capacity and promoting sustainable livelihoods by conducting language classes and special projects for women, recruiting locally, and creating awareness and assisting separation of garbage in the Kammal South Village.

Forbes Air Services carried out arts and crafts workshops for the children of the cancer hospital. Additionally, the company identified and provided required assistance to staff who have members at home who can drive a small home business such as tailoring, painting, catering and etc.

Strategy and Outlook

The LTA sector will need to adopt a tough new strategy following the terror attack that took place on Easter Sunday 2019. The tourism industry has suffered a decline in occupancy and revenue, dealing with a considerable cancellation of bookings for 2019.

The tourism sector is grateful to the Government of Sri Lanka for the prompt action taken to give the industry short term relief benefits. The Group will adopt lean management strategies across all properties while developing targeted promotional packages that will be attractive to travellers in key markets to boost occupancy and revenues until the destination recovers.

Hemas Travels will focus on developing its value adding segments like visa and hotel accommodation services. Diethelm Travel Sri Lanka, backed by the resources and expertise of its management company Diethelm Thailand Group, will continue to focus on enhancing profitability via improved product offerings. Efficient cost management will remain integral in every area of the company's operations.

Hemas Aviation will continue to pursue excellence in its field, focusing on growing its portfolio and expanding each of it Principal's products, providing customised solutions based on their goals and requirements. Further, an UAE Visa issuance facility for Sri Lanka and Bangladesh was established with the potential to expand into the region.

Hemas LTA has proved its mettle time and time again. We are confident that with the right action and assistance from the Government of Sri Lanka, the local tourism industry will weather the current storm and emerge better and stronger than ever before.

SECTOR INTEGRATED REVIEW

MOBILITY

- Maritime
- Logistics

Industry Overview

The year under review saw Sri Lanka come a long way on its' journey to become one of South Asia's most preferred trading, maritime and logistics hubs.

Marking a milestone in its journey, the Port of Colombo reached the 7 million TEU mark in 2018 with a 19.3% growth in transhipment volumes. The port's growth surpassed that of many of its international counterparts in terms of container handling, and received due recognition as the fastest growing port in the world for the first half of 2018 by Alphaliner.

The Port of Colombo has greatly benefited from the partnership between Sri Lanka's three major terminals – Jaya Container Terminal, South Asia Gateway Terminal (SAGT) and Colombo International Container Terminal (CICT) . This partnership has resulted in many vital improvements including reduced turnaround time for vessels, improved efficiency and operational sustainability. With the added advantage of the CICT standing as the lone deep draft terminal in South Asia, Sri Lanka's growth prospects are extremely promising.

The operationalisation of the long awaited East Container Terminal is being prioritised, and will address capacity constraints in the Port of Colombo. In addition to a proposed West Container Terminal, Sri Lanka's Port operations will also see growth outside Colombo following the handing over of the Hambantota Port to Hambantota International Port Group (HIPG) and Hambantota International Port Services (HIPS). With Sinopec winning the bid to operate a tank farm at this port, there will be considerable growth in the island's maritime operations with Hambantota positioned as the regional bunkering hub of the future.

The Port of Colombo is the 11th best port in the world by connectivity according to Drewry's Port Connectivity Index. With the National Port Master Plan, along with the national maritime and logistics policy, in place to develop the port and shipping sectors; Sri Lanka is truly gearing up to realise its' entreport hub aspirations.

The country's logistics landscape is also looking advantageous with competition picking up, local manufacturers showing an increased tendency to outsource logistics due to surging volumes, and the rising demand for end to end logistics services driven by the growth in regional commerce and digitalised supply chains.

The industry has witnessed many global best practices integrated in local operations, through partnerships akin to that between Spectra Logistics and GAC Sri Lanka. These improvements widen the industry's scope and increase its' capability, cementing Sri Lanka's footing as a regional logistics and distribution hub, offering entrepot trade, multi country consolidation and regional e-commerce facilitation.

Sector Overview

Maritime

Hemas Maritime represents Evergreen Line, the fourth largest shipping line to call at the Port of Colombo in terms of throughput; as well as FAR Shipping Singapore, a leading feeder service provider to the east coast of India and the Bay of Bengal. Hemas Maritime is the winner of multiple awards for excellence in Customer Service, Shipping Related Services as well as Business and Financial results, and has received ISO 9001:2015 accreditation.

Material Topics for the Sector:

Economic Performance, Anti-Corruption, Water, Energy, Bio Diversity, Effluent and Waste, Environmental Compliance, Supply Chain, Employment, Occupational Health and Safety, Training, Child Labour, Forced and Compulsory Labour, Socio Economic Compliance

> The new distribution complex is one of Sri Lanka's most advanced warehouses with a total investment spend of Rs. 2.1 billion.

EBIT

Rs. 691.8 mn

2017/18 - Rs. 835.9 mn

4.4%

Revenue

12.5%

EBIT

Contribution to the Group

SECTOR INTEGRATED REVIEW

MOBILITY

The country's logistics landscape is also looking advantageous with competition picking up, local manufacturers showing an increased tendency to outsource logistics due to surging volumes.

Logistics

Spectra Logistics works in partnership with GAC Sri Lanka, which is itself a partnership between GAC Global and Mclarens Holdings.

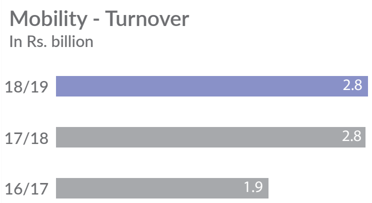
A fifteen acre container terminal, the largest fleet of empty container haulage vehicles in the country, and a team of respected industry professionals, make up the unparalleled core of what our logistics arm has to offer. Today, the company has expanded its services to include contract warehousing, project cargo logistics and automobile logistics, increasing its ability to supply customers with a total solution.

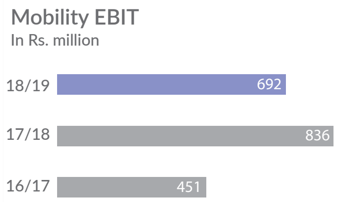
The year under review saw the opening of an ultra-modern state of the art container yard in the Muthurajawela Industrial Zone in Wattala. The yard houses a warehouse with a capacity of 25,000 pallet positions, making it one of the largest distribution centres in Sri Lanka.

Mobility				
Output (Rs.mn)	2018/19	2017/18	% Change	2016/17
Revenue	2,835	2,814	0.7%	1,931
EBITDA	822	927	-11.4%	538
EBIT	692	836	-17.3%	451
Earnings	464	543	-14.4%	336

Financial Capital

The mobility cluster of Hemas recorded a revenue of Rs. 2.9 billion in the year under review, with a growth of 0.7%. Hemas Maritime recorded a steady growth in volume and higher revenue translation due to currency depreciation. However, the logistics segment experienced challenges which had a negative effect on revenue, resulting in modest growth in the overall sector.





During the period under review, operating profits and earnings recorded a decline of 17.3% and 14.4% respectively. This dip in performance was mainly due to delays in operational readiness of the logistics sector's distribution centre. While this resulted in the warehouse not being able to meet expected occupancy levels, it also impacted the financial performance of the sector adversely due to the commencement of loan repayments prior to the official opening of commercial operations which was contrary to the company's original plan.

However, with the new logistics park currently in operation, the sector is looking at consolidating operations in FY 2019/20, and discontinuing the use of satellite warehouses, in order to gain cost efficiencies and instil value additions along the supply chain.

ROCE of the sector stood at 23.6% against 28.2% recorded in the previous year. The drop in the ROCE for the sector is stemming from the increase in the capital base. Capital deployment pertaining to the new logistics warehouse and further investments impacted the capital base coupled with a decline in profitability.

Manufactured Capital

Backed with the global best practises and knowledge of Spectra Logistics' partner GAC Sri Lanka, the new distribution complex is one of Sri Lanka's most advanced warehouses with a total investment spend of Rs. 2.1 billion. Designed to target pharmaceuticals, white goods and retail items, with both temperature and ambient control facilities, the warehouse is built in accordance with global industry standards including with five chambers and electric material handling. The warehouse is enhanced by proprietary software developed by GAC Global and supported by global IT centres in Singapore and Dubai.

Spectra Logistics is now equipped to extend itself to the digital domain and be a pioneering player in revolutionising the way logistics services are delivered using technologies such as AI and IoT. The technology invested in the warehouse will be used to expand the sector's scope by providing value-added services (VAS) as well as moving into Omni-channel supply chain fulfilment. The new warehouse will also pave the way for the company to reach out to regional customers offering them end to end solutions.

Intellectual Capital

The Maritime arm saw a strengthening of its intellectual wealth with Hemas Maritime being presented with an 'A' rating by the Evergreen Line for its ability to drive service excellence through streamlined systems and processes. To top this achievement, the renowned shipping line ranked the Hemas Maritime customer service division within its' top 5 global agents.

Driven by global best practices introduced as a result of the partnership with GAC, Spectra Logistics benefitted from the implementation of tailor-made systems and processes at the company's new warehouse and container yard. The partnership also ensured the introduction and successful implementation of several industry best practices covering health and safety, technology and system excellence, laying the foundation for the introduction of global processes that would refine local operations.

Along with improved systems and processes came training programs and other initiatives designed to add value to the management and staff of both arms of the Mobility sector. Strategic efforts were made to increase the knowledge and expertise of all concerned. In depth details appear in this sector's Human Capital section below.

Human Capital

The Mobility Sector is governed by the Group Human Resources policies and best practices. The sector embeds into its operations the best practices of the Group to ensure that its operations are carried out in an ethical manner.

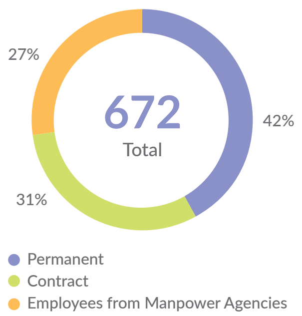
During the Financial Year 2018/19 the sector utilised its Sustainability Performance Management System to track all material indicators including attrition, training hours, health and safety incidents, incidents related to child labour and forced labour.

The sector also conducted its first Awards Ceremony to recognise and reward exceptional individuals and business units of the sector. The sector believes in nurturing the talents of its employees, and as a result the entertainment for the ceremony was done by its very own employees who were given the opportunity to train with professionals.

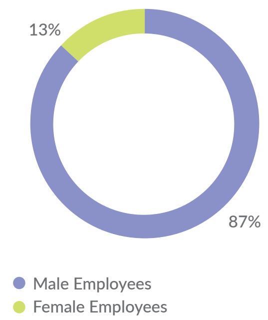
Employee Diversity

The Sector encourages diversity in the workplace and has in place a fair and transparent recruitment process where equal opportunities are provided for all applicants. The sector does not advertise any age or gender restrictions in its job vacancies to ensure all selections are carried out purely based on merit.

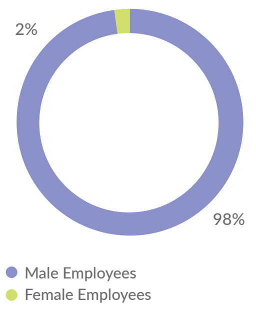
Workforce -Mobility Sector



Gender Mix - Permanent Employees



Gender Mix - Contract Employees



During the year the sector hired 70 new employees [FY 2017/18: 119] of which 64 were male employees [FY 2017/2018:114] and 6 were female employees [FY 2017/18: 5].

Age Diversity of New Hires	2018/19	2017/18
Under 30 Years	36	79
Between 30 – 50 Years	28	28
Above 50 Years	6	12

The attrition rate of new hires during the year was 0.6 percent of the total employees, which were all male employees. No female new hires left the sector during the financial year.

The attrition rate of new hires aged below 30 years was 0.4 percent, aged between 30 – 50 years was 0.2 percent of the total employees of the sector. No employees aged above 50 years left the sector.

The total attrition rate of male employees for the financial year 2018/19 was 26.9 percent [FY 2017/18: 38.0 percent] and the attrition rate of female employees was 1.9 percent [FY 2017/18: 1.0 percent]. The attrition rate of employees below 30 years was 10.8 percent [FY 2017/18: 23.0 percent], aged between 30 – 50 years was 17.9 percent [FY 2017/18: 14.2 percent] and ages above 50 years was 0.2 percent [FY 2017/18: 1.8 percent] of the total

Age Diversity of Employees – Mobility Sector	2018/19	2017/18
Under 30 Years	171	240
Between 30 – 50 Years	244	226
Above 50 Years	49	38

employees. The attrition rate of the sector was 28.9 percent [FY 2017/18: 39.0 percent]

Training and Development

The sector placing importance on the training and development conducts various training sessions for its employees. For example, an adventure-based training session was conducted in an effort to develop team spirit and cooperation amongst cross functional teams.

Training Hours – Mobility Sector	2018/19	
	Total Hours	Average Hours per employee
All Employees	704	1.5
Directors Level	18	4.5
Senior Management Level	58	4.4
Middle Management	352	8.8
Executive Level	194	1.6
Non-Executive Level	82	0.3
Male Employee	449	1.1
Female Employee	255	6.7

Health and Safety

The Mobility sector places a great importance on the health and safety of its employees.

During the financial year Spectra Logistics established a Health and Safety Division with the recruitment of a Health Security, Safety and Environment Manager and a team. Additionally, the Distribution Centre conducted a Safety Week, which carried out first aid training for its employees at the Yard, awareness session for its drivers, risk assessments, and awareness sessions on safety to all employees.

There were no employee high consequence injuries in the sector and the recordable injury rate was 0.4 per 100 employees and was as a result of falling. There were no injuries in the sector of its contract personal. There were no fatalities during the year.

The sector defines high consequence injuries as injuries that require more than 6 months of recovery time, and recordable injuries as injuries that require a recovery time of greater than 3 days and less than 6 months. As per Sri Lankan labour law a recordable injury is defined as an injury with at least 3 lost days, and such minor occupational injuries or diseases that resulted in less than three days have been excluded, although records are maintained for such injuries and diseases.

Child Labour and Forced/Compulsory Labour

The Mobility sector is governed by the policies and best practices the Group has in place for child labour and forced labour and ensures that the sector adhere to all relevant laws and regulations.

No cases of child labour or forced labour were reported in the year under review.

Anti-Corruption

The sector carries out continuous assessment on risk related to corruption and develops mitigation plans to ensure the occurrence of such risks is at a minimum. No significant risks were identified relating to corruption within internal business processes.

Natural Capital

The sector endeavours to minimise its operational environmental impacts by monitoring its material topics, energy and emissions, water, and effluents and waste to generate reduction targets and strive towards global best practices in the forthcoming years. Further, the sector also complies with all applicable local laws and regulations.

During the year, Far Shipping encouraged its employees to reuse used paper for photocopies and to utilise them to maintain records. The business unit tries to reduce its use of paper by minimising the maintenance of hard copy files, and instead using e-files.

Energy and Emission

The Group Environment and Energy Management Approach governs the sectors energy use and emission generation. The approach mandates the adoption of lean energy practices and the conservation of energy resulting in the minimising of the Group's carbon footprint.

The sectors newly opened logistics park in Kerawalapitiya has in place best practices and systems as it strives to minimise the usage of its energy. These includes:

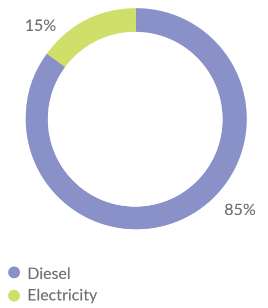
- Two chillers at the park are managed based on demand required
- The site exhaust fans are managed on timer settings
- Use of LED lighting for energy efficiency
- Motion sensors being used for lights to ensure only the used areas are lit up.

As the sector strives to optimise its energy efficiency, Spectra Logistics is also looking at Solar Power for its Logistics park in Karawalapitiya.

Carbon Footprint – Mobility Sector

Carbon Footprint (MT)	2018/19	2017/18
Total	**3,023**	**3,492**
Scope 1	2,578	3,235
Scope 2	445	257

Source of Carbon Footprint



Energy and Electricity Consumption - Mobility Sector

	2018/19	2017/18
Energy Consumption (GJ)	37,065	44,970
Electricity Consumption (KwH)	632,165	364,545

Water and Effluents

The sector is governed by the Group's approach for water and effluent and is committed to be responsible custodians of water resources by measuring, monitoring, and managing its water use as standard business practice.

Total water consumption of the sector for the financial year 2018/19 was 43,758 m^3, all of which came from third party water sources and came from areas that are considered non-water stressed.

As the sector strives to optimise its water usage, the Logistics park in Kerawalapitiya commenced the construction of a waste water plant and the collection of rain water. The rain water collected is used by Spectra Logistics for washing of containers.

During the year the sector discharged 43,748 m^3 of water to the municipality drainage system, of which 52 percent was considered as discharge of fresh water and effluent was treated through the effluent treatment plants to the discharge quality levels specified in the EPL of the respective business units. The remaining effluent was discharged directly to the municipality drainage system as per the regulations of CEA and the EPLs of the respective business units. All of the discharge of the sector were to areas that are considered non-water stress.

Biodiversity

The sector places great importance in persevering the local natural habitats and ecosystems and therefore its impact on biodiversity is continuously monitored. The sector has a comprehensive grievance mechanism in place to record any biodiversity related grievances of the surrounding communities and any official complaints from regulatory authorities.

Environmental Compliance

The sector tracked and monitored all fines paid, spillages and all other compliance related requirements as per Sri Lankan legislation. There were no significant fines reported during the year under review. The sector defines significance as spillage or fines where the financial loss is worth over Rs. 1.0 million.

Social/Relationship Capital

The sector focuses on enhancing its interaction with all its stakeholders to better understands and to formulate strategies to engage with stakeholders in a meaningful manner.

Supply Chain

The sector strongly believes that striving to entrench sustainability in its supply chain helps create value through building mutually beneficial, long-lasting relationships. Spectra Logistics has in place annual contracts with its partners and maintains a data base for spare-parts.

Local Communities

The sectors strive to obtain social license to operate by working with its surrounding communities to uplift their living standards through donations made towards infrastructure development.

Strategy and Outlook

Fortified with sustainable competitive advantages, complemented by global connectivity and industry expertise, the Hemas Mobility sector is focussed on doubling its current equity value of Rs. 3.3 billion over the next five years.

To this end the sector is looking to develop a strategic customer pipeline comprised primarily of pharmaceuticals, FMCG and modern trade. Customer service excellence will be escalated with expanded service offerings including VAS and distribution superiority.

The sector will also pursue more investments in infrastructure for its logistics arm, facilitating efficient and affordable warehousing technologies that will in turn enhance its ability to deliver end to end warehouse solutions.

Building Omni-channel supply chains will also be a priority for the logistics sector with a view to developing competitive advantages in modern trade store delivery models, including route optimisation technology, specialised equipment and e-commerce fulfilment competence.

Capitalising on Sri Lanka's promising role as a maritime and logistics hub, the mobility sector will also explore regional expansion to amplify its reach in South Asia and neighbouring markets.

While the outlook is positive in both the maritime and logistics sectors, growth is hindered by capacity limitations and space inefficiencies in the Port of Colombo. Competition from regional ports emphasises the need for bigger terminals with state-of-the-art infrastructure.

Given the robust structure of the national master plan and policy for this sector, which was designed to act as a roadmap for the sector's growth, it is imperative that the policy is sustained sans political interference. With global programs such as China's One Belt One Road initiative, it is important for the country to capitalise on opportunities without delay.

The future holds a great deal of potential for logistics players given the rising demand for end to end logistics services driven by the growth in regional commerce and digitalised supply chains. Along with port developments, the industry must steer forward with new trade, maritime and logistics policies and practices that will attract investments, customers and eventually vessels, to raise the maritime industry to the ranks of international hubs like Singapore and Dubai.

Although national security and political instability will undoubtedly cloud the industry's growth impetus, Hemas remains strongly optimistic, and the company's Mobility sector is committed to doing its part to ensure that any issues can, and will be overcome.

Financial Information

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 authorised 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 149 to 151 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.

Hemas Corporate Services (Private) Limited
Secretaries
24 May 2019

INDEPENDENT AUDITORS' REPORT

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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 2019, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 2019, 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.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Annual impairment of Goodwill and Brand The Group is required to annually test Goodwill and the value of Brand for impairment which amounted to LKR 2.25Bn and LKR 1Bn respectively as at 31 March 2019. This annual impairment test was significant to our audit as the amounts are material to the financial statements. In addition, management's assessment process includes a cashflow forecast which is judgmental and based on assumptions, specifically relating to revenue growth and discount rates, which are affected by expected future market and or economic conditions.	We performed the following procedures, amongst others: • We compared the cash flow forecast to the approved budgets, business plans and other evidence of future intentions and compared the estimates with those achieved historically. • We involved our specialised internal resources to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the Group. • We also assessed the adequacy of the related disclosures in Note 14 to the financial statements.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition During the year the Group adopted SLFRS 15 - Revenue from Contracts with Customers (SLFRS 15) which specifies how and when to recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. Group's operations in multiple industries, various terms and conditions included in Group's contracts with its customers, coupled with relevant clarifications and extended guidance specifically relating to, point of revenue recognition, determination of transaction price and agent vs principal relationships were evaluated by the management to assess and conclude on the Group's compliance with SLFRS 15 in preparation of financial statements. The above process was significant to the audit as it related to the evaluation of revenue recognition principles .	Our audit procedures focused on the Group's adoption of the New Revenue Standard included, amongst others, the following: • We assessed the process followed by the Group to ensure all revenue segments are considered in its assessment, contracts assessed are representative of specified revenue segments and contractual term, and the appropriateness of conclusions reached on matters such as point and amount of revenue to be recognised. • We also assessed the adequacy of corresponding disclosures made in Note 3 and 4 to the financial statements.
Impairment allowance for Trade Receivables including Group's transition to SLFRS 9 As at 31 March 2019, 23% of its total assets of the Group consisted of trade receivables amounting to LKR 14.2Bn. Our audit considered impairment allowance for Trade Receivables as a key audit matter due to the materiality of the balance, subjective nature of the management's impairment estimation, involvement of manual calculations and transition to SLFRS 9 – Financial Instruments (SLFRS 9).	To assess the reasonableness of the impairment allowance, our audit procedures (amongst others) were designed to obtain sufficient and appropriate audit evidences, included the following: • We tested the provision matrix that is based on its historical credit loss experience of the respective company adjusted for forward looking factors specific to the economic environment; • We tested for a sample, the completeness and accuracy of underlying calculations and data used in such calculations by agreeing details to the respective companies source documents and re-performing the calculation of impairment charge and • We assessed the adequacy of the related financial statement disclosures as set out in Note 19. We also assessed the adequacy of the Group disclosure on the impact of the initial adoption of SLFRS 9 as set out in note 3.1.2. This included testing of the quantitative impact of the transition.

