MAKING HEALTHFUL LIVING HAPPEN

ANNUAL REPORT 2019/20

MAKING HEALTHFUL LIVING HAPPEN

Hemas was founded on the principle that people who live healthfully form strong families, communities and countries.

Over the recent past, we have witnessed watershed moments that have redefined life as we know it and have affected the wellbeing of all our stakeholders. People are experiencing immense pressure on their health - mental, physical, spiritual and social. As a result, the role Hemas must play in making healthful living happen is now more vital than ever.

As our communities and businesses cultivate resilience and fortitude, and start to rebuild, we choose this moment to reaffirm our core reason for being: to bring back daily moments of joy through a portfolio of products and services that delights in its utilitarianism, to define a more robust version of health that moves beyond the absence of illness, and to champion a more inclusive world that celebrates equal opportunity, integration and harmony. To us, this is a healthful life.

We exist to help all our stakeholders live healthfully – to celebrate and elevate all the moments that make up a life. This is the Hemas way.

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ABOUT US

Hemas started with simple intent: to help families live healthfully. This core belief has informed our growth for over 70 years. Today, we bring healthful living to life through our focus in Consumer, Healthcare and Mobility. Woven into the socioeconomic fabric of Sri Lanka, Hemas has also expanded regionally with operations in Bangladesh, West Bengal and Myanmar.

In our onward journey, we will continue to invest in diverse and passionate teams, create meaningful offerings, cultivate trusted partnerships, and champion a more inclusive world, so that we continue to create positive impact for all our stakeholders.

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.

Our Purpose

MAKE HEALTHFUL LIVING HAPPEN

Values

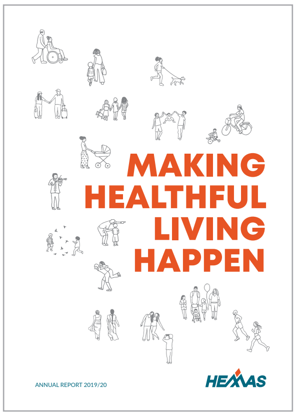
Passion for customers

Obsession for performance

Driven by innovation

Concern for people

ABOUT OUR REPORT



This is the 2nd Integrated Annual Report of Hemas Holdings PLC setting out a balanced and holistic assessment of our performance during the Financial Year 2019/20. The Group's previous communication of its progress was its Annual Report 2018/19. We continue our journey to adopt international best practice in corporate reporting to provide sufficient relevant information on material issues impacting our performance.

SCOPE AND BOUNDARY

The financial reporting boundary cover 61 legal entities including the parent company, collectively referred to as the Group.

The sustainability reporting boundary of the report pertains to 34 legal entities. Geographically, the non - financial information contained in this Report has been limited to Hemas Holdings PLC's operations within Sri Lanka.

Please refer pages 233 to 238 for a list of entities included in sustainability information of this report.

REGULATORY FRAMEWORK

- Companies Act No.7 of 2007
- Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Listing Rules of the Colombo Stock Exchange

Assurance on financial statements has been provided by Ernst & Young

VOLUNTARY FRAMEWORKS

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- IR Framework issued by the International Integrated Reporting Council
- This report has been prepared in accordance with the GRI Standards: Core Option

Assurance on sustainability information has been provided by Ernst & Young

ABOUT OUR REPORT

SUSTAINABILITY INFORMATION

The report content is derived from the Sustainability Management Framework in operation at Hemas. This includes processes for determining materiality, data collection, target setting and monitoring the impact of relevant sustainability initiatives promoting integrated thinking and reporting.

SIGNIFICANT CHANGES DURING THE YEAR

During the year, we divested the controlling stake of our Travel and Aviation operations and the financial and sustainability information relating to these entities are included in the financial statements and sustainability information up to March 2020. We also divested N-*able* in July 2019 and the financial information reflects its operation up to divestment. There is no impact on sustainability information stemming from the divestment of N-*able* as their operations were not included in the sustainability information for the previous year. Additionally, information relating to Hemas Southern Hospital divested in the previous year is also included in the comparatives for the previous year. We have clearly identified the impact of these changes in the reporting boundary and have restated the information where relevant in the subsequent sections of this report.

Reporting Principles

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

<IR> Framework

FORWARD LOOKING STATEMENTS

We have included forward looking statements in this report, particularly in the context of assessing key risks and opportunities and a discussion of our future plans. We believe that these will aid the assessment of the future performance of the Group.

We acknowledge that these statements have an inherent degree of uncertainty associated with them, particularly in light of the unfolding COVID-19 pandemic. Therefore, we advise readers to exercise independent judgment in relation to the forward looking statements presented in this report. Such information is provided without liability to the Board or other preparers of the Annual Report.

FEEDBACK AND INQUIRIES

We value your feedback and will use the same in improving the Annual Report in the year that has commenced.

For inquiries regarding the Annual Report please contact:

Hemas Corporate Services (Pvt) Ltd,
Hemas House No 75, Braybrooke Place,
Colombo 2.
Tel: +94 11 47314731   Ext: 1106

ACKNOWLEDGEMENT

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 Annual Report of the Board of Directors includes an acknowledgement of the Directors' responsibilities with regard to the Annual Report.

Scan the QR code to view this report online
or visit www.hemas.com/investor-relations

FOCUS AREAS

CONSUMER

- Home and Personal Care
- School and Office Stationery
- Over-the-Counter (OTC) Consumer Products

HEALTHCARE*

- Hospitals
- Pharmaceutical Distribution
- Pharmaceutical Manufacturing

LEISURE, TRAVEL AND AVIATION**

- Hotels
- Inbound Travel
- Outbound Travel
- Aviation

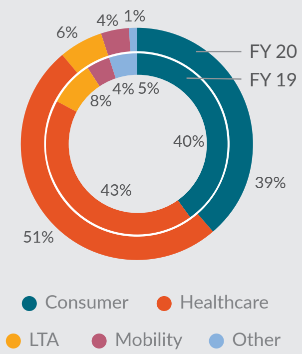
MOBILITY

- Logistics
- Maritime

* *All sustainability data relating to Morison PLC (OTC Consumer Products and Pharmaceutical Manufacturing) is carried under Healthcare.*

** *Performance of the Travel and Aviation segments are included in the LTA Sector for FY 2019/20 as the divestiture of these operations took place in March 2020.*

REVENUE



18,944 MT
Our Carbon Footprint

312,154 M³
Our Water Footprint

56
Piyarawa Pre-Schools

PERFORMANCE HIGHLIGHTS

		FY 2019/20	FY 2018/19	%
Financial Capital	**Income Statement (Rs. million)**			
	Group Revenue	61,632	64,082	-4%
	Profit from Operations	3,561	5,661	-37%
	Net Finance Expense	(769)	(568)	-35%
	Share of Profit from Equity Accounted Investees	(120)	(93)	-29%
	Profit Before tax	2,792	5,093	-45%
	Profit After Tax	1,363	3,679	-63%
	Statement of Financial Position (Rs. million)			
	Non-Current Assets	28,727	26,242	9%
	Current Assets	35,654	36,507	-2%
	Total Assets	64,380	62,749	3%
	Total Equity	31,474	31,870	-1%
	Non-Current Liabilities	9,697	6,106	59%
	Current Liabilities	23,209	24,774	-6%
	Total Liabilities	32,906	30,880	7%
	Key Ratios			
	ROE (%)	4.4%	12.1%	-64%
	Interest Cover (x)	3.39	5.41	-37%
	Net Debt/EBITDA (x)	0.74	0.09	728%
	Dividend Cover (x)	1.43	1.15	25%
	Dividend Pay Out Ratio (x)	0.70	0.87	-20%
	Current Ratio (x)	1.54	1.47	4%
	Debt Equity Ratio (%)	30.2%	22.3%	35%
	Share Information			
	Market Capitalisation as at 31st March (Rs. million)	33,498	44,703	-25%
	Market Price as at 31st March (Rs.)	56.20	75.00	-25%
	Earnings Per Share (Rs.)	2.07	5.65	-63%
	Dividends Per Share (Rs.)	1.45	4.93	-71%
	Net Asset Value per Share (Rs.)	46.83	47.14	-1%
	Price Earnings Ratio (x)	27.15	13.27	105%
Manufactured Capital	Property, Plant and Equipment (PPE) (Rs. million)	20,033	18,685	7%
	Investments in PPE during the year (Rs. million)	3,042	2,644	15%
	Depreciation (Rs. million)	1,271	1,270	0.04%
	Work-in-Progress (Rs. million)	2,784	800	248%

		Unit	FY 2019/20	FY 2018/19
Human Capital	Total Workforce	No.	6,895	8,095
	Training and Development	Hours	58,168	64,291
	Total Work-Related Injury Rate	Per 100 employees	1.45	0.57
	Attrition Rate	%	26.3	22.4
Social and Relationship Capital	*Piyawara* pre-schools added	No.	5	8
	Children with disabilities registered at *Ayati*	No.	5,311	-
	Values of fines for non-compliance with laws and regulations in the social economic area	Rs.	None	None
Intellectual Capital	Group companies with significant operations using ERP or similar software	%	100	100
	Trademarks owned by Group companies	No.	597	445
	Industrial designs held by Group companies	No.	23	20
Natural Capital	Energy Consumption	GJ	128,931	156,602
	Total Volume of Water Withdrawn	M3	312,154	413,339
	Greenhouse Gas Emissions			
	- Direct (Scope 1)	MT	3,789	5,183
	- Indirect (Scope 2)	MT	15,154	16,789
	Total Carbon Footprint	MT	18,944	21,972
	Total Waste Disposed	KG	1,227,594	2,623,412
	Significant Spills	No.	None	None
	Monetary Value of Significant Environmental Fines*	Rs.	None	None

* Instances of significant fines over Rs. 1.0 million

CHAIRMAN'S MESSAGE

"As a strong value-driven company, Hemas has always strived to serve a higher purpose, believing that every family deserves a life filled with daily joy, robust health and hope for the future."

Dear Shareholders,

The year under review was one of unprecedented challenge, marked by two black swan events at the beginning and the end of the year. Impacts of the Easter Sunday terror attacks in April 2019 and its aftermath were keenly felt by Hemas, whilst the COVID-19 pandemic in March 2020 will also have a material impact in the year that has commenced.

PERFORMANCE CONTEXT – ECONOMY

The year got off to a disastrous start with the Easter Sunday attack and its aftermath having a significant impact, especially for Tourism. The business landscape became even more challenging due to policy uncertainty amidst a highly charged political environment which culminated in the election of President Gotabaya Rajapakse in November 2019.

The rupee appreciated marginally by 0.6% in 2019 only to depreciate by 4.5% by March 2020. The benchmark AWPLR declined nearly 300 bps during the financial year reaching high single digits for the first time in many years as a result of monetary policy measures implemented during the year to support private sector credit growth.

The country's economic growth declined to 2.3% in 2019. Per capita income of Sri Lankans declined from USD 4,079 in 2018 to USD 3,852 in 2019. Household consumption grew by 2.9% whilst inflation increased from 2.8% to 4.8% in 2019 due to food supply issues.

Following the appointment of the new Prime Minister and Cabinet in November 2019, several tax benefits and incentives were offered to stimulate growth. This resulted in a boost to business confidence, although the sustainability of this tax regime may be short lived given the present fiscal conditions.

OUR PERFORMANCE

The Group's performance reflects the challenges of the business environment which was further intensified by the misleading ethnically divisive attacks on our business and brands. Consumer and Healthcare sectors felt the brunt of these attacks, whilst the Leisure sector was directly impacted by the decline in Tourism.

The Group recorded a consolidated revenue of Rs. 61.6 billion during the year, a decline of 3.8% over the previous year. Revenues recovered by the third quarter reaching parity with the previous year. However, this trend reversed in the fourth quarter largely on account of the lockdown measures instituted by mid-March 2020. Operating profits registered Rs. 3.6 billion against Rs. 5.7 billion during the previous year, primarily due to lower revenues along with higher costs associated with business recovery efforts. Group profit after tax of Rs. 1.4 billion for the year compared with a fourth quarter profit of Rs. 527.1 million tells the story of our collective efforts to drive the resurgence of our business during the year.

The Home and Personal Care (HPC) business made significant progress after a troubled start, demonstrating the resilience and strength of our brands. The HPC industry showed signs of improvement after two years of volume declines, growing by 0.5% in 2019 compared to a decline of 2% the previous year. Atlas did well to surpass previous year's volumes with strong back to school sales despite initial setbacks.

The Pharmaceutical Distribution business had a strong year boosted by innovative new products in Diabetes and Cardiovascular care, together with the addition of the Mead Johnson agency which gives us a presence in the Nutritional space. Morison, our Pharmaceutical Manufacturing arm had a strong year and is now nearing completion of its new research and manufacturing facility. Hemas Hospitals was adversely impacted at the start of the year, but, made good recovery thereafter.

During the year under review, we exited N-*able* and a portion of our Travel and Aviation sector. However, we retained the Emirates agency and our Hotel portfolio.

Performance of the Mobility sector was dampened by decreased trade volumes. Spectra, our joint venture in the integrated logistics space, commenced operations in its purpose-built facility in September 2018.

INTEGRATING SUSTAINABILITY

A dedicated team continues to integrate sustainability into our business processes, steering the Group towards our sustainability goals. We are delighted that our carbon footprint and water footprint declined during the year in line with our 2025 goals and we hope to maintain this trend.

Our work through the Hemas Outreach Foundation and the *Ayati* Trust marked another major milestone with the opening of *Ayati*, the National Centre of Excellence for Children with Disabilities, providing multidisciplinary care for children with mental and physical disabilities to enable their integration into society. The *Piyawara* programme launched with the Ministry of Women and Child Affairs in 2002 now has 56 pre-schools and expanded its activities to assist the Katuwapitiya community that was affected by the April terror attacks with psychological assistance.

As a strong value-driven company, Hemas has always strived to serve a higher purpose, believing that every family deserves a life filled with daily joy, robust health and hope for the future. Over the past year we have solidified this proposition into a North Star for the Group. Moving forward, 'making healthful living happen' will enlighten and inform our decisions, resource allocation and investment strategy, heralding a new era of purposeful growth for Hemas.

OUR PEOPLE

The toughest of years brought out the best in our people as we worked together to rise above the challenges during the year under review. People responded in the most amazing ways to go beyond the call of duty in the aftermath of the April attacks. I particularly commend the courage and commitment of our frontline staff who managed to counter first-hand the false narrative aimed at tarnishing our reputation, and converting it into a real understanding of what Hemas stands for, and thereby regaining the trust and support of multiple stakeholders.

In the midst of COVID-19, the entire organisation has been called upon to navigate uncharted territory yet again and are responding with the dedication and commitment that we have come to rely on. Their collective efforts during this crisis, as we rise up to provide the nation with essential services, are continuing to exceed expectations.

GOVERNANCE

The Board devoted more time on performance oversight and risk management functions given the increased volatility of the business landscape and the need to focus on business recovery. With the onset of the COVID-19 pandemic, the Board has redefined its role to support Management through this crisis and has increased the frequency of meetings which are now held virtually.

During the year, the Board strengthened its own evaluation processes and extended same to subsidiaries. Dinesh Weerakkody and Malinga Arsakularatne resigned from the Board during the year and we thank them for their valuable contributions.

> “The toughest of years brought out the best in our people as we worked together to rise above the challenges during the year under review.”

LEADERSHIP CHANGE

Steven Enderby will step down as Group CEO at the end of his tenure on 30th September 2020 after six years at the helm. Following a robust selection process, the Nomination Committee recommended that Kasturi Chellaraja Wilson be appointed as Group CEO, which was duly approved by the Board. I am personally delighted that a long-standing colleague has risen to the highest Executive position. A special word of thanks to Steven Enderby for his leadership over the years.

FUTURE OUTLOOK

The immediate task will be to lead our business through the COVID-19 crisis and to get our operations back on track. Employee safety has been accorded the highest priority and all necessary safeguards are in place. Our balance sheet remains strong with prudent levels of debt and there is further capacity to borrow at need. Despite this, we will focus on preserving liquidity and cash, curtailing all discretionary expenditure and freezing expansion plans except for those that are already in progress. Looking ahead, we will have to learn to live with COVID-19 pandemic until a vaccine becomes available, and we are focused on adapting to the ‘new normal’ with speed and efficiency. For most of our businesses, their products and services

CHAIRMAN'S MESSAGE

become even more relevant, and the focus over the medium term will be to innovate to fulfill emerging customer needs.

APPRECIATIONS

Over the year, we have benefited from the goodwill of many people who came forward to support Hemas in our hour of need, and to them I offer my sincere gratitude. Special thanks to our Customers for your franchise, and to our Principals, Business Partners and indeed all Stakeholders for your support.

Our nation's response to the COVID-19 pandemic has been led by healthcare workers, the armed forces including the police, and many other frontline staff who make it possible for us to continue our daily personal and business activities, and I take this opportunity to express my sincere appreciation of their services. We know this will be a long and arduous journey and Hemas will continue to aid the national effort wherever possible.

My sincere thanks to my colleagues on the Board for your wisdom and guidance which we have used in full measure, and will continue to rely on in steering us forward through this storm. My most sincere appreciation to the CEO, Leadership Team and the entire Hemas family who have worked tirelessly over the past year, and we rely on your efforts to steer us through yet another crisis, and come out as a stronger company ready to face the future with renewed confidence. Finally, my thanks to our loyal shareholders for reposing your faith in us throughout these difficult times. You can be assured that no effort will be spared in ensuring Hemas will have a bright future in the years to come.

Husein Esufally
Chairman

06 July 2020

CEO'S MESSAGE

"Our determination to drive recovery is demonstrated by the Post-Tax Loss of Rs. 297.7 million in the first half of the financial year being converted to a Post-Tax Profit of Rs. 1.7 billion in the second half, despite COVID-19 impact."

OUR PURPOSE

The purpose of Hemas is to make healthful living happen. I believe we have operated this way and lived by these values over the seven decades the company has grown and prospered. It is the two crises experienced during the Financial Year 2019/20 that showed us the value in articulating this clearly and succinctly.

Our Purpose has evolved from our actions and learnings over the years; developing our portfolio of businesses directed at serving the consumer and healthcare needs of all Sri Lankans, our focus on the well-being of our teams, our values as articulated in the Hemas Way and our ground-breaking community initiatives, *Piyawara* and *Ayati*.

Purpose will guide our future. Purpose is the North Star of an organisation, defining where we are going and how we will get there. We need to continuously ask ourselves 'are our actions and decisions making healthful living happen?'. In pursuing our Purpose, our aim is to serve the consumer and healthcare needs of all Sri Lankans better than ever before. In doing so, we must innovate to produce better consumer and healthcare solutions and we must be fully aware of the social and environmental implications of our actions. The outcome we seek is a healthier and happier Sri Lanka.

We are far from perfect and have many areas where we need to improve if we are to achieve this.

Are our businesses aligned to deliver on this aspiration? For me, there is no doubt. Our Personal Care products aim to give health and happiness, our Stationery products help fulfill educational ambitions, the foundation of a healthy, happy and optimistic nation. Our Healthcare sector promotes good health in all its dimensions. Leisure focuses on renewal of family bonds with shared experiences, creating memorable moments. Mobility connects everything, enabling access to quality products through its maritime and logistics operations. All this gives us a great starting point to deliver our Purpose.

SHARED VALUES

This year brought the Hemas family closer than ever before as we stood up for our shared values, beliefs and vision of a united Sri Lanka – the Hemas Way. Together we were able to change misconceptions, dispel divisive agendas, and emerge as a stronger and more connected organisation. I am deeply appreciative of the support of every team member at Hemas for the role they played in the recovery from the first crisis of the year.

Our teams have stepped up yet again to support the country's efforts to fight the COVID-19 pandemic, our biggest challenge to date. Our purpose is more relevant than ever before. Our teams have ensured the continued availability of hygiene products, pharmaceutical products and healthcare services. We have also innovated as never before to support the national efforts. The future is even less certain this time, but I know of no team whom I would rather have alongside me to face the challenge.

KEEP MOVING FORWARD

Financial Year 2019/20 will be remembered as the year that started with a horrific terrorist attack that tore at the country and finished with a global healthcare pandemic. This has been the most challenging year in the 71 year history of the Hemas Group.

The ethnically divisive attacks against our brands and services exacerbated the impact of weak economic growth of 2.6% in the first half of the year.

CEO'S MESSAGE

These developments necessitated a recalibration of our plans for growth and performance improvement.

The decline of revenue by 3.8% to Rs. 61.6 billion reflects these challenges. However, our determination to drive recovery is demonstrated by the post-tax loss of Rs. 297.7 million in the first half of the financial year being converted to a post-tax profit of Rs. 1.7 billion in the second half, despite COVID-19 impact in March. This recovery is further seen in Q4 FY 2019/20. Underlying revenue and operating profit grew by 2.0% and 3.5% when adjusted for the divestments of N-*able* and Travel and Aviation interests. This recovery was driven by our core Consumer and Healthcare businesses.

Hemas Consumer sector recorded a revenue of Rs. 23.8 billion, a Year-on-Year (Y-o-Y) decline of 6.8%, with sector operating profits of Rs. 1.9 billion. The launch of *Shield*, our deep clean soap, sees us enter a significant new category at a time when personal hygiene has never been more important. We have supported this with new products including hand santizers and have more innovations in the pipeline. Atlas recorded strong back to school seasonal results, maintaining its market leadership through great distribution and award winning lean manufacturing processes. Home and Personal Care International was subdued due to intense competition in the value-added hair oil segment. The entire sector was impacted by COVID-19 lockdown resulting in depressed sales in the important period prior to the Sinhala and Tamil New Year.

Healthcare recorded a revenue growth of 13.4% to Rs. 31.4 billion supported by improved performance of the Pharmaceutical Distribution and Manufacturing businesses and a resilient performance by Hemas Hospitals. Sector operating profit grew by 3.6% while earnings declined by 6.5% due to increased net finance costs from additional borrowings to finance construction of the new manufacturing plant by Morison and additional working capital financing.

Pharmaceutical Distribution business enhanced their value proposition for healthful living and leadership of the market with the addition of Mead Johnson as a nutrition partner in January 2020. Morison, our Pharmaceutical Manufacturing arm made a strong recovery after being impacted by the terrorist attacks. We have extended our buyback agreement with the Government and continue to ensure the availability of high quality, affordable medicines island wide. Construction of our new research and pharmaceutical manufacturing facility is nearing completion but has experienced delays due to the lockdown. We are now targeting commercial production in March 2021.

Hemas Hospitals was also adversely impacted by the baseless post 21st April ethnically divisive attacks. In common, with the rest of the Group the business recovered strongly in the second half recording an average occupancy of 68%. Our Hospitals continue to achieve high quality standards and have just received reaccreditation from ACHSI. Growth in our Hospitals is being driven by digitisation. Our introduction of electronic health records will empower Sri Lankans to have a better understanding and influence over their healthcare outcomes.

Leisure, Travel and Aviation recorded a 27.3% decline in revenue to Rs. 3.6 billion with a post-tax loss of Rs. 307.2 million. Hotels recovered from the 21st April crisis and achieved commendable occupancy levels in the 4th quarter prior to lockdown.

The sector was restructured with the management buyout of 80.1% of Forbes Leisure Services in March 2020. Hemas has retained a 19.9% stake in the operation. This move excludes the Emirates Airline Agency which is now a part of our Mobility sector. We are pleased that Hemas is able to grow entrepreneurs within the Group and wish the team every success in the future. N-*able* was also divested during the year.

Mobility sector recorded revenues of Rs. 2.3 billion, a decrease of 17.8% over last year. Earnings reflected the challenges of the sector, declining by 59.9% to Rs. 186.4 million as subdued trade volumes impacted performance. Our relationship with the global shipping line, Evergreen, matured during the year as we entered into a Joint Venture for management of maritime operations. Spectra Logistics has improved utilisation to 70% in its first full year of operations and is now enhancing the warehousing facility with value added services, empowering customers to streamline their inventory management capability.

FOR THE NEXT GENERATION

Hemas realised part of its vision for diversity and inclusivity with the opening of Sri Lanka's first National Centre for children with disabilities – the *Ayati* Centre of Excellence, which commenced operations in January 2020. This centre provides initial screening and interventions that enable children with physical and mental disabilities to reach their full potential. Hemas Outreach Foundation established the *Ayati* Trust which has driven the project through a unique Public Private Partnership with the support of Sri Lanka Army, University of Kelaniya and other corporates and individuals. The *Ayati* Trust will continue to fund the annual requirements of this free facility which aspires to be the best in the region.

Our flagship early childhood development project, *Piyawara* has continued to grow and now impacts the lives of over 3,500 children annually through 56 fully equipped pre-schools island wide.

We are grateful to our many friends and partners who have been instrumental in the success of these programmes.

FOR THE PLANET

We have progressed by reducing our carbon footprint by 14%. We have achieved decreases in emissions in the Consumer sector of 7% and the Healthcare sector of 9%. Water withdrawals have also declined by 25%, confirming elevated levels of environmental consciousness and a compulsion to act within the Group. There remains much to be done.

COVID-19 IMPACTS AND RESPONSE

April 2019 tested and refined our responsiveness to crises and that enabled us to get moving fast when COVID-19 impacted. Our teams have continued to operate our essential services throughout the lockdown, providing home and personal care products, medicines and hospital and laboratory services. We are seeing an on-going recovery through to June 2020, because we are relevant to people in their daily lives. We are ensuring that our products are accessible in all urban and rural communities in the country through our island wide distribution networks.

The health and safety of our teams is critical, and we have developed operational protocols with expert advice and ensured the availability of protective equipment. We have implemented social distancing measures in all operational locations and encouraged staff to work from home where possible to minimise risks.

The overall impact of the pandemic on Group revenues and profitability is negative. We have implemented cost reduction and cash conservation measures to protect the business. These include deferring capital expenditure, freezing discretionary spending and salary cuts at senior levels in the Group and in businesses with very low revenues.

Hemas Group has responded to national needs through innovation and donation. We have donated *Shield* soap, hand santizers and personal care products to the Government for use at quarantine centres and other facilities. Atlas innovated robots for delivery of medicine and food to hospitalised COVID-19 patients. The school bag factory converted to a mask factory producing and donating masks to the Sri Lanka Army while Club Hotel Dolphin has been utilised by the Government as a quarantine facility.

REIMAGINING AND ADAPTING

I believe that events like COVID-19 have a lasting impact on society and that the post COVID-19 era will be different. It will impact our daily habits and hygiene, the way we work and the choices we make. Many of these changes will play to our strengths as we are significantly about good health and great personal care products at affordable prices. The work we have done over the last few years adapting and developing the Group to focus on Consumer and Healthcare means we are in the right sectors at the right time.

We also need to ensure that our cost structures enable us to operate profitably in an economically challenging environment. This is also an opportunity to ensure our processes and supply chains are more sustainable as the costs of not doing so will rise dramatically in a more environmentally and socially conscious society.

This is also the right time for leadership change as we contemplate our long-term strategies for the next phase of Hemas growth, as we emerge from the impact of COVID-19. Therefore, this will be my final CEO's Message, as I will be retiring on 30th September 2020. It has been a privilege to be part of the Hemas Team over these last seven years. I would like to thank each of my colleagues, at all levels across the organisation, for your energy, skill, commitment and humour. During this time two thoughts have become increasingly important. Firstly, the success we have enjoyed is all yours, a CEO achieves very little without a great team. Secondly, success for a CEO is, to a significant extent, about the future, when he or she is no longer there. So, I am delighted that our carefully crafted succession plans have resulted in our Board deciding to appoint Kasturi as Group CEO. Having worked closely with her over these seven years I know she has the drive, ability and compassion to take Hemas forward. I wish Kasturi and Hemas every success.

> "I would like to thank each of my colleagues, at all levels across the organisation, for your energy, skill, commitment and humour. I wish Kasturi and Hemas every success."

APPRECIATIONS

Our strength of recovery, post the terrorist attacks, was achieved through the energy and support of many. I thank the Board for their calm guidance through a turbulent year. Hemas is fortunate in having business partners, advisors and friends who have shared our journey over many years, and we are extremely appreciative of the value they bring to our businesses. You have been vital to us this year.

That we should respond so strongly to two crises in one year and drive continued recovery through April, May and June 2020 has not surprised me. Our team has shown again and again our ability to overcome.

To the team at Hemas - it is a privilege to work with you. Let's make healthful living happen. It has never been more important.

Steven Enderby
Chief Executive Officer

06 July 2020

BOARD OF DIRECTORS

HUSEIN ESUFALLY

Chairman

Non-Executive Director

Appointed: October 1997

Member - Human Resources and Remuneration Committee

Skills and Experience:

Husein Esufally commenced his career with the Group's Fast-Moving Consumer Goods (FMCG) 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.

He holds a Bachelor of Science (Honors) Degree in Electronics from the University of Sussex, UK

Other Current Appointments:

Husein chairs the Boards of many of the Hemas Group subsidiaries.

He serves as a Board member of the Ceylon Chamber of Commerce and several other companies. He is an active supporter of many social projects.

STEVEN ENDERBY

Chief Executive Officer (CEO)

Executive Director

Appointed: November 2013

Member - Related Party Transactions Review Committee

Skills and Experience:

Steven 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.

Steven 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 Chief Executive Officer of the Company in April 2014.

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

Other Current Appointments:

Non-Executive Chairman of Ironwood Capital Partners, Sri Lanka's leading private equity fund.

Previous Appointments:

Steven has served on the Boards of many leading companies in Sri Lanka and India.

ABBAS ESUFALLY

Non-Executive Director

Appointed: May 1991

Member - Nominations and Governance Committee

Skills and Experience:

With over 40 years' experience in the tourism industry, Abbas Esufally has played a pivotal role in expanding the Group's Leisure interests and has actively contributed to the growth and development of the country's tourism industry.

He is a Fellow Member of both the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of Sri Lanka.

Other Current Appointments:

Abbas serves as Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC as well as Diethelm Travel Sri Lanka (Pvt) Ltd, Sri Lanka's premier Destination Management Company.

He also serves on the Boards of several other listed and unlisted companies. He is an all Island Justice of Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.

KASTURI CHELLARAJA WILSON

Deputy Chief Executive Officer (Deputy CEO)

Executive Director

Appointed: July 2020

Executive Director

Skills and Experience:

Kasturi Chellaraja Wilson joined Hemas Holdings PLC in 2002, where she held many senior management positions, including Chief Process Officer and Managing Director of the Hemas Transportation Sector. In 2016, She took over as Managing Director of Hemas Pharmaceuticals, Surgicals and Diagnostics, where she was responsible for driving the company's local and regional expansion. She also functions as the Managing Director of the Hemas Mobility Sector.

She is a Fellow of the Chartered Institute of Management Accountants, and is an alumni of the Senior Executive Leadership Program at Harvard Business School.

She was recognised as one of the twelve Top Women Change-Makers in the country in 2019, by the Parliament of Sri Lanka.

Other Current Appointments:

Kasturi serves on the Board of Capital Alliance Limited as a Non-Executive Director, and on the Boards of several other Hemas subsidiaries in the Healthcare, Mobility and Consumer sectors.

She is an active member of several industry associations, and is currently the first female President of the Sri Lanka Chamber of the Pharmaceutical Industry. She also serves on the Committee of the Ceylon Chamber of Commerce.

MURTAZA ESUFALLY

Executive Director

Appointed: September 1998

Skills and Experience:

Murtaza Esufally counts more than 27 years of experience in senior management.

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. Esufally is an Attorney-at-Law of the Supreme Court of Sri Lanka.

Other Current Appointments:

Murtaza is the Chairman of Hemas Hospitals (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd. He is also the Managing Director of Morison PLC, a pharma manufacturing company within the Group.

He also serves as a council member of Pharma Manufacturing Association and as a board member of Lanka Alzheimer's Foundation.

IMTIAZ ESUFALLY

Non-Executive Director

Appointed: May 1991

Member - Audit and Risk Committee, Related Party Transactions Review Committee

Skills and Experience:

With over 30 years of management experience, Imtiaz Esufally has been at the forefront of the Transportation industry in Sri Lanka.

He has 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.

Other Current Appointments:

Imtiaz is the Chairman of Spectra Logistics (Pvt) Ltd. and holds board positions in the Group's Maritime, Aviation and Leisure companies, Evergreen Shipping Agency Lanka (Pvt) Ltd, Far Shipping Lanka (Pvt) Ltd, Forbes Air Services (Pvt) Ltd, and Serendib Hotels PLC.

He is a member of the Advisory Council of the Ceylon Association of Ships' Agents.

Previous Appointments

Imtiaz is a Past President of the IATA Agents Association of Sri Lanka.

BOARD OF DIRECTORS

SHAKTHA AMARATUNGA

Independent Non-Executive Director

Appointed: January 2016

Chairman - Audit and Risk Committee, Related Party Transactions Review Committee

Member - Human Resources and Remuneration Committee

Skills and Experience:

Shaktha Amaratunga has many years of experience in Strategy Development, Business Restructuring, Risk and Governance, International Finance and People Development.

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

Shaktha is a Fellow Member of the Chartered Accountants of Sri Lanka, Associate Member of the Chartered Institute of Management Accountants, UK and a Member of CPA Australia.

Other Current Appointments:

Independent Non-Executive Director of Carson Cumberbatch PLC and member of MAS Holdings Audit Committee.

RAMABADRAN GOPALAKRISHNAN

Independent Non-Executive Director

Appointed: April 2012

Chairman - Nominations and Governance Committee

Skills and Experience:

Ramabadran Gopalakrishnan has over 50 years of experience in professional management with 31 years in Unilever and 17 years in TATA.

He has served as Chairman of Unilever Arabia, Managing Director of Brooke Bond Lipton India, and as Vice Chairman of Hindustan Unilever Limited. Following his career at Unilever, he joined Tata Sons as a Director. He retired from TATA in December 2015.

He studied physics at Calcutta University, engineering at IIT Kharagpur and completed an Advanced Management Program at the Harvard Business School.

Other Current Appointments

He serves as the Chairman of Castrol India.

He is actively engaged in both instructional and inspirational speaking. He has authored sixteen books on leadership and life, all based on the platforms of business and management. He serves as Executive in Residence at the SP Jain Institute of Management and Research, Mumbai and is a Distinguished Professor of IIT Kharagpur.

Previous Appointments:

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

JYOTINDRA TRIVEDI

Independent Non-Executive Director

Appointed: August 2017

Member- Audit and Risk Committee

Skills and Experience:

Jyotindra Trivedi (JM) has more than 35 years of experience in the Indian financial services industry including 25 years with Indian Venture Capital and Private Equity Industry.

He 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. JM retired from Actis in 2017, by which time Actis had raised more than US$12 billion since it was formed in 2004. As a member of global investment committee of Actis He 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.

JM 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.

Other Current Appointments:

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.

He also serves on the Board of Trustees of CORO, an NGO working with the marginalised communities in India in the areas of grass root leadership, women empowerment and gender sensitivity.

DR. ANURA EKANAYAKE

Independent Non-Executive Director

Appointed: October 2013

Chairman - Human Resources and Remuneration Committee, Member - Nominations and Governance Committee

Skills and Experience:

Dr. Anura Ekanayake 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. He has 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 is a firm advocate of developing human capital and people transformation. Following his two decade long public service, Dr. Ekanayake joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations for 8 years.

He 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.

Other Current Appointments:

He serves on a number of boards of listed companies and un-listed companies.

Previous Appointments:

He is a former Chairman of the Ceylon Chamber of Commerce, the Industrial Association of Sri Lanka and The International Natural Rubber Council.

PROF. NILANTHI RENUKA DE SILVA

Independent Non-Executive Director

Appointed: October 2018

Skills and Experience:

Prof. Nilanthi De Silva is a globally recognised expert on Neglected Tropical Diseases. The main focus of her research is on soil-transmitted helminth infections and other neglected tropical diseases. She has published extensively in this field and her work is been highly cited.

She has been an expert advisor on Neglected Tropical Diseases to the World Health Organisation since 2000. She has served in a similar advisory capacity to other international entities as well.

She graduated with an MBBS from the University of Colombo. She holds a Master's in Medical Parasitology from the London School of Hygiene and Tropical Medicine, UK and MD and Board Certification in Medical Parasitology, from the Postgraduate Institute of Medicine, University of Colombo. She was a Commonwealth Fellow at the University of Oxford, UK and a FAIMER Fellow at the George Washington University School of Medicine, Washington DC, USA.

Other Current Appointments:

Prof. Nilanthi has held the Cadre Chair in Parasitology in the Faculty of Medicine, University of Kelaniya since 2003 and is now the Senior Professor of Parasitology.

She has pursued a long-standing interest in the education of health professionals and quality assurance in Higher Education. She is currently on sabbatical leave, serving in the post of Director -Quality Assurance Council, University Grants Commission. She also serves as the Vice-President of the Sri Lanka Medical Council and has continuously supported the Postgraduate Institute of Medicine as a member of several Boards.

She is the Chairperson of the Board of Trustees of the *Ayati Trust* Sri Lanka, a collaborative public-private partnership which supports the *Ayati* National Centre of Excellence for children with disabilities.

Previous Appointments:

Prof. Nilanthi was the Dean of the Faculty of Medicine, University of Kelaniya from 2012 to 2018.

COG

ROY JOSEPH

Managing Director - Hemas Manufacturing (Pvt) Ltd

Roy Joseph is the Managing Director of Hemas Manufacturing (Pvt) Ltd. He is a Fellow of the Chartered Institute of Management Accountants, UK, a Fellow of the Institute of Certified Management Accountants of Sri Lanka and holds a Postgraduate Diploma in Finance and 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.

DR. LAKITH PEIRIS

Managing Director - Hemas Hospitals

Dr. Lakith Peiris is a well-known leader in the healthcare industry. During his tenure as 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. He is the Managing Director of Hemas Hospitals and Laboratory chain. Since his take over in 2015, Dr. Lakith has transformed Hemas Hospitals from a secondary care hospital chain serving an underserved population living outside Colombo to a fully-fledged tertiary facility respected by all stakeholders. Under his leadership Hemas Hospitals and Labs have become Sri Lankas most innovative, accredited and awarded hospitals and laboratory chain winning many national and international awards and accolades for its achievements and contribution to the healthcare industry. In the year 2019 the Hemas Hospitals chain won a total of 20 national and international awards making Hemas Hospitals the benchmark for quality, productivity, patient safety and service excellence.

He has 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 and 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.

Lakith is a regulator of the Private Health Services Regulatory Council of the Ministry of Health and also serves the Regulatory Council in various sub-committees to date.

He is also the Chairman of the Advisory Committee on Wellness Tourism of the Export Development Board of Sri Lanka under the Ministry of Development Strategies and International Trade through a special Gazette. Dr. Lakith spearheads the articulation of the national strategy on Wellness Tourism, one of the six sectors identified under the National Export Strategy of Sri Lanka. He actively contributes to uplift the Sri Lankan health industry as an emerging health hub in the region for medical tourism. He serves as the Chairman of the advisory committee of EDB to date.

He is the President of the Association of private hospitals and nursing homes (APHNH). Established in 1972, the APHNH represents all of the country's private hospitals and nursing homes. As the sole representative of the hospitals industry, the association plays a vital role in uplifting healthcare standards and building a healthier nation.

ASITHA SAMARAWEERA

Managing Director - Atlas Axillia Company (Pvt) Ltd

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

SRIYAN DE SILVA WIJEYERATNE

Managing Director -FMCG Sri Lanka

Sriyan was the Managing Director / CEO of Teejay Lanka PLC, which is one of the S&P Top 20 Companies and was recognised during his time as a Winner of Forbes 'Asia's 200 Best under a Billion Dollar Company'. He served as Country Manager of Microsoft, was Director Marketing and Sales of Suntel, previously at Nestles and more recently was Group CEO for the conglomerate Abans. He is currently the Chairman of the Employees Trust Fund Board. He has several academic and business awards to his credit and is a frequent speaker at leading forums locally and globally. He was previously named CIMA Business Manager of the Year and is involved in many Chambers and local and global charities. He possesses a First Class in Business Administration from the University of Sri Jayawardenapura, a Master's Degree from the same university and has had Executive education from many global institutions including INSEAD and CCL. He is a Fellow member of CIMA, UK, and is also a CGMA. He was on the International Board of Youth Business International, which is one of Prince Charles' Charities based out of UK and has served on several local Boards. He is the President of the Wildlife and Nature Protection Society and is passionate about travelling, music, community work and photography.

Sriyan was appointed to Hemas Manufacturing (Private) Ltd. with effect from May 01, 2020.

ZALMI FAZEEL

Group Chief Financial Officer

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 Pfizer Sri Lanka in 1992 and subsequently Astron in 1993, a 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 on the Boards of a number of HHL's subsidiaries, whilst heading the Group Finance, Treasury, Legal and IT divisions of HHL. He is a Fellow of the Chartered Institute of Management Accountants (UK).

COG

RUWANI HETTIARACHCHI

Chief Growth Officer

Ruwani leads Growth and Mergers and Acquisition for Hemas Holdings. Prior to her role in Hemas, Ruwani was the CEO and Founder of Vox & Co. a boutique strategy consultancy firm where she helped local and foreign investors navigate the Sri Lanka for greenfield investments and acquisitions in healthcare, education, agriculture and industrials. She was also the Head of Research and Consulting at Stax, a U.S. based strategy consulting firm for 6 years where she worked in commercial due diligence for Private equity leveraged buyouts across multiple verticals including healthcare, financial services, industrials and energy and education.

Ruwani is on the board of Healthnet International (Pvt) Ltd. and has a particular interest in universally accessible, affordable healthcare. 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.

KAPILA WELMILLAGE

Chief Talent Officer

Kapila functions as Chief Talent Officer of Hemas Holdings PLC. 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.

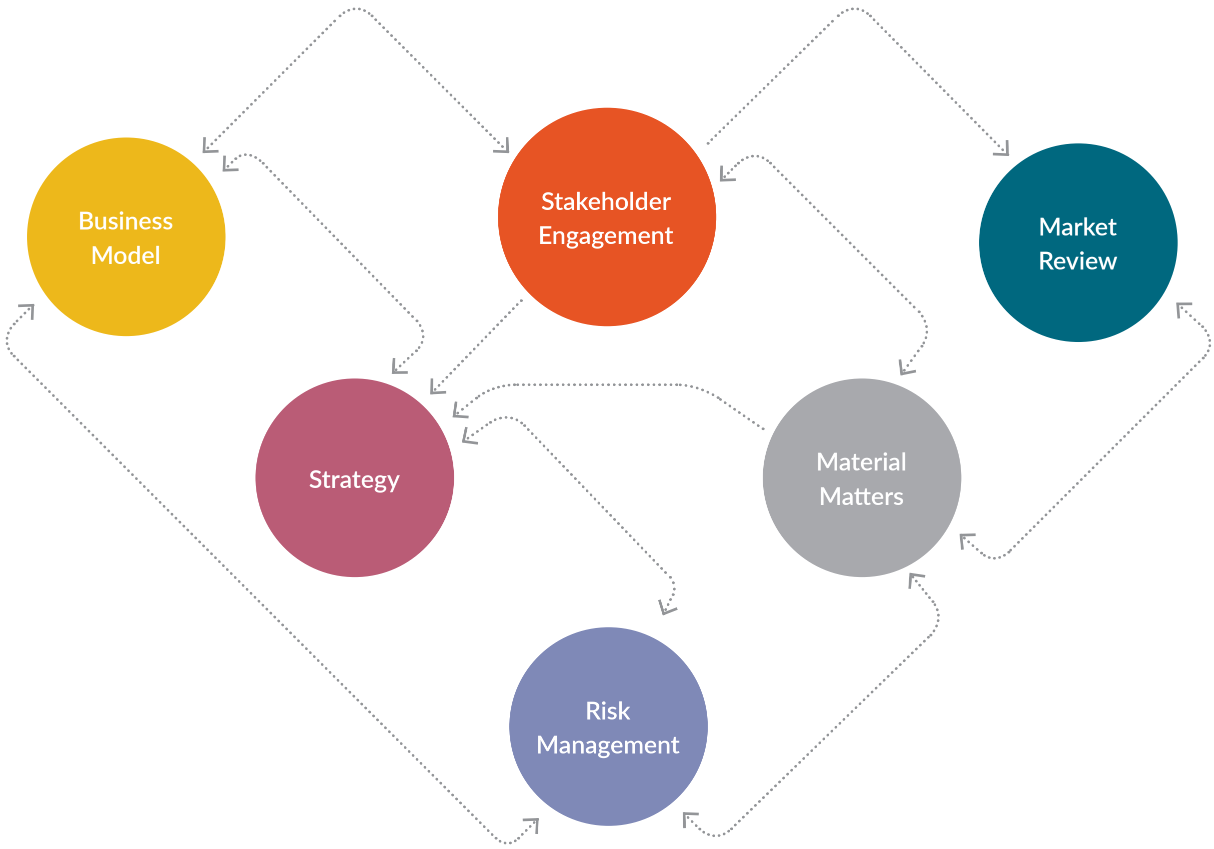
He started his career at Unilever Ceylon Ltd. as a Management Trainee and progressed up the ladder to become a Plant Manager, Operations Manager and Finance Manager.

Kapila holds a First Class Honours Degree in Electronics and 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.

The COG also includes Messrs. Steven Enderby, Kasturi Chellaraja Wilson and Murtaza Esufally whose profiles are given in the Board of Directors section.

STRATEGIC REPORT

Our business model was enhanced through investments in sectors that served to increase our relevance to the changing lifestyles and aspirations of Sri Lankan families. Our growth is an output of the implementation of sound strategy, high levels of stakeholder engagement, prudent risk management, and adapting to changes in the socioeconomic landscape. This segment of the report provides information on these key elements, which combine to deliver a strong value proposition to our stakeholders.



STRATEGIC REPORT

OUR BUSINESS MODEL

OUR CAPITALS

TRUSTED RELATIONSHIPS
Varying from multinationals whose interests we represent in Sri Lanka to joint venture partners, distributors, retailers, industry associations and the communities we operate in, these relationships are fundamental to our growth.

OUR TEAM
The Group has a workforce of 6,895, which includes 5,933 employees. They propel the Group's performance and growth with their collective efforts, talent and diligence. We are committed to ensuring fair remuneration, opportunities for growth and an inspiring workplace for all employees, and strive to work towards ensuring compliance to all labour regulations by are outsourced contractors towards their personnel.

FINANCIAL RESOURCES
Our financial resources are provided by shareholders and Banks who expect returns on their investments commensurate with the risks. Financial resources enable formation of other capitals through resource allocation processes.

OUR INFRASTRUCTURE
The Group's infrastructure comprises of property, plant and equipment, which enables manufacture, storage and transportation of products and facilitates provision of services that promote health and wellbeing including housing of our teams in multiple locations across the island.

KNOWLEDGE BASED INTANGIBLES
This includes our organisational capital such as governance structures, systems, processes, software and the tacit knowledge of our team, and our intellectual property such as software, patents, licenses and rights. These are a significant source of competitive advantage.

ENVIRONMENTAL RESOURCES
We use raw materials, energy and water in the manufacture of products and provision of services. Our systems and processes support responsible consumption and management of impacts to mitigate environmental impacts.

OUR PRINCIPAL ACTIVITIES

CONSUMER
We manufacture and distribute our own branded products as well as imported consumer products to promote healthful living for families.

HEALTHCARE
We provide access to affordable healthcare through our hospitals. We also manufacture and distribute pharmaceutical and medical products.

LEISURE, TRAVEL AND AVIATION
We manage a portfolio of branded hotels and provide customer and process driven services to global aviation brands, having divested our inbound and outbound tour operations.

MOBILITY
We represent international shipping agencies, and offer a full spectrum of logistics solutions including a state-of-the-art container terminal, warehousing, project and automobile logistics.

Governance

Values and Culture

Innovation

Risk Management

Financial Management

Human Resources Management

Strategy

Sustainability

VALUE CREATED

FOR CUSTOMERS
- Products for family wellbeing and education
- Access to affordable healthcare and medicines
- Catalyst for new technologies and innovations in healthcare
- Offer a full spectrum of logistics solutions

FOR EMPLOYEES
- Remuneration and benefits
- Opportunities for growth
- Health conscious workplace

FOR PRINCIPALS
- Access to markets
- Competent representation
- Shared growth

FOR BUSINESS PARTNERS
- Shared growth
- Timely payments
- Business support

FOR COMMUNITIES
- Pre-school education programme
- Inclusive training for children with physical and mental disabilities

FOR GOVERNMENT
- Job creation
- Direct and indirect taxes
- Partnerships for social welfare

OUTPUTS AND IMPACTS

HEALTH, HYGIENE AND WELLBEING
- Comprehensive product portfolio supporting personal hygiene and healthy lifestyles
- Largest and growing portfolio of prescription and over the counter medicines
- Promoting community based expert healthcare with multi-speciality hospitals

GROUP EARNINGS CAPACITY
- Divestment of non-core business
- Completed expansion of logistics operations
- Construction work in progress for pharmaceutical manufacturing and research plant

INDIRECT EMPLOYMENT
- Islandwide distributor network is one of the largest in the country supporting job creation
- Growing secondary retail channel supports livelihoods of micro-entrepreneurs

EARNINGS/SAVING FOREIGN EXCHANGE
- Leisure sector of the Group is a leading player in the travel and tourism industry
- Manufacture of medicines and personal care products in the country

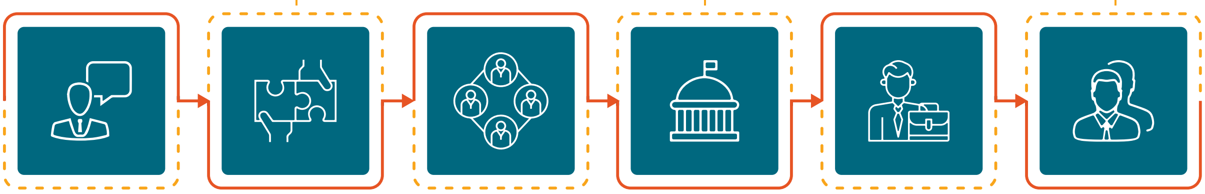
FACILITATING TRADE
- Mobility sector plays a key role in facilitating imports and exports
- Internal transportation of goods facilitating access to quality products island wide

IMPACT ON ENVIRONMENT
- Emissions of 18,944 MT equivalents
- Effluents treated and discharged 256,587 M3
- 1,227,594 Kg of waste disposed

STRATEGIC REPORT

ENGAGING WITH STAKEHOLDERS

To thrive, our journey must be aligned to stakeholder concerns relevant to their lives, operations and aspirations. Structured shareholder engagement enables us to identify their concerns and respond to them effectively while balancing other stakeholder interests. This segment sets out our processes designed to capture their valuable feedback in order to strengthen our value propositions to these key stakeholders. Key stakeholders are stakeholders that have a significant influence over the Group, or who would be significantly impacted by Group operations.



Customers

We work with a wide spectrum of customers including individuals, microentrepreneurs, SMEs and corporates.

Business Partners

Our business partners range from principals who are typically multinationals to suppliers, distributors, agents located in Sri Lanka and overseas.

Community

We engage with the Sri Lankan community at a national level through the *Ayati* and *Piyawara* programmes. We work with the Ministry of Women and Child Affairs for *Piyawara* and the Medical Faculty, University of Kelaniya for *Ayati*. We also engage with the communities in the vicinity of our operational locations.

Government

The Government is a key stakeholder as a regulator, collector of taxes and the ultimate policymaker in providing a conducive operating framework for investment and conduct of business.

Investors

This group encompasses the investor community from institutional and individual shareholders, analysts, fund managers and related agencies.

Employees

Employees drive our performance and growth, and their satisfaction and motivation is key to unlocking our potential.

	Customers	Employees	Business Partners
Key Concerns	• Quality of products, and efficient and effective services • Affordability and accessibility • Environmental and social responsibility	• Fair remuneration • Opportunities for growth • Concern for employees • Safety and dignity/respect • Engagement, feedback and grievance mechanisms	• Shared growth • Technical assistance and knowledge transfer • Domain knowledge, skills and expertise • Long-term partnerships
Our Response	• Growing portfolio of affordable products and services for healthful living • Efficient distribution networks to reach customers	• Strategic management of HR processes with Board oversight • Healthy Workforce initiatives	• Timely payments • Fair play and transparent processes • Initiatives to share knowledge and build capacity
	Across all Stakeholders • Meetings • Press releases • Websites • Social media • Correspondence • Industry exhibitions and Roadshows • Trade fairs	**Specialised Mechanisms** *Customers* • Satisfaction Survey (ongoing) • Annual Engagement Survey • Customer hotlines *Employees* • Annual Engagement Survey • Performance Reviews • Joint Consultative Committees	**Specialised Mechanisms** *Business Partners* • Annual Supplier Registration *Investors* • Annual and Quarterly Reports • Notices to CSE (need basis) *Government* • Regulatory Reports (as specified)
	Investors	**Government**	**Community**
Key Concerns	• Sustainable growth and returns • Good governance and transparency • Risk management • Timely communications	• Compliance with regulatory requirements • Partner socioeconomic development in country	• Environmental and social responsibility • Opportunities for shared growth • Support for community needs
Our Response	• Regular dividends • Continuous enhancement of earning capacity • Maintaining strong governance and risk management processes	• Established processes to ensure compliance with regulatory requirements • Investments in growth sectors of the economy • Timely payment of regulatory dues	• Established two trusts for engaging in projects at national level • Engagement with local communities by SBUs • Maximise inputs from SMEs where possible

STRATEGIC REPORT

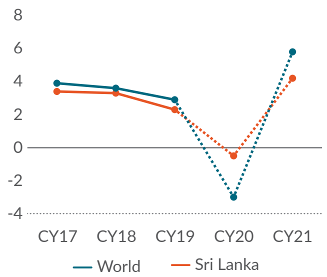
MARKET REVIEW

The year under review was extremely challenging as we commenced the year with the Easter Sunday terrorist attacks in April 2019 and closed the year under lockdown due to the COVID-19 pandemic. As the scale and nature of the twin healthcare and economic crisis are unprecedented, a historical review cannot be used to determine future trends but serves to provide context to our performance during the year.