Other Information included in the 2019 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.

24 May 2019
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Group 2019 LKR 000	Group 2018 LKR 000 Restated	Company 2019 LKR 000	Company 2018 LKR 000
Revenue from Contracts with Customers	4	64,082,154	49,874,384	969,197	831,364
Cost of Sales		(42,604,605)	(32,167,426)	-	-
Gross Profit		21,477,549	17,706,958	969,197	831,364
Other Operating Income	5	793,590	414,487	358,647	2,804,991
Selling and Distribution Expenses		(5,894,116)	(4,686,750)	-	-
Administrative Expenses		(10,622,973)	(9,073,118)	(1,092,105)	(987,003)
Share of Results of Joint Ventures	16	(58,043)	(80,148)	-	-
Share of Results of Associates	16	(34,682)	(36,334)	-	-
Operating Profit		5,661,325	4,245,095	235,739	2,649,352
Finance Cost	6	(1,046,212)	(618,109)	(214,041)	(231,138)
Finance Income	6	478,027	765,350	58,329	446,339
Profit Before Tax	7	5,093,140	4,392,336	80,027	2,864,553
Income Tax Expense	8	(1,413,904)	(1,441,523)	(66,777)	(112,846)
Profit for the Year		3,679,236	2,950,813	13,250	2,751,707
Attributable to:					
Equity Holders of the Parent		3,369,279	2,687,457		
Non-Controlling Interests		309,957	263,356		
		3,679,236	2,950,813		

		LKR	LKR
Earnings Per Share			
Basic Earnings Per Share	9	5.65	4.52
Diluted Earnings Per Share	9	5.65	4.51
Dividend Per Share	10	4.93	1.85

The Accounting Policies and Notes on the Pages 158 to 251 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group 2019 LKR 000	Group 2018 LKR 000 Restated	Company 2019 LKR 000	Company 2018 LKR 000
Profit for the Year		3,679,236	2,950,813	13,250	2,751,707
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods					
Net Loss on Available-for-Sale Financial Assets		-	(173,964)	-	(119,495)
Net Movement on Cash Flow Hedges	22	(37,802)	(28,247)	-	-
Income Tax Effect		11,549	-	-	-
Exchange Differences on Translation of Foreign Operations		111,387	(13,747)	-	-
Share of Other Comprehensive Income/(Loss) of Joint Ventures / Associates		(98,731)	2,165	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods					
Net Loss on Financial Assets at FVOCI		(126,692)	-	(66,662)	-
Actuarial Gain/(Loss) on Defined Benefit Plans	24	(39,373)	(15,527)	1,286	84
Income Tax Effect		6,948	4,026	(360)	(24)
Revaluation of Land and Buildings		12,205	774,785	-	-
Income Tax Effect		(3,416)	(875,230)	-	-
Share of Other Comprehensive Income/(Loss) of Joint Ventures / Associates		3,166	(1,569)	-	-
Other Comprehensive Income/ (Loss) for the Year, Net of Tax		(160,759)	(327,308)	(65,736)	(119,435)
Total Comprehensive Income for the Year, Net of Tax		3,518,477	2,623,505	(52,486)	2,632,272
Attributable to:					
Equity Holders of the Parent		3,246,399	2,429,463		
Non-Controlling Interests		272,078	194,042		
		3,518,477	2,623,505		

The Accounting Policies and Notes on the Pages 158 to 251 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March		2019	2018	2019	2018
	Notes	LKR 000	LKR 000	LKR 000	LKR 000
			Restated		
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	18,685,435	18,069,039	150,359	162,547
Investment Properties	12	1,647,591	1,507,474	657,950	592,125
Leasehold Rights/Prepaid Lease Rentals	13	731,276	766,809	-	-
Intangible Assets	14	3,468,946	3,493,982	72,946	80,248
Investment in Subsidiaries	15	-	-	17,498,412	17,850,805
Investment in Joint Ventures	16	883,620	1,025,855	-	-
Investment in Associates	16	5,868	28,394	-	-
Other Non Current Financial Assets	17	655,457	711,335	243,046	369,708
Deferred Tax Assets	8	107,862	61,510	-	-
		26,186,055	25,664,398	18,622,713	19,055,433
Current Assets					
Inventories	18	11,200,949	9,873,450	-	-
Trade and Other Receivables	19	18,434,020	14,122,211	348,111	333,263
Tax Recoverable		299,270	196,263	22,558	14,418
Other Current Financial Assets	17	155,475	130,857	20,028	342,094
Cash and Short Term Deposits	26	6,473,631	7,711,402	524,287	285,729
		36,563,345	32,034,183	914,984	975,504
TOTAL ASSETS		62,749,400	57,698,581	19,537,697	20,030,937
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	7,734,054	5,960,450	7,734,054	5,960,450
Other Capital and Revenue Reserves	21	185,449	141,775	406,800	363,126
Other Components of Equity		1,682,492	1,955,897	(51,485)	15,177
Retained Earnings		18,496,649	17,420,761	9,203,220	12,024,751
Equity Attributable to Equity Holders of the Parent		28,098,644	25,478,883	17,292,589	18,363,504
Non-Controlling Interests		3,771,078	3,590,445	-	-
Total Equity		31,869,722	29,069,328	17,292,589	18,363,504
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	22	1,369,067	2,243,540	-	955,048
Other Financial Liabilities	23	1,955,697	1,909,341	-	-
Deferred Tax Liability	8	1,811,865	1,814,508	136,782	138,076
Employee Benefit Liability	24	968,964	850,448	47,394	48,248
		6,105,593	6,817,837	184,176	1,141,372
Current Liabilities					
Trade and Other Payables	25	18,599,450	16,414,895	505,919	288,569
Income Tax Liabilities		439,083	493,525	-	17,196
Interest Bearing Loans and Borrowings	22	3,553,237	2,931,913	1,554,640	185,097
Bank Overdraft	26	2,182,315	1,971,083	373	35,199
		24,774,085	21,811,416	2,060,932	526,061
TOTAL EQUITY & LIABILITIES		62,749,400	57,698,581	19,537,697	20,030,937

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

Zalmi Fazeel
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 158 to 251 form an integral part of these financial statements.

24 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital	Other Capital and Revenue Reserves	Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Fair Value Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
	Attributable to Equity Holders of the Parent										
			Other Components of Equity								
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 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
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
Reclassification of non controlling interest to be acquired (Note 33)	-	-	-	-	-	-	-	-	-	(790,720)	(790,720)
Fair value changes in non controlling interest to be acquired (Note 33)	-	-	-	-	-	-	-	(1,101,680)	(1,101,680)	-	(1,101,680)
Adjustment on Acquisition (Note 33)	-	-	-	-	-	-	-	-	-	(58,879)	(58,879)
As at 31 March 2018 (Restated)	5,960,450	141,775	1,928,834	41,654	(15,821)	-	1,230	17,420,761	25,478,883	3,590,445	29,069,328
Effect of adaption of new accounting standards (Note 3)	-	-	-	-	15,821	(15,821)	-	(17,223)	(17,223)	(9,220)	(26,443)
As at 1 April 2018	5,960,450	141,775	1,928,834	41,654	-	(15,821)	1,230	17,403,538	25,461,660	3,581,225	29,042,885
Profit for the Year	-	-	-	-	-	-	-	3,369,279	3,369,279	309,957	3,679,236
Other Comprehensive Income	-	-	7,496	105,760	-	(100,228)	(110,897)	(25,011)	(122,880)	(37,879)	(160,759)
Total Comprehensive Income	-	-	7,496	105,760	-	(100,228)	(110,897)	3,344,268	3,246,399	272,078	3,518,477
Transfers	-	-	(175,536)	-	-	-	-	175,536	-	-	-
Exercise of Share Options	1,974	-	-	-	-	-	-	-	1,974	-	1,974
Share Based Payments	-	43,674	-	-	-	-	-	-	43,674	-	43,674
Final Dividend Paid - 2017/18	-	-	-	-	-	-	-	(833,655)	(833,655)	-	(833,655)
First Interim Dividend Paid - 2018/19	-	-	-	-	-	-	-	(229,981)	(229,981)	-	(229,981)
Second Interim Dividend - 2018/19 - Scrip Issue	1,771,630	-	-	-	-	-	-	(1,771,630)	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	(32,938)	(32,938)
Adjustment in Respect of Changes in Group Holding	-	-	-	-	-	-	-	(257)	(257)	86,600	86,343
Reclassification of non controlling interest to be acquired (Note 33)	-	-	-	-	-	-	-	-	-	(135,887)	(135,887)
Fair value changes in non controlling interest to be acquired (Note 33)	-	-	-	-	-	-	-	408,830	408,830	-	408,830
As at 31 March 2019	7,734,054	185,449	1,760,794	147,414	-	(116,049)	(109,667)	18,496,649	28,098,644	3,771,078	31,869,722

The Accounting Policies and Notes on the Pages 158 to 251 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital	Other Capital Reserves	Other Components of Equity		Retained Earnings	Total Equity
			Available for Sale Reserve	Fair Value Reserve		
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 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
Effect of adoption of new accounting standards (Note 3)	-	-	(15,177)	15,177	(441)	(441)
As at 1 April 2018	5,960,450	363,126	-	15,177	12,024,310	18,363,063
Profit for the Year	-	-	-	-	13,250	13,250
Other Comprehensive Income	-	-	-	(66,662)	926	(65,736)
Total Comprehensive Income	-	-	-	(66,662)	14,176	(52,486)
Exercise of Share Options	1,974	-	-	-	-	1,974
Share Based Payments	-	43,674	-	-	-	43,674
Final Dividend Paid - 2017/18	-	-	-	-	(833,655)	(833,655)
First Interim Dividend Paid - 2018/19	-	-	-	-	(229,981)	(229,981)
Second Interim Dividend - 2018/19 - Scrip Issue	1,771,630	-	-	-	(1,771,630)	-
As at 31 March 2019	7,734,054	406,800	-	(51,485)	9,203,220	17,292,589

The Accounting Policies and Notes on the Pages 158 to 251 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended 31 March	Notes	Group 2019 LKR 000	Group 2018 LKR 000 Restated	Company 2019 LKR 000	Company 2018 LKR 000
Profit Before Taxation		5,093,140	4,392,336	80,027	2,864,553
Adjustments for,					
Depreciation	11	1,270,844	1,071,018	34,437	34,462
Gain on Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets/Leasehold Properties	5	(25,048)	(24,344)	(4,969)	(8,439)
Gain on Fair Value Adjustment of Investment Properties	12	(140,117)	(34,546)	(65,825)	(22,984)
Amortisation of Intangible Assets	14	88,615	92,180	20,211	21,861
Amortisation of Leasehold Rights	13	5,627	36,208	-	-
Provision/(Reversal) for Obsolete Stocks	18	(97,824)	(9,028)	-	-
Provision for Impairment of Trade and Other Receivables	19	138,404	112,255	23,583	-
Impairment/(Reversal) of Investment in Subsidiaries/Joint Ventures/ Other Financial Assets		-	24,572	3,000	-
Gain on Sale of Non Current Investment	5	(85,575)	(5,364)	-	-
Exchange Gain on Foreign Currency Borrowings	22	79,521	(8,169)	-	-
Share Based Payment Expense	21	44,044	72,436	5,805	20,205
Finance Cost	6	1,046,212	618,109	214,041	231,138
Finance Income	6	(478,027)	(765,350)	(58,329)	(446,339)
Investment Income	5	-	-	(283,121)	(2,764,812)
Share of Results of Associates	16	34,682	36,334	-	-
Share of Results of Joint Ventures	16	58,043	80,148	-	-
Provision for Employee Benefit Liability	24	200,120	164,700	10,032	11,767
Operating Cash Flows before Working Capital Changes		7,232,661	5,853,495	(21,108)	(58,588)
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(1,247,123)	(2,453,528)	-	-
(Increase)/Decrease in Trade and Other Receivables		(4,508,846)	285,143	304	281,265
Increase/(Decrease) in Trade and Other Payables		2,258,991	3,608,047	165,183	52,318
Increase/(Decrease) in Other Non Current Financial Liabilities		319,299	6,762	-	-
Cash Generated from Operations		4,054,982	7,299,919	144,379	274,995
Finance Cost Paid	6	(1,044,430)	(617,705)	(214,041)	(231,138)
Finance Income Received	6	470,019	761,020	58,084	446,181
Income Tax Paid		(1,558,032)	(1,577,703)	(41,355)	(23,480)
Employee Retirement Benefit Paid	24	(109,118)	(83,385)	(9,917)	(8,468)
Net Cash flows from/(used in) Operating Activities		1,813,421	5,782,146	(62,850)	458,091
Investing Activities					
Purchase of Property, Plant and Equipment	11	(2,644,095)	(2,416,892)	(40,314)	(88,382)
Purchase of Intangible Assets	14	(63,628)	(16,667)	(12,909)	-
Acquisition of/Investment in Subsidiaries	27	-	(5,036,944)	(134,097)	(5,820,994)
Disposal/derecognition of Subsidiaries	27	442,826	-	-	-
Proceeds from redemption of preference shares		-	-	483,490	-
Investment in Joint Ventures / Associates		(13,054)	(26,000)	-	-
Disposal of/(Investment in) Financial Assets		(69,419)	(30,951)	60,000	-
Proceeds from Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets/ Leasehold Properties		150,038	169,849	23,033	11,891
Investment Income Received		-	-	283,121	2,764,812
Net Cash flows from/(used in) Investing Activities		(2,197,332)	(7,357,605)	662,324	(3,132,673)
Financing Activities					
Interest Bearing Loans and Borrowings (Net)		(126,541)	(2,162,685)	735,942	(991,682)
Proceed from Exercise of Employee Share Option		1,604	183,813	1,604	183,813
Proceeds from Non-Controlling Interest		86,343	118,463	-	-
Dividends Paid to Equity Holders of the Parent		(1,063,636)	(1,061,024)	(1,063,636)	(1,061,024)
Dividends Paid to Non-Controlling Interest		(32,938)	(370,144)	-	-
Net Cash flows from/(used in) Financing Activities		(1,135,168)	(3,291,577)	(326,090)	(1,868,893)
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,519,079)	(4,867,036)	273,384	(4,543,475)
Net Foreign Exchange Difference		70,076	(11,582)	-	-
Cash and Cash Equivalents at the Beginning of the Year	26	5,740,319	10,618,937	250,530	4,794,005
Cash and Cash Equivalents at the End of the Year	26	4,291,316	5,740,319	523,914	250,530

The Accounting Policies and Notes on the Pages 158 to 251 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group 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 2019 comprises of 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 36 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 2019 were authorised for issue, in accordance with a resolution of the Board of Directors on 24 May 2019.

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

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments and fair value through other comprehensive income financial assets that have been measured at fair value.

2.1 Statement of Compliance

The Financial Statements which comprises 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 Group's/Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

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 Fair value through Profit or Loss (FVPL) / Fair Value through Other Comprehensive Income (FVOCI)	Measured at Fair Value
Retirement benefit obligation	Measured at the present value

2.4 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.

2.5 Comparative information

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

The Consolidated Financial Statements provide comparative information in respect of the previous period. The Group did not presents an additional Statement of Financial Position at the beginning of the preceding period when there is a retrospective application of an accounting policy under SLFRS 15, as impact for the Statement of

Financial Position is nil. Further Group presented restated comparative Statement of Financial Position in accordance with SLFRS 03. The impact from the adoption of SLFRS 09 is accounted retrospectively, with the cumulative effect recorded as at 1 April 2018.

2.6 Other Significant Accounting Policies

2.6.1 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 be 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.

2.6.2 Functional and Presentation Currency

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

For each entity, the Group determines the functional currency and items included in the Financial Statements are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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)

2.6.2.1 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 form a part of a net investment in a foreign operation. These are recognised in Other Comprehensive Income until the disposal of the net investment, upon 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 Statement of Profit or Loss is also recognised in Other Comprehensive Income or Profit or Loss respectively).

2.6.2.2 Foreign Operations

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailed at the reporting date and their Statement of Profit or Loss is translated at exchange rates prevailed at the dates of the transactions. The exchange differences arising on the translation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements require 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.

In the process of applying the Group's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognised in the Consolidated Financial Statements have been discussed in the individual notes of the related financial statement line items.

Information about assumptions and estimation uncertainties as at 31 March 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting judgements, estimate and assumptions are as follows;

- Valuation of land and buildings and investment property
- Impairment of non-financial assets including intangible assets
- Share based payments
- Taxes
- Employee benefit liability
- Provision for expected credit losses of trade receivables
- Fair value measurement of financial instruments
- Valuation of NCI Put Option

3. Changes in accounting policies and Standard issued but not yet effective

3.1 Changes in Accounting Policies

The following are the new significant accounting policies applied by the Group in preparing its Financial Statements.

The Group adopted SLFRS 15, Revenue from contracts with customers and SLFRS 9- Financial Instruments, -Recognition and Measurement, which resulted in changes to accounting policies. Several other amendments and interpretations in accounting standards apply for the first time in financial year 2018/19, but do not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

3.1.1 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 replaced LKAS 18 Revenue and related Interpretations. SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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. SLFRS 15 required the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group adopted SLFRS 15 using the full retrospective method of adoption with the date of initial application, 1 April 2017. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The Group carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the sectors and the key aspects covered are as follows.

Identified all goods or services, or contract deliverables, which have been promised within usual course of carrying out the business in each sector. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of each industry. Having considered the same, each business then determined the distinct performance obligation associated with the contracts they entered in to.

Consumer

In relation to the contracts with the distributors, international suppliers and modern traders for the sale of FMCG products, the Group considered the upfront discounts, rights of return and the consideration payable to the customer in determining the transaction price. Revenue was recognised by reducing the above component from the transaction price. As a result of these adjustments, the Statement of Profit or Loss for the year ended 31 March 2018 was restated. There was no impact to the Statement of Financial Position as at 31 March 2018 and 1 April 2017 and to the reported retained earnings as at 1 April 2017.

Healthcare

The Group evaluated its contract with patients, corporate arrangements and the payment made to the doctors for the provision of medical services. Under this evaluation, the Group revisited its accounting treatment on discounts, offers given to the customers, consultations, and services provided under packages. After a detailed impact analysis, the Group concluded that the adoption of SLFRS 15 did not have a significant financial impact on its existing accounting policy on revenue recognition.

Leisure, Travel & Aviation

In connection with contracts with travel agents, tour operators, online travel agents, corporate customers and free-individual-travellers, the Group identified certain principal versus agent considerations. In recognising revenue from these transactions, the Group considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide such services (acting as an agent). Certain online travel agent agreements had terms indicative that the hotels were in fact the principal, while in certain other circumstances, considerations that were suggestive of agency considerations were present. However, the accounting treatments that were adopted by the Group under the previous accounting standards were the same even prior to the application of SLFRS 15. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures.

The Group also revisited and concluded that its previous accounting treatment in respect of different types of discounts to customers such as credit card offers, early bird discounts and room rush promotions can be continued taking due consideration to the practice that each Hotel regularly sells distinct goods or service on a stand-alone basis at their fair value.

Certain services of the Group in practice require customers to make deposits in advance to book related services. According to SLFRS 15, customer's non-refundable prepayment to an entity gives the customer a right to receive a goods or service in the future (obliges the entity to stand ready to transfer a goods or services). However, in certain cases, customers may not exercise all of their contractual rights and hence the unexercised rights can occur at each reporting date. Having considered the historical patterns and amounts of such unveiled services that were subsequently refunded which were proved to be immaterial in relation to respective totals, the Group did not have a material change to the reported amounts as at the date of transition and during the year.

Mobility & Other

Based on a detailed impact assessment, the Group concluded that the adoption of SLFRS 15 did not result in changes to the existing accounting policies of Mobility and other sectors.

Effect of adopting SLFRS 15 is as follows;

The SLFRS 15 impact mainly results in a re-classification adjustment of revenue and expenses and there was no impact on the opening balances as at 1 April 2017 on the Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Earnings per Share.

	31 March 2018 (LKR '000)		
	As Previously Reported LKR 000	Impact on SLFRS 15 LKR 000	SLFRS 15 Adjusted LKR 000
Revenue from Contracts with Customers	50,860,017	(985,633)	49,874,384
Cost of Sales	(32,206,161)	38,735	(32,167,426)
Gross Profit	18,653,856	(946,898)	17,706,958
Other Operating Income	414,487		414,487
Selling and Distribution Expenses	(5,608,121)	921,371	(4,686,750)
Administrative Expenses	(9,098,645)	25,527	(9,073,118)
Share of Results of Joint Ventures & Associates	(116,482)		(116,482)
Operating Profit	4,245,095	-	4,245,095
Finance Cost	(618,109)	-	(618,109)
Finance Income	765,350	-	765,350
Profit Before Tax	4,392,336	-	4,392,336
Income Tax Expenses	(1,441,523)		(1,441,523)
Profit for the Period	2,950,813	-	2,950,813
Profit attributable to;			
Equity Holders of the Parent	2,687,457	-	2,687,457
Non-Controlling Interests	263,356	-	263,356
	2,950,813	-	2,950,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consideration payable to customers previously classified under cost of sales, selling and distribution expenses and administrative expenses were considered when determining the transaction price and netted off against revenue under SLFRS 15.

SLFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams.

3.1.2 SLFRS 09 - Financial Instrument - Recognition & Measurement

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting SLFRS 9 as at 01 April 2018 was, as follows.

Group

LKR 000	Note	Impact of adopting SLFRS 9
Assets		
Trade & Other Receivable	(b)	(26,443)
Total Adjustment on equity		
Retained Earnings	(b)	(17,223)
Non Controlling Interest	(b)	(9,220)

Company

LKR 000	Note	Impact of adopting SLFRS 9
Assets		
Trade & Other Receivable	(b)	(441)
Total Adjustment on equity		
Retained Earnings	(b)	(441)

(a) Classification and measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: Group's business model for managing the assets; whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as at the date of initial application, 1 April 2018.

The classification and measurement requirements of SLFRS 9 did not have a significant impact to the Group. All financial assets previously held at fair value under LKAS 39 were continued to be measured at fair value itself. The following are the changes in the classification of the Group's financial assets:

* Trade receivables classified as Loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning from 1 April 2018.
* Equity investments in non-listed companies classified as AFS financial assets as at 31 March 2018 are reclassified and measured as Equity instruments designated at fair value through OCI beginning from 1 April 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no significant impairment losses recognised in profit or loss for these investments in prior periods. As a result of the change in classification, AFS reserve of LKR. -15,821 was reclassified to Fair value reserve.

The Group has not designated any financial liabilities at fair value through profit or loss. There are no changes for classification and measurement in the Group's financial liabilities.

In summary, upon the adoption of SLFRS 9, the Group had the following required or elected reclassifications as at 1 April 2018.

Group	SLFRS-09 measurement Category (LKR 000)	
Financial Assets	Amortised Cost	Financial Assets at FVOCI
LKAS 39 Measurement Category		
Available for Sale Financial Assets		
Equity Securities		664,824
Loans and Receivable		
Trade & Other Receivable***	14,095,768	
Cash & Cash equivalents	7,711,402	
Loans to Company Employees	115,492	
Other Investments	61,876	

Company	SLFRS-09 measurement Category (LKR 000)	
Financial Assets	Amortised Cost	Financial Assets at FVOCI
LKAS 39 Measurement Category		
Available for Sale Financial Assets		
Equity Securities		369,708
Loans and Receivable		
Trade & Other Receivable***	332,822	
Cash & Cash equivalents	285,729	
Loans to Company Employees	4,094	
Loans due from Related Parties	338,000	

***The change in carrying amount is a result of additional impairment allowance. Refer the note on impairment (b) below.

(b) Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. Upon adoption of SLFRS 9 the Group recognised additional impairment on the Group's Trade receivables resulting in a decrease in Retained Earnings of LKR. 26,443 as at 1 April 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with LKAS 39 with the opening loss allowances determined in accordance with SLFRS 9:

Group

Financial Assets	Allowance for Impairment under LKAS 39 As at 31 March 2018	Re- Measurement	Expected Loss under SLFRS 09 As at 01 April 2018
Trade & Other Receivable	401,829	26,443	428,272

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Therefore, adoption of SLFRS 9 has no impact on the presentation of comparative figures.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of SLFRS 9, other items of the primary financial statements such as deferred taxes, income tax expense, non-controlling interests and retained earnings were adjusted as necessary.

3.2 Standard issued but not yet effective

3.2.1 SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

SLFRS 16 replaces LKAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset - ROU). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessee will be also required to re-measure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 also requires lessee and lessor to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Group's readiness for the application of SLFRS 16

The Group plan to adopt SLFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of the initial application and lease contracts of which the underlying asset is of low value.

Due to the adoption of SLFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under LKAS 17.

Other than SLFRS 16, other amendments and improvements are not expected to have a significant impact on the Group's financial statements.

4. Revenue from contracts with customers

Accounting Policy

The different business segments of the Group are in the course of providing variety of goods and services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

Variable Consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some revenue contracts in the Consumer and Healthcare sector in the Group provide customers with a right to return, rebates, discounts and consideration payable to the customers. These give rise to variable considerations.

Each industry of the Group uses following criteria in recognising the revenue.

Consumer

In relation to the contracts with the distributors, international suppliers and modern traders for the sale of FMCG products, the Group considered the upfront discounts, rights of return and the consideration payable to the customer in determining the transaction price. Revenue is recognised by reducing the above component from the transaction price.

Healthcare

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured, regardless of when the payment is being made after considering discounts, offers given to the customers, consultations, and services provided under packages.

Leisure, Travel and Aviation

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 tax.

Room revenue is recognised based on the rooms occupied on a daily basis and food and beverage is accounted for at the time of sale.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travellers, the Group identified certain principal versus agent considerations. In recognising revenue from these transactions, the Group considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide such services (acting as an agent).

Mobility & Other

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

4. Revenue from contracts with customers (Contd.)

Accounting Policy

Accounting Judgement, Estimate and Assumption

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Principal versus agent considerations

In determining whether the Group is the principal or the agent pertaining to certain revenue contracts the Group has evaluated who has control over the goods before transferring it to the customer;

The following factors were also considered;

- The primary responsibility for fulfilling the promise to provide the specified goods or the service.
- Inventory risk before or after the specified goods has been transferred to the customer
- The discretion in establishing the price for the specified equipment.

Based on the above factors if the Group concludes that it has control over the goods before transferring it to the customer, Group act as the principal in which case revenue will be recognised at gross and if the Group does not have the control over the goods before transferring it to the customer, it will recognise revenue on the contract on net basis as an agent.

Determining method to estimate variable consideration and assessing the constraint

Certain revenue contracts especially in Consumer and Healthcare sector include a right of return, rebates and customer incentives that rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Evaluation of point of transfer of control of goods or services to the customer under revenue recognition

The following factors were considered in determining the point of transfer of control to the customer.

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset.
- The entity has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Whilst the above indicators assist in the determination of transfer of control, non of the indicators above are meant to individually determine whether control has been transferred. Further not all of them must be present. Hence the above evaluation requires significant judgement.

Accounting Policy

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Services transferred over time

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
		Restated		
Goods transferred at a point in time	48,729,137	35,215,194	-	-
Services transferred over time	15,353,017	14,659,190	969,197	831,364
	64,082,154	49,874,384	969,197	831,364

The disaggregation of the Group's revenue from contracts with customers set out in Note 35 to these financial statements.

5. Other Operating Income

Accounting Policy

Dividends

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

Rental Income

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

Other Income and Gains

Other Income is recognised on an accrual basis. Net gains of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the Statement of Profit or Loss, after deducting the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Gain on Disposal of Non-Current Investments	85,575	5,364	-	-
Gain on Disposal of Property Plant & Equipment/Intangible Assets/ Leasehold Properties/ Investment Properties	25,048	24,344	4,969	8,439
Changes in Fair Value of Investment Properties	140,117	34,546	65,825	22,984
Rental Income	9,766	6,485	-	-
Commission Income	16,301	14,858	-	-
Foreign Exchange Gain	323,890	194,733	-	-
Dividend Income from Investments in Related Parties	-	-	283,104	2,764,795
Dividend Income from Available For Sale Investments / Financial Assets at FVOCI	18	72	17	17
Sundry Income	192,875	134,085	4,732	8,756
	793,590	414,487	358,647	2,804,991

6. Finance Cost and Income

Accounting Policy

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.

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
6.1 Finance Cost				
Interest Expense on Overdrafts	194,359	98,609	61,131	41,543
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	15,310	8,838
- Others	772,721	511,677	137,600	180,757
Foreign Exchange Loss on Foreign Currency Borrowings	77,350	6,701	-	-
Finance Charges on Lease Liabilities	-	718	-	-
Total Interest Expense	1,044,430	617,705	214,041	231,138
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	1,782	404	-	-
Total Finance Cost	1,046,212	618,109	214,041	231,138

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
6.2 Finance Income				
Interest Income on Loans and Receivables				
- Related Parties	-	-	38,983	34,878
- Others	470,019	761,020	19,101	411,303
Total Interest Income	470,019	761,020	58,084	446,181
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	8,008	4,330	245	158
Total Finance Income	478,027	765,350	58,329	446,339

7. Profit Before Tax

Accounting Policy

Expenditure recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Stated After Charging/(Crediting)

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Included in Cost of Sales				
Depreciation	409,917	311,138	-	-
Provision/(Reversal) for Obsolete Stocks	(97,824)	(9,028)	-	-
Included in Administrative Expenses				
Employees Benefits including the following;				
- Defined Benefit Plan Cost - Gratuity	200,120	164,700	10,032	11,767
- Defined Contribution Plan Cost - MSPS/EPF/ETF	412,135	337,464	26,103	23,801
Depreciation	860,927	759,880	34,437	34,462
Amortisation of Intangible Assets	88,615	92,180	20,211	21,861
Auditors' Remuneration				
- Audit	16,501	15,122	2,100	2,097
- Non Audit	9,572	10,694	949	-
Legal Fees	20,634	6,248	561	465
Donations	60,761	26,577	3,386	19,780
Impairment of Trade Receivables	138,404	112,255	23,583	-
Included in Selling & Distribution Cost				
Transport Cost	306,141	264,568	-	-
Advertising Cost	1,517,007	1,232,234	-	-

8. Taxes

Accounting Policy

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.

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.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments (up to March 31, 2018) thereto, and the Inland Revenue Act No. 24 of 2017, effective from April 1, 2018. This note also includes the major components of tax expense and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes"

8. Taxes (Contd.)

Accounting Policy

Deferred Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

(i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

(i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of deductible temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the 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.

Tax on Dividend Income

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

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.

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Current Income Tax				
Current Income Tax Charge (Note 8.1)	1,300,027	1,046,900	16,263	31,933
Adjustment in Respect of Income Tax of Prior Years	43,455	(6,988)	52,168	-
Tax on Dividends	50,318	384,486	-	-
Deferred Tax				
Deferred Tax Charge/(Reversal) arising due to Origination and Reversal of Temporary Differences (Note 8.3)	20,104	17,125	(1,654)	80,913
	1,413,904	1,441,523	66,777	112,846

8.1 Reconciliation Between Income Tax Expenses and Accounting Profit

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Accounting Profit Before Tax	5,093,140	4,392,336	80,027	2,864,553
Intra Group Adjustments/Share of Results of Joint Ventures/ Associates	92,725	116,482	-	-
Income not subject to Income Tax	(885)	(4,950)	(283,121)	(2,769,745)
Exempt Profit	(165,088)	(489,130)	-	(265,494)
Aggregate Disallowed Expenses	2,435,633	2,386,624	284,577	454,607
Aggregate Allowable Expenses	(2,183,228)	(2,260,908)	(23,400)	(108,464)
Adjustment for Tax Losses	(144,465)	(94,966)	-	(61,409)
Taxable Profit	5,127,832	4,045,488	58,083	114,048
Income Tax at 28%	774,169	628,167	16,263	31,933
Income Tax at 20%	208,482	168,884	-	-
Income Tax at 15%	2,294	3,059	-	-
Income Tax at 14% (2018 -12%)	158,760	115,451	-	-
Income Tax at 2% of Revenue	3,724	3,790	-	-
Income Tax at Other Rates	152,598	127,549	-	-
Current Income Tax Charge	1,300,027	1,046,900	16,263	31,933

8.2 Unutilised carry forward Group tax losses as at 31 March 2019 is LKR 946Mn (Provisional) (2018 - LKR 999Mn).

8. Taxes (Contd.)

8.3 Deferred Tax Assets and Liabilities

Group	Deferred Tax Assets		Deferred Tax Liabilities	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Balance at the Beginning of the Year	61,510	57,400	1,814,508	490,437
Reversal/(Charge) arising During the Year	30,406	14,453	50,510	31,578
Recognised through Other Comprehensive Income	13,511	(10,343)	(1,570)	860,861
Transfers	1,435	-	1,435	-
Recognised through Changes in Equity	1,000	-	-	-
Disposal of Subsidiary	-	-	(53,018)	-
Acquisition through Subsidiaries	-	-	-	431,632
Balance at the End of the Year	107,862	61,510	1,811,865	1,814,508

Company	Deferred Tax Liabilities	
	2019	2018
	LKR 000	LKR 000
Balance as at Beginning of the Year	138,076	57,139
Reversal/(Charge) arising During the Year	(1,654)	80,913
Recognised through Other Comprehensive Income	360	24
Balance at the End of the Year	136,782	138,076

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

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Revaluation of Land and Buildings to Fair Value	1,261,573	1,318,097	-	-
Revaluation of Investment Properties to Fair Value	64,540	69,757	140,162	135,161
Accelerated Depreciation for Tax Purposes	797,193	743,662	20,406	18,189
Employee Benefit Liability	(226,912)	(196,537)	(13,270)	(13,509)
Losses Available for Offset against Future Taxable Income	(65,609)	(30,676)	-	-
Others	(126,782)	(151,305)	(10,516)	(1,765)
	1,704,003	1,752,998	136,782	138,076

8.4 Applicable Tax Rates

As per the Inland Revenue Act No.24 of 2017 and amendments thereto, all Group companies which are resident in Sri Lanka are liable to Income Tax at 28% (2017/18- 28%) on taxable profit during the year 2018/2019 with the exception of the Companies stated in page 173.

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.

8.4.1 Exemptions / Concessions Granted Under the Board of Investment Law

Company	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
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

8.4.2 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	Exempt	9 years ending 2023/2024
Spectra Integrated Logistics (Pvt) Ltd.	Entitled for a tax exemption period of 6 years	Exempt	6 years ending 2020/2021
Leisure Sector	Promotion of tourism	14%	Open-ended

8.4.3 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.

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

8.4.5 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%.

8.4.6 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%.

8.4.7 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%.

8.4.8 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)

Accounting Policy

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.

9. Earnings Per Share (Contd.)

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

9.1 Basic Earnings Per Share

	Group	
	2019 LKR 000	2018 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,369,279	2,687,457
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	596,034	595,107
Basic Earnings Per Share	5.65	4.52

9.2 Diluted Earnings Per Share

	Group	
	2019 LKR 000	2018 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share	3,369,279	2,687,457
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Diluted Earnings Per Share	596,267	596,281
Diluted Earnings Per Share	5.65	4.51

The difference between weighted average number of share used for basic EPS and diluted EPS is due to the potential number of shares from the Employee share ownership scheme.

10 Dividends Per Share

10.1 Dividends Paid

	Group/Company	
	2019 LKR 000	2018 LKR 000
Declared and Paid During the Year		
Dividends on Ordinary Shares;		
Final Dividend	833,655	831,198
First Interim Dividend	229,981	229,826
Second Interim Dividend - Scrip Issue	1,771,630	-
	2,835,266	1,061,024

10.2 Dividend Per Share

	2019 LKR	2018 LKR
Final Dividend - 2017/2018 (2018-2016/2017)	1.45	1.45
First Interim Dividend - 2018/2019 (2018-2017/2018)	0.40	0.40
Second Interim Scrip Dividend - 2018/2019 (2018-2017/2018)	3.08	-
	4.93	1.85

The Final Dividend for 2017/2018 has been paid on 10 July 2018 and First Interim Dividend for 2018/2019 has been paid on 5 December 2018 and Second Interim dividend declared as Scrip Dividend on 21 February 2019 and Ordinary Voting shares were listed with effect from 15 March 2019, pursuant to Scrip Dividend.

11 Property, Plant And Equipment

Accounting Policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Property, Plant and Equipment is stated at cost except for land and building and building on leasehold land, 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.

The valuation methodology adopted and the key assumptions used to determine the fair value of the properties are provided in Notes 11.1.3.

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

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%

Buildings on Leasehold Land are depreciated over the remaining lease period.

11 Property, Plant And Equipment (Contd.)

Accounting Policy

Derecognition

An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

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.

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.

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.

Accounting Judgement, Estimate and Assumption

Fair value of the Land and Buildings are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Land and Buildings are appraised in accordance with LKAS 16, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

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 2019	Total 2018
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Cost or Valuation									
Balance at the Beginning 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
Additions	388,688	120,655	27,573	278,761	770,472	377,303	680,643	**2,644,095**	2,416,892
Acquisition through Subsidiaries	-	-	-	-	-	-	-	**-**	3,379,309
Disposal of Subsidiary	(247,785)	(345,753)	-	(7,640)	(260,492)	(312)	-	**(861,982)**	-
Revaluations	-	-	-	-	-	-	-	**-**	774,785
Transfers (From Revaluation Adjustment)	-	-	-	-	-	-	-	**-**	(401,954)
Disposals	-	-	(13,350)	(28,494)	(93,488)	(168,381)	(2,283)	**(305,996)**	(333,368)
Exchange Translation Difference	37,604	-	-	1,664	8,335	1,174	-	**48,777**	(5,558)
Transfers and Adjustments	-	1,261,819	-	85,582	(34)	(5)	(1,347,401)	**(39)**	13,343
Balance at the End of the Year	4,696,683	6,775,666	1,734,522	3,614,100	5,656,994	1,698,036	799,932	**24,975,933**	23,451,078
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	34,889	1,532	1,763,417	2,796,881	785,320	-	**5,382,039**	4,082,040
Charge for the year	-	207,673	49,211	290,102	523,748	200,110	-	**1,270,844**	1,071,018
Acquisition through Subsidiaries	-	-	-	-	-	-	-	**-**	853,058
Disposal of Subsidiary	-	(6,150)	-	(6,494)	(165,608)	(314)	-	**(178,566)**	-
Transfers (From Revaluation Adjustment)	-	-	-	-	-	-	-	**-**	(401,954)
Disposals	-	-	(816)	(17,225)	(68,888)	(104,266)	-	**(191,195)**	(210,234)
Exchange Translation Difference	-	-	-	925	5,893	646	-	**7,464**	143
Transfers and Adjustments	-	234	(234)	-	(83)	(5)	-	**(88)**	(12,032)
Balance at the End of the Year	-	236,646	49,693	2,030,725	3,091,943	881,491	-	**6,290,498**	5,382,039
Carrying Value									
At the End of the Year	4,696,683	6,539,020	1,684,829	1,583,375	2,565,051	816,545	799,932	**18,685,435**	
At the Beginning 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**	

11 Property, Plant And Equipment (Contd.)

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	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 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	LKR. 63,000 to 100,000	162,100	
Buildings at Dankotuwa	13	185,187 Sq.ft.	- Price per square foot for building	LKR. 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	LKR 540,000 to 660,000	116,000	31-Mar-2018
Buildings at Industrial Property at Welisara	3	55,094 Sq.ft.	- Price per square foot for building	LKR 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	LKR.675,000 - 800,000	126,000	
Warehouse Building at Hendala, Wattala	2	37,863 Sq. ft.	- Price per square foot for building	LKR.3,000 - 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	2	120,133 Sq.ft.	- Rate of return	7%	898,300	
Hemas Capital Hospital (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Investment Method			31-Mar-2018
Buildings on Leasehold Land at Thalawathugoda	2	60,512 Sq.ft.	- Rate of return	7%	568,600	

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 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	LKR 40,000 - 50,000	207,600	
Buildings at Kandy	3	11,134 Sq.ft.	- Price per square foot for building	LKR 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	1	95,112 Sq.ft.	- Average daily rate	LKR 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	LKR. 9,000	511,000	
Buildings at Waikkal	3	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	7	70,172 Sq.ft.	- Average daily rate	LKR 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	1	21,930 Sq.ft.			71,130	
			Market Comparable Method			31-Mar-2018
Land at Pethiyagoda, Kelaniya		7A 3R 0.25 P	- Price per perch for land	LKR. 90,000 - 490,000	560,000	
Building at Pethiyagoda, Kelaniya	13	83,686 Sq.ft.	- Price per square foot for building	LKR. 25 -70	295,200	
			Investment Method			31-Mar-2018
Land at Aluthmawatha		1R 19.15 P	- Discount rate	7%	208,000	
Building at Aluthmawatha	1	21,901 Sq.ft.			58,000	

11 Property, Plant And Equipment (Contd.)

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

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 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	LKR 1,000,000	32,260	
Land at Peliyagoda		1A 3R 19.5 P	- Price per perch for land	LKR 2,000,000 - 3,000,000	600,000	
Building on Freehold Land, Peliyagoda	3	84,875 Sq.ft.	- Price per square foot for building	LKR 1,000 - 4,000	300,000	
Frontier Capital (Pvt) Ltd.						
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor			Profit Basis of Valuation			31-Mar-2018
Land at Mirissa		A0 R1 P34	Average room rate	LKR 25,000 - 28,000	156,888	
Buildings on freehold land, Mirissa	1	7,235 Sq.ft. 7 Rooms	Discount rate	9.5%	113,988	
Lantern Villa (Pvt) Ltd.						
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor			Profit Basis of Valuation			31-Aug-17
Land , Mirissa		1R 34 P	- Average room Rate	LKR 25,000 - 30,000	145,495	
Buildings on freehold land, Mirissa	1	7,235 Sq. ft. 8 Rooms	- Discount Rate	8% -10%	116,038	
G.W.G. Abeygunawardene FRICS - Chartered Valuation Surveyor			Residual Method of Valuation			
Freehold Land at Mirissa		1R 5.24 P	- Average room Rate	LKR 25,000 - 30,000	88,000	21-Apr-17
			- Discount Rate	8% -10%		
Evolution Capital (Pvt) Ltd.						
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor			Profit Basis of Valuation			31-Aug-17
Land , Mirissa		1R 38.4 P	- Average room Rate	LKR 25,000 - 30,000	146,806	
Buildings on Freehold land, Mirissa	1	7,235 Sq. ft. 8 Rooms	- Discount Rate	8% -10%	120,679	

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

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Hemas Holdings PLC						
Perera Sivaskantha & Co Incorporated Valuers						
Freehold Property at Welisara			Market Comparable Method			31-March-2018
Land		1A-3R-8P	- Price per perch for land	LKR 540,000 -715,000	188,500	
Building	4	67,300 Sq.ft.	- Price per square foot for building	LKR. 1,500 - 5,500	225,250	
			- Depreciation rate	35%		
Freehold Property at Hendala			Market Comparable Method			
Land		2R-4.13P	- Price per perch for land	LKR 1,000,000 - 1,200,000	80,000	
Building	1	2,960 Sq.ft.	- Price per square foot for building	LKR. 3,500	5,250	
			- Depreciation rate	50%		
Hemas Developments (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers						
Freehold Property at Braybrooke Place			Investment Method			31-March-2018
Land		1R-10P	- Gross monthly rental	LKR. 190 - 235	488,500	
Building	1	99,372 Sq.ft.	-Rate of return	6%	1,134,000	

11 Property, Plant and Equipment (Contd.)

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.		Estimated fair value would increase/ (decrease) if;
	Price per perch for Land	Price per perch increases/(decreases)
	Price per square foot for building	Price per square foot increases / (decreases)
	Depreciation rate	Depreciation rate for building increases /(decreases)
Investment Method		
This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.		Estimated fair value would increase/ (decrease) if;
	Gross monthly rental	Gross Annual Rental increases/ (decreases)
	Years from purchase (Present value of 1 unit per period)	Years from Purchase increases / (decreases)
	Void period	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.		Estimated fair value would increase/ (decrease) if;
	Average room rate	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.		Estimated fair value would increase/ (decrease) if;
	Average room rate	Average room rate increases/ (decreases)

11.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR. 2,644 Mn (2018-LKR 2,417 Mn) by means of cash.