Global growth moderated due to trade tensions, geopolitical tensions and lower productivity with a fragile recovery towards the close of Calendar Year (CY) 2019. Sri Lanka's growth was muted due to impacts of the terror attacks and the Government extended relief measures for the tourism and SME sectors by way of loan moratoria to support recovery. The Balance of Payment and trade deficits gave rise to a slew of fiscal and monetary policy changes during the year to stimulate economic growth, resulting in elevated uncertainties for businesses.

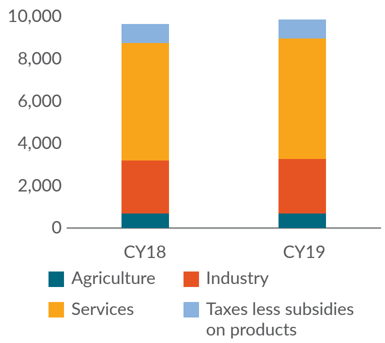
IMF forecasts included in the graph, factor the impacts of COVID-19 and assumes a recovery in the second half of CY 2020, tighter financial conditions and lower commodity prices with a sharp decline in oil prices.

Gross Domestic Products (GDP) Growth
(%)



Source: Central Bank of Sri Lanka

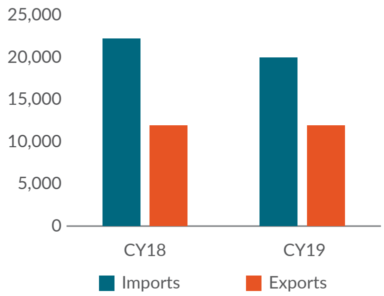
Sri Lanka: Sectoral Analysis of GDP
(Rs. billion)



Source: Central Bank of Sri Lanka

Sectoral contribution remained similar to that of the previous year as Industry and Services sectors recorded modest growth of 2.7% and 2.3% while Agriculture was relatively flat recording a 0.6% growth. Taxes less subsidies grew by 2.6% during the year.

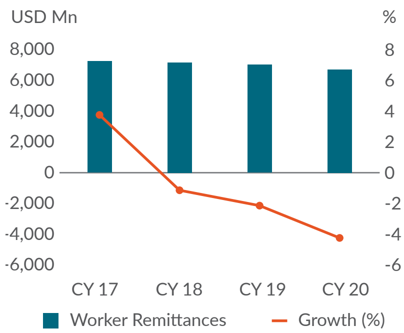
External Trade
(USD million)



Source: Central Bank of Sri Lanka

The trade deficit for the year decreased to USD 7,997 million in 2019 as imports of motor vehicles and non-essential consumer goods were curtailed in 2019. These measures were re-imposed in April 2020 to ease the pressure on the rupee stemming from capital outflows and anticipated decline in foreign currency inflows from tourism and worker remittances.

Worker Remittances



Source: Central Bank of Sri Lanka

Worker remittances declined as placements have continued to decline since 2014 across all categories. Housemaids and unskilled categories account for 55% of placements in 2019.

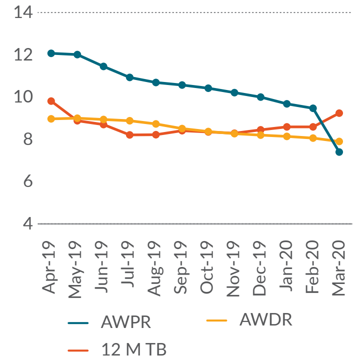
Rs. 176.2 = 1 USD
(31st March 2019)

Rs. 189.9 = 1 USD
(31st March 2020)

Exchange Rates

The LKR/USD exchange rate recorded a 0.6% appreciation in CY2019, depreciated thereafter, particularly in March 2020 by 4.5%, driven by foreign investment outflows and concerns over COVID-19 implications on the global and domestic economy.

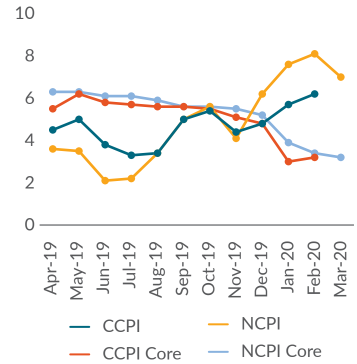
Interest Rates
(%)



Source: Central Bank of Sri Lanka

Interest rates declined as monetary policy measures focused on reducing interest rates due to low private sector credit, relatively stable inflation reflecting a relatively relaxed monetary stance to promote economic growth. CBSL continues to adopt a relaxed monetary stance, reducing interest rates in April to support recovery from the COVID-19 pandemic.

Inflation
(%)



Source: Central Bank of Sri Lanka

General price levels of the country demonstrated an overall increasing trend during FY 20, driven by an increase in food prices caused by adverse weather conditions during the latter part of the year.

Y-o-Y core inflation, based on NCPI, which measures the underlying inflationary pressures of the economy, decreased to 3.2% in March 2020, from 5.8% in March 2019. The decrease in inflation is driven by a reduction in non-food inflation, which recorded a 1.8% year-on-year increase in comparison to an increase of 7.1% recorded in March 2019.

COVID-19 IMPACTS ON SRI LANKAN ECONOMY

Livelihoods

Around 60% of the workforce are in the informal sector and an estimated 1.9 million people are daily wage earners, making them more vulnerable.

Exports

Global merchandise trade is expected to decline by 32% in 2020 which will impact our export industries.

Tourism

This sector is expected to be the hardest hit by the pandemic due to the convergence of health risks, reduced affordability of travel and connectivity to markets. Loan moratoria have been extended to this sector which accounts for over 300,000 jobs. The sector is making plans to commence activities in the second half of 2020.

Exchange Rate

The external current account deficit is expected to widen despite the decrease in the fuel bill and measures to control imports due to reduced export revenues, reduced worker remittances and earnings from tourism. This is expected to exert pressure on the exchange rate.

Imports

Low oil prices will support a reduced fuel bill and the government has implemented measures to curtail imports of non-essential items to manage the trade deficit.

Economic Growth

Measures to normalise domestic economic activities is expected to support recovery, as domestic demand accounts for a significant portion of aggregate demand in Sri Lanka.

STRATEGIC REPORT

OUR ECONOMIC IMPACT

As a leading diversified corporate with focused interest in Consumer, Healthcare, Mobility and Leisure in Sri Lanka, our operations contribute to the socioeconomic progress of the country in many ways.

Consumer

- Direct and Indirect employment generation
- Supports everyday hygiene for wellbeing of Sri Lankans
- Exports products to over 15 countries

Healthcare

- Focus on affordable healthcare for Sri Lankans
- 174 beds across 2 hospitals around the country
- Catalyst for introducing new therapies and diagnostics

Leisure, Travel and Aviation

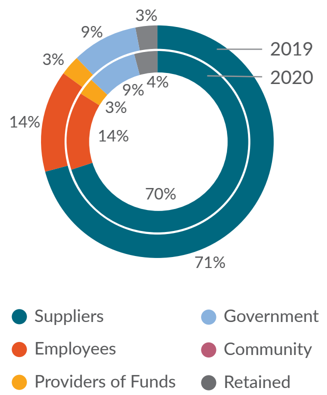
- Owns or manages 7 properties across prime tourist locations

Mobility

- Supports international and regional trade through its maritime and logistics arms

Economic Value Added Statement			
Rs. million	FY 2019/20	FY 2018/19	%
Value Generated			
Revenue	61,632	64,082	(3.8)
Share of Result of JVs/ Associates	(120)	(93)	(29.4)
Other Investment Income	280	478	(41.4)
Profit on Sale of Assets and Other Income	689	653	5.5
Valuation Gain on Investment Properties	-	140	(100)
	62,482	65,261	(4.3)
Value Distributed			
Operating Overheads	44,219	44,649	(1.0)
Employee Wages and Benefits	8,701	8,574	1.5
Payments to Providers of Funds	2,032	2,143	(5.2)
Payments to Government	5,552	5,872	(5.4)
Community Investments	54	61	(11.8)
	60,558	61,299	(1.2)
Value Retained for Expansion and Growth			
Depreciation	1,271	1,271	-
Amortisation	387	89	336.9
Profit After Dividends	264	2,603	(89.8)
	1,922	3,962	(51.5)

Distribution of Value to Stakeholders



Value generated decreased by 4.3% during the year due to the impact of the Easter Sunday terror attacks and the COVID-19 pandemic. Consequently, the value distributed to employees increased as we maintained our remuneration levels to retain talent and ensure high levels of motivation throughout a year marked by volatility. Payments to providers of funds also increased proportionately due to reduced value generation. Payments to the Government decreased during the year due to changes in taxation and the reduced value generation. Value retained for expansion and growth decreased due to the decrease in profits.

AFFORDABLE AND QUALITY HEALTHCARE FOR SRI LANKANS

As the parent company of the largest pharmaceutical distributor and the largest pharmaceutical manufacturer in the country, the Group facilitate access to new therapies and technology for the healthcare sector in Sri Lanka. Affordability of healthcare is supported by local manufacture of pharmaceuticals and an island-wide network of franchised laboratories supported by Hemas Hospitals. Accessibility to quality healthcare is supported by our hospitals located in busy suburbs and an island-wide network of distributors for our pharmaceutical products. Supporting thought leadership in the industry through initiatives such as the Centre of Excellence for Diabetes also enables knowledge sharing on key healthcare concerns of national importance and supporting effective solutions.

Additionally, our Consumer sector supports the day to day personal hygiene routines of families, providing access to affordable, high quality products manufactured locally to international standards. Sound personal hygiene has become a key focus in management of the COVID-19 pandemic and the sector has responded swiftly to develop products and services that are relevant to family hygiene and wellbeing.

Indirect Employment/Supporting Livelihoods

Hemas' island-wide footprint supports livelihoods of our distributors, franchisees, suppliers and service providers, supporting job creation and livelihoods.

Consumer	Healthcare	Leisure, Travel and Aviation	Mobility
174 Distributors	108 Distributors	12 Independent Service Providers	205 Service Providers
2,725 Local Suppliers	540 Local Suppliers	431 Local Suppliers	327 Local Suppliers

STRATEGIC REPORT

GROUP STRATEGY

At Hemas, we take a long-term view in developing strategy which we adapted to address the short and medium-term issues arising from the COVID-19 pandemic.

	Our plans	Progress
Consumer Brands Developing a portfolio of consumer brands locally and regionally	• Consolidate market-leading positions in HPC, and School and Office Stationery • Selective expansion of consumer portfolio into South Asia • Deepen equity positions through premiumisation and localisation	• Entry into personal hygiene wash category *(Shield)* • Reinforced HPC brands with new variants and relaunches (*Clogard and Velvet*) • Defending market share in a challenging environment • Driving lean manufacturing • Disruptive innovation in Consumer categories
	Challenges this year • Easter attacks and COVID-19 • Decline in disposable income led by continuous drop in foreign remittances • Competitive landscape	
Quality Medicines and Therapies Medicines and therapies to patients who need them	• Exceptional route to market solutions for medicines in emerging markets • Superior range of OTC and Wellness offerings, including own brands • Excellence in pharma manufacturing and self-sufficiency in core therapies	• Launch of nutraceutical portfolio • Extension of the buy-back agreement with the Government • Completion of civil construction of the new Morison plant
	Challenges this year • Easter attacks and COVID-19 • Increasing regulation of the health sector and price regulation of essential medicines • Volatility in exchange rate • Shifts in consumer demand	
Affordable Healthcare Providing affordable healthcare and diagnostic services	• Wide portfolio of tertiary healthcare services in our hospitals • Focus on wellness, screening and early detection through our lab network	• Driving digital health • Adding super specialties (fertility, urology and cosmetic)
	Challenges this year • Easter attacks and COVID-19 • Decline in disposable income	
Connecting Markets Serving the region's logistics and route to market needs	• Drive superior mobility solutions to serve the region's logistics needs • Extend into 3PL and last-mile Route-to -Market solutions	• Completion of state-of-the-art logistics facility • 70% capacity utilisation of facility
	Challenges this year • Easter attack and COVID-19 • Decline in global trade	

INTEGRATING SUSTAINABILITY

A socially responsible mindset led to the development of a framework for integrating environmental and social sustainability throughout the Group in 2015 which continues to evolve, adapting to changing expectations of stakeholders. These aspects reflect the Group's philosophy on social and environmental responsibility, moving beyond mere regulatory compliance to understanding that the sustainability of our businesses depends very much on how we act today. Our goal is to strengthen are 'social license to operate', through holistic integration of sustainability throughout our Group.

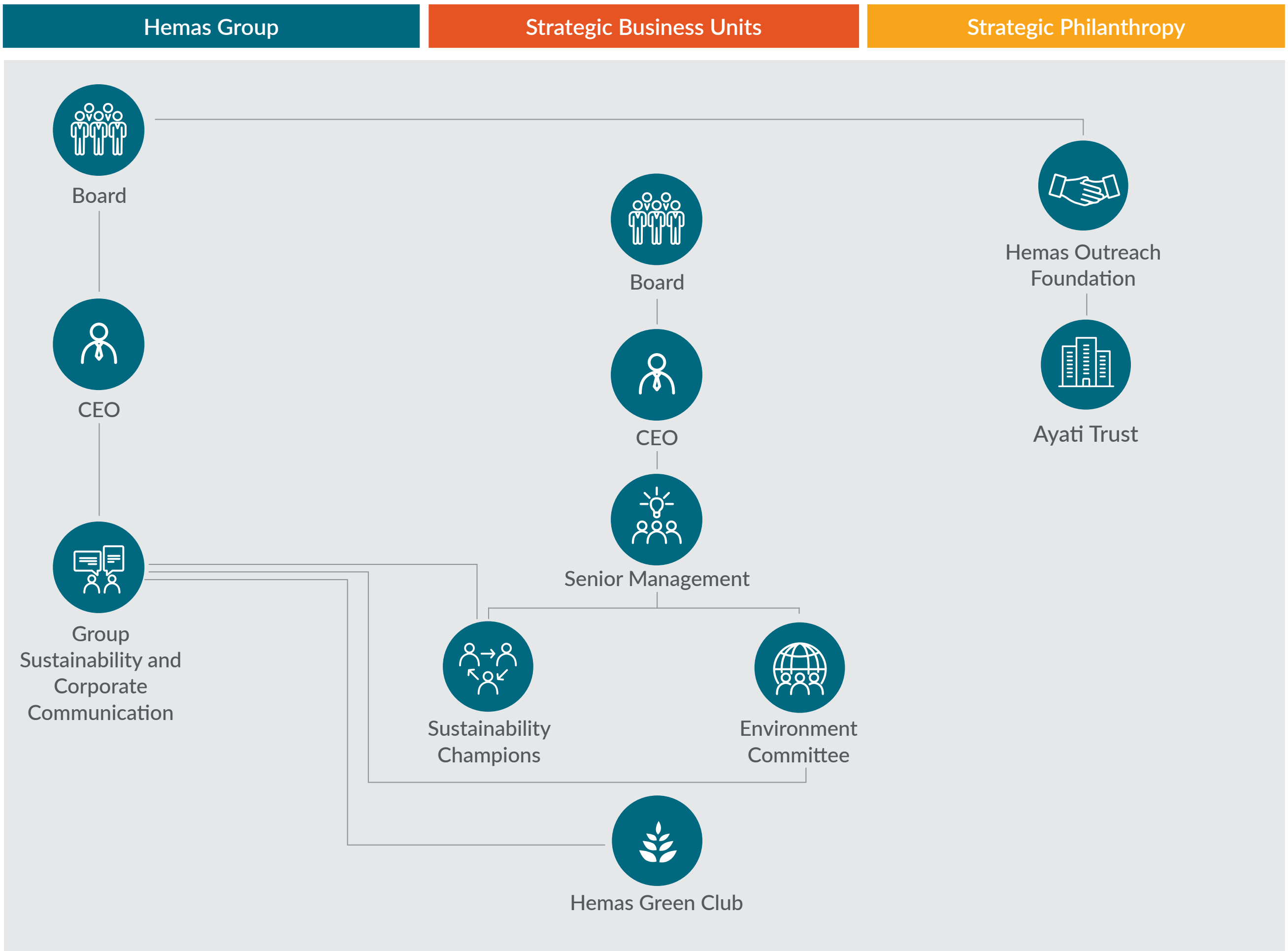
This is achieved through the following:

- Sustainability Governance
- Sustainability Policy Framework
- Sustainability Processes
- Sustainability Goals

SUSTAINABILITY GOVERNANCE

Sustainability integration for the Group is a key initiative of the Board and driven through the CEO who monitors progress and updates the Board. The Group Sustainability and Corporate Communications (GSCC) team is responsible for policy implementation and ensuring progress towards the Group's sustainability goals, including its strategic philanthropic initiatives. GSCC works with sustainability champions appointed by the SBUs of the Group and supports internal communications and information flows. This group meets regularly, receives training, and shares best practices and knowledge across the Group, forming a vital network. The Environment Committee comprising of Chief Engineers of the SBUs meets with GSCC bi-monthly to discuss progress on agreed initiatives and share knowledge.

The Hemas Outreach Foundation is an independent trust established under Hemas Holdings PLC. The Group allocates 2% of Profit Before Tax to the Trust depending on the requirements and the projects. The Board of Trustees of the Hemas Outreach Foundation comprises of 2 Executive Board members of Hemas Holdings PLC and independent trustees. The work of the



INTEGRATING SUSTAINABILITY

Foundation is detailed on pages 68 to 70 of the Social and Relationship Capital Report. Hemas Green Club comprises of staff volunteers who strive to make a positive difference in the environment. Activities of the club are funded by a steady income stream consisting of 70% of the income made from video productions by the GSCC and donations.

SUSTAINABILITY POLICY FRAMEWORK

The Hemas Sustainability policy outlines the management approach to sustainability, its priorities and processes. It also defines the reporting boundaries for identified material topics and has provision for reviewing and updating the policy, ensuring it is relevant. It is based on the Sustainability Standards issued by the Global Reporting Initiative.

Sustainability priorities determined from the extensive stakeholder engagement undertaken in 2015 which are addressed in the Group's Sustainability Policy are summarised below in 'Our Material Topics.' It also embeds the Precautionary Principle wherein the Group commits to take preventative action in the face of uncertainty to prevent potential risk/impacts to our stakeholders and environment. 34 legal entities form the Sustainability Reporting boundary, as specified in the Group Directory. For sustainability reporting purposes only the entities in Sri Lanka have been considered and the sustainability reporting topics have been identified based on the stakeholder engagement approach stated earlier in this report and considering the material topics and key concerns of the Group's significant stakeholders.

The Management Approach to the material topics is summarised in the relevant capital reports from pages 38 to 72. The full text of the Management Approach is hosted on our website: www.hemas.com/sustainability.

Economic	Environment	Social
GRI 201: Economic Performance	**GRI 302:** Energy	**Labour Practices and Decent Work**
GRI 205: Anti-Corruption	**GRI 303:** Water	**GRI 403:** Occupational Health and Safety
	GRI 304: Bio-Diversity	**GRI 401:** Employment
	GRI 305: Emissions	**GRI 404:** Training
	GRI 306: Effluents and Waste	**GRI 407:** Freedom of Association
	GRI 307: Environmental Compliance	**Human Rights**
		GRI 408: Child Labour
		GRI 409: Forced or Compulsory Labour
		Society
		GRI 413: Local Communities
		GRI 419: Socio Economic Compliance
		Product and Service Responsibility
		GRI 416: Customer Health and Safety
		GRI 417: Marketing and Labelling

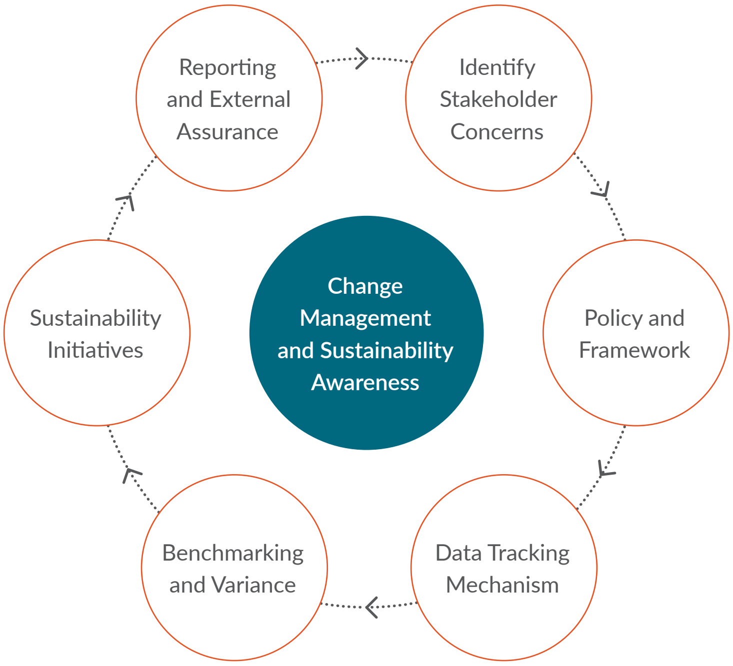
SUSTAINABILITY PROCESSES

As a process, sustainable value creation or 'Sustainability',

- Begins with stakeholder engagement.
- Is measured quarterly to ensure performance against targets.
- Is a key consideration in all our decisions and is part of our strategy formulation.
- Is demonstrated in our all actions.

The sustainability processes are 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. The Group continued to engage with an external consultant in managing and maintaining its Sustainability Management Framework including the data collection software, audits and materiality review.

Reputed certifications provide further assurance of alignment with international best practices as significant operations of the Group are certified under ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System), OHSAS 18000, ISO14000 and ISO 9001 (Quality Management System). Other



Group entities have adopted the Group's policies on quality, environment and, health and safety.

The following reports provide insights into the Group's progress on sustainability targets which are prepared by the GSCC and reviewed by the CEO who is responsible for updating the Board.

Sustainability Performance Report

- Prepared by GSCC every quarter
- Distributed to Group CEO and CEOs of SBUs

Environment Committee Progress Report

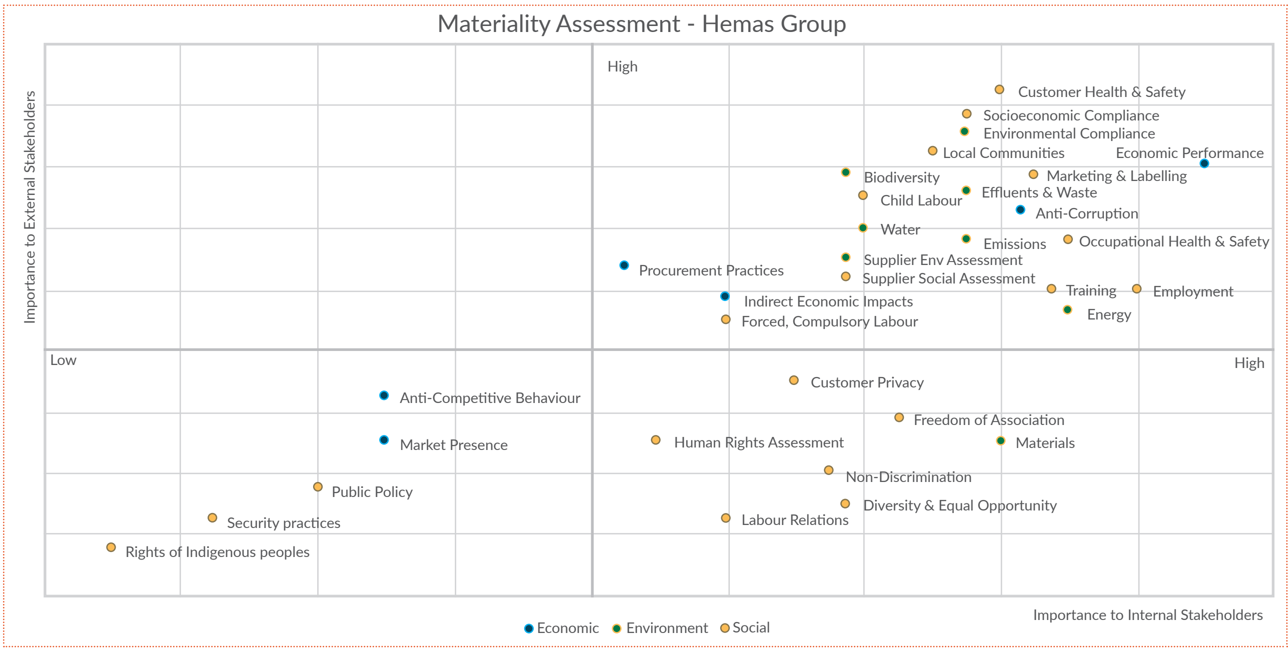
- Prepared by GSCC with input from Environment Committee
- Reviewed by CEO

Reports to Board and other Group Committees

- Prepared by GSCC on a need basis

INTEGRATING SUSTAINABILITY

OUR MATERIAL 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		

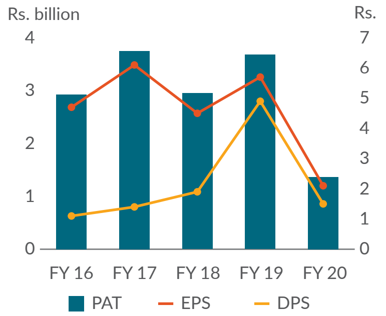
Material Topics	Disclosure of Management Approach	Management of Capitals
Biodiversity GRI 304-1: Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	Labour Practices and Decent Work	Management of Intellectual and Human 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 and 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 and 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	

THE CAPITALS REPORT

Financial Capital

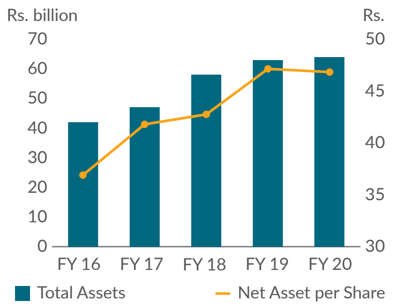
Hemas Group delivered a revenue of Rs. 61.6 billion and Profit After Tax of Rs. 1.4 billion in a year marked by black swans and economic headwinds, the most challenging year in its 70-year history. Relationships developed over the years with stakeholders, sound governance and innovation enabled to steer the Group to a strong recovery of Rs. 1.7 billion in the second half of the year after a loss of Rs. 297.7 million posted in the first half of the year.

Earnings



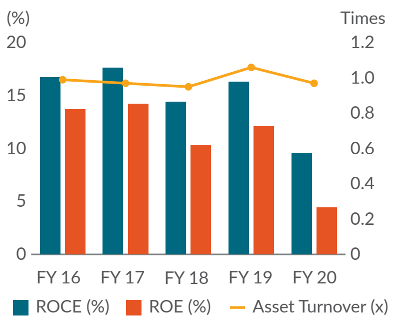
PAT declined by 63.0%, reflecting the unprecedented challenges during the year. The Group experienced a strong recovery in the second half of the year.

Total Assets and Net Asset per Share



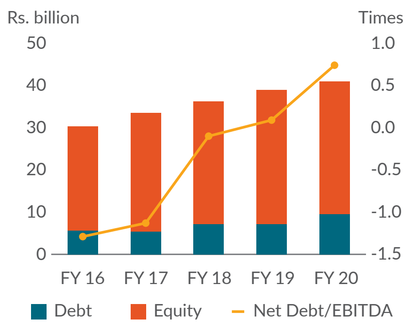
Total assets grew at 13.3% CAGR over 5 years boosted by the acquisition of Atlas in 2018 and investments in Spectra and the Pharmaceutical Manufacturing plant in the following years. Divestment of Hemas Southern Hospital, N-*able* and Forbes Leisure Services masks the focused investments aligned to the Group's Purpose.

ROCE, ROE and Asset Turnover



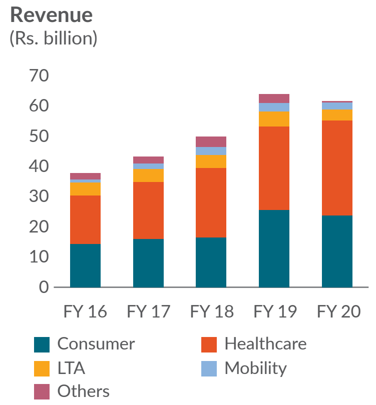
While ROCE and ROE reflect the challenges due to decline in operating profits and earnings, ROA reflects the improved efficiencies in Consumer, Healthcare and Mobility sectors which cushioned the impact of terror attacks and COVID-19 on the Leisure sector.

Funding and Net Debt to EBITDA

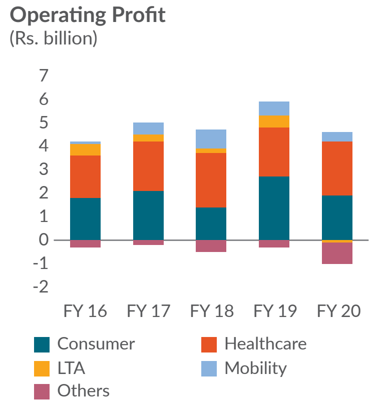


Consistently prudent funding strategies with gearing of 23.2% supported the upward revision of the National Long-Term Rating of Hemas Holdings PLC from AA-(lka)/Stable to AAA(lka)/Stable in June 2020 by Fitch Ratings. Net Debt/EBITDA was maintained below 1.0x reflecting comfortable liquidity.

EARNINGS



Revenue declined by 3.8% due to the unprecedented challenges, while underlying revenue accounting for the disposals grew by 2.0%. 5-year CAGR remains healthy at 13.3%. Healthcare sector revenues recorded 13.4% growth supported primarily by the price increase on price-controlled items and onboarding of a global brand for nutrition. The 6.8% decline in Consumer sector is attributable to business interruptions during the year while the 17.8% decline in the Mobility is mainly due to significantly lower trade volumes. A decline of 27.3% in Leisure sector revenues reflect the decline in the overall tourist arrivals as we closed the year with the Tourism industry at a standstill.



Operating profits reflect the impact of challenges faced during the year, declining by 37.1% to Rs. 3.6 billion. Healthcare sector operating profits increased by 3.6% to Rs. 2.3 billion supported by a solid performance by the Pharmaceutical Distribution and Manufacturing businesses, while Hemas Hospitals turned in a resilient performance, recording 68% occupancy levels despite the two crises, which affected footfall during the year. However, the growth in operating profit within the sector slowed down due to the VRS costs incurred in shifting warehouses at Morison coupled with the negative impact by SLFRS-16 on leased properties.

Consumer and Mobility operating profits declined by 30.5% to Rs. 1.9 billion and 30.9% Rs. 478.0 million respectively. Consumer sector was however supported by positive market acceptance of the personal wash brand *Shield*, which was extended to hand santizers in the wake of the pandemic and a successful back to school season by Atlas. However, the subdued performance in the first half of the year and the lockdown in March is reflected in the decline in profits of the sector, together with the weaker performance of operations in international markets. Mobility was impacted by a slower than anticipated filling of capacity and reduced imports and transshipment volumes.

The two crises experienced during the year had a negative impact on the Tourism industry, and as a result LTA sector made an operating loss of Rs. 131.1 million.

Extracts from the Consolidated Income Statement

Year ended 31st March	FY 20 Rs. Mn	FY 19 Rs. Mn
Revenue	61,632	64,082
Gross Profit	20,291	21,478
Other Operating Income	689	794
Share of Results of Joint Ventures	(120)	(58)
Share of Results of Associates	(0.4)	(35)
Operating Profit	3,561	5,661
Finance Cost	(1,049)	(1,046)
Finance Income	280	478
Profit Before Tax	2,792	5,093
Income Tax Expenses	(1,429)	(1,414)
Profit for the Year	1,363	3,679
Attributable to:		
Equity Holders of the Parent	1,236	3,369
Non-Controlling Interests	127	310
Earnings Per Share (Rs.)		
Basic Earnings Per Share	2.07	5.65
Diluted Earnings Per Share	2.07	5.65
Dividend Per Share (Rs.)	1.45	4.93

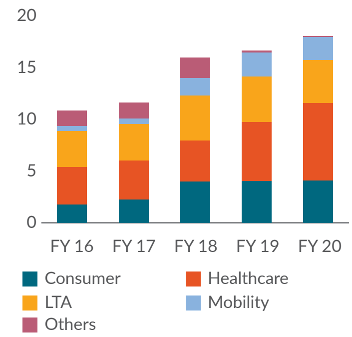
Profit before tax declined by 45.2% over the previous year due to the challenges discussed above and increased net finance costs.
Net finance costs increased largely due to implementation of SLFRS 16 which added Rs. 153.1 million and increase in working capital financing attributable to the Healthcare sector. The effective taxation rate increased from 27.8% to 51.2% due to increases in intercompany dividend tax and disallowed expenditures such as provisions. Consequently, PAT declined by 63.0% over the previous year to Rs. 1.4 billion. Similarly, earnings declined by 63.3% during the year due to reasons mentioned above.

THE CAPITALS REPORT

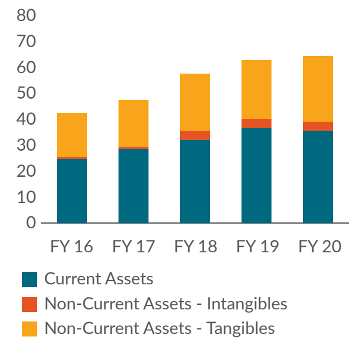
Financial Capital

GROWTH AND STABILITY

PPE
(Rs. billion)



Total Assets
(Rs. billion)

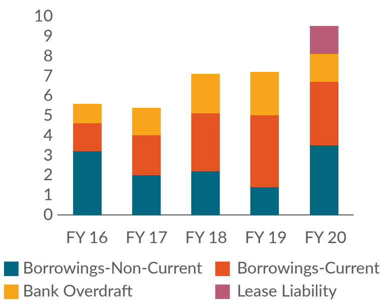


Consistent CAPEX investments in Healthcare and Consumer sectors supporting product and brand development reflect the expansion of the Group's earnings capacity. The Group invested Rs. 3.0 billion in capital expenditure during the year of which Rs. 2.1 billion was incurred for the Morison pharmaceutical manufacturing plant which is nearing completion. In addition, Right of Use Assets added a further Rs. 2.0 billion to Total Assets with the adoption of SLFRS 16 which also resulted in increased interest-bearing liabilities by 1.4 billion.

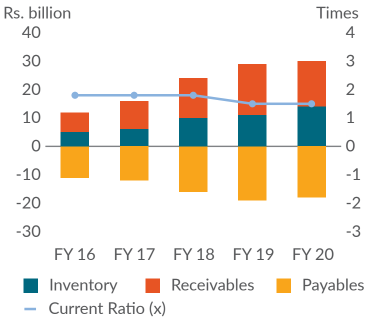
Delays in payments by the Government in the Healthcare and Mobility sectors have resulted in considerable high trade and other receivables despite the reduction brought in by the divestment of N-*able*. Inventories increased during the year due to the lockdown for the last two weeks of the financial year. Similarly, the addition of the new principal contributed largely towards the increase in working capital in the Healthcare segment.

A prudent gearing ratio of 23.2% and a consistent current ratio of 1.5 times support the financial stability of the Group. The increase in borrowings during the year was related to construction of the pharmaceutical manufacturing plant, reflected in the step up in liabilities of the Healthcare sector coupled with the increase in working capital financing.

Debt Composition
(Rs. billion)



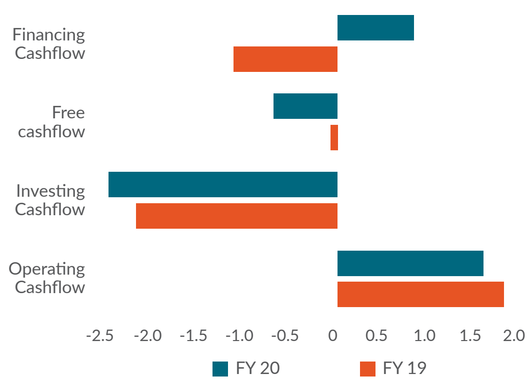
Net Working Capital



Extracts from the Consolidated Statements of Financial Position

As at 31st March	FY 20 Rs. Mn	FY 19 Rs. Mn
TOTAL ASSETS	**64,380**	**62,749**
Non-Current Assets	**28,727**	**26,242**
Property, Plant and Equipment (PPE)	20,033	18,685
Right of Use Assets	2,028	-
Investment Properties	1,648	1,648
Intangible Assets	3,439	3,469
Investment in Joint Ventures	701	884
Current Assets	**35,654**	**36,507**
Inventories	13,560	11,201
Trade and Other Receivables	16,094	18,434
Cash and Short-term Deposits	5,617	6,474
Equity And Liabilities		
TOTAL EQUITY & LIABILITIES	**64,380**	**62,749**
Equity Attributable to Equity Holders of the Parent	**27,914**	**28,099**
Non-Controlling Interests	3,560	3,771
Total Equity	**31,474**	**31,870**
Stated Capital	7,734	7,734
Other Components of Equity	1,389	1,682
Retained Earnings	18,574	18,497
Non-Current Liabilities	**9,697**	**6,106**
Interest-Bearing Loans and Borrowings	4,738	1,369
Other Financial Liabilities	2,206	1,956
Current Liabilities	**23,209**	**24,774**
Trade and Other Payables	17,937	18,599
Interest-Bearing Loans and Borrowings	3,363	3,553
Bank Overdraft	1,396	2,182
Net Assets Per Share (Rs.)	46.8	47.1
Gearing (%)	23.2	18.2
Current Ratio (Times)	1.5	1.5

Cashflow Analysis
(Rs. billion)

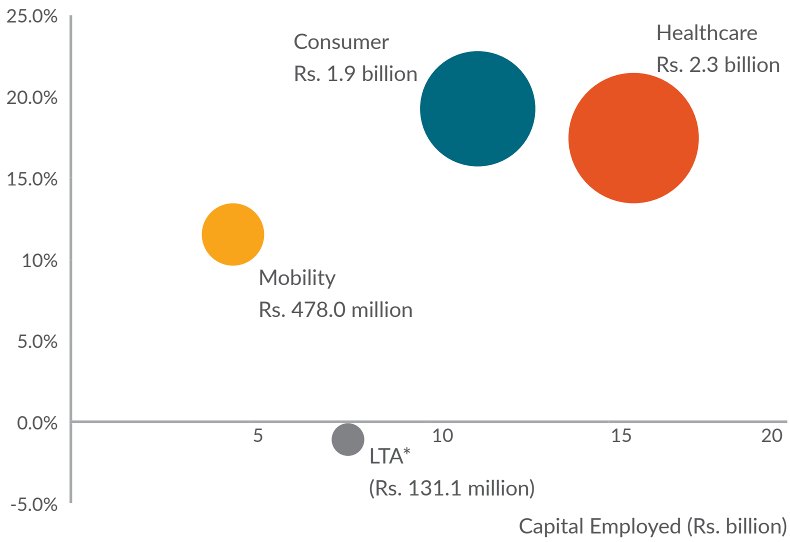


Managing cashflow will be key to steering the uncertainties of the year ahead. Analysis of cashflow reflects the increase in negative cashflows in FY 2019/20, from increased investments in the Spectra Logistics Park the previous year and the Morison Pharmaceutical Manufacturing plant in both years. Both investments are expected to increase the earning capacity of the Group considerably, boosting both operational cashflows and free cashflows in the future. This has been financed with increased borrowings as the gearing of the Group is well below peer norms at 23.2% and arguably optimises the average cost of capital as the AAA rating allows the Group to borrow at favourable rates. We also expect cashflows in the year ahead to strengthen due to the essential nature of our operations, freeze on discretionary capital expenditure and head count, and Group wide cost optimisation initiatives.

EFFICIENCY

Sector Efficiency

Capital Employed, ROCE and EBIT by sector

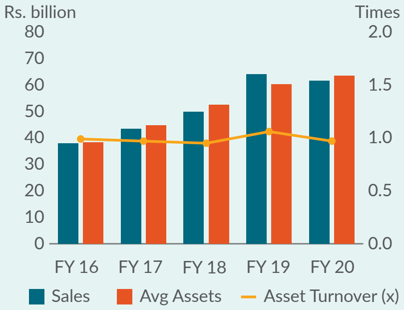


Our business results depend on our ability to successfully manage productivity improvements and ongoing route to market organisation. Consumer and Healthcare both reflect the successes in this regard. LTA represents an EBIT loss of Rs. 131.1 million due to the two events that unfolded during the financial year.

THE CAPITALS REPORT

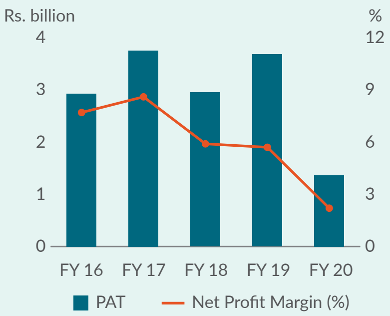
Financial Capital

Asset Turnover



X

PAT and Net Profit Margin (%)



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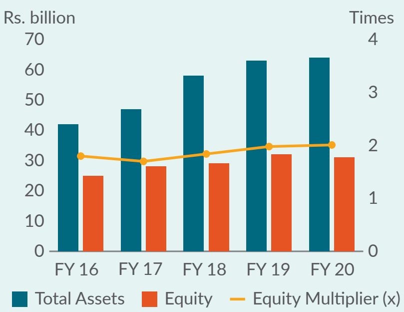
Equity Multiplier

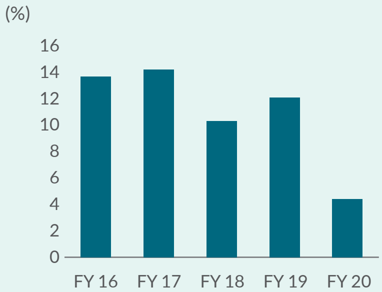


Delivering efficiency in financial capital was extremely challenging given the unprecedented number of days of lost sales in one financial year. The terror attack and COVID-19 took a heavy toll on the Leisure sector resulting in poor asset utilisation for most of the year. In the Mobility sector, Spectra recorded its first full year of operation with 70% capacity utilisation in a difficult year and is just commencing its journey to add on the value added services which will boost revenue streams and margins significantly. Additionally, investments in the new plant for Morisons are work in progress at the close of the year although reflected in assets. the Consumer sector was also impacted by the terror attacks, business and school closures.

During the year, a slowdown in investment occurred in an environment of economic instability caused by the two crises, resulting the Group ROE declining to 4.4% during the year from 12.1% last year.

=

ROE



Return on Equity

	Reported ROE (%)	=	Net Profit Margin (%)	x	Asset Turnover	x	Equity Multiplier
FY 20	4.4%	=	2.2%	x	0.97	x	2.01
FY 19	12.1%	=	5.7%	x	1.06	x	1.98

Manufactured Capital

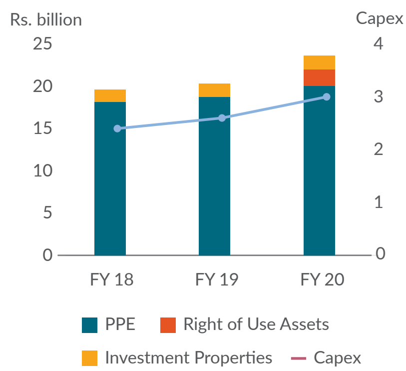
Manufactured Capital of the Group comprises investments in Property, Plant and Equipment, Right of Use Assets of the Group and Investment Properties which account for 36.8% of Total Assets and amount to Rs. 23.7 billion. The land owned by the Group is also included in this capital as the buildings, plant and equipment are to a large extent, indivisible from the land.

Consumer	Healthcare	Leisure, Travel and Aviation	Mobility
18.0%	34.7%	17.8%	11.7%
Rs. 4.4Bn NBV	**Rs. 8.4Bn** NBV	**Rs. 4.3Bn** NBV	**Rs. 2.8Bn** NBV
Rs. 399.8Mn Depreciation and Amortisation	**Rs. 613.6Mn** Depreciation and Amortisation	**Rs. 236.4Mn** Depreciation and Amortisation	**Rs. 232.5Mn** Depreciation and Amortisation

NURTURING OUR MANUFACTURED CAPITAL

- Construction of state-of-the-art pharmaceutical research and manufacturing facility at Homagama
- First overseas lab opened in Seychelles
- Hemas Hospitals Wattala established an IVF Centre of Excellence and expanded the Neuro Diagnostic Centre while the Thalawathugoda Hospital expanded its Cosmetic surgery facility enhancing energy saving measures through internal innovation
- Consumer sector invested in additional Plant and Machinery for the *Shield* range of products and production of baby diapers
- Spectra completed its state-of-the-art facility

Composition of Manufactured Capital



THE CAPITALS REPORT

Manufactured Capital

OVERVIEW

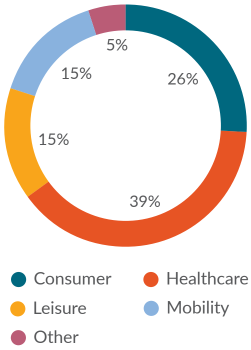
The composition of the Group's Property, Plant and Equipment given alongside has a key impact on the Group's revenue generating capacity and ultimately, the earnings. Utilisation of these assets are mainly demand driven as there are no capital assets that require extensive time or costs to start up or shut down. Consequently, a key aim is to enhance utilisation of these facilities, maintaining optimum utilisation levels with adequate downtime for scheduled maintenance.

Investments in capital expenditure amounted to Rs. 3.0 billion incurred on projects described above. Capital commitments on projects currently in progress amount to Rs. 591.9 million. Details of PPE are given on Note 11 to the financial statements on pages 163 to 171.

Right of Use Assets added Rs. 2.0 billion to the Group balance sheet in the reporting year as we adopted SLFRS 16: Leases which required capitalisation of operating leases with the liability recognised in interest bearing borrowings. Further details are given in Note 13 to the financial statements on pages 174 to 176 together with the accounting policy. Details of Investment Properties are given in Note 12 to the financial statement on pages 172 to 176.

The depreciation and amortisation charge for the year amounted to Rs. 1.6 billion compared to Rs. 1.3 billion last year. The increase is mainly due to the depreciation attributable to the Spectra facility.

Depreciation and Amortisation by Sector



Manufactured Capital: Consumer Sector

Home and Personal Care - Sri Lanka

The manufacturing facility at Dankotuwa is located on 16 acres with the capacity to manufacture Home and Personal Care products ranging from soap, sanitary napkins, detergent, perfume, diapers and skin care lines. The facility includes a warehouse, R&D facility together with a production facility.

School and Office Stationery - Atlas

The stationery manufacturing plant is located at Peliyagoda on over 1 acres of land. Its production capability ranges from pens to stationary, books and bags. The plant has inbuilt Lean and Kaizen processes.

Manufactured Capital: Healthcare Sector

Hemas Hospitals located at Wattala and Thalawathugoda are fully fledged tertiary care hospitals with significant investments in specialised buildings and equipment including MRI, CT and Ultrasound scanners as well as X-ray, Ex ECG monitors and echo-cardiogram machines and laboratories for positive patient outcomes.

Hemas Hospital Wattala

119 Beds

5 Theatres

Centers of Excellence:

- In Vitro Fertilization Unit (IVF)
- Gastrointestinal Unit (GI)
- Orthopedic Unit

Hemas Hospitals Thalawathugoda

55 beds

3 Theatres

Centers of Excellence:

- Cosmetics Unit
- Urology Unit

Morisons Factory at Mutwal

Current manufacturing facility has the capacity to manufacture 2 billion tablets and 800 kilo litres of medicine per annum in a WHO compliant and NMRA approved facility. Some of these processes will be transferred to the new facility on completion.

Morisons Warehouse and Head Office

The company's warehousing and office facilities are located on a 7-acre property in Kelaniya. The Office complex includes the Citadel, a modern area dedicated to innovation, ideation, high energy meetings and learning.

New Factory under construction

Morison PLC is investing in the largest pharmaceutical manufacturing and research facility in the country, which is nearing completion at the SLINTEC Park, Pitipana Homagama. Built over 5 acres with 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 CAPITALS REPORT

Manufactured Capital

Manufactured Capital : Leisure, Travel and Aviation Sector

Our Leisure portfolio includes prime real estate along Sri Lanka's famed coastline and the cultural triangle, offering tourists a round trip experience within the Group.

Hotel Sigiriya

Hotel Sigiriya provides unmatched views of the iconic rock fortress and has a rustic ambience in harmony with its surroundings

79 keys

★★★

Avani Bentota

A beautiful beach resort designed by the renowned architect Geoffrey Bawa, and located on a strip facing the beach on one side and the river on the other.

94 keys

★★★★

Dolphin Hotel

An all-inclusive resort located between the lagoon and a picturesque beach in close proximity to the airport.

154 keys

★★★★

Anantara Peace Haven Tangalle

50.1% ownership of this luxurious resort sprawled across 21 acres comprises 152 keys which include both luxuriously appointed villas for perfect privacy and rooms for convenience

Lantern Villas

The Lantern Beach Collection comprises 22 keys of villa style accommodations located in 3 beachfront properties along the scenic Mirissa coastline

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Managed properties extend the value proposition for guests while supporting earnings for the Leisure sector.

50 Lighthouse Street

Located within the historic maritime city of Galle, this 05 key hotel is reminiscent of Sri Lanka's colonial past and within easy reach of the cultural melting pot of the Galle Fort where the past syncs with the present.

The Beach House

Located in Mirissa, comprising 06 keys, this is a perfect beach escape as sun, sea and sand renew and rejuvenate your spirits.

Manufactured Capital: Mobility Sector

The latest integrated logistics park in the country, specialising in pharmaceuticals and FMCG sprawls over 15 acres in Muthurajawela. Its fleet of specialised vehicles are critical components of its value proposition as a leading player in the logistics business in Sri Lanka. It further houses a 30,000 m2 container yard with a storage capacity of 6,000 TEUs.

It is a future focused set up with a capacity of nearly 25,000 palette positions. The distribution centre is designed in accordance with global industry standards with five chambers and seven high racking, in addition to electric material handling. The entire operation is further backed by proprietary software developed by GAC Global and supported by global IT centres in Singapore and Dubai.

Intellectual Capital

The Group's Intellectual Capital comprises of our intellectual property such as brands, software, operating licenses and organisational capital such as tacit knowledge, policy frameworks, systems, and processes.

OUR BRANDS

Our portfolio of brands is continuously reviewed and refreshed to ensure that it remains relevant to the changing needs of society. They are synonymous with quality and affordability, earning the trust of Sri Lankan families. We are conscious of this privilege and honour, taking care to nurture it through a relentless focus on quality.

Our portfolio of Home and Personal Care brands comprise our everyday products, supporting affordable, everyday hygiene for Sri Lankans.

Atlas is the country's #1 School and Office Stationery brand, available island-wide, and used by Sri Lankans of all ages.

Our Leisure brands are well-known hospitality brands in Sri Lanka reinforced by positive guest reviews.

Our Healthcare brands comprise of the Hemas Hospitals brand and the Morison brand, which has a long history of manufacturing medicines and Over-the-Counter (OTC) health products for Sri Lankans.

As a leading player in the country's maritime and logistic sector, Spectra is trusted by pharmaceutical and FMCG companies to store and distribute their products in line with detailed specifications, island wide.

THE CAPITALS REPORT

Intellectual Capital

SOFTWARE, SYSTEMS AND PROCESSES

As our systems become more technology driven, software, systems and processes merge and create significant interdependencies, relying on one for the effective functioning of the other. Collectively, they are an integral part of how the Board receives information on the performance and risks related to the Group's operations including its financial and operational performance.

A sound policy framework approved by the Board encompassing, accounting, human resources, conduct and ethics and sustainability provides guidance on conduct, recording and reporting of financial and operational matters to the Senior Management and the Board. The Group has invested in digitization of its processes and in FY 2018/19 all business applications including core SAP S/4 HANA being moved to 'cloud' infrastructure across Singapore, India, and latest facilities of SLT, Sri Lanka. This move has delivered better speeds and enhanced the 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 the right form at the right time should be available not only to top management but across the organisation to.

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.

The Group has also obtained the following certifications which enable assessment of its systems against international best practices, providing assurance to the Board and external stakeholders of its commitment to responsible manufacture and sound management systems.