11.1.5 Carrying Value

	Group 2019 LKR 000	Group 2018 LKR 000
At Cost	7,695,235	6,377,339
At Valuation	10,984,066	11,676,900
On Finance Lease	6,134	14,800
	18,685,435	18,069,039

11.1.6 Details of the assets pledged as a security for liabilities are given in Note 30 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 LKR 000	Accumulated Depreciation LKR 000	Net Carrying Amount 2019 LKR 000	Net Carrying Amount 2018 LKR 000
Freehold Land	620,904	-	620,904	701,380
Building on Freehold Land	4,506,596	(928,115)	3,578,481	3,901,597
Building on Leasehold Land	886,216	(227,822)	658,394	681,215
	6,013,716	(1,155,937)	4,857,779	5,284,192

11.1.8 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 2,314 Mn (2018-LKR 1,810 Mn).

11.2 Company

	Furniture and Fittings LKR 000	Office Equipment LKR 000	Computer Hardware LKR 000	Motor Vehicles LKR 000	Capital Work-in-Progress LKR 000	Total 2019 LKR 000	Total 2018 LKR 000
Cost or Valuation							
Balance at the Beginning of the Year	79,270	41,302	93,768	159,210	23,000	396,550	340,337
Additions	308	864	8,642	27,500	3,000	40,314	88,382
Disposals	-	(8,057)	-	(35,056)	-	(43,113)	(32,169)
Balance at the End of the Year	79,578	34,109	102,410	151,654	26,000	393,751	396,550
Accumulated Depreciation							
Balance at the Beginning of the Year	41,499	17,863	87,863	86,778	-	234,003	228,258
Charge for the Year	9,876	4,150	3,879	16,532	-	34,437	34,462
Disposals	-	(5,287)	-	(19,761)	-	(25,048)	(28,717)
Balance at the End of the Year	51,375	16,726	91,742	83,549	-	243,392	234,003
Carrying value							
At the End of the Year	28,203	17,383	10,668	68,105	26,000	150,359	
At the Beginning of the Year	37,771	23,439	5,905	72,432	23,000	162,547	

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of LKR 40 Mn (2018-LKR 88 Mn) by means of cash.

11.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 205 Mn (2018-LKR 176 Mn).

12 Investment Properties

Accounting Policy

Investment property is a 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.

Basis of recognition

Investment Properties are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

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.

Group companies occupy a significant portion of the Investment Property of a subsidiary, such Investment Properties are treated as Property, Plant and Equipment in the consolidated financial statements, and accounted using Group accounting policy for Property, Plant and Equipment.

Accounting Judgement, Estimate and Assumption

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

12.1 Group

	2019 LKR 000	2018 LKR 000
At the Beginning of the Year	1,507,474	1,472,928
Change in Fair Value	140,117	34,546
At the End of the Year	1,647,591	1,507,474
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(231)	(260)
Net Loss Arising from Investment Properties Carried at Fair Value	(231)	(260)

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 LKR 000	Date of the Valuation
Hemas Holdings PLC					
Perera Sivaskantha & Co Incorporated Valuers					
Freehold Property at Tangalle	1A-2R-26.26P	Market Comparable Method			31-Mar-2019
Land		- Price per perch for land	LKR 450,000 - 500,000	119,750	
		- Sensitivity	+5% - LKR 114 Mn		
			-5% - LKR 126 Mn		
Peace Haven Resorts Limited					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2019
Freehold Property at Tangalle					
Land	A19-R02-P34.16	- Price per perch for land	LKR 500,000 - 600,000	1,527,841	
		- Sensitivity	+ 10% - LKR 1,681 Mn		
			- 10% - LKR 1,375 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

	2019 LKR 000	2018 LKR 000
At the Beginning of the Year	592,125	569,141
Change in Fair Value	65,825	22,984
At the End of the Year	657,950	592,125
Rental Income Derived from Investment Properties	31,119	28,290
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(7,913)	(5,565)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(117)	(273)
Net Profit Arising from Investment Properties Carried at Fair Value	23,089	22,452

12.2.1 Details of Investment Properties

Name of Company / Professional Valuer / Location	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimate for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Perera Sivaskantha & Company Incorporated Valuers					
Freehold Property at Welisara		Market Comparable Method			31-Mar-2019
Land	1A-3R-8P	- Price per perch for land	LKR 715,000 - 750,000	207,000	
Building	67,300 sq.ft.	- Price per square foot for building	LKR 2,500 - 6,000	237,550	
		- Depreciation rate	37.5%		
		- Sensitivity	+5% - LKR 456 Mn		
			-5% - LKR 433 Mn		
Freehold Property at Hendala		Market Comparable Method			31-Mar-2019
Land	2R-4.13P	- Price per perch for land	Rs 1,100,000 - 1,300,000	88,100	
Building	2,960 sq.ft.	- Price per square foot for building	Rs. 3,750	5,550	
		- Depreciation rate	50%		
		- Sensitivity	+5% - LKR 94 Mn		
			-5% - LKR 93 Mn		
Freehold Property at Tangalle		Market Comparable Method			31-Mar-2019
Land	1A-2R-26.26P	- Price per perch for land	LKR 450,000 - 500,000	119,750	
		- Sensitivity	+5% - LKR 114 Mn		
			-5% - LKR 126 Mn		

13. Leasehold Rights/ Prepaid Lease Rentals

Accounting Policy

Prepaid lease rentals to acquire land use right are amortised over the lease term.

Group	2019 LKR 000	2018 LKR 000
At the Beginning of the Year	766,809	828,405
Transfers	(29,906)	(25,388)
Amortisation for the Year	(5,627)	(36,208)
Balance at the End of the Year	731,276	766,809

13.1 Details of Prepaid Lease Rentals

Company	Property	Extent	Lease period	Value LKR 000
Serendib Hotels PLC	Land at Bentota	2A - 0R - 6.0P	50 Years	24,061
		1A - 0R - 37.0P	30 Years	
Hotel Sigiriya PLC	Land at Sigiriya	8A - 0R - 16.0P	30 Years	1,511
Hemas Hospitals (Pvt) Ltd.	Land at Wattala	1A - 1R -27.5P	30 Years	31,464
	Land at Wattala	0A - 2R - 9.0P	15 Years	7,594
Hemas Capital Hospital (Pvt) Ltd.	Land at Thalawathugoda	3R-34.0P	30 Years	19,820
	Land at Pannipitiya	17.0P	10 Years	1,146
Spectra Integrated Logistics (Pvt) Ltd.	Land at Muthurajawela	15A	30 Years	645,680

14 Intangible Assets

Accounting Policy

Basis of recognition

Intangible Assets are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible Assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognised at 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.

Purchased Software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

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.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. 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 Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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 (CGU) retained.

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.

Amortisation / Impairment

The useful lives of Intangible Assets are assessed as either finite or infinite.
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.

14 Intangible Assets (Contd.)

Accounting Policy

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

Software	10% - 33.3%
Brand Names	6.7% - 10%

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

Derecognition

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.

Accounting Judgement, Estimate and Assumption

Recoverable amounts of the cash generating units have been ascertained based on value in use calculations and the assumptions used are 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.

Above assumptions are affected by expected future market and future economic conditions

14.1 Group

	Software LKR 000	Brands LKR 000	Goodwill on Consolidation LKR 000	Total 2019 LKR 000	Total 2018 LKR 000 Restated
Cost					
Balance at the Beginning of the Year - Restated	491,184	1,150,721	2,331,602	3,973,507	1,167,320
Additions	63,628	-	-	63,628	16,667
Transfers	2,281	-	-	2,281	(9,050)
Acquisition through Subsidiaries	-	-	-	-	2,805,817
Disposal of Subsidiary	(10,102)	-	-	(10,102)	-
Disposals	(1,034)	-	-	(1,034)	(7,247)
Balance at the End of the Year	545,957	1,150,721	2,331,602	4,028,280	3,973,507
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year - Restated	280,985	119,875	78,665	479,525	213,260
Amortisation	61,782	26,833	-	88,615	92,180
Transfers	1,552	-	-	1,552	(39)
Acquisition through Subsidiaries	-	-	-	-	174,124
Disposal of Subsidiary	(9,324)	-	-	(9,324)	-
Disposals	(1,034)	-	-	(1,034)	-
Balance at the End of the Year	333,961	146,708	78,665	559,334	479,525
Carrying Value					
At the End of the Year	211,996	1,004,013	2,252,937	3,468,946	
At the Beginning of the Year - Restated	210,199	1,030,846	2,252,937	3,493,982	

The aggregate carrying amount of goodwill allocated to each unit is as follows ;

	2019 LKR 000	2018 LKR 000 Restated
Serendib Hotels PLC and its subsidiaries	123,300	123,300
Spectra Logistics (Pvt) Ltd.	15,463	15,463
LTU Asia Aviation Services (Pvt) Ltd.	6,738	6,738
Morison PLC	259,288	259,288
Atlas Axillia Company (Pvt) Ltd.	1,848,148	1,848,148
	2,252,937	2,252,937

14 Intangible Assets (Contd.)

14.2 Company

	Software	
	2019 LKR 000	2018 LKR 000
Cost		
Balance at the Beginning of the Year	169,461	169,461
Additions	12,909	-
Balance at the End of the Year	182,370	169,461
Accumulated Amortisation		
Balance at the Beginning of the Year	89,213	67,352
Amortisation	20,211	21,861
Balance at the End of the Year	109,424	89,213
Carrying Value	72,946	80,248

15. Investment In Subsidiaries

Accounting Policy

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 Statement of Profit or Loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

	Direct Holding		Direct Investment	
	2019 %	2018 %	2019 LKR 000	2018 LKR 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
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%	5,533,371	5,500,011
Hemas Transportation (Pvt) Ltd.	100%	100%	705,529	640,529
Far Shipping Lanka (Pvt) Ltd.	100%	100%	3,000	3,000
Hemas Hospitals (Pvt) Ltd.	85%	85%	2,547,122	2,547,122
Vishwa BPO (Pvt) Ltd.	100%	100%	6,172	6,172
Concept Ventures (Pvt) Ltd	100%	100%	185,431	100,800
Atlas Axillia Co. (Pvt) Ltd.	75%	75%	5,658,706	5,707,600
			16,345,696	16,695,089
Impairment of Investment in FAR Shipping Lanka (Pvt) Ltd.			(3,000)	-
Impairment of Investment in Exchange & Finance Investments (Pvt) Ltd.			(9,412)	(9,412)
			16,333,284	16,685,677
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			17,498,412	17,850,805

16. Equity Accounted Investees

Accounting Policy

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 Statement of Profit or Loss.

16. Equity Accounted Investees (Contd.)

16.1 Investment in Joint Ventures

	Holding			
	2019	2018	2019	2018
	%	%	LKR 000	LKR 000
Unquoted				
Cost				
H & M Shipping (Pvt) Ltd.	-	50%	-	30,000
PH Resorts (Pvt) Ltd.	50%	50%	1,411,398	1,411,398
			1,411,398	1,441,398
Disposed / Transferred During the Year				
H & M Shipping (Pvt) Ltd.			30,000	-
HIF Logistics (Pvt) Ltd.			-	10,780
Cumulative Loss Accruing to the Group Net of Dividend			(471,452)	(429,282)
Cumulative Other Comprehensive Income Accruing to the Group			(96,801)	(2,134)
Share of Net Assets Disposed/ Transferred During the Year			10,475	5,093
			(527,778)	(415,543)
Carrying Amount of the Investment			883,620	1,025,855

	2019	2018
	LKR 000	LKR 000
Group Share of Joint Ventures' Statement of Financial Position;		
Current Assets	378,970	227,753
Non-Current Assets	2,780,855	2,826,395
Current Liabilities	(448,664)	(473,293)
Non-Current Liabilities	(1,827,541)	(1,555,000)
Carrying Amount of the Investment	883,620	1,025,855
Group Share of Joint Ventures' Statement of Profit or Loss;		
Share of the Joint Venture Revenue	909,591	820,419
Share of the Joint Venture Losses Before tax	(57,954)	(79,912)
Share of the Joint Venture Losses Net of tax	(58,043)	(80,148)
Share of the Joint Venture Other Comprehensive Income	(94,667)	(1,569)

Details of the Commitments and Contingencies are given in Note 29 to these financial statements.

16.2 Investment in Associates

	Holding 2019 %	Holding 2018 %	2019 LKR 000	2018 LKR 000
Unquoted				
Aviation Services (Pvt) Ltd.	49%	49%	12,518	8,564
Healthnet International (Pvt) Ltd.	49%	49%	49,999	49,999
Pulz Solutions (Pvt) Ltd.	30%	30%	6,500	6,000
Hire 1 Technologies (Pvt) Ltd.	20%	20%	29,500	29,500
VulcanD (Pvt) Ltd.	20%	-	8,600	-
			107,117	94,063
Cumulative Loss accruing to the Group Net of Dividend			(78,213)	(43,531)
Cumulative Other Comprehensive Income Accruing to the Group			1,536	2,434
Impairment of Investment in Associate			(24,572)	(24,572)
Carrying Amount of the Investment			5,868	28,394

	2019 LKR 000	2018 LKR 000
Summarised Financial Information of Associate		
Group Share of Associates' Statement of Financial Position;		
Current Assets	12,567	29,318
Non-Current Assets	31,789	34,938
Current Liabilities	(30,576)	(35,862)
Non-Current Liabilities	(7,912)	-
Carrying Amount of Associates	5,868	28,394
Group Share of Associates' Statement of Profit or Loss;		
Share of the Associate Revenue	138,027	97,877
Share of the Associate Losses Before tax	(34,682)	(36,334)
Share of the Associate Losses Net of Tax	(34,682)	(36,334)
Share of the Associate Other Comprehensive Income	(898)	2,165

Details of the Commitments and Contingencies are given in Note 29 to these financial statements.

17. Financial Assets and Liabilities

Accounting Policy

17.A Policy applicable from 1 April 2018

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, loans to related parties and other investments included under other financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group do not classified any instrument under this category as of 31 March 2019

Accounting Policy

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed and non-listed equity investments under this category.

Significant unobservable inputs to financial assets at FVOCI valuation are given below:

	Valuation Technique	Significant Unobservable Inputs	Range	(Weighted Average)
Jada Resorts and 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%

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

The Group did not classify any instrument under this category as of 31 March 2019

Derecoginition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company 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
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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.

17. Financial Assets and Liabilities (Contd.)

Accounting Policy

17.A Policy applicable from 1 April 2018 (Contd.)

Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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 as finance costs in the Statement of Profit or Loss. This category generally applies to interest bearing loans and borrowings.

Accounting Policy

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

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

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

Accounting Policy

17.B Policy applicable before 1 April 2018

Financial Assets

Initial recognition and measurement

Financial Assets 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.

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

17. Financial Assets and Liabilities (Contd.)

Accounting Policy

17.B Policy applicable before 1 April 2018 (Contd.)

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.

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 EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised as finance cost in the Statement of Profit or Loss.

Available-For-Sale Financial Investments

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

After initial measurement, Available-For- Sale Financial Investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income in the Available-For-Sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Profit or Loss in finance costs and removed from the Available-For-Sale reserve. Interest income on Available-For-Sale debt securities is calculated using the EIR 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.

Quoted Equity Shares

The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

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.

Accounting Policy

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 EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation and the losses arising from impairment are recognised in the Statement of Profit or Loss.

Derecognition

A financial asset is derecognised when:
The Company 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

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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.

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 are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

Financial Assets carried at Amortised Cost

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

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

17. Financial Assets and Liabilities (Contd.)

Accounting Policy

17.B Policy applicable before 1 April 2018 (Contd.)

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 the Statement of Profit or Loss.

Available-For-Sale Financial Investments

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

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

In the case of 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.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at Fair Value through Profit or Loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company 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, carried at amortised cost. This includes directly attributable transaction costs.

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

Subsequent measurement

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

Accounting Policy

Financial Liabilities at Fair Value through Profit or Loss

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

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

Gains or Losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

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

Loans and Borrowings/Other Financial Liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and Losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

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

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.

17. Financial Assets and Liabilities (Contd.)

Accounting Policy

17.B Policy applicable before 1 April 2018 (Contd.)

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

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

17.1 Financial Assets

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000 Restated	LKR 000	LKR 000
Quoted Equity Shares (Note 17.1.1.1 (a))	2,216	2,324	346	295
Unquoted Equity Shares (Note 17.1.1.1 (b))	454,953	581,500	242,700	309,413
Unquoted Preference Shares (Note 17.1.1.2)	-	81,000	-	60,000
	457,169	664,824	243,046	369,708
Loans to Company Employees	146,132	115,492	6,475	4,094
Loans Due from Related Parties (Note 17.1.3)	-	-	13,553	338,000
Advances/Refundable Deposits	198,288	46,511	-	-
Other Investments	9,343	15,365	-	-
	353,763	177,368	20,028	342,094
Total Financial Assets	810,932	842,192	263,074	711,802
Total Non-Current (Note 17.1.1)	655,457	711,335	243,046	369,708
Total Current (Note 17.1.2)	155,475	130,857	20,028	342,094

17.1.1 Other Financial Assets - Non Current

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000 Restated	LKR 000	LKR 000
Investment In Equity Securities	457,169	583,824	243,046	309,708
Unquoted Preference Shares	-	81,000	-	60,000
Refundable Deposits	198,288	46,511	-	-
	655,457	711,335	243,046	369,708

17.1.2 Other Financial Assets - Current

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Loans to Company Employees	146,132	115,492	6,475	4,094
Loans Due From Related Parties	-	-	13,553	338,000
Other Investments	9,343	15,365	-	-
	155,475	130,857	20,028	342,094

17.1.1.1 Investment In Equity Securities - Non Current

(a) Quoted

	No. of Shares		Carrying Value		Fair Value	
	2019	2018	2019	2018	2019	2018
			LKR 000	LKR 000	LKR 000	LKR 000
Group						
Overseas Realty (Ceylon) PLC	1,000	1,000	16	28	16	28
Eden Hotels Lanka PLC	127	127	2	2	2	2
Galadari Hotels PLC	2,500	2,500	17	22	17	22
CT Holdings PLC	10,934	10,934	1,780	1,913	1,780	1,913
CIC Holdings PLC	296	296	11	17	11	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	13	2	3	2	3
Lankem Ceylon PLC	50	50	1	2	1	2
John Keells Holdings PLC	2,377	2,377	384	334	384	334
			2,216	2,324	2,216	2,324
Company						
Overseas Realty (Ceylon) PLC	500	500	8	9	8	9
John Keells Holdings PLC	2,081	2,081	338	286	338	286
			346	295	346	295

(b) Unquoted

	No. of Shares		Carrying Value	
	2019	2018	2019	2018
			LKR 000	LKR 000
				Restated
Group				
Rainforest Ecology (Pvt) Ltd.	1,200,000	1,200,000	8,192	12,000
Takas Investments (Pvt) Ltd.	219,998	219,998	-	-
Jada Resorts and Spa (Pvt)Ltd.	53,535,680	53,535,680	446,761	569,500
			454,953	581,500
Company				
Jada Resorts and Spa (Pvt)Ltd.	29,086,200	29,086,200	242,700	309,413
			242,700	309,413
Total				
Group			457,169	583,824
Company			243,046	309,708

17. Financial Assets and Liabilities (Contd.)

17.1.1.2 Unquoted Preference Shares

	No. of Shares		Carrying Value	
	2019	2018	2019	2018
			LKR 000	LKR 000
Group				
Giddawa Hydro Power (Pvt) Ltd.	-	810,000	-	81,000
			-	81,000
Company				
Giddawa Hydro Power (Pvt) Ltd.	-	600,000	-	60,000
			-	60,000

17.1.3 Loans Due From Related Parties

	Relationship	Company	
		2019	2018
		LKR 000	LKR 000
Spectra Logistics (Pvt) Ltd.	Subsidiary	10,000	20,000
FAR Shipping Lanka (Pvt) Ltd.	Subsidiary	3,553	5,000
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	-	3,000
Serendib Hotels PLC	Subsidiary	-	310,000
		13,553	338,000
Current		13,553	338,000

Terms and Conditions

Security - Unsecured

Repayment -To be Repaid on Demand

Interest - Based on Market Rates (AWPLR + Margin)

17.2 Financial Assets and Liabilities by Categories

As at 31 March	Notes	Group 2019 LKR 000	Group 2018 LKR 000 Restated	Company 2019 LKR 000	Company 2018 LKR 000
Financial Assets					
Loans & Receivable					
Trade and Other Receivables	19	-	12,934,325	-	264,200
Other Financial Assets					
Loans to Company Employees	17	-	115,492	-	4,094
Loans due from Related Parties	17	-	-	-	338,000
Refundable Deposit	17	-	46,511	-	-
Other Investments	17	-	15,365	-	-
Cash and Short Term Deposits	26	-	7,711,402	-	285,729
Financial Assets at Amortised Cost					
Trade and Other Receivables	19	16,861,469	-	303,722	-
Other Financial Assets					
Loans to Company Employees	17	146,132	-	6,475	-
Loans due from Related Parties	17	-		13,553	-
Refundable Deposit	17	198,288	-	-	-
Other Investments	17	9,343	-	-	-
Cash and Short Term Deposits	26	6,473,631	-	524,287	-
Available for Sale Investments					
Equity Share Investment	17	-	664,824	-	369,708
Financial Assets at FVOCI					
Equity Share Investment	17	457,169	-	243,046	-
Total		24,146,032	21,487,919	1,091,083	1,261,731
Financial Liabilities					
Loans & Borrowings					
Rent Deposits/Advances	23	61,240	16,941	-	-
Interest Bearing Loans and Borrowings	22	3,864,469	4,144,440	-	-
Loans due to Related Parties	22	-	-	502,000	38,399
Debenture	22	1,052,640	1,024,768	1,052,640	1,024,768
Obligations Under Finance Leases	22	5,195	6,245	-	-
Trade and Other Payables	25	18,599,450	16,414,895	505,919	288,569
Bank Overdraft	26	2,182,315	1,971,083	373	35,199
Total		25,765,309	23,578,372	2,060,932	1,386,935

18 Inventories

Accounting Policy

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

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

- Raw Materials - Weighted Average basis.
- Foods and Beverages Stocks - at actual cost on Weighted Average basis.
- Finished Goods and Work In Progress - at cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
- Consumables and Spares - at actual cost on First in First out basis.
- Goods In Transit and Other Stocks - at actual cost
- Medical Supplies - at actual cost on First-in First out basis.