Consumer	**Home and Personal Care** • Dankotuwa Manufacturing Facility - ISO 14000 EMS (Environment Management System) • OHSAS 18001	**Atlas Axillia** • ISO 9001:2015 • ISO 14001:2015 • ISO 18001:2007
Healthcare	**Hemas Hospitals** • Australian Council on Healthcare Standards International Accreditation • Integrated Management Systems (IMS) accreditation with ISO 9001, ISO 45001 and ISO 14001 • OHSAS 18001 Certificate for Occupational Health and Safety • ISO 15189:2012 Accreditation for Clinical Laboratories – Wattala and Thalawathugoda labs	**Morison PLC** • GMP – Good Manufacturing Practices certification
Mobility	**Hemas Maritime** • ISO 9001:2015	**FAR Shipping** • ISO 9001:2015

TACIT KNOWLEDGE

Tacit knowledge is the knowledge that is difficult to transfer to another person through verbalization or written communications but needs to be transferred through experience. For Hemas Group with its 70-year tradition of nurturing and mentoring people, tacit knowledge is a significant part of its intellectual capital that is immeasurable. Formal approaches have been put in place to nurture the tacit knowledge within the Group through initiatives such as speed mentoring, knowledge sharing sessions by senior leaders and Group coaching. It continues to be passed down and absorbed through everyday conversations, leadership examples and the stories handed down at the factory floor or lunchroom conversations. It also comes from learning from our mistakes so that we initiate a virtuous cycle of continuous improvement. To pass on tacit knowledge, there must be people well versed in Hemas lore, to talk to others. Over the years, we have retained many of our employees who have warmly welcomed the many who joined, passing on the culture of Hemas and its tacit knowledge.

A CULTURE OF INNOVATION

We progress through innovation, and we are very proud of our tradition of innovation in improving everyday products. Hemas is challenging its employees and innovators outside Hemas to disrupt our business. Our employees are challenged through our *Adahas* Programme which is an internal crowdsourcing effort aimed at identifying and implementing good business-related ideas among our team. The best ideas are evaluated and are already being implemented. The 'Hemas Slingshot Program' aims to provide talented entrepreneurs a chance to commercialise inventions within the strategic areas of our operations. Hemas Hospitals is also moving ahead with its Electronic Health Records system to empower Sri Lankans to live healthier lives and medical professionals to have better analytics. *Shield*, our range of hygiene soaps using charcoal technology for deeper cleansing added another brand to our portfolio, quickly followed by hand sanitizer to cater to market demand.

INNOVATING *SHIELD*

Shield has been innovated for Sri Lankans using local, natural ingredients trusted by them for generations. Its base ingredient, charcoal, is one that all Sri Lankans are familiar with, known for its purifying and cleansing properties from ancient times. Even the West has caught on to its unique properties with applications expanding from water purification to beauty and oral care to name just a few.

The charcoal base of *Shield* enhances and extends the experience of a cool shower combined with its antibacterial and deep cleansing properties for a refreshing and cool feel, rejuvenating the senses. While staying true to its antibacterial and deep cleansing brand promise, *Shield* also delivers in terms of aesthetics. The soap's marbling is a result of the investment in cutting edge machinery – the first of its kind in Sri Lanka. Dermatologically tested and proven to be safe and non-irritant on skin, *Shield* encourages an active lifestyle for the entire family protecting them from germs and harmful bacteria. It is a mother's best defense for her family with three variants to protect and please all; original, nourish and herbal. Its tag line, '*Ona deyakata ottuy!*' reflects its entrance into the market with its bold promise of 360 degree protection and an invigorating feel.

Hand sanitizer was launched during the pandemic as the brand is particularly relevant to the current health crisis and increasingly hygiene conscious consumers. Having started life as a soap, the brand is now growing to other applications as we perceive new areas of relevance for addressing consumer concerns.

INNOVATIONS

Inhalo	Inhalo is a unique product which allows breathing to be monitored through a headset. The first product trial is being tested on asthmatic kids by playing a mobile game that is controlled by breathing techniques, gamifying the breathing exercises necessary for their wellbeing. Inhalo has now filed for an international patent on the innovation. VulcanD (Pvt) Ltd, developed this product and Hemas acquired a stake in the same through its Slingshot programme to support commercialisation of the product.
HealthNet	During the year, Hemas increased its stake in Sri Lanka's first and leading online pharmacy provider. A new model of pharma distribution was tested with HealthNet for Hemas Pharmaceuticals in Colombo.
Live-Track	Hemas Hospitals introduced Live-Track to enable patients to check the expected time of arrival of Consultants, appointments available and total appointments for the days addressing a key pain point of patients due to the unpredictable timings of Consultants. It is particularly relevant at this time as it reduces patient waiting times, congestion within the hospitals and parking areas.

THE CAPITALS REPORT

Intellectual Capital

STRIVING FOR EXCELLENCE

Part of our heritage is a tradition of excellence and we are proud of our achievements in numerous fields. Below is a summary of the awards we received during the year.

Hemas Group	• Asia's Most Socially Responsible Company of the Year at the Asia Corporate Excellence & Sustainability (ACES) Award - Grand Award • Listed Amongst the Top 10 Most Respected Companies in Sri Lanka by LMD • Ranked No.16 by Business Today which recognised the Top 30 best performing corporates in Sri Lanka for 2018 – 2019.
Home and Personal Care	• NCE Export Award by National Exporters of Sri Lanka - Gold Award in the Large, Other manufacturing category • SLIM Nasco Awards by Sri Lanka Institute of Marketing - Gold – 01 - Silver – 02 - Bronze – 05 • SLIM Brands Excellence by Sri Lanka Institute of Marketing - Export Brand of the Year – Kumarika
School and Office Stationery	• SLIM-Nielsen Peoples Awards by Sri Lanka Institute of Marketing - School Supply Brand of the Year 2020 • Global Performance Excellence Awards 2019 by Asia Pacific Quality Organisation - Winner - Best in Class Award - Silver - Best Practice Award - Silver - Innovation Class Award • Sri Lanka National Quality Award 2018 by Sri Lanka Standard Institute - Large Scale Manufacturing Sector • National Business Excellence Award 2019 by National Chamber of Commerce - Manufacturing – Other Sector • National Cleaner Production Awards 2020 by National Cleaner Production Centre of Sri Lanka - Sector Winner - Large Scale Manufacturing (Other Category) • National Occupational Safety and Health Excellence Awards 2019 by National Institute of Occupational Safety & Health - Occupational Safety and Health - Most Effective Systematic Implementation for Safety • National Convention on Quality & Productivity (NCQP) Awards 2019 by Sri Lanka Association for the Advancement of Quality and Productivity - Gold Awards – 22 - Silver Awards – 2 • National Productivity Awards 2018 by National Productivity Secretariat - Sector Winner • Nagaaki Yamamoto KAIZEN Award by Japan-Sri Lanka Technical and Cultural Association (JASTECA) - Gold Award • SLIM Brand Excellence by Sri Lanka Institute of Marketing - New Entrant: Silver Award for Atlas Max Pens

Hospitals	• Healthcare Asia Awards by Healthcare Asia, Singapore - Patient Care Initiative of the Year - Service Delivery Innovation Initiative of the Year - Health Promotion Initiative of the Year • Hospital Management Asia Awards (HMA) – Vietnam - Cost Reduction Initiative of the Year for Hemas Journey of Achieving Excellence in Staff Productivity using Lean and Six Sigma Methodology • National Occupational Safety and Health Excellence Awards by National Institute of Occupational Safety and Health - Winner - Healthcare - Large - Winner - Healthcare – Medium & Small - Merit Award- Healthcare

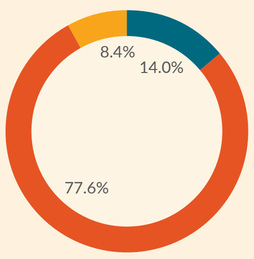
THE CAPITALS REPORT

Human Capital

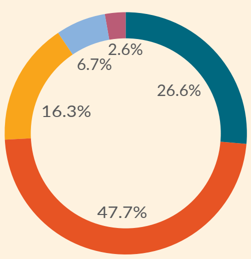
We believe in investing in our people, empowering them and providing them with the resources to be the best version of themselves. This is the premise on which our employee value proposition '360You' is built on. In turn, our team of talented, empowered, and motivated individuals continue to propel us to be the best we can be as an organisation.

OUR HUMAN CAPITAL

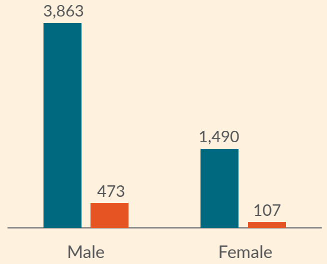
Workforce of the Group



Employees by Sector



Gender Diversity of Employees



STRATEGIC PRIORITIES

- Attract and Retain the Best Talent
- Energize and Engage our Talent
- Nurture Leadership from Within
- Simplify HR and Add Value to Business
- Ensuring the Health and Safety of our Employees

HUMAN RESOURCES GOVERNANCE

Our employees belong to a diverse range of sectors with industry specific employee profiles and requirements. As a result, each subsidiary has its own HR department responsible for formulating and implementing HR procedures in a way that is uniquely applicable to each respective business line. Oversight is provided by Corporate HR to ensure consistency in policies and procedures. Corporate HR is also responsible for managing senior talent across subsidiaries and for setting the tone for Group culture and values. Meanwhile, the Remuneration Committee provides an advisory role in driving the HR function across the Group.

During the year, Hemas launched the Shakthi Project aimed at reviewing and revitalising the existing operational structure. The project reviewed existing governance methodologies and organisation structures of two business units and the Corporate Centre, and the Group is in the process of implementing some of the recommendations that came out of the review.

OUR DIVERSE TEAM

We believe the strength of our team lies in its diversity. We strive to ensure diversity in terms of gender, age, ethnicity, educational and professional backgrounds. Females represent 26.9% of our employee base across our operation and 39.2% consist of individuals under the age of 30. The Group predominantly employs full-time employees, and there are no employees outside Sri Lanka in relation to the reporting boundary of this report. We continue to emphasize on a culture that embraces diversity and shun any form of discrimination. There were no reported incidents of discrimination during the year.

OUR CONTRIBUTION TO GENDER PARITY

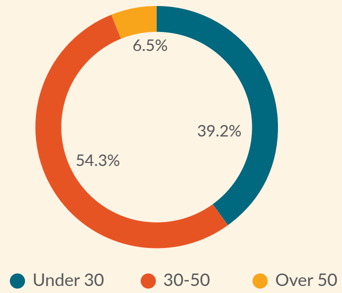
We are committed to increasing female participation in the workforce and strive to attract and retain female employees by having in place policies that encourage and empower women in the workplace. The age profile and gender diversity of the Group's Governance bodies are disclosed in the profiles of the Board of Directors and COG in the Corporate Governance section of this report.

We strive to create an environment that empowers and encourages women to reach their full potential. The Hemas Group is a member of the SheWorks Partnership established by the International Finance Corporation (IFC). The initiative brings together leading organisations across industries to identify and implement 'gender-smart' solutions aimed at encouraging greater female participation in the workforce. Our continued commitment to engendering gender equality in the workplace was featured in the 'Together We Can' coffee-table book and media campaign by the International Finance Corporation.

WORKFORCE PROFILE

	2019/20	2018/19	2017/18
Permanent	5,353	5,951	5,948
Contract	580	708	807
Outsourced	962	1436	748
Total	**6,895**	**8,095**	**7,503**

Employees by Age



EMPLOYEES BY GRADE

Staff Category	Male	%	Female	%
Directors	27	73.0	10	27.0
Senior Management	141	76.6	43	23.4
Middle Management	418	75.7	134	24.3
Executive Level	775	66.0	399	34.0
Non- Executive Level	2,975	74.6	1,011	25.4
Total	4,336	73.1	1597	26.9

EMPLOYEES BY SECTOR

Male	1,304	1,802	785	360	85
Female	275	1,028	185	38	71
Total	1,579	2,830	970	398	156

Consumer
Healthcare
LTA
Mobility
Other

THE CAPITALS REPORT

Human Capital

KidZone -A Back-Up Care Arrangement

Employees are offered back up childcare facilities through a dedicated space at the Hemas House for emergency situations where regular childcare arrangements fail. The child-friendly space can accommodate up to 10 children between the ages of 3 to 12 and allows parents to work uninterrupted from one of the adjoining work-stations. This innovative initiative was featured as a case in an IFC publication 'Tackling Childcare: The Business Case for Employer-Supported Childcare in Sri Lanka'

MumZone for Lactating Mothers

New mothers are provided a sanitary space to express milk for their infants while at work, encouraging more women to return to work after childbirth.

Paid Maternity and Paternity and Adoption Leave

Our Maternity, Paternity and Adoption Leave Policy goes well beyond statutory requirements. Female employees are granted 100 days of maternity leave, while males are granted 10 days of paternity leave. Meanwhile we also have an adoption leave policy which provides the same maternity and paternity for a child under 1 year, and half the benefit for a child between 1 and 5 years.

Flexible Work Solutions

Flexible working hours and part-time working arrangements are offered to employees as part of our efforts to offer a more supportive working environment

Awareness Programs

We believe in the concept of 'knowledge is power' and continue to create awareness on key issues. During the year breast cancer awareness and breast cancer screenings were conducted across the Group. Capacity Building workshops on Personal Financing Planning were also conducted during the year. Several awareness sessions were also conducted on the prevention of sexual harassment and domestic violence.

Voice of Women (VOW)

Hemas Voice of Women (VOW) women's network was launched in 2017 as a forum for female employees across all business units and grades, to identify key challenges and constraints faced, and find workable solutions for these issues. The key objective of VOW is to create a more inclusive environment that attracts and retains more women into the work-place.

SUPPORTING EMPLOYMENT OF INDIVIDUALS WITH DISABILITIES

Our commitment to diversity also extends to individuals with disabilities. The Group encourages the employment of individuals with disabilities (e.g. visually impaired individuals, hearing impaired individuals, individuals with physical and mental impairments and rehabilitated combatants, who are employable) and is actively working towards achieving the goal of ensuring that 0.5 % of our employees belong to these groups. The Group currently employs 5 individuals with disabilities which is 0.08% of total employees.

ATTRACTING AND RETAINING THE BEST TALENT

We continue to attract some of the best talent in the country, welcoming a total of 1,393 new recruits during the year. Almost 69.3% (966) of new recruits are below the age of 30, while 27.1% (387) of our new recruits were between the ages of 30 and 50. 25.6% (357) of total new recruits were female.

As a leading corporate in the country, we partner with several educational and professional bodies to offer students internship and training opportunities. During the year Hemas Holdings signed an MOU with SLIIT to assist with curriculum development and to function as a private sector assessor in student viva presentations. The MAS, Dialog, Hemas Summer Internship programme continued for the 3rd consecutive year, with 5 participants interning at Hemas Group Companies. Hemas Holdings PLC also became a CIMA corporate partner during the year. These partnerships whilst offering the youth in the country training and internship opportunities offer the Group a pool of talent to pick from.

As a responsible corporate entity, we ensure that all laws and regulations pertaining to child labour and forced/ compulsory labour are strictly adhered to. No cases of child labour or forced labour were reported during the year.

As mentioned in the Corporate Governance section of the Report, all employees of significant sectors at the time of induction signs the Hemas Way document, which provides guidelines and relevant information towards bribery and corruption. During the year, no significant risks were identified relating to corruption within internal business processes.

1,558 employees left the Group during the year resulting in a turnover rate of 26.3% compared to 22.3% last year. Attrition was highest in the under 30 age group with 58.1% of exits being from this category while 30.1% of the exits during the year were female employees. The attrition rate of new hires during the year was 9.3% compared to 13.8% last year.

ENERGIZING AND ENGAGING OUR TALENT

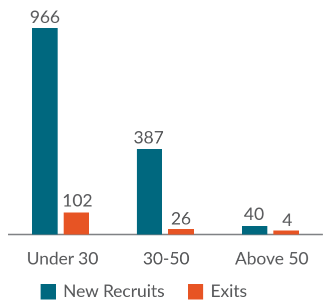
Continuous investment in training and developing our employees is a key element of our employee value proposition. Training needs are identified at business unit level through a collaborative process that involves assessment centers, talent discussions and performance feedback in order to ensure that there is alignment between the strategic requirements of the company and individual goals.

Training

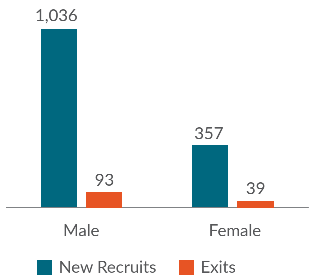
During the year we provided over 58,168 training hours for employees across the Group. As a result, average training hours per employee increased from 9.7 hours in FY 2018/19 to 9.8 hours in FY 2019/20. Average training hour per male employee was 8.2 hours and female employee was 14.2 hours.

Training areas, although specific to the industry in which each business line operates in, revolves around the core areas of technical skill development, sales management, soft skills development and leadership development.

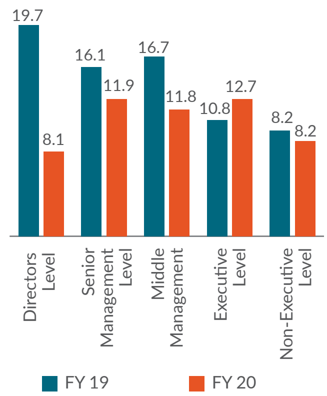
New Recruits and Exits (by Age)



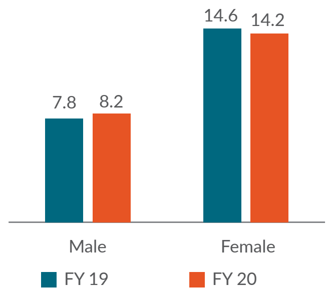
New Recruits and Exits (by Gender)



Average Training Hours (by Employment Category)



Average Training Hours (by Gender)



THE CAPITALS REPORT

Human Capital

Nurturing Leadership from Within

Succession planning and leadership development is a key area of focus. We have in place a structured mechanism to identify and develop key talent across the Group. Annual talent management sessions are conducted to identify talent at business levels. The identified pool is reviewed by Human Resources and Remuneration Committee at Group level and earmarked as high potential and successors for critical roles. Targeted training and leadership training are then provided through our signature leadership program 'Future Leaders Program'. This program now in its fourth year offers selected candidates from middle management high quality training aligned to Hemas Leadership Competencies at dedicated development centers. The program is run with the support of AON and Indian Institute of Management Bangalore (IIMB) and includes a component of overseas training as well. A total of 88 employees participated in this program since its inception in 2016 out of which almost 83% of employee who at present are employed have been promoted. Yet another program launched during the year is the 'Hemas Hotshot Management Trainee Program Season 2' an executive training program targeted at entry level executives/junior managers.

Performance Management

Performance reviews are conducted bi-annually for all executives and annually for all non-executives. Goal setting is carried out at the beginning of the period and communicated to all executive and above level employees. Feedback on appraisals are then provided to employees with opportunities to discuss performance, understand areas of improvement and establish future goals. During the year under review, we conducted a goal audit aimed at reviewing the quality of the goals set and ensuring greater alignment between organisation and individual goals.

Recognising our employees is an important element of our performance management scheme. In addition to performance-based pay, we also recognise high achievers at the 'Hemas Awards Ceremony', a gala event conducted annually to recognise and celebrate staff contributions.

Attractive Remuneration and 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 8.0% of their salaries towards MSPS/EPF with the company contributing 12% or above. Furthermore, the Group contributes 3% percent towards ETF.
The total contribution made by the Group to ETF for the reporting year was Rs. 114.2 million, while the contribution made to MSPS/EPF was Rs. 468.1 million. Employees are also entitled to gratuity and the total benefit liability as at 31st March 2020 was Rs. 1.0 billion. In addition to these statutory benefits, full time employees are also entitled to a range of benefits including medical insurance, staff loans, meals in certain businesses, transport facilities, travel allowances and many other benefits.

ENSURING THE HEALTH AND SAFETY OF OUR EMPLOYEES

Employee health and safety is a core element of our employee value proposition. We ensure that the highest health and safety standards are met in all our locations and have obtained ISO45001 certification for most Group companies. Meanwhile, periodic audits are conducted to ensure that health and safety standards are consistently met. A special report is submitted to the Human Resources and Remuneration Committee on Health and Safety quarterly.

We continue to track and monitor workplace injuries as part of our efforts to identify hazardous areas and continuously improve our working environment. A root cause analysis is carried out for all injuries with suggestions for process improvements submitted to management.

Subsequent to the outbreak of COVID-19, companies across the Group took immediate action to ensure the safety of our employees. An external consultant with extensive experience in handling pandemic situations was engaged at the onset to advice senior management on the best way to proceed. Several onsite audits and awareness programs were conducted by the Consultant to assess the situation; after which protocols were put in place to carry on business safely and responsibly. For non-essential activities, working from home and social distancing was implemented in compliance with Government directives. Meanwhile, for operations that were considered as essential services and continued to work throughout the crisis period, strict protocols and guidelines were put in place to ensure the health and safety of all employees. Protective equipment was provided to all front-line staff

	Employees	Contract Personnel
High Consequence Injuries (No.) *Recovery time more than 6 months*	2	-
High Consequence Injury Rate (per 100 workers)	0.03%	-
Recordable Injuries (No.) *Recovery time between 3 days and 6 months*	84	8
Recordable Injury rate (per 100 workers)	1.42%	0.83%
Fatalities (No.)	-	-

while regular awareness programs were conducted at all locations to ensure employees were well informed on health and safety measures.

Employee health and safety at Hemas goes well beyond ensuring a safe work environment to include a more holistic approach of nurturing mind body and soul. Hemas Wellness, our dedicated wellness program for Hemas employees continues to be the driving force behind all our wellness initiatives for the Group.

Funded by an independent trust, Hemas Wellness has a dedicated team, tasked with the mission of nurturing the healthiest possible workforce through awareness campaigns and access to mental and physical healthcare.

FOCUS AREAS	Physical Activity/ Nutrition	Tobacco Cessation Program Conducted by ADIC	Cholesterol Campaign	Mental Health
PROGRAMS	• Fit for Life promotes a healthier life through awareness on nutrition and physical fitness. • Access to information regarding fitness on the AYUBO APP. • Step Challenges.	• This program aimed to create awareness on addictions, specially focused on tobacco consumption. • One-on-one awareness programs mainly to the sales representatives across the Group at sales conferences. • E-flyers and reminder flyers shared through WhatsApp groups.	• Awareness campaigns on cholesterol and medical screenings were carried out across our operation.	• Awareness campaigns on mental health were carried out in partnership with 1,333, a mental health hotline operator. • Ongoing survey carried out to assess the sentiment of employees.
OUR IMPACT	220 people reached	2,000 people reached	5,700 people reached	7,500 people reached

CREATING A CULTURE OF CAMARADERIE

Constantly engaging with our employees enables us to strengthen employee relations whilst creating a culture of camaraderie. We engage with our employees through formal channels as well as informally though the numerous staff activities carried out throughout the year.

Open Communication

We encourage a culture of open communication and have in place multiple forums for employees to ask questions, voice their views, and share suggestions.

Labour Relations

Significant sectors of the Group have Joint Consultative Committee with employees and direct management-worker meetings ensure constant dialog between management and employees.

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

Grievance Mechanism

The Group has in place a documented process for addressing employee grievances. Employees are encouraged to directly discuss grievances and issues with their immediate superiors. In the event the issue cannot be resolved, it can then be escalated to a higher level. Meanwhile the Group's whistle blowing policy enables employees to communicate directly with Directors while an open-door policy is maintained with HR. The policy on preventing sexual harassment across the Group was relaunched and a series of educational flyers were shared to increase awareness.

Engagement Initiatives

Activities are planned throughout the year to encourage employees to interact with one another, pursue interests outside of work and build community spirit. See alongside for a selection of events organised during the year.

STAFF ACTIVITIES DURING THE YEAR

- Sports Days
- Thai Pongal celebrations across the Group
- Christmas Parties and Secret Santa events
- A cleaning day was held at Corporate Office, Vishwa, Developments, Digital Healthcare
- Open Mic Evening at Vishwa
- Hospitals Got Talent, the employee talent show
- Fun Friday Activities at Vishwa (basketball, treasure hunt)
- Toastmasters Speech Contest
- Unity Pledge Following the 21/4 attacks, all employees at Hemas Corporate signed a unity pledge to show their solidarity with the cause of national unity.

THE CAPITALS REPORT

Natural Capital

Our Environmental Management agenda aims to build sustainable business operations by ensuring responsible consumption, minimising negative impacts on the environment and by actively engaging in conservation efforts in our communities.

OUR ENVIRONMENTAL GOALS

25%
Energy reduction by 2022 against 2017/18

50%
Reduction in water usage by 2025 against 2017/18

Zero
Waste to landfill by 2025

STRATEGIC PRIORITIES

- Energy Efficiency
- Water Efficiency
- Emission and Effluent Management
- Minimisation of Waste
- Environmental Conservation

OUR APPROACH

Our approach to managing our environmental impact revolves around, utilising our environmental resources efficiently and minimising the environmental impact of our operations. We strive to ensure that environmental best practices are adopted across our operations, and have adopted ISO 14001(Environmental Management System) in most of our entities whilst ensuring that all applicable environmental laws and regulations are strictly adhered to. Tracking key indicators against specified targets is a key aspect of our environmental management process as it enables us to monitor progress and continuously improve our processes. Standard Operating Procedures (SOP's) are in place to streamline processes and ensure data consistency and accuracy across the sectors. Accordingly, environmental sustainability indicators are monitored quarterly and reported to the Board of Management. We also closely monitor business unit compliance with environmental laws and regulations. There were no instances of environmental non- compliance during the period under review. Our comprehensive Sustainability Management Framework has enabled us to identify key environmental concerns impacting our operation and take proactive measures to address these concerns by setting environmental targets that are closely monitored.

The Group's environmental agenda is managed by an Environmental Committee, consisting of members of Group Sustainability and Corporate Communications, Engineers from each business unit and external consultants. The committee meets monthly to share best practices, discuss progress and address issues and identify key areas of focus.

Whilst ensuring environmental best practices in our own operation, we also strive to drive this ethos throughout our value chain. Procurement is based on pre-determined selection criteria which include environmental criteria and an assessment of environmental impacts. Based on our suppliers' self-declarations and limited audits, we have not identified instances of negative environmental impacts from our supply chain during the year.

KEY ENVIRONMENTAL TOPICS

Energy and Emission

- Energy Consumption
- Emission Management

Water and Effluent

- Water Consumption
- Effluent Management

Waste

- Waste Management

Biodiversity and Environmental Compliance

- Initiatives targeting conservation

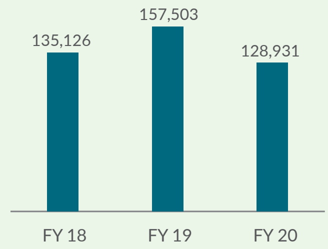
ENERGY CONSUMPTION

OUR TARGET

Baseline	Current	Target
2017/18	2019/20	2022
135,126 GJ*	5% reduction	25% reduction

FY 2017/18 does not include LPG Consumption

Energy Consumption
(GJ)



Total energy consumption during the year amounted to 128,931 GJ compared to 157,503 GJ in FY 2018/19. Energy consumption was highest in the Consumer sector, which accounted for almost 35.3% of total energy consumption within the Group. We remain committed to promoting the use of renewable energy and continue to reduce our dependency on fossil fuels. 29.5% of the energy consumption during FY 2019/20 were from renewable sources as compared to 27.4% during FY 2018/19. Solar panels have been installed at our hospitals in Thalawathugoda and Wattala and we are in the process of gradually expanding this to other sectors as well.