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

	Group	
	2019	2018
	LKR 000	LKR 000
Raw Materials	1,346,344	1,091,775
Work In Progress	179,056	184,579
Finished Goods & Other Stocks	9,356,102	8,286,710
Goods In Transit	441,380	530,143
Less: Provision for Obsolete Stocks	(121,933)	(219,757)
	11,200,949	9,873,450

19. Trade and Other Receivables

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
		Restated		
Trade Receivables				
- Related Parties (Note 19.1)	-	-	187,215	105,616
- Others	14,196,443	11,363,262	1,425	736
	14,196,443	11,363,262	188,640	106,352
Less: Allowance for Impairment				
- Related Parties	-	-	(30,413)	(6,391)
- Others	(549,829)	(401,829)	(2)	-
	(549,829)	(401,829)	(30,415)	(6,391)
	13,646,614	10,961,433	158,225	99,961
Other Receivables				
- Related Parties (Note 19.2)	-	-	65,450	90,726
- Others	3,214,855	1,972,892	80,047	73,513
Advances and Prepayments	1,572,551	1,187,886	44,389	69,063
	18,434,020	14,122,211	348,111	333,263

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

Group	Total	Neither due but nor impaired	Past due but not impaired				
			< 30	31-60 days	61-90 days	91-120 days	> 120 days
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
2019	13,646,614	7,179,562	2,815,783	1,338,624	645,821	936,278	730,546
2018 - Restated	10,961,433	7,229,461	2,096,436	694,592	372,681	238,877	329,386

Company	Total	Neither due but nor impaired	Past due but not impaired				
			< 30	31-60 days	61-90 days	91-120 days	> 120 days
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
2019	158,225	96,429	43,991	9,765	6,438	1,602	-
2018	99,961	51,141	37,251	6,778	3,673	1,118	-

Movements in the allowance for impairment of Trade Receivables;

	Group			Company		
	Individually Impaired	Collectively Impaired	Total	Individually Impaired	Collectively Impaired	Total
	LKR 000	LKR 000	LKR 000		LKR 000	LKR 000
As at 1 April 2017	69,132	146,450	215,582	-	15,678	15,678
Acquisition through Subsidiaries	-	105,334	105,334	-	-	-
Charge for the Year	-	112,255	112,255	-	-	-
Recovered during the year	-	(17,753)	(17,753)	-	(9,123)	(9,123)
Write off	(4,061)	(9,528)	(13,589)	-	(164)	(164)
As at 31 March 2018 - Restated	65,071	336,758	401,829	-	6,391	6,391
Impact on Adoption of SLFRS 09	-	26,443	26,443	-	441	441
	65,071	363,201	428,272	-	6,832	6,832
Charge for the Year	406	137,998	138,404	-	23,583	23,583
Disposal of Subsidiary	-	(4,706)	(4,706)	-	-	-
Write off / Transfers	-	(12,141)	(12,141)	-	-	-
As at 31 March 2019	65,477	484,352	549,829	-	30,415	30,415

19. Trade and Other Receivables (Contd.)

19.1 Trade Dues From Related Parties

	Relationship	Company	
		2019	2018
		LKR 000	LKR 000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	10,984	4,099
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	339	317
Vishwa BPO (Pvt) Ltd.	Subsidiary	5,821	1,958
Hemas Travels (Pvt) Ltd.	Subsidiary	1,781	890
Hemas Air Services (Pvt) Ltd.	Subsidiary	1,080	429
Hemas Southern Hospitals (Pvt) Ltd.	-	-	1,384
Hemas Hospitals (Pvt) Ltd.	Subsidiary	7,957	11,530
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	3,550	839
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	131	710
Hemas Aviation (Pvt) Ltd.	Subsidiary	2,362	1,612
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	60,676	35,538
Forbes Air Services (Pvt) Ltd.	Subsidiary	1,198	1,637
Hemas Developments (Pvt) Ltd.	Subsidiary	79	62
Hemtours (Pvt) Ltd.	Subsidiary	-	3
Diethelm Travels Lanka (Pvt) Ltd.	Subsidiary	2,915	1,882
Serendib Leisure Management Ltd.	Subsidiary	5,499	1,202
Serendib Hotels PLC	Subsidiary	975	4,133
Dolphin Hotels PLC	Subsidiary	1,385	285
Far Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	726	363
Hemas Transportation (Pvt) Ltd.	Subsidiary	226	1,096
N-able (Pvt) Ltd.	Subsidiary	611	514
P H Resorts (Pvt) Ltd.	Joint Venture	4,577	6,833
Morison PLC	Subsidiary	18,235	4,334
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	1,779	219
Spectra Logistics (Pvt) Ltd.	Subsidiary	12,036	11,939
Hemas Maritime (Pvt) Ltd.	Subsidiary	737	23
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	18,999	10,011
Sigiriya Hotels PLC	Subsidiary	786	157
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	21,720	1,617
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	49	-
Mazu Shipping (Pvt) Ltd.	Subsidiary	2	-
		187,215	105,616

19.2 Other Dues From Related Parties

	Relationship	Company 2019 LKR 000	Company 2018 LKR 000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	1,323	894
Forbes Air Services (Pvt) Ltd.	Subsidiary	5,772	174
Hemas Aviation (Pvt) Ltd.	Subsidiary	25	6
Hemas Travels (Pvt) Ltd.	Subsidiary	603	1,774
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	2,774	2,149
Diethelm Travel The Maldives (Pvt) Ltd.	Subsidiary	59	-
Vishwa BPO (Pvt) Ltd.	Subsidiary	283	2,280
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	30	29
Hemas Hospitals (Pvt) Ltd.	Subsidiary	3,406	5,119
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	29	33
Hemas Southern Hospitals (Pvt) Ltd.	-	-	8
N-able (Pvt) Ltd.	Subsidiary	564	1,484
Hemas Air Services (Pvt) Ltd.	Subsidiary	2,078	2,649
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	1,515	805
Hemas Transportation (Pvt) Ltd.	Subsidiary	473	1,260
Hemas Maritime (Pvt) Ltd.	Subsidiary	205	-
Mowbray Hotels Ltd.	Subsidiary	595	595
Serendib Leisure Management Ltd.	Subsidiary	1,555	3,492
Morison PLC	Subsidiary	4,099	16,067
Spectra Logistics (Pvt) Ltd.	Subsidiary	1,627	823
Hemas Consumer Brands (Pvt)Ltd.	Subsidiary	20,001	19,863
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	8,626	31,222
Hemas Development (Pvt) Ltd.	Subsidiary	24	-
Mazu Shipping (Pvt) Ltd.	Subsidiary	187	-
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	3,089	-
Concept Ventures (Pvt) Ltd.	Subsidiary	6,508	-
		65,450	90,726

20 Stated Capital

20.1 Fully Paid Ordinary Shares

	2019 Number	2019 LKR 000	2018 Number	2018 LKR 000
Balance at the Beginning of the Year	574,934,259	5,960,450	572,733,467	5,741,038
Exercise of Share Options	18,333	1,974	2,200,792	219,412
Scrip Dividend	21,090,833	1,771,630	-	-
Balance at the End of the Year	596,043,425	7,734,054	574,934,259	5,960,450

During the financial year, the Company announced a Scrip Dividend of 21,090,833 shares to the value of LKR 1,772Mn (at the proportion of One Ordinary Share for every 27.26 at a value equivalent to LKR 84 per share) after obtaining the principal approval from the Securities and Exchange Commission.

20 Stated Capital (Contd.)

20.2 Rights, Preferences and Restrictions of Classes of Capital

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

20.3 Share Based Payment Scheme

Accounting Policy

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.

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 expense or credit in the Statement of Profit or Loss 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.

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

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 (LKR)	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
Grant 4	27.07.2018	3,491,250	108.81	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 vested after period of one year from the date of grant and it depends on the 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	
	2019 LKR 000	2018 LKR 000	2019 LKR 000	2018 LKR 000
For the Year Ended 31 March				
Total expense arising from Share-Based Payment Transactions	44,044	72,436	5,805	20,205

Movement During the Year

	Group			
As at 31 March	2019		2018	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	5,812,164	120.94	5,324,839	85.04
Granted During the Year	3,491,250	108.81	3,420,000	149.50
Exercised During the Year	(18,333)	87.50	(2,200,792)	83.52
Cancelled during the Year	(1,185,204)	-	(731,883)	-
Outstanding at the End of the Year	8,099,877	111.68	5,812,164	120.94
Exercisable at the End of the Year	4,623,627	113.84	2,607,164	85.82

	Company			
As at 31 March	2019		2018	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	2,124,239	114.49	1,605,312	85.04
Granted During the Year	795,000	108.81	966,250	87.50
Exercised During the Year	-	-	(249,583)	82.00
Cancelled during the Year	(483,792)	-	(197,740)	-
Outstanding at the End of the Year	2,435,447	105.68	2,124,239	114.49
Exercisable at the End of the Year	1,640,447	85.93	1,157,989	85.28

*WAEP - Weighted Average Exercise Price (LKR)

20 Stated Capital (Contd.)

20.3 Share Based Payment Scheme (Contd.)

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

	Grant 4	Grant 3	Grant 2	Grant 1
Dividend yield (%)	1.48	1.70	1.70	1.50
Expected volatility (%)	1.13	1.32	1.73	1.75
Risk free interest rate (%)	10.51	11.14	10.00	5.00
Expected life of share options (Years)	4	4	4	4
Weighted average share price at the date of exercise of these options (LKR)	108.81	149.50	87.50	82.00
Weighted average remaining contractual life for the share options outstanding (Years)	3.3	2.3	1.3	0.3
Weighted average fair value of options granted during the year (LKR)	33.34	48.36	28.84	20.92
Exercise price for options outstanding at the end of the year (LKR)	108.81	149.50	87.50	82.00

21 Reserves

21.1 Other Capital and Revenue Reserves

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Balance at the Beginning of the Year	141,775	104,938	363,126	326,289
Provision for Share Based Payment	44,044	72,436	5,805	20,205
Exercise of Share Option	(370)	(35,599)	(370)	(35,599)
Charge from Group Companies	-	-	38,239	52,231
Balance at the End of the Year	185,449	141,775	406,800	363,126

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 value of equity settled share based payment provided to employees and the share of subsidiaries capital reserves accounted for using equity method until 31 March 2006. With effect from 1 April 2006 the investments in subsidiaries are accounted at carrying value as at that date and any investment made after 1 April 2006 are carried at cost, net of any provision for impairment.

21.2 Revaluation Reserve

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

21.3 Foreign Currency Translation Reserve

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

21.4 Available-for-Sale Reserve / Fair Value Reserve

The Available-for-Sale Reserve / Fair Value reserve comprises the cumulative net change in the fair value of available for sale financial assets/ Financial Assets at FVOCI.

21.5 Cash Flow Hedge Reserve

The Group designates its identified foreign currency loans as hedging instruments 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.

	Group	
	2019	2018
	LKR 000	LKR 000
Balance At the Beginning of the Year	1,230	13,598
Net Movement of Cash Flow Hedge Reserve	(110,897)	(12,174)
Effect of Changes in Holding	-	(194)
Balance at the End of the Year	(109,667)	1,230

22. Interest Bearing Loans and Borrowings

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Balance at the Beginning of the Year	5,175,453	3,999,720	1,140,145	1,899,534
Obtained During the Year	73,673,501	34,393,059	1,271,500	2,304,000
Acquisition through Subsidiaries	-	3,339,886	-	-
Interest Cost	112,991	112,082	112,991	112,082
Disposal of Subsidiary	(243,931)	-	-	-
Repayments	(73,913,033)	(36,689,372)	(969,996)	(3,175,471)
Exchange Differences through Statement of Profit or Loss	79,521	(8,169)	-	-
Exchange Differences through Other Comprehensive Income	37,802	28,247	-	-
Balance at the End of the Year	4,922,304	5,175,453	1,554,640	1,140,145
Non-Current	1,369,067	2,243,540	-	955,048
Current	3,553,237	2,931,913	1,554,640	185,097
	4,922,304	5,175,453	1,554,640	1,140,145

22 Interest Bearing Loans And Borrowings (Contd.)

22.1 Details of Interest Bearing Loans and Borrowings

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2019 LKR 000	2018 LKR 000
Hemas Holdings PLC	National Development Bank	Term Loan	8.75% Fixed	-	-	76,978
		Debenture	11.00% Fixed	Capital repayable in April 2019	1,052,640	1,024,768
Hemas Pharmaceuticals (Pvt)Ltd.	CITI Bank	Short term loan	10.70% Fixed	-	-	588,000
	CITI Bank	Short term loan	11.83% Fixed	Repayable in April 2019	400,000	-
	National Development Bank	Term Loan	8.75% Fixed	-	-	23,022
	Hatton National Bank	Short term Loan	3 Months LIBOR + 3.50% (USD Loan)	Repayable in 12 installments starting from March 2019	368,715	-
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Standard Chartered Bank	Short Term Loan	12.17%	Repayable in April 2019	54,000	20,000
	Standard Chartered Bank	Short Term Loan	12.24%	-	-	44,000
	Standard Chartered Bank	Short Term Loan	12.07%	-	-	66,000
	Standard Chartered Bank	Short Term Loan	12.28%	-	-	20,000
	Union Bank of Colombo	Short Term Loan	14.89%	Repayable in April 2019	129,500	33,500
Hemas Hospitals (Pvt) Ltd.	Cargills Bank Limited	Term Loan	8.25% Fixed	-	-	6,254
	Commercial Bank	Term Loan	8.75% Fixed	-	-	77,143
	Hatton National Bank	Short Term Loan	AWPLR+0.25%	-	-	110,000
	People's Bank	Term Loan	AWPLR+0.75%	Repayable in 60 installments starting from June 2018	108,400	-
	Sampath Bank	Term Loan	AWPLR	-	-	156,067
	Sampath Bank	Term Loan	AWPLR+0.5%	-	-	63,760
	Standard Chartered Bank	Term Loan	SLIBOR + 1.0%	-	-	384,583
	Union Bank of Colombo	Term Loan	8.40% Fixed	-	-	30,817
Hemas Southern Hospitals (Pvt) Ltd.	Hatton National Bank	Term Loan	8.50% Fixed	-	-	54,910

22.1 Details of Interest Bearing Loans and Borrowings (Contd.)

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2019 LKR 000	2018 LKR 000
Hemas Capital Hospital (Pvt) Ltd.	Hatton National Bank	Term Loan	8.50% Fixed	Repayable in 60 installments starting from December 2014	26,320	66,400
Spectra Logistics (Pvt) Ltd.	Central Finance	Finance Lease	-	-	-	231
	Commercial Bank	Finance Lease	-	-	5,194	6,014
	Commercial Bank	Term Loan	AWPLR+1%	Repayable in 60 installments starting from November 2014	1,167	3,167
	Commercial Bank	Term Loan	8.90% Fixed	-	-	5,700
	Commercial Bank	Term Loan	First 2 Years 8.75% Fixed, 3rd year AWPLR+1%	-	-	12,564
Spectra Integrated Logistics (Pvt) Ltd.	Commercial Bank	Term Loan	AWPLR+1.15%	Repayable in 45 Installments starting from January 2018	606,680	500,000
	Standard Chartered Bank	Term Loan	3 Months LIBOR + 3.20% (USD Loan)	Repayable in 16 Quarterly Installments starting from September 2018	430,941	408,666
	Standard Chartered Bank	Term Loan	3 months LIBOR + 4% (USD Loan)	-	-	29,482
Serendib Hotels PLC	Hatton National Bank	Term Loan	AWPLR + 1%	Repayable in 34 Installments starting from July 2017	66,000	116,000
	Hatton National Bank	Term Loan	At a Margin over 3 Months EURIBOR	-	-	10,576
	Standard Chartered Bank	Term Loan	1 Month LIBOR + 2.5% (USD Loan)	Repayable in April 2019	114,563	-
Dolphin Hotels PLC	Commercial Bank	Term Loan	At a margin Over 1 Month EURO LIBOR	-	-	52,287
	The Hongkong & Shanghai Banking Corporation	Term Loan	At a 2.4% Margin over 1 Month GBP LIBOR	Repayable in 60 installments starting from April 2019	277,432	-
	The Hongkong & Shanghai Banking Corporation	Term Loan	At a 2.6% Margin over 1 Month EURO LIBOR	Repayable in 60 installments starting from April 2019	315,600	-

22 Interest Bearing Loans And Borrowings (Contd.)

22.1 Details of Interest Bearing Loans and Borrowings (Contd.)

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2019 LKR 000	2018 LKR 000
Lantern Villa (Pvt) Ltd.	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from November 2015	26,867	38,133
	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from October 2014	10,333	14,667
Frontier Capital Lanka (Pvt) Ltd.	Hatton National Bank	Short Term Loan	13.77%	Repayable in April 2019	27,000	-
Evolution Capital (Pvt) Ltd.	DFCC Bank	Term Loan	At a margin Over 1 Month AWPLR	Repayable in 60 installments starting from October 2014	26,725	37,927
	National Development Bank	Term Loan	Fixed Rate p.a	Repayable in 60 installments starting from February 2016	14,465	20,149
Morison PLC	Commercial Bank	Term Loan	8.75% Fixed	-	-	125,024
	Commercial Bank	Short Term Loan	11.22%	-	-	100,000
	Commercial Bank	Short Term Loan	10.95%	-	-	50,000
	Standard Chartered Bank	Short Term Loan	11.97% Fixed	Repayable in 16 installments starting from April 2021	42,000	-
N - Able (Pvt) Ltd.	Cargills Bank	Short Term Loan	AWPLR + 3.00%	Repayable in June 2019	57,746	-
	Cargills Bank	Short Term Loan	AWPLR + 3.00%	-	-	79,868
	DFCC Bank	Short Term Loan	Money Market Rates	Repayable in July 2019	151,582	-
	Hatton National Bank	Short Term Loan	AWPLR + 4.00%	Repayable in May 2019	185,000	195,000
	The Hongkong & Shanghai Banking Corporation	Short Term Loan	COF + 2.00%	Repayable in July 2019	119,477	63,685
	Nations Trust Bank	Short Term Loan	AWPLR + 1.25%	-	-	22,954
	Sampath Bank	Short term loan	Money Market Rates	Repayable in April 2019	84,779	52,100
	Standard Chartered Bank	Short term loan	SLIBOR + 2.00%	Repayable in July 2019	47,677	57,840
Atlas Axillia Co.(Pvt) Ltd.	People's Bank	Short Term Loan	AWPLR - 0.10%	-	-	200,000
Hemas Mandalar Pharmaceutical (Pvt) Ltd.	Commercial Bank	Short Term Loan	1 month LIBOR + 3.75% (USD Loan)	Repayable in 5 Months	171,502	127,217

22.2 Company

	2019 LKR 000	2018 LKR 000
Interest Bearing Loans & Borrowings-Non Current		
Loans due to Related Parties (Note 22.2.1)	-	15,399
Debentures (Note 22.2.2)	-	939,649
	-	955,048
Interest Bearing Loans & Borrowings-Current		
Loans due to Related Parties (Note 22.2.1)	502,000	23,000
Bank Loans	-	76,978
Debentures (Note 22.2.2)	1,052,640	85,119
	1,554,640	185,097

22.2.1 Loans due to Related Parties

Subsidiaries	As at 01.04.2018 LKR 000	Obtained During the Year LKR 000	Repayments LKR 000	As at 31.03.2019 LKR 000	Non Current LKR 000	Current LKR 000
Hemas Developments (Pvt) Ltd.	9,649	495,500	(25,149)	480,000	-	480,000
Vishwa BPO (Pvt) Ltd.	10,750	75,000	(85,750)	-	-	-
Hemas Corporate Services (Pvt) Ltd.	18,000	10,000	(6,000)	22,000	-	22,000
Hemas Pharmaceuticals (Pvt) Ltd.	-	200,000	(200,000)	-	-	-
	38,399	780,500	(316,899)	502,000	-	502,000

	As at 01.04.2017 LKR 000	Obtained During the Year LKR 000	Repayments LKR 000	As at 31.03.2018 LKR 000	Non Current LKR 000	Current LKR 000
Total Loans due to Related Parties	171,259	34,000	(166,860)	38,399	15,399	23,000

Terms and Conditions

Treasury Loans

Security - Unsecured

Repayment - To be Repaid on Demand

Interest - Based on Market Rates (AWPLR + Margin)

22 Interest Bearing Loans and Borrowings (Contd.)

22.2.2 Debentures

	2019 LKR 000	2018 LKR 000
Balance at the Beginning of the Year	1,024,768	1,047,567
Interest	112,991	112,082
Repayments	(85,119)	(134,881)
Balance at the End of the Year	1,052,640	1,024,768
Non-Current	-	939,649
Current	1,052,640	85,119

Terms and Conditions

Ten million, rated (AA-lka, by Fitch Rating Lanka Limited) unsecured redeemable debentures carrying a coupon rate of 11% p.a. payable semi-annually issued on 29 April 2014 are to be matured on 29 April 2019.