We continue to strive to improve energy efficiency across our operations. Energy audits are carried out across all sectors to identify and monitor energy consumption. Meanwhile, we continue to invest in more energy efficient equipment such as LED lighting and inverter AC units across our operations while continuously exploring new technologies to improve energy efficiency across the Group.

THE CAPITALS REPORT

Natural Capital

ENERGY CONSUMPTION BY TYPE

GJ		2019/20	2018/19
Direct Energy		51,450	70,765
Fossil Fuel		51,331	70589
	Diesel	34,076	47,524
	Petrol	3,034	7,627
	Furnace Oil	10,525	10,647
	LPG	3,696	4,791
Renewable Energy		119	176
	Solar Power	119	176
Indirect Energy		77,481	86,738
	Hydro and Renewable	37,966	42,961
	Thermal	39,515	43,777
Total Energy		128,931	157,503

*** Electricity consumption for March 2020 are based on meter readings and estimates as CEB bills had not been received at the time of computation.*

Key Energy Saving Initiative During the Year

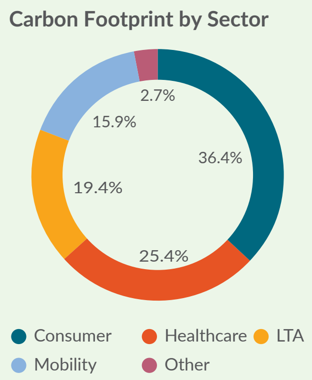
Sector	Key Energy Saving Initiative	Total Energy Saving
Consumer	Atlas	
	• Installation of inverters to off-cut removing blowers.	14,256 kWh
	• Installation of variable frequency drives (VFD) to cooling towers at Welisara Production Plant.	6,800 kWh
	• Installation of moving sensors to automate lights and A/Cs.	3,800 kWh
	• Replacing 45 no's 250W metal halide lamp with LED lamps at Welisara warehouse.	4,500 kWh
	• Self-operating Security Light System for Welisara premises.	588 kWh
LTA	• Installation of motorised valve with thermostat control for FCUs to reduce power consumption at Club Hotel Dolphin. • Installation of Inverter type AC units to reduce power consumption at hotel properties. • Replacement of fluorescent and incandescent bulbs with LED lighting at hotel properties.	53.862 kWh
Healthcare	• Installation of VFD Control systems to Chilled Water Pumps, Condenser Water Pumps, Cooling Tower Fans and Air Handling Units (AHU)motors along with Energy Valve installations to AHUs at hospital premises. • Installation of LED lights and solar lighting at hospital premises.	430,800 kWh

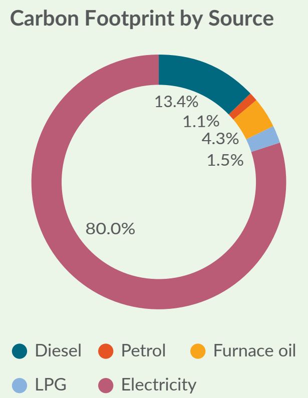
EMISSION MANAGEMENT

Carbon emissions are tracked and reported based on guidelines of the Greenhouse Gas Protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). We continue to reduce our emission levels by gradually reducing our dependence on fossil fuels. Meanwhile, specific initiatives such as the installation of industrial evaporate cooling systems in Atlas production facilities in Welisara and Peliyagoda also contributed to a reduction in overall emission levels. During the year our total Carbon Footprint declined by 13.8%.

EMISSION MANAGEMENT

Carbon Footprint	2019/20	2018/19
Scope 1 (MT)	3,789	5,183
Scope 2(MT)	15,154	16,789
Total Carbon Footprint	18,944	21,972

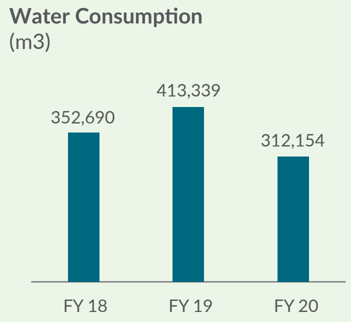




WATER CONSUMPTION

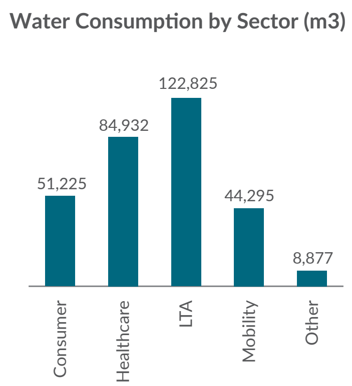
OUR TARGET

Baseline	Current	Target
2017/18	2019/20	2025
352,690 m3	11.5% reduction	50% reduction



During the year, the total water consumption of the Group was 312,154 m3 of which 64.1% of water being from third party water sources and the rest from well water. During the year, 92.1% of the Group's water consumption came from areas that are considered as not water - stressed. All water used were fresh water. Water consumption is highest in the LTA sector, followed by the Healthcare sector.

Standard Operating Procedures (SOP's) are in place to ensure that water consumption is systematically tracked and monitored in a standardised manner across the Group. Meanwhile, water conservation efforts continued across our operations in order to increase water efficiency. We continue to encourage the recycling of water wherever possible



THE CAPITALS REPORT

Natural Capital

Water Conservation efforts by sector

Sector	Initiative	Total Water Saving
Consumer	Fitting of flow restrictors to canteen taps and bathing showers to ensure standardised flow rates at Atlas Production facilities.	35%-40% saving
Healthcare	Using recycled water for gardening purposes.	2000 m3
LTA	Installation of water flow regulators for guestroom, staff quarters, and public area taps at hotel premises.	35%-40% saving

EFFLUENT MANAGEMENT

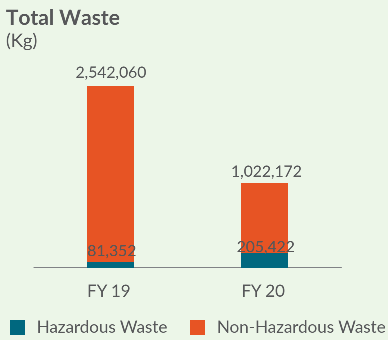
During the year, the Group discharged 256,587 m3 of water of which 61.7% was discharged to surface water, 33.2% to the municipality drainage systems and the rest to soakage pits and to the sea. The Group discharged 94.2% of its water to areas that are considered as non-water-stressed. Water discharged 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.

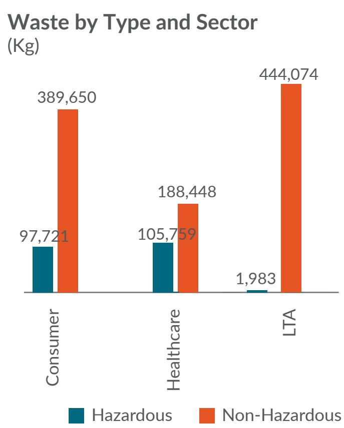
All production facilities have onsite Effluent treatment plants which ensure that all wastewater released into the environment is treated and meets the stipulated standards mandated by the EPLs of the sectors. In accordance with respective EPL's, effluent quality in terms of BOD, COD, TSS, pH and Oil and Grease is monitored multiple times during the year. There were no recorded spills during the year and there were no instances of non- compliance with EPL terms during the year.

WASTE MANAGEMENT

OUR TARGET

Total Waste	Target
2019/20	2025
1,227,594 Kg	Zero Waste to Landfill





Disposal Method	Kg
Hazardous Waste	205,422
Reuse	876
Recycling	1,099
Composting	500
Incineration	192,529
On-Site Storage	418
Non-Hazardous Waste	1,022,172
Reuse	117,241
Recycling	125,806
Composting	206,846
Recovery	20,924
Incineration	286,797
Landfill	246,205
On-Site Storage	355
Total Waste	1,227,594

All sectors engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice while improving the processes in place on an ongoing basis. During the year a total of 1.2 million Kg of waste was generated, of which 83.2% was non-hazardous waste.

The various waste management programs in place by sector are listed below.

Consumer	E-waste collection centers have been set up at the Atlas office and factories. The e-waste safely collected and disposed by a reputed third-party recyclers. Pen Recycling project carried out as a pilot project by Atlas in collaboration with selected schools Composting is carried out at all Atlas Production plants.
Healthcare	Solid waste baskets for waste segregation at production facilities of Morison. Recycling of glass bottles and paper. Responsible disposal of e-waste.
LTA	Composting units have been installed at all hotel premises. Collection of PET bottles from premises and surrounding areas. Use of biodegradable straws.

WILDLIFE AND BIODIVERSITY CONSERVATION

Although our operations do not directly affect biodiversity due to the nature of our businesses, some of our operations are in the vicinity of protected areas. We therefore continuously monitor the impact of our operations on the bio-diversity of our surrounding areas. 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. Meanwhile, we continue to engage with our communities to drive biodiversity and wildlife conservation efforts in the areas we operate in. These efforts are spearheaded by the Hemas Green Club, a group of over 100 employees across the Group, who come together to share their passion for environmental conservation. Since its inception in 2013, the Hemas Green Club has carried out targeted projects in the areas of conservation of elephants and reforestation among others. Ongoing projects include:

- Over 5 acres were planted by Green Club members during the year
- We support the conservation of Sri Lankan elephants through our involvement with the Elephant Transit Home under the Department of Wildlife Conservation of Sri Lanka. In addition to creating a documentary to create awareness on Sri Lankan Wild Elephant to be shown at the Elephant Transit Home in Udawalawe, we developed a website for the Elephant transit home to connect with the world and share knowledge. The Hemas Green Club also sponsors an orphaned elephant calf at the Elephant Transit Home until he is returned to the wild.
- Reforestation campaigns were held in Knuckles and Mannar. Green Club partnered with '*Thuruliya Wenuwen Api*' a project initiated by the Sri Lanka Army for the project in Mannar.
- The annual nature photography competition and exhibition was held for the sixth consecutive year. Over 700 entries were received from employees across Hemas Group and the best 65 entries were shortlisted and exhibited.

THE CAPITALS REPORT

Social and Relationship Capital

We are a Group that values human connections above all. We continuously strive to create stronger relationships with our stakeholders including our customers, business partners and communities that are based on trust and mutual respect. This in turn has enabled us to achieve our objectives of greater customer loyalty, stronger and more efficient supply chains and more equitable communities.

OUR SOCIAL AND RELATIONSHIP CAPITAL

Customers
- Individuals
- SMEs
- Corporates

Suppliers and Distributors
- Principals
- JV partners
- Suppliers
- Distributors and Retailers
- Warehousing partners
- Outsourced manufacturers

Community
- Beneficiaries of *Piyawara* Program
- Beneficiaries of *Ayati* Program
- Beneficiaries of Hemas Green Club Program
- Communities surrounding our operations

STRATEGIC PRIORITIES

- Building Customer Loyalty
- Stronger and more Efficient Supply Chains
- Greater Industry Engagement
- Creating more Equitable Communities

BUILDING CUSTOMER LOYALTY

Our expanding product and service portfolio caters to an increasingly diverse customer base across a wide socio-economic and geographical spectrum. It also includes customers ranging from individuals, micro entrepreneurs, SMEs and Corporates. Strengthening our bonds with customers by creating sustained customer value enables us to continue to build customer loyalty.

A focus on quality

Ensuring the highest level of quality throughout our value chain is an integral part of our customer value proposition. Our principals in the consumer and pharmaceutical sectors are some of the best brands in the world, renowned for maintaining the highest quality and safety standards. All our manufacturing facilities for Atlas, Hemas Manufacturing and Morison go through rigorous quality checks and audits and adhere to a wide range of international and local standards, and certifications while our hotel properties and hospitals adhere to best practices in health and safety standards. We also have in place a robust mechanism to obtain customer feedback on product and service quality which includes complaint forms on relavant company websites and regular engagement with consumers. There were no incidents of non-compliance concerning the health and safety impacts of products and services, product labeling requirements or other socio-economic factors recorded during the year.

Product Range

We continue to expand and enhance our product and service range in response to evolving customer requirements. Several new product categories were launched in the consumer sector during the year (Please refer Consumer Sector report on pages 73 to 78 for more details). Meanwhile in response to supply chain disruptions faced by retailers during the COVID-19 lockdown, Hemas Manufacturing developed a B2B app that enabled retailers to place orders of any item seamlessly and ensure continuous supply of essential goods. Responding to the immediate healthcare needs of our customers during the COVID-19 pandemic we were quick to introduce a range of services such as mobile sample collection, online prescriptions and home care services. Meanwhile, we continue to expand the range of specialised laboratory diagnostic tests, treatment options and value-added services offered through our laboratory and hospital chain.

Customer Engagement

Ongoing customer engagement enables us to create a deeper connection with our customers while gaining a better understanding of what our customers truly want. We engage with our customers through multiple channels including surveys, complaint management systems and customer awareness programs, focus group meetings, retailer and distributor conventions among others. We are also increasingly engaging with customers through online channels such as social media. Our continued close engagement with our customers was one of the main ways we were able to address some of the misconceptions regarding our operation in the immediate aftermath of the Easter attack and regain customer trust and confidence in our products and services. Conveying accurate information about our products and services enables us to create awareness and confidence about our product and service offering in a responsible manner. The Group adheres to all regulatory requirements particularly in the pharmaceutical industry by including product details and instructions clearly printed on all labels as required by National Medicines Regulatory Authority (NMRA). Meanwhile a Groupwide 'Advertising Checklist' is in place in order to ensure that all internal and external communications adhere to the core principles of honesty, cultural sensitivity and non-discrimination. There were no instances of non-compliance concerning product and service information and labeling or non-compliance concerning marketing communications during the year.

Customer Privacy

Robust customer privacy policies and codes of conduct govern all customer information. Having systems and procedures to protect customers personal information is vital in the healthcare industry and is increasingly becoming important in FMCG clusters with the growth in e-commerce. We have established control mechanisms and systems in these sectors and carry out regular audits to ensure the security of customer information. There were no substantiated complaints concerning breaches of customer privacy and losses of customer data during the year.

STRONGER AND MORE EFFICIENT SUPPLY CHAINS

Our business partners range from principals who are typically multinationals to raw material suppliers, contract manufacturers, distributors, agents located in Sri Lanka and overseas. Fostering efficient, mutually beneficial partnerships to build stronger supply chains is a critical strategic focus as we navigate an increasingly complex and uncertain operating environment.

A Sustainable Supply Chain

We are committed to ensuring a sustainable supply chain that is socially and environmentally responsible. Business partner selection is based on stringent selection criteria that include a range of social and environmental criteria to assess social and environmental impacts. Furthermore, vendor audits and third-party audits are carried out periodically across our operations to ensure that our business partners adhere to the same high standards we do. We also ensure that we engage with our business partners on a regular basis, through periodic site visits, interactions at trade fairs and other industry forums as well as through regular one-on -one interactions and supplier development initiatives in order to pro-actively address any pain points and offer assistance when required. There were no identified negative social or environmental impacts arising out of our supply chain during the year.

THE CAPITALS REPORT

Social and Relationship Capital

GREATER INDUSTRY ENGAGEMENT

We are active members of a wide range of Industry and Business Associations, and continue to engage closely with industry stakeholders to collaboratively address key challenges and concerns in the industries we operate in.

General Business /Trade	• Ceylon Chamber of Commerce • Ceylon National Chamber of Industries • Sri Lanka Malaysia Business Council • Sri Lanka China Business Council • Indo Sri Lanka Business Council • Cosmetic Manufacturers Association in Sri Lanka • Employers' Federation of Ceylon
Pharmaceuticals	• Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI) • Sri Lanka Devices Chamber • Pharma Promoters Association
Hospitals and Laboratories	• 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 • Private Health Services Regulatory Council • Private Hospital Association
Shipping Aviation and Logistics	• Sri Lanka Association of NVOCC Agents (SLANA) • Sri Lanka Association of Vessel Operators (SLAVO) • Ceylon Association of Ship Agents (CASA) • Association of Container Depot Operations in Sri Lanka (ACDO) • Association of Container Transporters (ACT) • Sri Lanka Association of Airline Representatives
Tourism	• Travel Trade Sports Club • International Air Transportation Association of Sri Lanka • Travel Agents Association of Sri Lanka (TAASL) • SLAITO – Sri Lanka Association of Inbound Tour Operators • PATA – Pacific Asia Travel Association • Skal International Colombo
Other	• National Committee on Early Childhood Care and Development at Ministry of Women and Child Affairs • Biodiversity Sri Lanka

CREATING MORE EQUITABLE COMMUNITIES

We are committed to driving positive change in our communities not only by championing sustainable and responsible business operations but also through strategic CSR initiatives targeted at addressing issues of national importance. It is therefore with great pride that we note that Hemas Holdings was awarded the title of 'Asia's Most Socially Responsible Company for 2019' at the Asia Corporate Excellence and Sustainability (ACES) Awards Ceremony held in Bangkok, Thailand as this is validation of our holistic approach to profit, planet and people. We believe strongly in the value of public- private partnerships in driving positive change and continue to work closely with the Government and other corporates on several identified areas. Ongoing engagement with our many stakeholders through both formal and informal channels enables us to better understand how we can contribute to our communities in a more relevant and effective way.

BENEFICIARIES

5,311
Children with Disabilities at *Ayati*

3,500+
Piyawara Students:

115+
Piyawara Teachers

HEMAS ABHIMANA

Social consciousness is a way of life at Hemas and is woven into the fabric of our Group's culture through the Abhimana Framework. Hemas Abhimana, launched in 2014 aims to address important social, economic and environmental challenges that impact our communities by creating awareness on social issues and inspiring our employees and other stakeholders to drive positive change through their actions. Initiatives under Abhimana are spearheaded by Abhimana Champions; representatives appointed at sector/ SBU level together with the support of their respective teams and the management.

ABHIMANA AWARDS

The Abhimana Award is an annual award that recognises the efforts made by SBU's to champion socially responsible businesses. The winner of the Abhimana Award this year was '*Manasalokaya*', a project rolled out by Atlas.

COVID-19 Response

As in past times of crisis, the Group doubled down on its commitment to help families live healthfully and stepped up to offer its fullest support to the Government and the people of Sri Lanka during the COVID-19 pandemic.

Through our Healthcare, Consumer and Mobility clusters, we supplied life-saving medicines, medical equipment and personal care items across the island, ensured critical supplies entered the country, bolstered Sri Lanka's crucial export economy and offered our hospital services around the clock, while introducing new mobile and tele-health options to better serve our communities.

In addition to ensuring our businesses met essential needs, Hemas also committed all possible resources in the fight against the pandemic. Atlas developed and gifted the country's first ever Automated Guided Vehicle (AGV) robot to the Homagama Base Hospital, to help medical personnel monitor and care for Coronavirus patients remotely. Four additional robots have been committed to national COVID-19 centres, including Iranawila, Kurunegala and Theldeniya. Atlas has also demonstrated its nation-mindedness by offering its technology to any interested party willing to expand production.

Working to keep families supported during the lockdown, Atlas engaged over 100,000 children with free online arts and crafts content. The company also converted its school-bag manufacturing lines to produce face masks and donated 50,000 units to the Sri Lanka Army.

Pharmaceutical Distribution donated 40,000 pieces of PPE and 800 sanitizers to its distributor network. In addition, the company donated infusion pumps to the Infectious Diseases Hospital and a centrifuge machine to the Ratnapura Hospital. The Company has also committed to donating another 50,000 face masks to the Sri Lanka Army, using Atlas production lines.

In response to the crisis, Home and Personal Care started manufacturing *Shield* hand sanitizer to cater to national demand. The company also donated over 25,000 products to quarantine centers island-wide through the Sri Lanka Army. Further, through the *Shield* brand, the Company set up handwashing units in over 10 key Government locations around the island and sponsored a national cleanliness awareness campaign with the National Olympic Committee and Rotary.

In addition, Home and Personal Care and Morison donated essential hygiene products and medicines to the Sri Lanka Navy to aid against the virus.

Serendib Leisure was one of the first hotel operators to offer one of our properties, Club Hotel Dolphin in Negombo, as a temporarily free-of-charge quarantine facility to the National COVID-19 Center.

Businesses across the Group continued to coordinate donations of dry rations to families in need.

The COVID-19 battle is far from over, but Hemas remains committed to supporting families in Sri Lanka live healthfully and keep their loved ones safe.

THE CAPITALS REPORT

Social and Relationship Capital

Early Childhood Care and Development (ECCD)

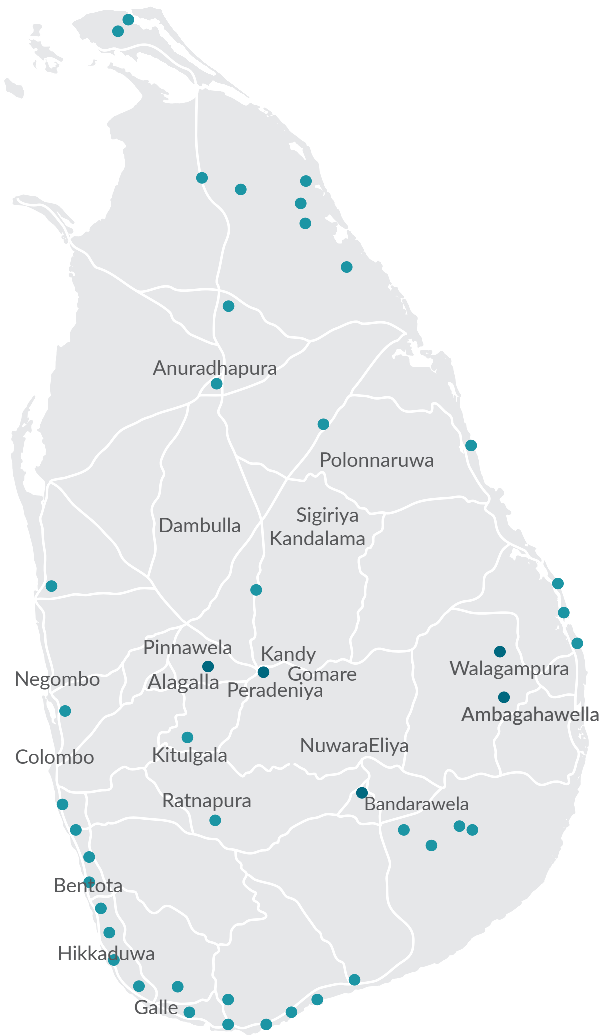
One of the key areas of focus for the Group's social responsibility agenda is Early Childhood Care and Development (ECCD) in Sri Lanka. In order to ensure greater transparency and accountability two separate trusts have been formed to drive key initiatives in this area. The Hemas Outreach Foundation is focused on educating and empowering under-privileged children of Sri Lanka while the *Ayati Trust* Sri Lanka is a charitable trust incorporated between the University of Kelaniya, a state university in Sri Lanka and Hemas Holdings with the vision of enabling children with disabilities reach their unique potential. A percentage of Group profits is allocated annually to the trust and both trusts are audited independently by Ernst and Young.

PIYAWARA

The *Piyawara* project was initiated in 2002 as private public partnership between the Hemas Outreach Foundation and the Children's Secretariat of the Ministry of Women and Child Affairs to address early childhood care and development of underprivileged children across the country. The project, through the establishment of quality pre-schools in some of the most underserved areas in Sri Lanka aims to provide children between the ages 3 to 5 a solid foundation and good care during the first few years of their lives.

The project is a true partnership between the private and public sector. Once built the pre-schools are handed over to the local Government Authorities for management. However, we closely monitor progress of the schools and are active participants in their development journey, except for the schools constructed post-tsunami in Sammanthurai, Kalmunai and Navandenveli, which are solely managed by its respective local councils. Our involvement in the *Piyawara* schools project is multi-pronged and focuses on proving a holistic approach to ECCD in Sri Lanka.

> "I was truly honoured when approached by Hemas to be their Brand Ambassador for the *Piyawara* Pre-school Project. Established by the Hemas Outreach Foundation, *Piyawara* champions early childhood care and development through the establishment of child-friendly Pre-schools across Sri Lanka. Over the past few years, through my work with *Piyawara*, I have learnt beyond the obvious advantages of investing in early childhood development. I have experienced the transformation in rural villages through responsive caregiving and the security and safety of a pre-school, and I have also seen the consequences of inaction."
>
> **Roshan Mahanama**
> *Hemas Outreach Foundation Brand Ambassador*



Location of the 56 *Piyawara* Pre Schools

Expanding the National Network of Preschools in Sri Lanka

The program has established 56 schools across the country and continues to expand the network. Three of its pre-schools in Rathgama, Boose and Bentota were constructed by ADB with the support of HOF. During the year 5 new schools were added to the national network.

Pre-School Teacher Training

We conduct ongoing training for the pre-school teachers at the *Piyawara* schools. An annual three-day residential program is held every August during school holidays. This year over 80 teachers took part in the training program which was held in Kalutara.

Infrastructure Development

Each school is provided with a fund of Rs. 50,000/- for ongoing maintenance by the foundation. Apart from this we continue to upgrade facilities through periodic CSR initiatives.

Facilities for Differently Abled Children

The Hambantota *Piyawara* pre-school has a dedicated unit for differently abled children named *'Apey Petaw'* (Our Little Children) which currently has over 20 children enrolled.

Community Awareness

19 parental awareness programs were conducted during the year in collaboration with the local councils and Ministry of Women and Child Affairs.

Emergency Intervention

In the aftermath of the Easter attack, we reached out to the Katuwapitiya community offering professional psychological first-aid to the residents including children impacted by the attack and a high-end scholarship. We continue to support these children with ongoing psychological and financial support.

The foundation has always come forward to assist the communities during national disasters in the past; e.g. Tsunami of 2004, Post War in 2009 and in natural calamities.

Child Protection

We continue to work closely with the Sri Lanka Police and the Children's Secretariat of the Ministry of Women and Child Affairs, to raise awareness in the community regarding child abuse.

Recreation Facilities

All *Piyawara* schools are equipped with recreation facilities including play areas and toys. Meanwhile *Piyawara* recreation parks were also built in selected areas in the past.

Big Heart Project

Launched as a project to mark the 50th anniversary of the Hemas flagship brand *Baby Cheramy* in 2012, the Big Heart Project partners with the Ministry of Women and Child Affairs to support children impacted by poverty continue their education uninterrupted. Through this project, 69 under privileged children between the ages 6-12 were provided scholarships consisting of a monthly stipend of Rs. 2000 to assist them complete their primary education from Grade 1 to Grade 5. The first phase of the project which included a batch of 57 children was completed in October 2019, while the second batch of 12 children from the Haldamulla area will continue to receive scholarships till the end of 2020. The project is monitored by the Department of Child Probation and quarterly progress reports are sent to Hemas.