23. Other Financial Liabilities

Accounting Policy

Put Option over non-controlling interests

The option value related to the put options issued by the Group over the equity of subsidiary companies are accounted using the method below when the Group doesn't have a present ownership to such shares.

- At each period end, the Group determines the amount that would have been recognised for the non-controlling interest, including an allocations of profit or loss, allocations of changes in other comprehensive income and dividends declared for the reporting period, as required by SLFRS 10.
- The entity derecognises the non-controlling interest as if it was acquired at each reporting date
- The value of the option on exercise is initially recognised at fair value within non-financial liabilities with a corresponding charge directly to equity. Such options are subsequently measured at fair value, in order to remeasure the liability. The difference between fair value and the carrying value is recognised in equity.
- In the event the option is not exercised, the non-controlling interest is recognised at the amount it would have been, as if the put option had never been granted. The financial liability is derecognised, with a corresponding credit to the equity.

	Group	
	2019 LKR 000	2018 LKR 000 Restated
Preference Shares*	275,000	-
Rent Deposits/Advances	61,240	16,941
Put Option over non-controlling interests	1,619,457	1,892,400
	1,955,697	1,909,341

*Hemas Developments (Pvt) Ltd, a fully owned subsidiary of Hemas Holdings PLC, issued 27.5 Mn Redeemable, Cumulative and Non - Convertible Preference Shares at LKR 10 each carrying a yield of 10%.

24 Employee Benefit Liability

Accounting Policy

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.

Defined Benefit Plans –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.

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Balance at the Beginning of the Year	850,448	650,125	48,248	54,591
Acquisition/(Disposal) through Subsidiaries	(11,859)	103,481	-	-
Charge for the Year (Note 24.1)	200,120	164,700	10,032	11,767
Actuarial (Gain)/Loss (Note 24.2)	39,373	15,527	(1,286)	(84)
Benefits Paid	(109,118)	(83,385)	(9,917)	(8,468)
Transfers	-	-	317	(9,558)
Balance at the End of the Year	968,964	850,448	47,394	48,248

24.1 Post Employee Benefit Expenses for

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Current Service Cost	102,021	84,868	4,966	5,216
Interest Cost	98,099	79,832	5,066	6,551
	200,120	164,700	10,032	11,767

24 Employee Benefit Liability (Contd.)

24.2 Actuarial (Gain)/Loss

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Actuarial (Gains)/Losses on Obligations;				
Due to Change in Demographic Assumptions	64,885	-	1,944	-
Due to Change in Financial Assumptions	(46,261)	(1,861)	(1,843)	(86)
Due to Experience	20,749	17,388	(1,387)	2
	39,373	15,527	(1,286)	(84)

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2019. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2019	2018
Demographic Assumptions		
Retirement Age	55 Years	55 Years
Financial Assumptions		
Discount Rate Assumed (%)	11.5	10.5
Future Salary Increase (%)	8.5	8.5

24.3 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 2019	Group		Company	
	Effect on Profit or Loss	Post Employment Benefit Liability	Effect on Profit or Loss	Post Employment Benefit Liability
	LKR 000	LKR 000	LKR 000	LKR 000
If Discount Rate Increases by 1%	(42,383)	42,383	(1,696)	1,696
If Discount Rate Decreases by 1%	46,820	(46,820)	1,843	(1,843)
If Salary Increment Rate Increases by 1%	47,721	(47,721)	1,878	(1,878)
If Salary Increment Rate Decreases by 1%	(43,882)	43,882	(1,756)	1,756

31 March 2018	Group		Company	
	Effect on Profit or Loss	Post Employment Benefit Liability	Effect on Profit or Loss	Post Employment Benefit Liability
	LKR 000	LKR 000	LKR 000	LKR 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

24.4 Following payments are the expected payment to the define benefit plan for the future years:

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
Years from the current period				
1st Following Year	179,534	63,041	5,202	861
2nd Following Year	106,828	37,397	5,086	821
3rd Following Year	136,418	46,314	21,524	921
4th Following Year	124,219	59,558	3,491	20,993
5th Following Year	121,361	72,139	3,652	13,954
Sum of Years 6 to 10	543,323	458,666	22,964	20,269
Sum of Years 11 and above	856,985	1,950,462	23,444	65,080

25. Trade and Other Payables

	Group		Company	
	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000
		Restated		
Trade Payables				
- Others	12,795,164	11,547,830	-	-
Other Payables				
- Related Parties (Note 25.1)	-	-	48,948	33,375
- Others	3,230,420	2,050,254	160,000	112,402
Sundry Creditors including Accrued Expenses	2,542,969	2,780,292	285,879	134,284
Dividend Payables-Unclaimed	30,897	36,519	11,092	8,508
	18,599,450	16,414,895	505,919	288,569

25. Trade and Other Payables (Contd.)

25.1 Non Trade Dues to Related Parties

	Relationship	Company 2019 LKR 000	Company 2018 LKR 000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	2,935	2,225
Forbes Air Services (Pvt) Ltd.	Subsidiary	9,353	-
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	79	3,245
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	6,670	2,146
Vishwa BPO (Pvt) Ltd.	Subsidiary	996	978
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	329	350
N-Able (Pvt) Ltd.	Subsidiary	2,154	955
Hemas Travels (Pvt) Ltd.	Subsidiary	8,142	4,585
Hemas Developments (Pvt) Ltd.	Subsidiary	9,655	6,186
Serendib Leisure Managements (Pvt) Ltd.	Subsidiary	14	376
Dolphin Hotels PLC	Subsidiary	38	22
Hemas Transportation (Pvt) Ltd.	Subsidiary	-	774
Spectra Logistics (Pvt) Ltd.	Subsidiary	5,377	5,377
Concept Venture (Pvt) Ltd.	Subsidiary	2,463	2,463
Morison PLC	Subsidiary	-	3,693
Hemas Aviation (Pvt) Ltd.	Subsidiary	597	-
Serendib Hotels PLC	Subsidiary	146	-
		48,948	33,375

26. Cash and Cash Equivalents in Statement of Cash Flows

Accounting Policy

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.

26.1 Favourable Balances

	Group 2019 LKR 000	Group 2018 LKR 000	Company 2019 LKR 000	Company 2018 LKR 000
Cash and Bank Balance	4,211,475	4,454,061	357,002	111,389
Money Market Investments	-	577,040	-	-
Fixed Deposits, Commercial Papers, Treasury Bills and REPO Investments	2,262,156	2,680,301	167,285	174,340
	6,473,631	7,711,402	524,287	285,729

26.2 Unfavourable Balances

	Group 2019 LKR 000	Group 2018 LKR 000	Company 2019 LKR 000	Company 2018 LKR 000
Bank Overdraft	(2,182,315)	(1,971,083)	(373)	(35,199)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	4,291,316	5,740,319	523,914	250,530

27. Business Combinations and acquisitions of non controlling interests

Accounting Policy

Basis of Consolidation

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

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

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 Statement of Profit or Loss or Other Comprehensive Income as applicable.

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 SLFRS 9 - Financial Instruments: is measured at fair value with the changes in fair value recognised either in Statement of Profit or Loss. If the contingent consideration is not within the scope of SLFRS9, 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).

The Consolidated Financial Statements comprise the Financial Statements of the Parent and its subsidiaries for the year ended 31 March 2019.

Control over an investee

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.

27. Business Combinations and acquisitions of non controlling interests (Contd.)

Accounting Policy

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

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 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 Interests, even if this results in the Non Controlling Interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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.

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.

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.

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 Consolidated Income Statement. 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.

Accounting Policy

Put option over non controlling interest

Accounting policies relating to recognition of non-controlling interest to be acquired setout in Note 23 to these financial statements.

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.

27. Business Combinations and acquisitions of non controlling interests (Contd.)

27.1 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.

There are no acquisitions of subsidiaries for the year ended 31 March 2019

	2018		
	Atlas Axillia Co. (Pvt) Ltd.	Frontier Capital (Pvt) Ltd. Group	Total
	LKR 000 Restated	LKR 000	LKR 000
Assets			
Property, Plant and Equipment	1,607,558	918,693	2,526,251
Intangible Assets	76,043	-	76,043
Other Non Current Financial Assets	20,000	-	20,000
Inventories	1,119,917	2,619	1,122,536
Trade and Other Receivables	4,532,950	6,823	4,539,773
Other Current Financial Assets	1,000	-	1,000
Cash and Cash Equivalents	994,501	4,608	999,109
	8,351,969	932,743	9,284,712
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	332,803	98,829	431,632
Trade and Other Payables	335,906	257,496	593,402
Tax Payable	113,688	5,486	119,174
Bank Overdraft	-	18,971	18,971
	4,094,529	512,017	4,606,546
Total Identifiable Net Assets	4,257,440	420,726	4,678,166
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	(1,060,102)	(205,525)	(1,265,627)
Prepaid Expenses	48,893	-	48,893
Brand Arising on Acquisition	613,221	-	613,221
Goodwill Arising on Acquisition	1,848,148	94,281	1,942,429
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 restated as applicable and amend thereto.

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.
Trade & Other Receivable	Fair value is determined based on gross debtors after adjusting provision for doubtful debts.

27.2 Disposal of subsidiaries

Hemas Hospitals (Pvt) Ltd., a subsidiary of Hemas Holdings PLC divested its 100% stake in Hemas Southern Hospital (Pvt) Ltd. at a total consideration of LKR 450Mn on 02 November 2018.

The carrying value of assets and liabilities disposed were as follows :

Entity	LKR 000
Assets	
Cash and Cash Equivalents	20,884
Trade and Other Receivables	43,598
Inventories	17,449
Tax Recoverable	7,145
Intangible Assets	778
Property, Plant and Equipment	683,416
	773,270
Liabilities	
Bank Overdraft	13,710
Trade and Other Payables	74,434
Deferred Tax Liability	53,018
Employee Benefit Liability	11,859
Interest Bearing Loans and Borrowing	243,931
	396,952
Total Identifiable Net Assets	376,318
Gain on Disposal	73,682
Sales Consideration	450,000
Net cash and cash equivalent disposed	(7,174)
Net Cash Flow on Disposal of subsidiary	442,826

27. Business Combinations and acquisitions of non controlling interests (Contd.)

27.3 Material Partly-Owned Subsidiaries

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

	31.03.2019 Serendib Hotels PLC and Group LKR 000	31.03.2018 Serendib Hotels PLC and Group LKR 000
Non-Current Assets	4,414,609	4,463,169
Current Assets	836,967	695,688
Non-Current Liabilities	(1,013,327)	(564,625)
Current Liabilities	(832,804)	(997,836)
Net Assets	3,405,445	3,596,396
Carrying Amount of Non-Controlling Interest	1,986,388	2,166,613
Revenue	2,038,943	1,842,061
Profit for the Year/ Period	102,351	192,452
Other Comprehensive Income for the Year, Net of Tax	(58,020)	(137,467)
Total Comprehensive Income for the Year	44,331	54,985
Profit for the Year Attributable to Non controlling Interests	70,917	101,456
Other Comprehensive Income for the Year, Net of Tax Attributable to Non-Controlling Interest	(26,502)	(71,658)
Total Comprehensive Income for the Year Attributable to Non-Controlling Interests	44,415	29,798
Cash flow from Operating Activities	414,155	58,971
Cash flow (used in) Investing Activities	(444,016)	(208,371)
Cash flow from/ (used in) Financing Activities	265,139	236,407
Net Increase/(Decrease) in Cash and Cash Equivalents	235,278	87,007
Dividend Paid to Non-Controlling Interest	-	36,968

Details of the Commitments and Contingencies are given in Note 29 to these financial statements.

28. Events After The Reporting Date

The Board of Directors of the Company has declared a final dividend of LKR 1.45 per share for the financial year ended 31 March 2019 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 5 July 2019.

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 2019.

Other than those mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the Financial Statements.

29. Commitments and Contingencies

Accounting Policy

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.

29.1 Capital Commitments

	2019 LKR 000	2018 LKR 000
Hemas Capital Hospital (Pvt) Ltd.	1,450	12,278
Hemas Southern Hospital (Pvt) Ltd.	-	9,553
Hemas Hospitals (Pvt) Ltd.	90,517	99,446
Spectra Integrated Logistics (Pvt) Ltd.	-	132,558
Morison PLC	846,683	18,899
Hemas Manufacturing (Pvt) Ltd.	5,335	2,942
	943,985	275,676

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.

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 raised purchase orders to purchase machinery and equipment for research and manufacturing facility in Pitipana, Homagama amounting to LKR 955Mn out of which LKR 627Mn yet to be paid. Further, the company awarded civil construction of aforesaid facility to local civil construction company and out of total contracted value, LKR 220 Mn yet to be paid.

29. Commitments and Contingencies (Contd.)

29.2 Other Commitments/ Contingencies

(a) Hemas Holdings PLC

- The Company has provided a corporate guarantee to PH Resorts (Pvt) Limited for USD 12 Mn (Equivalent to LKR 2,114 Mn) 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) Limited favouring Etihad Airways for USD 150,000 (Equivalent to LKR 26 Mn)

(b) Hemas Travels (Pvt) Ltd.

- The company has obtained guarantees from Standard Chartered Bank favouring International Air Transport Association amounting to LKR 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 Sethmil Aviation (Pvt) Ltd amounting to LKR 500,000.
- The company has obtained guarantees from Standard Chartered Bank favouring Nawaloka Aviation Pvt Ltd amounting to LKR 500,000.
- The company has obtained guarantees from Standard Chartered Bank favouring Thomas Cook Lanka (Pvt) Ltd amounting to LKR 10,000,000.
- The company has obtained guarantees from Standard Chartered Bank favouring Jetwin Air (Pvt) Ltd amounting to LKR 500,000
- The company has obtained guarantees from Standard Chartered Bank favouring Mack Air (Pvt) Ltd amounting to LKR 250,000.
- The company has obtained guarantees from Standard Chartered Bank favouring Director General of Civil Aviation Authority amounting to LKR 500,000.
- The company has obtained guarantees from Standard Chartered Bank favouring Sri Lankan Catering (Pvt) Ltd amounting to LKR 100,000.
- St. Anthony's Industries Group (Pvt) Ltd have filed a civil case in Commercial High Court against Hemas Travels (Private) Limited for money recovery action claiming LKR 55.2Mn on unjust enrichment, loss and damage to the reputation and goodwill of the Plaintiff due to an alleged failure by the Company to obtain Swiss visas for the Plaintiff's customers.

(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 cases against such determinations at the court of appeal which are ongoing. 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 31 March 2019 in this regard.

(d) Serendib Hotel PLC and its subsidiaries

- The Wennappuwa Pradeshiya Sabha has filed action against Club Hotel Dolphin (Subsidiary of Serendib Hotels PLC) at Magistrate Court-Marawaila, on the basis of operating a hotel without a trade licence issued under the Pradeshiya Sabha Act, for the year 2016 & 2017. The matter is fixed for trial.
- The Weligama Pradeshiya Sabha has filed action against Frontier Capital Lanka (Private) Limited (Subsidiary of Serendib Hotels PLC) at Magistrate Court-Matara, on the basis of operating a hotel without a trade licence issued under the Pradeshiya Sabha Act, for the year 2018. The matter is fixed for trial.
- P. M. P Kumara Adikari former staff serviced as front office staff of Avani Bentota Resort and SPA filed case against Serendib Leisure Management Limited and claimed for back wages / compensation and reinstatement on grounds of wrongful termination.

(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 LKR 500,000.
- The company has obtained a guarantee from Standard Chartered Bank favouring Director of Merchant Shipping to obtain Shipping license amounting to LKR 500,000.

(f) Hemas Air Services (Pvt) Ltd.

- The company has obtained a guarantee from Standard Charted Bank favouring Malaysian Airline System Berhad for the purpose of GSA Agreement Cargo amounting to USD 200,000.
- 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 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 700,000.
- 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 LKR 1,009,000,000.
- The company has obtained a guarantee from Standard Chartered Bank favouring Airport and Aviation amounting to LKR 263,424.
- The company has obtained a guarantee from Standard Chartered Bank favouring Director General of Civil Aviation amounting to LKR 97,682,000.

29. Commitments and Contingencies (Contd.)

29.2 Other Commitments/ Contingencies (Contd.)

(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 LKR 7.14Mn
- 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.
- The company has obtained a guarantee from Standard Chartered Bank on behalf of Chongqing Airlines, favouring Civil Aviation Authority of Sri Lanka amounting to USD 44,682.
- The company has obtained a guarantee from Standard Chartered Bank on behalf of Chongqing Airlines, favouring Sri Lankan Catering Limited of Sri Lanka amounting to USD. 25,000.
- The company has obtained a guarantee from Standard Chartered Bank on behalf of Chongqing Airlines, favouring Airport And Aviation (SL) Ltd amounting to USD. 19,000.
- The company has obtained a guarantee from Standard Chartered Bank on behalf of Chongqing Airlines, favouring Sri Lankan Airlines Limited amounting to USD. 40,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services(PVT) Ltd , favouring EVA Airways Corporation amounting to USD 50,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (PVT) Ltd , favouring Alitalia - Societa Aerea Italiana S.P.A amounting to EUR 75,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd , favouring China Southern Airlines Company Limited amounting to USD 470,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd, favouring Druk Air Corporation Ltd amounting to USD 100,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd, favouring Sri Lankan Catering Limited of Sri Lanka amounting to LKR 1000,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd, favouring Interglobe Aviation Ltd amounting to USD 700,000.
- The company has obtained a guarantee from Standard Chartered Bank through Hemas Air Services (Pvt) Ltd, favouring Sri Lankan Airlines Ltd amounting to LKR 20,000.

(i) Hemas Maritime (Pvt) Ltd.

- The company has obtained a guarantee from Standard Chartered Bank favouring The Chairman, Sri Lanka Ports Authority amounting to LKR 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 LKR 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 LKR 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 LKR 500,000.
- The company has obtained a guarantee from Standard Chartered Bank favouring Director General of Merchant Shipping amounting to LKR 500,000 for Shipping License.

(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 LKR 500,000.

(l) Hemas Pharmaceutical (Pvt) Ltd.

- The company has provided a corporate guarantee to Hemas Surgical & Diagnostics (Pvt) Ltd (Subsidiary) for Rs.150 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.
- The company has given a guarantee to Commercial Bank of Ceylon on behalf of Kyannmar Pharmaceuticals (Pvt) Ltd amounting to USD 1,000,000. relating to facilities obtained.

(m) Morison PLC

- The Department of Inland Revenue has issued VAT assessments for the years of assessment 2014 and 2015 disputing the application of exemption for sale of pharmaceutical product under the provision of section 3 (1)of Value Added Tax Act No.14 of 2002 (As Amended).

  The Commissioner General of Inland Revenue provided a determination confirming such assessment and the company filed case against such determinations at the Tax Appeals Commission which are ongoing. Appeal lodged for the year of assessments 2014 and 2015 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 2019 in this regard.

  The Company has given a bank guarantee of LKR 24Mn to Tax Appeals Commission with respect to the above tax appeal.

(n) Other than stated above there were no material contingent liabilities pertaining to employees and industrial relations.