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

Held for the 8th consecutive year, the 'Be an Angel' project is an annual initiative where Hemas employees come together during Christmas to collect gifts to be distributed among children of an underserved community. This year, we collected over 500 gifts to be distributed among children affected by the Easter Sunday Bombing in the Katuwapitiya and Batticaloa Zion church communities. The gifts were distributed at a Christmas party graced not only by Santa but also by much loved cricketers Roshan Mahanama, Rangana Herat, and Chaminda Vass. The Christmas party was an opportunity for children who had lost so much to the attack to enjoy a moment of happiness during the season of Christmas.

THE CAPITALS REPORT

Social and Relationship Capital

Opening of Ayati Center by H.E President Gotabaya Rajapaksa

AYATI

The *Ayati* Program was initiated in 2016 by Hemas Holdings and Faculty of Medicine, University of Kelaniya as a long-term national initiative to improve the quality of life and independence of children with disabilities in Sri Lanka. The program is funded through the *Ayati Trust*, Sri Lanka, a charitable trust involving the Faculty of Medicine of the University of Kelaniya, Hemas Holdings MAS Holdings, and the Roshan Wijerama Foundation. The program has three key objectives;

- 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.
- Expanding these services to the rural areas of Sri Lanka.

Achieving a key milestone, The *AYATI* Center, Sri Lanka's first national center for children with disabilities was opened in January 2020 by H.E President Gotabaya Rajapaksa. Located at the University of Kelaniya Medical Faculty premises in Ragama, the state-of-the-art facility includes a wide range of facilities including initial screening facilities and a wide range of interventions such as Speech and Language Therapy, Audiology, Physiotherapy, Family Therapy, Occupational Therapy etc. The Centre, which will be developed to the standards of a 'Centre of Excellence' consists of a state-of-the-art Audiology unit, Sri Lanka's first Sensory room, a multi-disciplinary training center, and research and development facilities, in addition to other clinical support services. The project serves as an exemplary model of 'Public-Private Partnership' coming together to address a national need. Land and clinical support were provided by The Faculty of Medicine of the University of Kelaniya while funding for the project (Rs. 550 million) was provided by the *Ayati Trust*. The Sri Lanka Army provided invaluable project management and construction support while the Rotary Club joined hands with the provision of audiology equipment.

> “January 25th was a proud day indeed for so many of us. On one hand it was the culmination of a few years of consummate planning and dedicated hard work. On the other it was a testimony to what a dedicated group of people from both the public and private sector can achieve when partnering together for the common good.
>
> These are but the first steps of the true journey. Now lies the real test. Delivering a true center of excellence - not just in name but in every aspect of operation and implementation, facilities and interventions.
>
> This will no doubt take time and more effort, but it is a promise that the trustees, board of management, the good doctors and staff will surely deliver upon.
>
> We would like to thank all the trustees, Hemas, MAS, Roshan Wijerama, the many dedicated doctors and staff, the Army, Rotary International and the myriad benefactors and donors who together made *Ayati* a reality.
>
> It is indeed true that there is no investment that truly multiplies like kindness and compassion. *Ayati* will stand as evidence.”
>
> **Kumar and Yehali Sangakkara**
> *Trustees*

Apart from these overarching programs companies across our operation engage in specific CSR initiatives in their communities. The table below highlights just some of the initiatives carried out during the year

Atlas Axillia	• Atlas *Manasaloka*, an exhibition promoting experiential learning designed to help grade 5 scholarship students understand what they learn. • Atlas *SipSavi* Scholarship – Conducted in collaboration with the Department of Probation and Child Care Services under the Ministry of Women and Child Affairs and Social Security, granted 200 students in Grade 07 to 11, a monthly financial scholarship of Rs. 2,000/- each. • Atlas Annual *Ridi Viharaya* Outreach donated school requirements to 3,500+ children in underprivilege families. • Atlas *Anduru Diri* – Teacher Training Programmes for pre-school and primary school teachers focusing on transforming education and making learning fun. • Atlas *Guru Garu* conducted in collaboration with the Piliyanda Zonal Department provided teachers with an opportunity for knowledge sharing and skills development. • School level awareness session on child safety in collaboration with the Women and Child Abuse Preventions Bureau of Sri Lanka Police. • School level creativity building programmes for Primary students. • Donation of 500 school bags to underprivileged children in Western Province in collaboration with the Welfare Society of Provincial Department of Education. • Atlas partnered with CIMA Sri Lanka to host the CIMA Art Camp for children with special needs and provided all necessary art supplies for this event. • Renovation of school buildings at St. Anthony's College – Mahawatta. • Blood donation campaign carried out for the 15th consecutive year. • Book donations for 234 students of Korathota Temple and *Muthuhara Kreeda Samajaya*. • Reconstruction of Buddha Statue at Parakrama road. • Donation for the upkeep of the Kerawalapitiya temple. • Donation of gift packs for students in the surrounding community. • Donation of dry rations for Dansals carried out by surrounding communities.
Home and Personal Care	• Renovation of school buildings at Bujjampola Kanishta Vidyalaya. • Renovating and maintaining facilities of the Dankotuwa Hospital. • Conducted a 'Sunday school development project' as a special project in Bujjampola and Kaluwachchimula Temples. • Donation of stationary gift packs for children in the community. • Sponsoring of the community school Annual Prize giving function. • Water project conducted for the village. • The Kotakanda reforestation programme. • The Kalumukalana Reforestation programme. • Provision of 'Health Screening' and 'Dental Clinic' programs for members of surrounding community. • Facilitated 'Maternity Clinic Programs' for the pregnant mothers of the village.

THE CAPITALS REPORT

Social and Relationship Capital

Hemas Hospitals	• '*Suwadhana*' Free Mega Health Camps for underserved communities. • '*Suwanena*' Health awareness lectures for communities and large corporates. • '*Meducate*' medical education program for medical practitioners. • '*Suwasisu*'– first aid awareness program for students. • '*DengueEpa*' Dengue awareness program.
Pharmaceutical Distribution	• A project aimed at upgrading the medical knowledge of General Practitioners with the latest information on Insulin initiation and intensification. • Launch of the Pharmacy Practice Skills Development Program aimed at providing pharmacists in the country with information on the latest developments in Pharmacology. • Educational support for 305 children in the community through the '*Dinana Daruwo*' program. • Launch of a free mobile App providing information on insulin related conditions. • Free glaucoma eye testing camp.
Morison PLC	• Conducting free medical camps for community around Sri Paramananda Rajamaha Viharaya in Kotahena. • Conducting free medical camps for community around Sri Pitipana Purana Rajamaha Viharaya in Pitipana Homagama. • Conducting free medical camps for community around Baranaskanda Purana Rajamaha Viharaya in Pethiyagoda Kelaniya.

SECTOR INTEGRATED REVIEW

Consumer

Represented by some of Sri Lanka's most trusted brands in Personal Care, Home Care, and School and Office Stationery, the Hemas Consumer sector is committed to creating a healthier and stronger Sri Lanka. Despite being negatively impacted by subdued economic conditions and misplaced sentiments following the Easter Sunday attacks, the sector witnessed a steady recovery during the year, a true testament to our resilience.

Home and Personal Care

The sector includes Sri Lankan brands of choice in Baby Care, Oral Care, Beauty Soap, Hair Oil and Laundry Detergent, with a growing presence in the Feminine Hygiene category.

School and Office Stationery

The sector is represented by Atlas, one of Sri Lanka's most respected local brands, with a market share of over 40%, in the school stationary market.

Morison OTC

The sector includes renowned locally manufactured Over-the-Counter (OTC) brands such as *Morison's Gripe Mixture*, *Lacto Calamine*, *Valmelix* and a range of marketed brands including, *L'Oreal Paris*, *Garnier* and *Nivea* among others.

Contribution to Group

38.6% of Group Revenue

27.0% Head Count

22.6% of PPE

36.4% of Carbon Footprint

SECTOR OVERVIEW

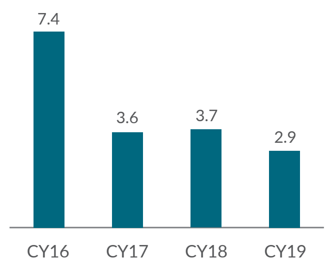
The Consumer sector, which accounted for 38.6% of Group revenue in FY 2019/20, includes a range of Home and Personal Care, School and Office Stationery and Over-the-Counter (OTC) health and wellness products. Our brands are some of the most trusted household names that have gained the confidence of generations of Sri Lankans. Our portfolio continues to evolve with the changing needs of our customers, and we remain committed to constantly enhancing and expanding our portfolio with products that enrich our consumers lifestyle.

OPERATING ENVIRONMENT

Consumption expenditure remained subdued although some recovery was seen towards the end of 2019

Subdued economic conditions and weaker consumer confidence kept consumer demand anemic since 2017, although a gradual recovery was seen towards Q3 and Q4 of CY 2019. Greater political stability and policy consistency post the presidential elections in November 2019 brought about a gradual improvement in business and consumer confidence. Disposable income levels were also positively impacted by the reduction in VAT and NBT rates and the increase in the personal income tax-free threshold. Despite these signs of recovery towards the latter part of the year, household consumption expenditure remained subdued growing by a slower rate of 2.9% in CY 2019 compared to the growth of 3.7% in CY 2018.

Household Consumption Expenditure growth at constant prices
(%)



Source: Department of Census and Statistics

SECTOR INTEGRATED REVIEW

Consumer

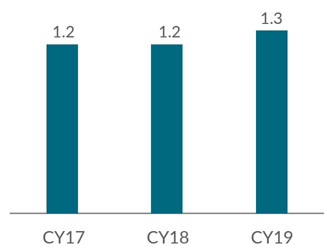
FMCG market volume decline was slower in 2019

After two consecutive years of negative growth, the FMCG market showed some signs of improvement with volume decline slowing down in CY 2019 to -0.50% compared to a decline of -1.7% in CY 2018 (Kantar). A rise in food inflation towards the latter part of CY 2019 due to adverse weather conditions however resulted in consumers increasingly trading off consumption of Home Care and Personal Care products to compensate for increased food prices.

Modern Retail penetration continued during the year

The modern trade channel continued to grow with several key retailers expanding their geographical footprint during the year. The growth in this channel was driven by rising urbanisation, rising income levels and an increasing preference for modern-retail due to its convenience and quality. Modern trade penetration in the country is currently estimated to range between 15% to 20%.

Education Spend as a % of Total PCE



Source: CBSL

Education Spend increased during the year

Sri Lankan families place high importance on education and continue to spend on educational requirements. Rising income levels, a growing school age population, the increasing demand for quality education supplies as well as increased government spending on the education sector particularly in rural areas continue to drive Private Consumption Expenditure (PCE) on education. In CY 2019, PCE on education increased by 9.8% and accounted for 1.3% of total PCE.

Industry Outlook

The outbreak of the COVID-19 pandemic and the resulting containment measures are likely to exert further pressures on consumer sentiment throughout the rest of 2020. However, given the Government's emphasis on supporting locally manufactured products and the essential nature of our product portfolio, we remain cautiously optimistic regarding our prospects for the remainder of 2020.

PERFORMANCE

A sharp downturn in demand during the first quarter of FY 2019/20 impacted the performance of the Consumer sector which witnessed and annual revenue decline by 6.8% to Rs. 23.8 billion in FY 2019/20. Concerted efforts to drive sales by building brand value combined with the gradual recovery in demand levels saw monthly Consumer revenue return to previous year levels by the end of Q2. Consequently, the second half of the year witnessed a rebound with a year-on-year growth in profitability, notwithstanding a slowdown in volumes in March 2020 due to COVID-19. However, the combined effect of lower revenue during the first half of the year and higher spends in marketing, sales and distribution to strengthen the Hemas brands resulted in sector profits declining by 30.5%.

Rs. 23.8Bn
Revenue
6.8% ⬇

Rs. 1.9Bn
EBIT
30.5% ⬇

COVID-19 IMPACT AND RESPONSE

The impact of COVID-19 started to be felt towards the early part of March 2020. All product categories within the Consumer cluster were impacted by the initial restrictions on movement, which prevented supplies from reaching distributors and retailers and customers from accessing stores. Despite this initial dip, sales have started to witness an upward trend with activation of e-commerce channels and the gradual opening of modern and general trade channels.

We focused on strengthening our supply chains to ensure the uninterrupted supply of essential goods during the lockdown period. Distribution operations were continued through third-party delivery partners and our own delivery platform. Meanwhile, we also scaled up production of hygiene products such as *Shield* hand sanitizer in response to increased demand for such products.

As part of our efforts to assist the Government of Sri Lanka during this time, the engineering team at Atlas developed 5 Automated Guided Vehicle (AGV) Robots as Medical Assistants for use in government hospitals treating COVID-19 patients. Atlas also converted its school bag manufacturing plant to produce face masks to support the Sri Lanka Army. In addition, we donated a wide range of personal care items including soap, toothpaste and shampoo to quarantine centers and hospitals across the island to help support the national cause. Hand washing units were also donated to strategic locations to help facilitate better hygiene.

HOME AND PERSONAL CARE

Despite the subdued performance recorded during the first half of FY 2019/20 due to sluggish demand conditions and racially driven misconceptions in the immediate aftermath of the Easter attack, the Home and Personal Care segment witnessed a steady recovery from the beginning of Q2. Performance continued to gain momentum up to the first week of March 2020 before being impacted by the island wide lockdown due to the COVID-19 outbreak. During the year, Hemas also passed on price reductions across its full portfolio of products in support of Government efforts to ease the cost of living.

Our International sector meanwhile remained somewhat subdued amidst heavy competition in the Value-Added Hair Oil (VAHO) segment in Bangladesh and increased duties and tariffs on certain imported raw materials. The International segment accounted for 16.1% of total Home and Personal care revenue compared to the 17.2% share last year.

Community Engagement Initiatives

- *'Baby Cheramy* Darupatiyage Lokaya' Program aims to support new parents through a series of workshops.
- Young girls are educated on the importance of feminine hygiene through special programmes conducted by *Fems*.
- Oral Care is promoted amongst school children through *Clogard* dental camps at schools.

Much of the efforts within the sector during the year were directed towards rebuilding brand value impacted from ethnically divisive attacks. We embarked on a multi-pronged initiative that involved re-enforcing the quality of our products through endorsements, certifications and awareness sessions, ensuring greater transparency of our operations and directly addressing concerns at a grass root level. Management teams engaged with stakeholders including retailers, distributors, community leaders and consumers from all parts of the country to restore confidence in our products and operations. Activities such as media and key distributor tours of our production plants were part of the efforts taken to showcase our transparency. Ongoing engagement through awareness sessions, product endorsements and certifications were carried out to reassure consumers about the quality of our products. *Velvet* and *Fems* were the first and only brands in their respective categories to gain dermatological certification for non-irritation of skin. Meanwhile, we continued to work closely with the Ministry of Child and Women's Affairs to engage with communities at a grassroot level and spread awareness on a wide range of issues including early childhood development, feminine hygiene and oral care amongst school aged children.

We continue to drive brand value as a truly Sri Lankan company by expanding our product range with additions that inherently resonate with our local identity. Several product innovations were carried out with high local connect and relevance. From our *Nil Manel* Soap to our unique cinnamon-infused *Clogard* gel toothpaste, several products were launched in the HPC segment, leveraging our in-depth knowledge of the local consumer and their preferences. Our new antibacterial *Shield* brand, containing deep clean properties and charcoal as its hero ingredient, was also

BRAND AWARDS

- Gold Award in Large, Other Manufacturing Category at National Chamber of Exporters Awards 2019
- Several awards at the SLIM NASCO Awards 2019
- *Kumarika* was awarded Export Brand of the Year by SLIM Brand Excellence Awards

SECTOR INTEGRATED REVIEW

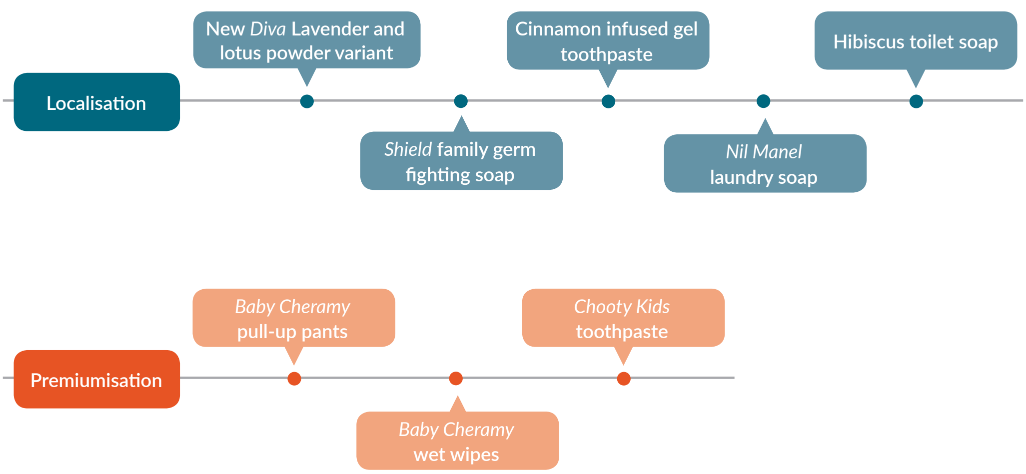
Consumer

launched in the Family Health Soap segment to expand market share in the Personal Wash category. We also launched several premium products in the baby care range aimed at offering our customers increasingly higher value-added benefits to cater to their baby's needs.

Our brands continue to be the recipients of several industry awards, a true testament to the brand value we have created. Meanwhile we continued to see traction in our efforts to expand our presence in rural Bangladesh with the re-launched *Kumarika* range of Personal Care products.

The Company also initiated an operational review aimed at better cost management and productivity enhancement. The review involved a detailed analysis of the existing organisation structure, routes to market as well as key cost items such as packaging and raw material sourcing. These efforts will stand in good stead as we face a volatile year amidst subdued economic conditions, lower consumer demand and tighter margins post COVID-19.

Product Launches during the Financial Year 2019/20



AWARDS

Global Performance Excellence Awards 2019 – Asia Pacific Quality Organisation

1. Best in Class Award (Winner)
2. Best Practice Award (Silver)
3. Innovation Class Award (Silver)

School Supply Brand of the Year 2020 at SLIM-Nielsen Peoples Awards

National Business Excellence Award 2019 (Manufacturing – Other Sector)- National Chamber of Commerce

Sri Lanka National Quality Award 2018 (Large Scale Manufacturing Sector)- Sri Lanka Standard Institute (SLSI)

National Cleaner Production Awards 2020 - Sector winner for Large Scale Manufacturing (Other Category)- National Cleaner Production Centre of Sri Lanka

Awards for 'Occupational Safety and Health' and 'Most Effective Systematic Implementation for Safety' at the National Occupational Safety and Health Excellence Awards 2019

Multiple Awards at the National Convention on Quality and Productivity (NCQP) Awards 2019

Sector Winner of National Productivity Awards 2018

New Entrant: Silver Award for Atlas Max Pen at SLIM Brand Excellence

SCHOOL AND OFFICE STATIONERY

Atlas performed well during the year, delivering robust back-to-school seasonal results. Revenue remained at last year levels with all core categories performing well, despite temporary demand and supply disruptions. We continue to leverage on our award -winning manufacturing and innovation capabilities to improve and expand our value proposition. During the year, we continued to achieve our purpose of 'making learning fun' by introducing a range of innovative, high quality products targeting different customer segments (refer table below).

In addition to ongoing product enhancements and new product development, we are increasingly exploring ways in which we can integrate our products into digital learning platforms. We introduced QR codes on our books which are linked to online educational content. 'My Craft' our very own arts and crafts YouTube channel continues to gain popularity amongst our target groups with localised content. The '*Atlas Future Land*' Mobile Activity Centre traveled to 150 locations across seven provinces introducing children across the country to emerging technologies through innovative and engaging activities such as Virtual Reality and Augmented Reality digital games. We are also involved with creating content for '*E-Thaksalawa*' an online learning platform introduced by the Ministry of Education. Meanwhile we continue to develop innovative packaging and content to inspire and capture the imagination of primary users of our products. Our holistic approach to brand building which involves making learning fun through high quality, innovative stationary products won us the School Supply Brand of the year at the 2020 SLIM-Neilsen Peoples Awards.

We also continue to be recognised for our manufacturing practices and won several awards during the year. Key awards received are listed alongside. Our world class lean manufacturing capabilities are a key enabler of the quality standards we continue to maintain.

New Product Development	
Product	Description
3D CR books	A range of CR books with 3 D covers
QR code embedded Exercise Books	Re-launch of Exercise book range with embedded QR codes
Atlas Max Force Pens	An extension to the immensely popular Atlas Max pen
Atlas Glitter Pen Range	A range of environmentally friendly re-fill pens
Atlas Dino Pastel	A jumbo pastel targeted at the 3-5 age group
Atlas Bags	A range of trendy bags including convertible lap top bags for professionals, collapsible casual bag for teens and a stand-able pencil case

SECTOR INTEGRATED REVIEW

Consumer

Developing our Route to Market was a focus area during the year and has become even more important in the context of the post-COVID-19 environment. We continued to strengthen our relationships with over 50,000 distributors and retailers across the country through greater engagement. This was a critical aspect of regaining ground amidst the adverse publicity received after the Easter Sunday attacks. Meanwhile we continue to improve e-commerce channels which we expect to play an increasingly important role in the post-COVID-19 era.

The next phase of our growth journey is to expand into regional markets, and we are actively seeking to increase our presence in key markets such as Bangladesh.

MORISON OTC CONSUMER

Performance of the Morison OTC segment improved during the year. Locally manufactured OTC brands *Lacto Calamine*, *Gripe Mixture* and *Valmelix* witnessed an impressive growth of 9.0% during the year due to targeted marketing efforts and product launches and relaunches. *Morisons Gripe Mixture* was relaunched during the year with a greater emphasis on its medicinal benefits while *Valmelix lozenge*, an extension of *Valmelix Cough Syrup* was also launched during the year. However, the consumer distributed range of high-end personal care brands did not perform as per expectations during the year. This brought down revenue and profitability. The segment recorded a revenue of Rs. 784.4 million during FY 2019/20, a decline of 18.7% compared to the previous year.

We continue to build our brand value around offering locally manufactured therapeutic OTC products at affordable price points and continue to focus our research and development efforts around expanding this offering.

WAY FORWARD

Although we expect supply chain disruptions and weaker consumer sentiments to impact our operations in the short term, we will continue to invest in our core portfolios as we are confident that demand will pick up relatively quickly due to the essential nature of our consumer products. We are, however, cognizant of the rapidly evolving market dynamics of a 'new normal' and remain focused on responding to these changes through digitised delivery channels and more relevant product options. We believe increased consumer consciousness towards health and hygiene presents a multitude of opportunities for Hemas and will continue to develop innovative solutions to meet these emerging consumer needs.

Healthcare

Comprising a portfolio of industry leaders, the Hemas Healthcare sector has a significant impact on the country's health outcomes. This sector is a conduit for introducing innovations in healthcare to the country, ensuring Sri Lankans have access to diagnostics, therapies, and treatments necessary to facilitate healthy living. Continuous focus on high standards and process efficiencies drives the success of this sector which makes every effort to ensure that its solutions are affordable.

Hemas Pharmaceutical Distribution

The largest pharmaceutical distribution operation in the country representing over 40 principals.

Hemas Hospitals

A chain of multi-specialty hospitals with 174 bed capacity, accredited by the Australian Council on Healthcare Standards International for the 4th cycle and ISO Standard 15189:2012 for medical laboratories.

Morison PLC Pharmaceutical Manufacture

The largest pharmaceutical manufacturer in the country of homegrown products and generic formulations, it also represents a portfolio of global brands.

Contribution to Group

51.0%
of Group Revenue

48.0%
Head Count

41.4%
of PPE

26.4%
of Carbon Footprint

SECTOR OVERVIEW

A broad presence across the country's health sector value chain gives the Hemas Group a unique platform to fulfil its purpose, **making healthful living happen**. Island wide connectivity throughout the healthcare supply chain gives us deep insights into stakeholder concerns as we engage with patients, pharmacists, medical professionals, private and public sector institutions and regulators. Effective responses to their concerns drive mutual growth, supporting progress of the sector. The sector is also one with rapid advances in technology and therapies, and our relationships with global innovators in the field enable the country's access to the same, subject to regulatory approvals. Given the highly-regulated global industry, strong governance, a relentless pursuit of higher quality standards, risk management and compliance frameworks are pre-requisite for sustainable growth. Our Pharmaceutical Distribution business has now ventured out and established a regional footprint in Myanmar in 2017 and is progressing well.

SECTOR INTEGRATED REVIEW

Healthcare

OPERATING ENVIRONMENT

With free universal healthcare enshrined in the constitution, Sri Lanka's healthcare system is widely recognised as providing some of the highest-quality care in South Asia. It is a mixed market dominated by the public sector health service, which is estimated to cater to approximately 80% of the population. Activities of the healthcare sector are regulated by the National Medical Regulatory Authority (NMRA) and the Private Health Services Regulatory Council that issues licenses for import and manufacture of medicines and register institutions offering private health services.

Government expenditure on healthcare amounted to Rs. 244.3 billion in CY 2019 while private consumption expenditure on health amounted to Rs. 293.4 billion. Sri Lanka's total pharmaceutical market is estimated at approximately Rs. 630 billion, with the private sector accounting for approximately 50%. Around 85% of all pharmaceuticals are imported and accounted for approximately Rs. 75 billion (USD 400 million) in CY 2019.

Health inflation moderated to 3.7% in CY 2019 from 12.2% in CY 2018 and contributed 14.6% to overall inflation of 4.8% in CY 2019. It is noteworthy that the Health indices is the second highest in the Colombo Consumer Price Index at 175.9 reflecting both increasing prices since CY 2013 which reached 27.2% in CY 2016 and relative inelasticity of demand.

OPPORTUNITIES

Demand for private healthcare is expected to increase over the medium term, driven by Sri Lanka's ageing population, rising incidence of Non-Communicable Diseases (NCDs) and convenience factors. Additionally, government support to grow the local pharmaceutical manufacturing industry to meet the increased demand included introduction of joint venture schemes with the State Pharmaceutical Corporation (SPC) which has attracted much needed investment into this sector. The rapid growth of non-communicable diseases in addition to infectious diseases like COVID-19 has made the country policy makers think hard about pharmaceutical security in the country. The increase in investment by both government and private sector in better primary and tertiary hospitals and clinics, and the training of more medical professionals will result in strong growth in pharmaceuticals and diagnostics. Growing consumer awareness on healthy lifestyles also presents significant opportunities to connect digitally, empowering both consumers and health professionals.