29.3 Lease Commitments

	2019 LKR 000	2018 LKR 000
Lease Rental Due on Non Cancellable Operating Leases:		
Within one Year	194,386	119,231
One to five Years	634,499	541,958
More than five Years	1,380,563	1,331,814
	2,209,448	1,993,003

Lease Commitments	Leased Property	Lessor
Hemas Hospitals (Pvt) Ltd.	Land	Nihila Garments (Pvt) Ltd.
Hemas Hospitals (Pvt) Ltd.	Land	Copper King (Pvt) Ltd.
Hemas Capital Hospital (Pvt) Ltd.	Land	Dhammika Eliyapura
Serendib Hotels PLC	Land	Sri Lanka Tourist Board
Hotel Sigiriya PLC	Land	Sri Lanka Tourist Board
Spectra Integrated Logistics (Pvt) Ltd.	Land	Scanwell Logistics (Pvt) Ltd.
Morisons PLC	Land	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.
Atlas Axillia Company (Pvt) Ltd.	Land & Building	Repcon Containers Depot (Private) Limited
Atlas Axillia Company (Pvt) Ltd.	Land & Building	Nirmal Madanayake

30. 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 2019 LKR 000	Carrying Amount of the Assets Pledged 2018 LKR 000	Included Under
Dolphin Hotels PLC	Freehold Land and Building	Primary Mortgage Bond No.1425 dated 11/02/2019 for LKR 592.32Mn executed over Club Hotel Dolphin's Hotel premises at Waikkala owned by the company to The Hongkong and Shanghai Banking Corporation Limited. (GBP Loan of LKR 1.2 Mn and EURO Loan of LKR 1.6Mn)	1,861,117	-	Property , Plant and Equipment
	Freehold Land and Building	Primary Mortgage Bond No.1425 dated 13/07/2010 for LKR 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 LKR 234 Mn) 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	Property , Plant and Equipment
Lantern Villa (Pvt) Ltd.	Freehold Land and Building	Primary Mortgage of LKR 42 Mn 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 LKR 20 Mn 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.	233,495	286,033	Property, Plant and Equipment
	Investment in Subsidiary by Frontier Capital Lanka (Pvt) Ltd.	LKR 10 Mn over 240,000 shares of LKR 10/- each of Evolution Capital (Private) Limited held by Lighthouse Villas (Private) Limited, 60,000 shares of LKR 10/- each of Evolution Capital (Private) Limited held by Frontier Capital Lanka (Private) Limited and 80 shares of LKR 10/- each of Evolution Capital (Private) Limited held by Mr. Pratheepan Karunagaran.	600	600	Group Net Assets

30. Assets Pledged (Contd.)

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
			2019 LKR 000	2018 LKR 000	
Evolution Capital (Pvt) Ltd.	Freehold Land and Building	Primary fixed mortgage of LKR 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) Limited. Primary fixed mortgage of LKR 11 Mn 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 (Pvt) Limited.	146,806	266,388	Property, Plant and Equipment
	Investment in Subsidiary by Frontier Capital Lanka (Pvt) Limited	LKR 10 Mn over 240,000 shares of LKR 10/- each of Evolution Capital (Pvt) Limited held by Lighthouse Villas (Pvt) Limited, 60,000 shares of LKR 10/- each of Evolution Capital (Pvt) Limited held by Frontier Capital Lanka (Pvt) Limited and 80 shares of LKR 10/- each of Evolution Capital (Pvt) Limited held by Mr. Pratheepan Karunagaran.	600	600	Group Net Assets
Spectra Logistics (Pvt) Ltd.	Property , Plant and Equipment	Mortgage over vehicles procured under the Bank Loans from Commercial Bank of Ceylon PLC	784	43,860	Property , Plant and Equipment
Spectra Integrated Logistics (Pvt) Ltd.	Property , Plant and Equipment	Primary mortgage over the machinery up to USD 1Mn	-	86,942	Property , Plant and Equipment
Morison PLC	Inventory	Documents of title to goods shipped	847,400	893,000	Inventory
	Trade Debtors	Charged over trade finance facilities (import credit)	1,163,700	588,500	Trade Debtors
	Property , Plant and Equipment	Primary Mortgage up to LKR 1.6Bn to facilitate Term Loan Facility	1,600,000	-	Property , Plant and Equipment
Diethelm Travels The Maldives (Pvt) Ltd.	Fixed Deposit	Pledged up to the value of EURO 5,000 to Bank of Ceylon	990	958	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

31 Fair Value

Accounting Policy

The Group measures financial instruments such as derivatives, and non financial assets such as investment properties, at fair value at each reporting date.

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) 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.

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.

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.

Accounting Policy

- 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 2019, 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 FVOCI 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.

31.1 Fair Value Hierarchy

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

Group 31 March 2019	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI	457,169	2,216	-	454,953
Non-Financial Assets Measured at Fair Value				
Land and Building	10,984,066	-	-	10,984,066
Investment Properties	1,647,591	-	-	1,647,591

Group 31 March 2018 - Restated	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value-Restated				
Available-for-Sale Financial Assets	664,824	2,324	-	662,500
Non-Financial Assets Measured at Fair Value				
Land and Building	11,676,900	-	-	11,676,900
Investment Properties	1,507,474	-	-	1,507,474

Company 31 March 2019	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI	243,046	346	-	242,700
Non-Financial Assets Measured at Fair Value				
Investment Properties	657,950	-	-	657,950

31 Fair Value (Contd.)

31.1 Fair Value Hierarchy (Contd.)

Company 31 March 2018	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value				
Available-for-Sale Financial Assets	369,708	295	-	369,413
Non-Financial Assets Measured at Fair Value				
Investment Properties	592,125	-	-	592,125

31.2 Reconciliation of Fair Value Measurement under Level 3 Hierarchy

Financial Assets Measured at Fair Value

	Group	Company
	Available-for-Sale Financial Assets/ Financial Assets at FVOCI - Equity Shares LKR 000	Available-for-Sale Financial Assets/ Financial Assets at FVOCI - Equity Shares LKR 000
As at 1 April 2017	885,941	488,907
Recognised in Profit or Loss	(45,977)	-
Recognised in Other Comprehensive Income	(173,964)	(119,495)
Transfers	(3,500)	-
As at 31 March 2018	662,500	369,412
Recognised in Other Comprehensive Income	(126,547)	(66,712)
Disposals	(81,000)	(60,000)
As at 31 March 2019	454,953	242,700

Non-Financial Assets Measured at Fair Value

	Group		Company
	Land and Building LKR 000	Investment Properties LKR 000	Investment Properties LKR 000
As at 1 April 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	-	-
Acquisition	1,899,747	-	-
Transfers	16,618	-	-
Disposals	(20,706)	-	-
As at 31 March 2018	11,676,900	1,507,474	592,125
Recognised in Profit or Loss	(130,516)	140,117	65,825
Recognised in Other Comprehensive Income	37,604	-	-
Disposals	(599,922)	-	-
As at 31 March 2019	10,984,066	1,647,591	657,950

32 Financial Risk Management

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 Group has exposure to the following risks arising from financial instrument and the Board of Directors reviews and agrees policies for managing each of these risks.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise following types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI 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 (LKR 000)	
		Group	Company
2019	+150	(52,071)	-
	-150	52,071	-
2018	+150	(31,530)	-
	-150	31,530	-

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.

32 Financial Risk Management (Contd.)

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.

	Group			
	2019		2018	
	Strengthening LKR 000	Weakening LKR 000	Strengthening LKR 000	Weakening LKR 000
USD (5% Movement)	240,381	(240,381)	204,713	(204,713)
EURO (5% Movement)	(1,101)	1,101	(11,329)	11,329
GBP (5% Movement)	6,997	(6,997)	(2,978)	2,978
TAKA (5% Movement)	(29,122)	29,122	(21,005)	21,005

Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted and unquoted equity securities at fair value is disclosed in Note 17.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, and loans given to subsidiaries.

Trade Receivables

Customer credit risk is managed by each company subject to the Group's established policy, procedures and 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 incurred loss approach with forward looking Expected Credit Loss (ECL) approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19. The Company does not hold collateral as security.

Cash and cash equivalents

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 26 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 managing capital during the years ended 31 March 2019 and 31 March 2018.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	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
As at 31 March 2019		LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Interest Bearing Loans and Borrowings	-	1,052,640	2,500,597	1,369,067	-	4,922,304
Other Non-Current Financial Liabilities	-	-	-	1,955,697	-	1,955,697
Trade and Other Payable	-	18,599,450	-	-	-	18,599,450
Bank Overdraft	2,182,315	-	-	-	-	2,182,315
	2,182,315	19,652,090	2,500,597	3,324,764	-	27,659,766

Group	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
As at 31 March 2018		LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Interest Bearing Loans and Borrowings	-	-	2,931,913	2,243,540	-	5,175,453
Other Non-Current Financial Liabilities	-	-	-	1,909,341	-	1,909,341
Trade and Other Payable-Restated	-	16,414,895	-	-	-	16,414,895
Bank Overdraft	1,971,083	-	-	-	-	1,971,083
	1,971,083	16,414,895	2,931,913	4,152,881	-	25,470,772

Company	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
As at 31 March 2019		LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Interest Bearing Loans and Borrowings	-	1,052,640	502,000	-	-	1,554,640
Trade and Other Payable	-	505,919	-	-	-	505,919
Bank Overdraft	373	-	-	-	-	373
	373	1,558,559	502,000	-	-	2,060,932

Company	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
As at 31 March 2018		LKR 000	LKR 000	LKR 000	LKR 000	LKR 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

33 Prior Year Adjustments

The Consolidated Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS 8-Accounting Policies, Changes in Accounting Estimates and Errors, to reflect the followings,

Adjustment to Fair Value - SLFRS 3

Hemas Holdings PLC acquired Atlas Axilia in January 2018 and the Financial Statements of the Group for the year ended 31 March 2018 were drawn up applying provisional amounts relating to the fair value of assets and liabilities acquired on Business Combination.

With the completion of the acquisition, the carrying value of assets and liabilities acquired have been adjusted retrospectively in their Financial Statements in accordance with SLFRS 3 - Business Combinations

Put Option over non-controlling interests

The Group has an obligation to acquire the outstanding shares of non controlling interests at a future date (Put Option), the Group firstly considers whether the terms of the transaction gives it present access to the returns associated with the shares subject option. If so, the shares are accounted for as if they had been acquired by the entity. When the terms of the transaction do not provide a present ownership interest, management recognises the non controlling interest and the related financial liability as disclosed in Note 33.

Adaption of New accounting standards - SLFRS 15

The Group adopted SLFRS 15 using the full retrospective method. The SLFRS 15 impact mainly results in a reclassification adjustment of revenue and expenses.

Group	For the year ended 31 March 2018				
	As previously reported	Effect of changing Accounting standards - SLFRS 15	Adjustment to fair value on acquisition - SLFRS 3	Effect of Recognition of NCI to be acquired	Restated
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Statement of Profit or Loss					
Revenue from Contracts with Customers	50,860,017	(985,633)	-	-	49,874,384
Cost of Sales	(32,206,161)	38,735	-	-	(32,167,426)
Gross Profit	18,653,856	(946,898)	-	-	17,706,958
Other Operating Income	414,487				414,487
Selling and Distribution Expenses	(5,608,121)	921,371	-	-	(4,686,750)
Administrative Expenses	(9,098,645)	25,527	-	-	(9,073,118)
Share of Results of Joint Ventures	(80,148)	-	-	-	(80,148)
Share of Results of Associates	(36,334)	-	-	-	(36,334)
Operating Profit	4,245,095	-	-	-	4,245,095
Finance Cost	(618,109)	-	-	-	(618,109)
Finance Income	765,350	-	-	-	765,350
Profit Before Tax	4,392,336	-	-	-	4,392,336
Income Tax Expenses	(1,441,523)	-	-	-	(1,441,523)
Profit for the Year	2,950,813	-	-	-	2,950,813
Attributable to:					
Equity Holders of the Parent	2,687,457	-	-	-	2,687,457
Non-Controlling Interests	263,356	-	-	-	263,356
	2,950,813	-	-	-	2,950,813

Group	For the year ended 31 March 2018				
	As previously reported	Effect of changing Accounting standards - SLFRS 15	Adjustment to fair value on acquisition - SLFRS 3	Effect of Recognition of NCI to be acquired	Reclassified
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Statement of Financial Position					
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	18,069,039	-	-	-	18,069,039
Investment Properties	1,507,474	-	-	-	1,507,474
Leasehold Rights/Prepaid Lease Rentals	766,809	-	-	-	766,809
Intangible Assets	3,445,167	-	48,815	-	3,493,982
Investment in Joint Ventures	1,025,855	-	-	-	1,025,855
Investment in Associates	28,394	-	-	-	28,394
Other Non Current Financial Assets	731,335	-	(20,000)	-	711,335
Deferred Tax Assets	61,510	-	-	-	61,510
	25,635,583	-	28,815	-	25,664,398
Current Assets					
Inventories	9,909,384	-	(35,934)	-	9,873,450
Trade and Other Receivables	14,178,651	-	(56,440)	-	14,122,211
Tax Recoverable	196,263	-	-	-	196,263
Other Current Financial Assets	130,857	-	-	-	130,857
Cash and Short Term Deposits	7,711,402	-	-	-	7,711,402
	32,126,557	-	(92,374)	-	32,034,183
TOTAL ASSETS	57,762,140	-	(63,559)	-	57,698,581
EQUITY AND LIABILITIES					
Equity					
Stated Capital	5,960,450	-	-	-	5,960,450
Other Capital and Revenue Reserves	141,775	-	-	-	141,775
Other Components of Equity	1,955,897	-	-	-	1,955,897
Retained Earnings	18,522,441		-	(1,101,680)	17,420,761
Equity Attributable to Equity Holders of the Parent	26,580,563	-	-	(1,101,680)	25,478,883
Non-Controlling Interests	4,440,044	-	(58,879)	(790,720)	3,590,445
Total Equity	31,020,607	-	(58,879)	(1,892,400)	29,069,328
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	2,243,540	-	-	-	2,243,540
Other Financial Liabilities	16,941	-	-	1,892,400	1,909,341
Deferred Tax Liability	1,844,002	-	(29,494)	-	1,814,508
Employee Benefit Liability	850,448	-	-	-	850,448
	4,954,931	-	(29,494)	1,892,400	6,817,837
Current Liabilities					
Trade and Other Payables	16,390,081	-	24,814	-	16,414,895
Income Tax Liabilities	493,525	-	-	-	493,525
Interest Bearing Loans and Borrowings	2,931,913	-	-	-	2,931,913
Bank Overdraft	1,971,083	-	-	-	1,971,083
	21,786,602	-	24,814	-	21,811,416
TOTAL EQUITY & LIABILITIES	57,762,140	-	(63,559)	-	57,698,581

34. Related Party Disclosures

Refer Note 36 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 22.2.1 & 17.1.3 to these financial statements respectively.

34.1 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 29 to these financial statements.

Terms and Conditions:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free.

34.1.1 Company

Nature of Transaction	Subsidiaries		Joint Ventures/ Associates		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Services Rendered	636,091	546,676	-	-	141	965	636,232	547,641
Bank Guarantee Fees	1,203	2,132	12,137	10,832	-	-	13,340	12,964
IT Charges	315,215	262,011	6,680	5,287	3,597	2,859	325,492	270,157
Rent	36,517	33,197	-	-	-	-	36,517	33,197
Loan Interest Income	38,983	34,878	-	-	-	-	38,983	34,878
Loans Granted to Subsidiaries	(320,000)	(1,247,337)	-	-	-	-	(320,000)	(1,247,337)
Loans Repaid by Subsidiaries	641,447	1,018,047	-	-	-	-	641,447	1,018,047
Loan Interest Expense	(15,310)	(8,838)	-	-	-	-	(15,310)	(8,838)
Receipt of Services	(132,877)	(179,576)	-	-	-	-	(132,877)	(179,576)
Shared Service Fee	(11,948)	(10,875)	-	-	-	-	(11,948)	(10,875)
Purchase of Air Tickets and Foreign Currency	(46,783)	(42,468)	-	-	-	-	(46,783)	(42,468)
Loans Obtained from Subsidiaries	780,500	69,000	-	-	-	-	780,500	69,000
Loans Repaid to Subsidiaries	(316,899)	(201,860)	-	-	-	-	(316,899)	(201,860)
Insurance Services Rendered	-	-	-	-	-	(12,318)	-	(12,318)
Other	106,264	97,504	-	-	1,740	889	108,004	98,393

The provision made for on accounts of related party receivables is disclosed in Note 19 to these financial statements

34. Related Party Disclosures (Contd.)

34.1.2 Group

Company	Relationship	Name of Director	Nature of Transaction	Value 2019 LKR 000	Value 2018 LKR 000
PH Resorts (Pvt) Ltd.	Joint Venture		Services Rendered	30,014	20,297
			Purchase of Air Tickets and Foreign Currency	-	5,325
			Transport Charges	-	35
			Support services, Promotional & IT services	6,708	5,761
Healthnet International (Pvt) Ltd.	Associate		Sales of Goods	239,385	78,877
Hire 1 Technologies (Pvt) Ltd.	Associate		Services Rendered	-	128
ET Properties (Pvt) Ltd.	Key Management Personnel	Mr. I. A. H. Esufally	Services Rendered	73	18
			Rent & Utilities	84,884	74,544
Janashakthi General Insurance Limited	Key Management Personnel	Mr. H. N. Esufally	Insurance Related Services	-	164,369

34.2 Transactions with Key Management Personnel

The key Management Personnel are the all Executive and Non Executive Directors of Hemas Holdings PLC and its subsidiaries.

(a) Key Management Personnel Compensation

	Group		Company	
	2019 LKR 000	2018 LKR 000	2019 LKR 000	2018 LKR 000
Short Term Benefits	527,631	403,371	140,568	130,132
Post Employment Benefit	-	3,829	-	-
Share Based Payment	-	90,354	-	10,678

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

No significant transactions had taken place involving Key Management Personnel & their close family members.

35. Segmental Information

Accounting Policy

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.

Information based on the primary segments (Business Segment)

For the year ended 31 March	Consumer		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000	2019 LKR 000	2018 LKR 000	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated
Revenue												
Segmental Revenue - Gross	25,718,741	16,693,547	27,942,220	23,267,154	4,981,878	4,171,976	2,965,565	2,837,321	4,357,810	4,733,279	65,966,214	51,703,277
Intra Segmental Revenue	(163,696)	(189,667)	(244,980)	(240,746)	-	-	(35,505)	(23,040)	(187,540)	(308,278)	(631,721)	(761,731)
Segment Revenue	25,555,045	16,503,880	27,697,240	23,026,408	4,981,878	4,171,976	2,930,060	2,814,281	4,170,270	4,425,001	65,334,493	50,941,546
Inter Segmental revenue	-	(13,985)	-	-	-	-	(95,095)	-	(1,157,244)	(1,053,177)	(1,252,339)	(1,067,162)
Total Revenue	25,555,045	16,489,895	27,697,240	23,026,408	4,981,878	4,171,976	2,834,965	2,814,281	3,013,026	3,371,824	64,082,154	49,874,384
Results												
Segmental Results	2,737,949	1,433,058	2,181,087	2,296,741	372,032	263,201	691,750	835,972	(368,886)	(501,941)	5,613,933	4,327,032
Finance Cost	(261,768)	(48,467)	(395,081)	(272,237)	(82,284)	(32,443)	(86,958)	(28,349)	(220,121)	(236,613)	(1,046,212)	(618,109)
Finance Income	233,683	148,116	117,116	124,820	53,669	47,106	40,143	19,850	33,416	425,458	478,027	765,350
Change in Fair Value of Investment Properties	-	-	-	-	113,492	34,612	-	-	26,625	(66)	140,117	34,546
Share of Results of Associate	-	-	-	-	(11,585)	(3,445)	-	-	(23,097)	(32,889)	(34,682)	(36,334)
Share of Results of Joint Venture	-	-	-	-	(58,043)	(80,148)	-	-	-	-	(58,043)	(80,148)
Profit/(Loss) before Tax	2,709,864	1,532,707	1,903,122	2,149,324	387,281	228,883	644,935	827,473	(552,063)	(346,051)	5,093,140	4,392,336
Income Tax Expenses	(680,244)	(336,803)	(404,546)	(420,434)	(74,804)	(118,820)	(115,529)	(126,962)	(138,781)	(438,504)	(1,413,904)	(1,441,523)
Profit / (Loss) for the Year	2,029,620	1,195,904	1,498,576	1,728,890	312,477	110,063	529,406	700,511	(690,844)	(784,555)	3,679,236	2,950,813
Attributable to:												
Equity Holders of the Parent	1,889,987	1,227,685	1,492,759	1,668,027	213,081	35,547	464,296	542,670	(690,844)	(786,472)	3,369,279	2,687,457
Non-Controlling Interests	139,633	(31,781)	5,817	60,863	99,396	74,516	65,110	157,841	-	1,917	309,957	263,356
	2,029,620	1,195,904	1,498,576	1,728,890	312,477	110,063	529,406	700,511	(690,844)	(784,555)	3,679,236	2,950,813

35. Segmental Information (Contd.)

Information based on the primary segments (Business Segment)

As at 31st March	Consumer		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated	2019 LKR 000	2018 LKR 000 Restated
Assets and Liabilities												
Non-Current Assets												
Property, Plant and Equipment	4,050,528	4,000,146	5,653,475	3,945,265	4,400,954	4,313,437	2,324,741	1,694,702	200,913	2,016,306	16,630,611	15,969,856
Investment Property	-	-	-	-	-	-	-	-	3,931,792	3,628,975	3,931,792	3,628,975
Other Non Current Financial Assets	1,854	21,996	205,812	984,511	218,425	683,630	6,764	13,518	723,047	385,108	1,155,902	2,088,763
Other Non Current Assets	2,713,855	2,833,078	1,569,517	1,831,419	8,239,616	8,382,747	3,547,847	3,112,128	19,512,330	19,840,249	35,583,165	35,999,621
Segmental Non-Current Assets	6,766,237	6,855,220	7,428,804	6,761,195	12,858,995	13,379,814	5,879,352	4,820,348	24,368,082	25,870,638	57,301,470	57,687,215
Deferred Tax Assets											107,862	61,510
Eliminations/Adjustments											(31,223,277)	(32,084,327)
Total Non Current Assets											26,186,055	25,664,398
Segmental Current Assets												
Other Current Financial Assets	75,181	56,099	200,045	28,927	61,719	35,259	46,965	12,184	52,323	383,023	436,233	515,492
Segmental Current Assets	6,139,951	7,280,430	17,461,315	11,363,067	5,208,746	4,404,213	1,839,092	2,064,266	6,222,426	7,548,733	36,871,530	32,660,709
Tax Recoverable											299,270	196,263
Eliminations/Adjustments											(1,043,688)	(1,338,281)
Total Current Assets											36,563,345	32,034,183
Total Assets											62,749,400	57,698,581
Non-Current Liabilities												
Segmental Non Current Liabilities	306,010	248,400	415,233	988,647	765,467	386,014	764,626	778,174	155,219	1,175,445	2,406,555	3,576,680
Other Non-current Financial Liabilities	42,565	1,083,678	3,388	585	14,806	14,537	480	1,630	275,000	-	336,239	1,100,430
Deferred Tax Liability											1,811,865	1,814,508
Eliminations/Adjustments											1,550,935	326,219
Total Non-Current Liabilities											6,105,593	6,817,837
Current Liabilities												
Segmental Current Liabilities	3,587,300	4,194,868	12,627,913	9,676,457	4,561,764	4,420,562	1,184,805	1,176,471	3,903,895	3,256,497	25,865,677	22,724,855
Income Tax Liability											439,083	493,525
Eliminations/Adjustments											(1,530,675)	(1,406,964)
Total Current Liabilities											24,774,085	21,811,416
Total Liabilities											30,879,678	28,629,253
Total Segment Assets	12,981,369	14,191,749	25,090,164	18,153,189	18,129,460	17,819,286	7,765,409	6,896,798	30,642,831	33,802,394	94,609,233	90,863,416
Total Segment Liabilities	3,935,875	5,526,946	13,046,534	10,665,689	5,342,037	4,821,113	1,949,911	1,956,275	4,334,114	4,431,942	28,608,471	27,401,965
Other Segmental Information												
Acquisition Cost of Property Plant and Equipment	366,915	256,854	1,135,540	460,866	330,369	85,183	759,714	1,247,584	51,556	366,405	2,644,095	2,416,892
Depreciation of Segmental Assets	331,338	231,262	492,285	370,797	214,827	190,880	127,445	87,953	104,949	190,126	1,270,844	1,071,018
Provision for Retirement Benefit	55,420	30,215	75,383	51,410	34,110	30,191	8,591	6,807	26,616	46,077	200,120	164,700
Impairment/Amortisation of Intangibles	17,852	10,929	29,437	38,257	17,672	17,245	2,890	3,521	20,764	22,228	88,615	92,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Group Companies

Hemas Holdings PLC has business interests across four industry groups, namely, Consumer, Healthcare, LTA and Mobility services.

The holding company is located at No. 75, Braybrooke Place, Colombo 02. The Group has considered all its subsidiary and associate companies numbering 61 in capturing its financial performance. For the purpose of reporting on its sustainability performance, the Group has considered 35 companies which are the legal entities and for which the Group is accountable and has control. The companies not included for reporting on Sustainability Performance are companies that do not carry out any operations that significantly interact with the environment or society at large. Such companies numbering 26 are either non-operational entities, investment entities, land-only holding companies, managing companies, companies that are office based or overseas operations that have been excluded this year for sustainability reporting. Such companies have been clearly identified below.

* These companies have been excluded for sustainability reporting purposes as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, land-only holding companies, managing companies, companies that are office based or overseas operations that have been excluded this year from sustainability reporting.

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2019	2018	2019	2018	
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. 96, Parakrama Road, Peliyagoda.	Subsidiary	**75%**	75%	**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
*Kyannmar Pharmaceuticals (Pvt) Limited No.51, Goldhill Plaza #07-10/11 Singapore.	Subsidiary	**51%**	51%	**51%**	51%	Distribution of Pharmaceutical Products
*Hemas Mandalar (Pvt) Limited No.1001, Pyay Road, 10 Mile, Insein Township, Yangon, Myanmar.	Subsidiary	**51%**	51%	**51%**	51%	Distribution of Pharmaceutical Products
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala.	Subsidiary	**85%**	85%	**85%**	85%	Hospital Services

Name /Principle Place of Business	Relationship	Effective Holding 2019	Effective Holding 2018	Voting Power 2019	Voting Power 2018	Principal Activities
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda.	Subsidiary	85%	85%	85%	85%	Hospital Services
*Hemas Southern Hospital (Pvt) Ltd. No. 10, Wakwella Road, Galle.		-	85%	-	85%	Hospital Services
*Digital Healthcare Solutions (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	93%	93%	93%	93%	Develop and Operating a 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 Aids
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%	56%	56%	Operating a Tourist Hotel
*Evolution Capital Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	56%	56%	Operating a Tourist Hotel
Lantern Villas (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2019	2018	2019	2018	
Hemas Air Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	GSA Malaysian Airline
Hemas Travels (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Travel Agent
Hemas Aviation (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	100%	100%	Airline Representation
*LTU Asia Aviation Services Co.,Ltd. 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%	24%	60%	60%	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
*Forbes Leisure Services (Private) Limited No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	-	100%	-	Airline Representation
*Sanctuary Resorts Wilpattu Lanka (Private) Limited No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	56%	100%	56%	Hotel Property
*Sanctuary Lanka Resorts (Pvt) Ltd No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	56%	56%	Provision of Hotel Management Services
MOBILITY						
Far Shipping Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Shipping Agents
Far Shipping Agency Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	60%	60%	60%	60%	Shipping Agents
Hemas Transportation (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	100%	100%	Investment Holding Company
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

Name /Principle Place of Business	Relationship	Effective Holding		Voting Power		Principal Activities
		2019	2018	2019	2018	
Evergreen Shipping Agency Lanka (Pvt) Ltd. Level 9, "Parkland", No:33, Park Street, Colombo 02.	Subsidiary	**60%**	-	**60%**	-	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 Agents
OTHER						
Hemas Corporate Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	**100%**	100%	**100%**	100%	Corporate Secretaries
Hemas Developments (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	**100%**	100%	**100%**	100%	Property Development
Vishwa BPO (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01.	Subsidiary	**100%**	100%	**100%**	100%	Financial & Accounting BPO
*N-able (Pvt) Ltd. No:36, Hemas Building ,Sir Razeek Fareed Mawatha, Colombo 01.	Subsidiary	**100%**	100%	**100%**	100%	Enabling Information & Technology Solutions
*N-able Global (Pvt) Ltd. 51 Goldhill Plaza, No.07-10/11,Singapore.	Subsidiary	**100%**	100%	**100%**	100%	Enabling Information & Technology Solutions
*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%	**30%**	30%	Research & Development, Manufacturing and Sales & Distribution of Invention.
*Hire 1 Technologies (Pvt) Ltd. No.199/29, Obesekara Crescent, Rajagiriya.	Associate	**20%**	20%	**20%**	20%	Providing digital Logistics Services
*VulcanD (Pvt) Ltd. 570, Gothatuwa Watta, Baddegama, Galle.	Associate	**20%**	-	**20%**	-	Development of Health related technology based products.

TEN YEAR SUMMARY

Year Ended 31st March LKR 000	2019	2018 Restated	2017	2016
Operating Results				
Group Revenue	**64,082,154**	49,874,384	43,404,452	37,976,564
Profit Before Taxation	**5,093,140**	4,392,336	5,086,894	4,074,369
Taxation	**1,413,904**	1,441,523	1,333,044	1,148,399
Profit After Taxation	**3,679,236**	2,950,813	3,753,850	2,925,970
Profit Attributable to the Parent	**3,369,279**	2,687,457	3,491,478	2,653,208
Equity & Liabilities				
Stated Capital	**7,734,054**	5,960,450	5,741,038	5,722,837
Reserves	**1,867,941**	2,097,672	2,262,995	2,081,186
Retained Earnings	**18,496,649**	17,420,761	16,907,218	14,187,670
Non Controlling Interests	**3,771,078**	3,590,445	3,217,800	2,661,619
Non Current Liabilities	**6,105,595**	6,817,837	3,195,557	4,236,430
Current Liabilities	**24,774,085**	21,811,416	15,993,943	13,437,433
	62,749,400	57,698,581	47,318,551	42,327,175
Assets				
Property, Plant and Equipment	**18,685,435**	18,069,039	13,525,589	12,764,329
Investment Property	**1,647,591**	1,507,474	1,472,928	1,735,779
Leasehold Property	**731,276**	766,809	828,405	115,751
Intangible Assets	**3,468,946**	3,493,982	954,060	852,339
Investments (Joint Ventures, Associate & Others)	**1,544,945**	1,765,584	2,011,322	2,102,962
Deferred Tax Assets	**107,862**	61,510	57,400	47,829
Current Assets	**36,563,345**	32,034,183	28,468,847	24,708,186
	62,749,400	57,698,581	47,318,551	42,327,175
Key Indicators				
Earnings Per Share (LKR)*	**5.65**	4.52	6.10	4.71
Dividends Per Share (LKR)*	**4.93**	1.85	1.40	1.10
Dividend Cover (No. of Times)	**1.15**	2.44	4.36	4.28
Interest Cover (No. of Times)	**5.41**	6.87	9.21	7.70
Net Asset Per Share (LKR)*	**47.14**	44.32	43.50	38.41
Cash from Operating Activities (LKR 000)	**1,813,421**	5,782,146	3,005,374	4,250,945
Current Ratio (No. of Times)	**1.5**	1.5	1.8	1.8
Gearing (%)	**18.2**	19.7	16.0	18.5
ROE (%)	**12.6**	10.7	14.9	14.1

2015 Restated	2014 Restated	2013	2012	2011	2010
32,496,953	27,259,281	26,974,910	22,210,017	18,552,220	15,221,418
3,094,939	3,192,344	2,406,155	1,521,080	1,569,345	1,094,719
704,200	469,673	472,422	259,772	214,154	160,075
2,390,739	2,722,671	1,933,733	1,261,308	1,355,191	934,644
1,927,051	2,409,276	1,657,655	1,164,525	1,210,159	901,730
1,600,603	1,600,603	1,600,603	1,600,603	1,468,426	1,369,223
1,327,720	1,492,495	1,724,228	1,601,854	646,083	805,983
12,730,653	11,207,426	8,828,511	7,447,822	6,613,376	5,516,910
2,263,623	3,329,111	2,259,037	1,990,665	1,589,630	1,488,104
4,244,615	4,322,629	2,613,184	1,938,996	2,203,470	1,570,430
12,271,106	10,174,363	6,757,388	8,075,746	6,585,210	5,316,281
34,438,320	32,126,627	23,782,951	22,655,686	19,106,195	16,066,931
11,465,089	12,563,655	10,038,723	10,283,616	7,446,650	7,033,615
1,763,665	1,683,130	578,453	474,685	1,309,965	1,261,410
109,545	145,847	90,592	94,455	98,386	61,845
755,953	1,333,219	436,670	461,499	491,318	333,073
2,091,425	2,854,479	2,033,993	503,468	445,257	241,564
72,731	58,580	39,596	35,621	35,014	22,805
18,179,912	13,487,717	10,564,924	10,802,342	9,279,605	7,112,619
34,438,320	32,126,627	23,782,951	22,655,686	19,106,195	16,066,931
3.74	4.68	3.22	2.27	2.36	1.76
1.10	0.75	0.55	0.50	0.70	0.36
3.40	6.05	5.82	4.50	3.40	4.90
7.33	7.15	7.50	4.30	6.20	3.30
30.39	27.75	46.15	20.70	17.30	15.10
3,329,052	2,686,659	1,863,616	1,096,261	1,994,663	1,407,985
1.5	1.3	1.6	1.3	1.4	1.3
26.9	25.9	25.5	25.0	27.8	25.8
12.9	18.2	14.5	12.0	14.6	12.3

SHAREHOLDER INFORMATION

1. Analysis of Shareholders as at 31 March 2019

	Resident			Non-Resident			Total		
Shareholdings	No.of Shareholders	No.of Shares	Percentage	No.of Shareholders	No.of Shares	Percentage (%)	No.of Shareholders	No.of Shares	Percentage
1 to 1000 Shares	2,757	999,435	0.17	23	8,467	0.00	2780	1,007,902	0.17
1001 to 10,000 Shares	1,053	2,881,234	0.48	17	51,419	0.01	1,070	2,932,653	0.49
10,001 to 100,000 Shares	226	5,805,224	0.97	19	462,827	0.08	245	6,268,051	1.05
100,001 to 1,000,000 Shares	47	14,855,887	2.49	21	9,521,756	1.60	68	24,377,643	4.09
Over 1,000,000 Shares	17	402,070,424	67.46	24	159,386,752	26.74	41	561,457,176	94.20
Total	4,100	426,612,204	71.57	104	169,431,221	28.43	4,204	596,043,425	100.00

2. Categories of Shareholders

	No.of Shareholders	No. of Shares
Individual	3,939	39,104,732
Institutional	265	556,938,693
	4,204	596,043,425

3. Share Trading

	2019	2018
Market Price		
Highest Price (Rs.)	**127.00**	154.90
	17/04/2018	30/6/2017
Lowest Price (Rs.)	**73.50**	108.00
	25/3/2019	3/4/2017
As at year end (Rs.)	**75.00**	124.90
No. of Trades	**2,542**	3,216
No of Shares Traded	**46,483,897**	45,206,524
Value of Shares Traded (Rs. Mn)	**4,467**	6,114
Market Capitalisation (Rs Mn)	**44,703.25**	71,809.16

4. Computation of Public Shareholding

As at 31 March	2019 No of shares
Issued Share Capital as at 31 March 2019	596,043,425
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	18,909,910
Spouses of Directors and Chief Executive Officer	-
Key Management Personnel	-
Close Family Members (b)	2,850,875
Controlling Interest (c)	361,512,855
Over 10% Holding	-
Public Holding	212,769,785
Public Holding as a % of Issued Share Capital	35.70%
Total Number of Shareholders	4,204
Number of Persons Holding Shares Excluded when Computing Public Holding %	12
Number of Shareholders representing the Public Holding	4,192

SHAREHOLDER INFORMATION

5. Major Shareholders

List of 20 Major Shareholders as at 31 March	2019 No of Shares	%	2018 No of Shares	%
A Z Holdings (Private) Limited	**94,092,305**	**15.79**	90,762,875	15.79
Saraz Investments (Private) Limited	**89,565,277**	**15.03**	86,396,035	15.03
Blueberry Investments (Pvt) Ltd	**88,927,940**	**14.92**	85,781,250	14.92
Amagroup Pvt Ltd	**88,927,333**	**14.92**	85,780,665	14.92
JPMLU-Franklin Templeton Investment Funds	**34,134,070**	**5.73**	40,804,579	7.10
Citibank Newyork S/A Norges Bank Account 2	**17,815,148**	**2.99**	17,184,764	2.99
JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets Small Cap Fund	**15,513,186**	**2.60**	14,964,257	2.60
BNYMSANV-Re-First State Investments ICVC-Stewart Investors Indian Subcontinent Fund	**12,401434,**	**2.08**	11,962,613	2.08
BBH-KOPERNIK Global All-Cap Fund	**9,846,711**	**1.65**	109,795	0.02
CB London S/A Verdipapirfondet Holberg Rurik	**8,899,078**	**1.49**	7,863,006	1.37
JPMCB-Pacific Assets Trust PLC	**7,043,079**	**1.18**	6,793,862	1.18
Mr. M. A. H. Esufally	**6,164,633**	**1.03**	5,946,500	1.03
BNYMSANV Re-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund	**6,085,356**	**1.02**	9,745,440	1.70
Phoenix Ventures Private Limited	**5,985,804**	**1.00**	2,980,510	0.52
Mr. H. N. Esufally	**5,791,640**	**0.97**	5,586,705	0.97
BBH-Kopernik Global All-Cap Equity Fund	**5,477,055**	**0.92**	44,651	0.01
Mr. I.A.H. Esufally	**4,586,284**	**0.77**	4,424,000	0.77
Mellon Bank N.A.-Florida Retirement System	**4,569,397**	**0.77**	4,407,711	0.77
BNYMSANV Re-First State Investments ICVC-Stewart Investors Global Emerging Markets Sustainability Fund	**4,315,390**	**0.72**	5,036,288	0.88
State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Master) Fund	**4,215,354**	**0.71**	4,066,195	0.71
	514,356,474	**86.30**	487,506,745	84.81

a) Directors' Shareholding

	2019	2018
Mr. H.N. Esufally	**5,791,640**	5,586,705
Mr. A.N. Esufally	**2,367,353**	2,283,585
Mr. I.A.H. Esufally	**4,586,284**	4,424,000
Mr. M.A.H. Esufally	**6,164,633**	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	-	-
Prof. N.R. De Silva	-	-
Total	**18,909,910**	18,240,790

b) Close Family Members

	31 March 2019	31 March 2018
Ms. Sabrina Esufally	**259,170**	250,000
Mr. Adam Esufally	**259,170**	250,000
Ms. R.H.Esufally	**259,170**	250,000
Ms. Sakina Imtiaz Esufally	**2,073,365**	2,000,000
Total	**2,850,875**	2,750,000

c) Controlling Interest

	31 March 2019	31 March 2018
Saraz Investments (Private) Limited	**89,565,277**	86,396,035
A Z Holdings (Private) Limited	**94,092,305**	90,762,875
Blueberry Investments (Pvt) Ltd	**88,927940,**	85,781,250
Amagroup (Pvt) Ltd	**88,927,333**	85,780,665
Total	**361,512,855**	348,720,825

6. Employee Share Option Plan as at 31 March 2019

	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	-	627,153	96,250	490,633	-	1,794,714	1,794,714	-	87.50
		Executive Directors	687,500				-		153,490	-	534,010	534,010	-	
		Senior Executives	2,321,250				627,153	96,250	337,143	-	1,260,704	1,260,704	-	
Grant 3	27.07.2017		3,420,000	26.07.2021	149.50	-	-	215,000	1,170,204	-	2,034,796	2,034,796	-	149.50
		Executive Directors	687,500				-		379,375	-	308,125	308,125	-	
		Senior Executives	2,732,500				-	215,000	790,829	-	1,726,671	1,726,671	-	
Grant 4	27.07.2018		3,491,250	26.07.2022	108.81	-	-	15,000	-	-	3,476,250	-	3,476,250	108.81
		Executive Directors	687,500				-	-	-	-	687,500	-	687,500	
		Senior Executives	2,803,750				-	15,000	-	-	2,788,750	-	2,788,750	

INDEPENDENT ASSURANCE REPORT

EY
Building a better working world

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Independent Assurance Report to Hemas Holdings PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2018/19

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- 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 85 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

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 ("ICASL").

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

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

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the 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: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 04 March 2019. 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 ICASL.

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 the relevant 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 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

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

Limitations and considerations

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

Conclusion

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

- The information on financial performance as specified on page 85 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.
- 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- 'In accordance' Core.

Ernst + Young

Ernst & Young
Chartered Accountants
24th May 2019
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

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.

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth 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 Wednesday the 26th day of June 2019 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 2019 together with the Reports of the Directors and Auditors thereon.

2. Mr. D. S. Weerakkody retires by rotation in terms of Article 84 of the Articles of Association, as a Director and does not offer himself for re-election.

3. To re-elect, Dr. S. A. B. Ekanayake who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.

4. To re-elect, Mr. A. S. Amaratunga who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.

5. To re-elect Mr. R. 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 73 and that he be re-elected a Director of the Company."

6. To re-elect, Prof N. R. De Silva 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 authorise the Directors to determine their remuneration.

9. To authorise 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

24th May 2019.

Notes:

- 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.

NOTES

NOTES

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 7	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 7	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	whom failing
Prof. Nilanthi Renuka De Silva of Pitakotte	

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 Wednesday the 26th day of June, 2019 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 authorise 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 2019 together with the Reports of the Directors and Auditors thereon.		
2.	Mr. D. S. Weerakkody retires by rotation in terms of Article 84 of the Articles of Association, as a Director and does not offer himself for re-election.		
3.	To re-elect, Dr. S. A. B. Ekanayake who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.		
4.	To re-elect, Mr. A. S. Amaratunga who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.		
5.	To re-elect Mr. R. Gopalakrishnan who is over 70 years as a Director by passing the ordinary resolution set out in the notice convening the Annual General Meeting.		

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY IS ON THE REVERSE HEREOF

FORM OF PROXY

		For	Against
6.	To re-elect, Prof N. R. De Silva 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 for the ensuing year and to authorise the Directors to determine their remuneration.		
9.	To authorise 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 b signing in the space provided. Please fill in the date of signature.

2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. The completed Form of Proxy should be deposited at No.75, Braybrooke Place, Colombo 02 not less than Forty-Eight (48) hours before the time appointed for the Meeting.

CORPORATE INFORMATION

Legal Form

A Limited Liability Company incorporated in Sri Lanka and listed on the Colombo Stock Exchange on 15th October 2003

Date of Incorporation

10th December 1948

Date of Re-Registration

30th May 2007

Company Re-Registration Number

PQ 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
Prof. N R De Silva

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 Hongkong & 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
Citibank N.A.
DFCC Bank PLC

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HEMAS

එදත්, අදත්, හෙටත් දේශයට මෙහෙවරක්

அன்றும், இன்றும், என்றும் தேசத்திற்கே பணி

Nurturing lives. Serving the nation.