CHALLENGES

The NMRA has regulated the prices of 60 essential medicines which were last revised in May 2019 although the rupee has depreciated significantly since then. The Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI) representing private pharmaceutical importers continues to engage in a unified effort to retain strong international brands that would otherwise have pulled out of the market due to expanding price ceilings at the cost of patients losing access to quality drugs at affordable prices. SLCPI continues to tirelessly, advocate for the introduction of new and innovative drugs into the local market, a clear price mechanism and the enhancement of the range of medications available to Sri Lankans. Delays in Government payments add to the challenges while the sector is battling the depreciation of the rupee in the absence of a pricing mechanism. However, we continue to supply Government institutions with the required medicines incurring significant costs to ensure availability of life saving medications. Additionally, counterfeit and grey imports continue to be a serious challenge.

HEALTH SECTOR

Many of Sri Lanka's health indicators rank among the highest in South Asia and compare favorably with those in middle-income countries.

Total Government Expenditure on Healthcare

1.6%	Rs. 244.3	11.8% ⇧
of GDP	billion	

Private Consumption Expenditure on Health

2.8%	Rs. 293.4
of Total	billion

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.

Average Life Expectancy at birth

75.5 Years
(2017)

Medical and Pharmaceutical imports

19.5% ⇧	USD 400
	million

Private Sector Hospitals

141+	Colombo 37
All Island	Gampaha 26

Bed Capacity in Private sector

4,686	50%
(2017) All island	in Colombo)

Prevalence of NCDs in Colombo

% of population

High blood pressure	Diabetes	High cholesterol
11.7%	9.2%	8.5%

Source: Central Bank of Sri Lanka

PERFORMANCE

The Healthcare sector delivered a robust performance despite significant challenges during the year which impacted the three players significantly. We continue to support our distributors who faced difficulties in cashflows to ensure they were able to function during unprecedented times.

The Healthcare sector contributed 51.0% of Group revenue and 63.4% of Group EBIT reflecting its wide presence across the healthcare sector of the country and investment focus. Revenue growth of 13.4% was supported by enhancing the range of products and services and a single price increase for the year in price-controlled items in May 2019. However, the growth in operating profit slowed down to 3.6% despite a robust revenue growth, largely on account of the adoption of SLFRS 16 and the VRS costs at the Morisons warehouse. Morison warehousing operations has now been outsourced to Spectra and anticipate reduced overhead costs going forward. Net finance costs increased by Rs. 185.3 million during the year due to higher borrowings and lower interest income as the sector invested Rs. 2.4 billion in capital expenditure coupled with increased working capital requirement and increased government receivables. Rs. 2.1 billion of capex is attributable to investments in the new plant by Morison increasing the sector NBV to Rs. 7.5 billion equivalents to 41.4% of net book value of PPE.

Rs. 31.4Bn

Revenue

13.4% ↑

Rs. 2.3Bn

EBIT

3.6% ↑

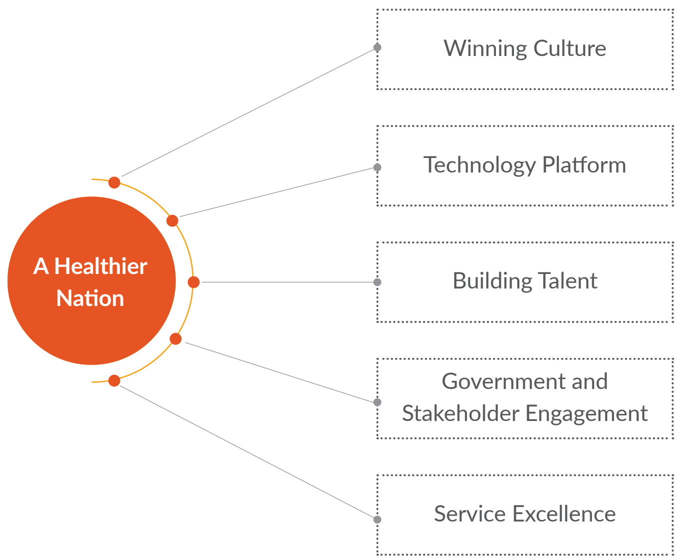
COVID-19 IMPACT AND RESPONSES

COVID-19 impacts and the Easter Sunday attack proved a challenge in the first two months of the year and the last two weeks for this sector. Categorised as essential services, all three, all three entities have continued to operate during the lockdown as essential services with measures implemented to increased employee safety. Morison operated at a reduced capacity, focusing on essential pharmaceuticals required by the Ministry of Health. While operating 24/7 with increased safety protocols, Hospitals experienced a decline in patient footfall and elective surgeries followed thereafter due to a surge in demand for online consultations, home care services and medicine delivery. Hemas Pharmaceuticals mobilised quickly to help patients access required medicines, while ensuring employee safety. Our e-commerce venture in online prescription fulfillment, Healthnet, experienced a significant spike in demand.

PHARMACEUTICAL DISTRIBUTION

Hemas Pharmaceuticals is the #1 player in the country representing over 25 of the world's top pharmaceutical brands including 8 of the world's top 10 brands. It is committed to making quality medications available to Sri Lankans at affordable prices. For over seven decades, the company has shaped the country's healthcare industry by implementing world class, innovative systems coupled with extensive reach, which allows us to enrich the lives of patients throughout Sri Lanka. Critical strategic initiatives to deliver on our vision of a healthier nation included setting up a technology based Key Performance Indicator (KPI) driven environment, implementation of Route-To -Market (RTM) strategies and initiatives to enhance sales force effectiveness and automation.

We successfully onboarded the leading multinational, Mead Johnson, as our nutrition partner and secured the sales and distribution rights in Sri Lanka. The business was also aligned to be future ready by looking at our core competencies and aligning processes with the use of new technology to empower stakeholder engagement with us, enhancing our value proposition.



SECTOR INTEGRATED REVIEW

Healthcare

BRAND AWARDS

- Awards for Healthcare Medical Detailing at SLIM-NASCO Awards
- Awards for Healthcare Sales and Distribution at SLIM-NASCO

We worked together with SLCPI to engage with the NMRA to protect the pharma industry and bring in stability to the ecosystem through a fair and equitable pricing mechanism that enables us to engage with principals and secure their interest in supporting the pharma industry in the country.

Several community outreach programmes were implemented to support knowledge enhancement of key stakeholders including the 'Continuing Medical Education' project to enhance awareness of General Practitioners, the 'Pharmacy Skills Development Programme' for pharmacists and development of a mobile application to reduce the fear of needles for first-time users of insulin.

Operations of Hemas Mandalar in Myanmar were bolstered by enhancing market presence, reach and product portfolio by strengthening existing offerings and securing the acquisition of three new agencies. This enabled us to deliver 52.0% revenue growth over the previous year while a review of the demand planning function together with cost rationalisation enabled us to reduce losses and enhance the working capital cycle.

The outlook for Hemas Pharmaceuticals is positive due to prevailing trends of key drivers and increased awareness of healthful living globally, driving both demand and innovation. Price ceilings, exchange rate movement and long payment periods for government business continue to be key challenges.

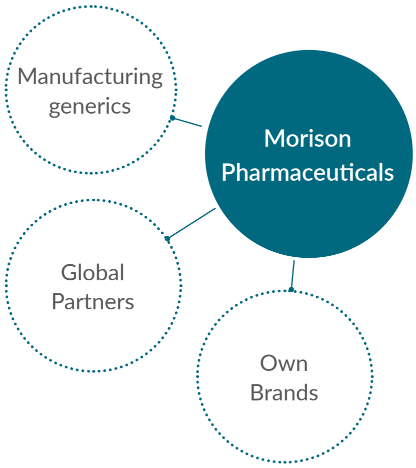
MORISON PHARMACEUTICAL MANUFACTURING

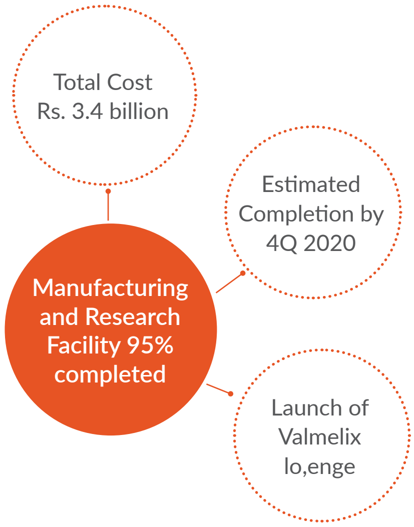
Morison PLC is the leading private sector pharmaceutical manufacturer in Sri Lanka with over 70 registered formulations across major therapeutic categories. Our future is in the business of commodity generics, branded generics and branded Over the Counter (OTC) products for Sri Lanka and beyond. Accordingly, our efforts are focused on building great pharmaceuticals and OTC businesses in the company.

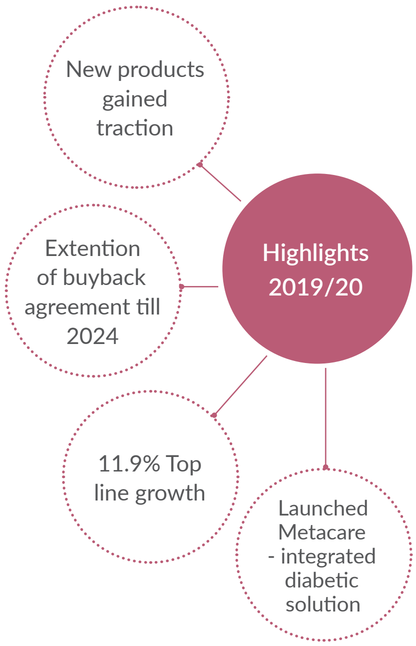
At present, our products are manufactured at a Good Manufacturing Practices (GMP) compliant plant at Mutwal in line with requirements of the NMRA and the WHO. We are investing Rs. 3 billion in a new state-of-the-art fully automated research and manufacturing facility in Homagama which will go beyond NMRA requirements to comply with the EU GMPs. All machinery and processes will comply with the globally accepted Food and Drug Administration (FDAs) Title 21 Code of Federal Regulations Part 11 regulations. While the new plant has come to its closing stage in terms of completing civil, mechanical, electrical engineering, and piping scopes; the team is now preparing for the next stage of testing and commissioning. However, the project work is currently slowed down due to overseas technicians' mobility issues. Nonetheless, work on the site and on documentation continues albeit at a slower pace.

The Pharmaceutical manufacturing division recorded 11.9% topline growth despite the challenging business landscape with two black swan events in one financial year. Distributed pharmaceuticals and diagnostics also performed well, recording positive growth.

Metacare, the integrated diabetes solution launched for middle income families exceeded expectations, affirming the company's focus on diabetes.







Morison also added a new agency, expanding its distributed pharmaceuticals portfolio.

Plant capacity utilisation was impacted by the business interruptions at the beginning and end of the year but performed at satisfactory levels from October 2019 to February 2020. Profitability was impacted by a combination of price ceilings, upfront costs of streamlining operations, delays in product launches and lower capacity Utilisation.

The plant operated at a reduced capacity level during lockdown to manufacture essential medicines for the Ministry of Health. As patient footfall has reduced significantly, prescriptions through other channels have seen a significant decline resulting in slow movement of non-essential products impacting both manufactured pharma and distributed pharma businesses. We expect business to normalise gradually over the next few months although it may not return to previous patterns. We continue to monitor new insights and information to adapt our businesses to seize new opportunities and meet new challenges.

HOSPITALS

Hemas Hospitals operates two tertiary care facilities in the urban areas of Thalawathugoda and Wattala and is a leading player in the private sector healthcare industry in the country. Accredited for the 4th cycle by the Australian Council for Healthcare Standards International, the Group has a strong clinical governance focus to enhance patient outcomes and deliver operational efficiencies. This relatively young chain of hospitals is shaping the country's transition into the digital health era with a number of firsts. This future forward approach proved to be a great asset during the COVID-19 pandemic as we were able to connect doctors and patients securely for consultations and deliver essential services and medicines for those who needed it.

Financial performance of the Hospitals business was below expectations in the first half of the year in the wake of Easter Sunday terror attacks but has made a strong recovery since then. Overall occupancy reached 68% for the year compared to 54% in the first half, reflecting progress made. It is noteworthy that a number of award winning Lean Six Sigma initiatives were successfully implemented to improve margins and turnaround times for patients. EBITDA margins reached prior year levels despite being impacted by two crises during the financial year.

We continued to enhance our value proposition to patients by adding super specialties to cater to current trends of NCDs in the country. Backed by skills of renowned medical professionals, these facilities typically feature high level diagnostics and treatment capabilities all located conveniently to facilitate the wellbeing of the patient during consultations and procedures.

We extend our reach into the provinces with over 50 licensed laboratories island-wide extend our reach in the provinces and we continue to support their growth through capacity building initiatives and global best practice. Our employees were the greatest source of strength in the past year and we are deeply appreciative of their untiring efforts. A busy calendar of activities and training ensured

Performance Highlights in FY 2019/20	
Digital Solutions	• 1st mobile hospital app in industry facilitating consultations and other features • Digital lab reporting moving beyond single point reports to graphs and text, empowering patients and doctors • LiveTrack SMS tracking progress of appointments • Electronic Health Records to improve patient outcomes
Integrated Management Systems	First organisation in Sri Lanka to be certified by ISO for Integrated Management Systems affirming quality, environment and safety management systems integrating ISO 45000-2018, 9000-2015, 14001-2015
Accreditation	Only hospital to have successfully completed 4 cycles of accreditation with the Australian Council on Healthcare Standards International for quality and patient safety
Super specialties	Following super specialties were added during the year • IVF and fertility • cosmetics • neurology • urology
Awards	21 Awards for Lean Six Sigma initiatives
Community Reach	Upahara Project for public sector employees and their families • *Suwadhana* • *Suwasisu* • *Suwanena* • *Meducate* *Refer Social and Relationship Capital on pages 64 to 72*

SECTOR INTEGRATED REVIEW

Healthcare

that camaraderie and knowledge enhancement improved in this people-based business. The nursing school graduated 27 students during the year supporting capacity building of youth.

While COVID-19 proved a challenge in the initial weeks with footfall declining sharply, we have now adapted to provide home care and telemedicine to patients. Additional precautionary measures have been implemented for COVID-19 in line with WHO. MOH, Epidemiology protocols further enhanced by engaging specialists in infectious diseases to mitigate risks to patients and healthcare professionals and other frontline staff.

The outlook for the Hospitals segment is cautiously positive due to our strategic locations, strong clinical governance, people focus and agile digital strategies. We are accelerating implementation of Electronic Health Records to empower patients to manage their own health in partnership with the doctors who can be connected to the records as well as making Hemas the first HER enabled hospital in Sri Lanka.

WAY FORWARD

The outlook for the Hemas Healthcare sector is positive due to the impressive agency business, plans to launch new products and therapies. Additionally, investment in the EU GMP compliant factory also opens up new opportunities in export and contract manufacture in addition to the Government thrust for local manufacture. Heightened awareness of healthcare benefits will also be favorable to the growth of this sector. The Group continues to deploy technology to reduce costs and enhance data driven decision making to leverage economies of scale and Group synergies that will support earnings growth of this sector.

A note of caution is necessary to the upside potential of the sector described above. We are operating during a period of significant uncertainty with potential for convergence of multiple risks as Governments around the world continue balance social, economic and health risks. Large projects typically weigh on earnings during the ramp up period prior to increasing earnings. Additionally, volatility on the exchange rate will continue to add pressure on the sector profitability margins. The Group continues to engage closely with stakeholders to understand concerns and understand the dynamics that will shape the growth of this sector.

Leisure Travel and Aviation (LTA)

The LTA sector represented our interests across the travel and tourism value chain. As part of our portfolio re-alignment strategy, the LTA sector underwent a restructure during the year resulting in the divestment of a major portion of our Travel and Aviation segment. As a result, with effect from March 2020 the sector concentration is mainly on hotel operation and villa management.

Contribution to Group

5.9% of Group Revenue

16.0% Head Count

23.2% of PPE

19.4% of Carbon Footprint

Hotels

Includes the Groups portfolio of 5 and 4 star hotels and villa properties across the country.

Travel *

The Group offered Specialist Inbound and Outbound Travel management services.

Aviation*

The Group operated as the General Sales Agent for several global passenger and cargo airlines.

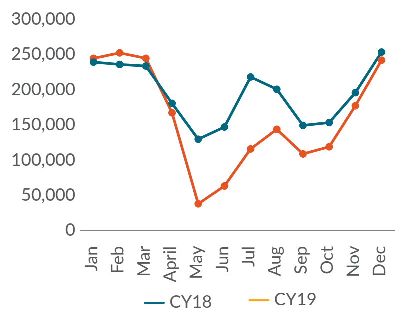
** Performance of the Travel and Aviation segments are included in the LTA sector for FY 2019/20 as the divestiture of these operations took place in March 2020.*

SECTOR OVERVIEW

The Group has made its presence felt across the travel and tourism value chain with its portfolio of star-class hotels and villas, superior inbound and outbound travel management services and by representing several global passenger and cargo airlines.

In March 2020, as part of the Group portfolio strategy of growing its core sectors of Consumer, Healthcare and Mobility, the Group divested 80.1% of its shares in Forbes Leisure Services (Private) Limited thereby, reducing its interests in the inbound and outbound travel and selected aviation representation businesses. The Emirates Airline agency however continues to remain with the Group and will be positioned as a core component of the Mobility sector at Hemas.

Monthly Tourist Arrivals



Source: SLTDA

OPERATING ENVIRONMENT

The tourism industry which, was severely affected by the Easter Sunday attacks, showed some recovery towards the end of 2019. Tourist arrivals which recorded the highest ever quarterly arrivals during the period January to March 2019, slumped sharply following the Easter Terror attacks. The gradual improvement in security conditions, targeted efforts towards tourism promotion and the softening of travel advisories by mid-2019 however resulted in a faster than anticipated recovery towards the end of the year. Despite this gradual recovery, total tourist arrivals during the CY 2019 amounted to 1.9 million, a 18% decline from the record achievement of 2.33 million in CY 2018. Hampering the momentum gained towards the latter part of 2019, the outbreak of the COVID-19 pandemic in January 2020, saw widespread travel restrictions and border controls which resulted in tourist arrivals during the first three months of 2020 declining by almost 32% compared to the comparable period last year.

India, United Kingdom, China, Germany and Australia were Sri Lanka's top five tourist generating markets from January to December 2019. Arrivals from all

SECTOR INTEGRATED REVIEW

Leisure Travel and Aviation (LTA)

these markets however recorded a decline compared to the previous year. India was the largest source of tourist traffic to Sri Lanka with 19% of the total traffic received from January to December 2019. UK accounted for 10% of the total traffic; while China, Germany and Australia accounted for 9%, 7% and 5% respectively.

Total room capacity as at the end of September 2019 stood at 39,759 out of which 8,278 (21%) comprise of four and five-star category rooms. The industry continued to attract investments despite the subdued performance during the year. The Investor Relations Unit (IRU) of SLTDA granted approval for 59 hotel projects in 2019, with a collective capacity of 2,237 rooms.

In line with the decline in tourist arrivals, earnings from tourism declined by 17.7% to US Dollars 3,607 million in 2019. The Government implemented a range of concessions to help the revival of the leisure industry, including a moratorium on loans taken by the tourism related businesses, the reduction and subsequent elimination of Value Added Taxes on registered hotels and tour operators. Despite this, profitability of the sector was significantly impacted in 2019.

The challenging operating environment impacted the travel and aviation sector as well. Lower demand for traveling to Sri Lanka due to security concerns following the Easter attack resulted in several airlines reducing inbound flight frequencies to the country. Consequently, aircraft movements handled by the BIA registered a decline of 3.4% during the CY 2019 while passenger and cargo movement through BIA also declined by 8.3% and 8.2% respectively during the period CY 2019. Despite this set back, airlines reinstated their original flight schedules sooner than expected, towards the latter part of 2019. Performance of the sector was once again negatively impacted in Q1 of

	CY 2018	CY2019	
Aircraft	74,503	71,973	(3.5%)
Passenger	10.8 Mn	9.9 Mn	(9.1%)
Cargo	268,496 MT	246,406 MT	(9.0%)

Source: Central Bank of Sri Lanka

2020 as a result of the widespread travel restrictions and the complete closure of international Airports in Sri Lanka in March 2020 as a result of the COVID-19 outbreak.

COVID-19 RESPONSE

Ensuring the health and safety of our guests and employees was our immediate concern as the COVID-19 pandemic started to unfold. Safety measures were immediately put in place at all our hotel properties in accordance with protocols recommended by the Ministry of Health and World Health Organisation. All employees were provided with Personal Protective Equipment (PPE) and awareness sessions were carried on a regular basis not only regarding physical safety measures but also on addressing the emotional needs of staff and guests during this period. Arrangements were also made to move all guests to a single hotel to better co-ordinate travel arrangements back to their home countries. For those who could not make travel arrangements under such short notice, a 50% discount was provided for extended stays. Extending our support to the Government during this difficult time, we handed over one of our properties, Club Hotel Dolphin in Negombo as a quarantine center for the Sri Lanka Army and medical personnel at no cost to the Government until the end of May 2020. The hotel is run with a skeletal staff to operate its kitchen and carryout necessary maintenance.

PERFORMANCE

In March 2020, Hemas divested 80.1% of its stake held under Forbes Leisure Services (Private) Limited (FLS) as part of a phased-out portfolio rationalization for a total consideration of Rs. 201 million, reporting a disposal loss of Rs. 33.5 million. Going forward, the remaining stake of 19.9% in FLS will be reclassified as a non-current financial asset and will no longer be considered in the financial consolidation. The following performance analysis for FY 2019/20 however includes the performance of the Travel and Aviation segments since the divestiture of these operations occurred in March 2020.

Performance of the LTA sector was severely impacted by the lower tourist arrivals during the year with sector revenue declining by 27.3% to Rs. 3.6 billion and EBIT declining by 131.5% to report a loss of Rs. 131.1 million in FY 2019/20. Serendib Group of Hotels which accounted for 43.9% of the sector revenue, declined by 22.2% to Rs. 1,588.6 million due to lower average occupancies and average room rates for much of the year. Average occupancy across the hotels declined to 61% during the year compared to 79% in the comparable period last year. Although occupancy rates showed strong recovery in the third quarter, occupancy rates were once again impacted by travel restrictions and the subsequent closure of all hotels in March 2020. Meanwhile room rates too were reduced during

Rs. 3.6Bn

Revenue

27.3% ⬇

Rs. -131.1Mn

EBIT

131.5% ⬇

the period to boost occupancy resulting in a Total Revenue Per Available Room (TRevPAR) of approximately Rs. 13,000 for the year, a 23% decrease from the same period last year. Stringent cost control measures were implemented across all our properties to offset the unfavorable impact to profitability from a significant revenue loss. As a result, the Hotel segment recorded an EBIT of Rs. 28.8 million during the year, compared to Rs. 214.6 million in FY 2018/19.

The Travel and Aviation segment too witnessed a decline in revenue due to the decrease in passenger and cargo traffic subsequent to the Easter Attack in April 2019 and again towards the latter part of the financial year due to global travel advisories and airport closures in the wake of COVID-19. Revenue from the segment amounted to Rs. 2.0 billion, a 31.0% decrease compared to FY 2018/19.

During the year we continued to expand into the villa space by adding 4 new villas to our portfolio. In line with our asset light investment strategy, we took over the management of Tri Lanka, Koggala and entered into an agreement to provide sales and marketing services for Stafford Bungalow Nuwara Eliya. We also added two more villa properties, The Beach House (Mirissa) and 50 Light House street (Galle Fort) on a lease and operate basis.

Ensuring the welfare of our staff continued to be a priority during the year. Despite the challenging conditions during the year, we made every effort to retain all permanent staff. Meanwhile we continued to invest on training and development during down times and conducted several in-house training programs for our Hotel sector employees.

We continued to leverage on our strong relationships with our business partners and customers; and worked closely with our global partners to promote Sri Lanka as a safe destination post the Easter attacks. Dedicated Public Relation Agents were appointed for our key source markets including UK and France while we continued to explore new markets such as Australia and USA.

We remain committed to the concept of sustainable tourism and continue to adopt environmental best practices across our locations whilst closely engaging with our communities to drive development and conservation efforts. Energy and water saving initiatives continue to be rolled out across our properties while several tree planting and beach cleaning programs were carried out in collaboration with the surrounding communities.

WAY FORWARD

All our properties remain temporarily closed due to global travel restrictions but are ready to open with the required safety protocols in place as soon as it is deemed safe to open by the relevant authorities. Meanwhile we are closely monitoring our cost structures and have put in place several cost-management measures to reduce the impact on cash reserves. We also continue to closely engage with our business partners and other industry stakeholders and are committed to working together to put in motion a sustainable recovery plan for the tourism sector.

SECTOR INTEGRATED REVIEW

Mobility

Mobility Sector continued to grow and evolve in response to the changing landscape of the industry. Our partnerships with strong global corporations and key players in the transportation industry have enabled us to provide best-in-class services to our customers and stakeholders. With the recent inclusion of the aviation sector, our Mobility portfolio is well positioned as an integrated transport solutions provider offering end-to-end solutions across air, sea and land.

Contribution to Group

3.8%	of Group Revenue
7.0%	Head Count
12.1%	of PPE
15.9%	of Carbon Footprint

Maritime

Hemas Maritime provides main line and feeder line representation.

Spectra Logistics

This Joint Venture (JV) between Hemas and GAC Logistics provides a comprehensive range of logistics and supply chain related services.

Aviation*

General Sales Agent for Emirates Airline for passenger and cargo for over 30 years.

** As per the restructure took place in March 2020, Aviation business will be reported under Mobility w.e.f. FY 2020/21.*

SECTOR OVERVIEW

The Mobility sector provides a comprehensive range of products and services including Main Shipping Line representation, Feeder Line representation, Non-Vessel Operating Container Career operations, Air Freight and Sea Freight forwarding, Third Party Logistics, Warehouse Management, Project Logistics, Container Depot operations, Transport services and Customs brokerage.

Evergreen Shipping Agency Lanka	Far Shipping	Hemas Maritime and Mazu Shipping	Spectra Logistics
JV with Evergreen Marine (Hong Kong) Ltd to represent interests Evergreen Marine Corporation (EMC) in Sri Lanka.	JV with FAR Shipping Singapore Ltd., to represents interests of the 3rd largest feeder-line calling in Colombo.	These entities are engaged in handling Break Bulk Cargo, Special Projects Cargo, Ship Chartering and other ancillary services.	JV with Gulf Agency Company (GAC) Sri Lanka. Spectra specialises in providing end to end logistics services to support agile, scalable and cost-effective supply chain solutions.

OPERATING ENVIRONMENT

During the year under review, the Port of Colombo handled 7.2 million Twenty-Foot Equivalent Units (TEUs) with a Y-o-Y growth of 2.6%, surpassing the annual global throughput growth of 2.5% for CY 2019. The global growth was hindered with a drop in volume on account of the slowdown in global trade, where world trade volumes moderated from 3.3% in CY 2018 to 0.9% in CY 2019 reflecting trade tensions between USA and China and moderating economic growth (source: World Economic Outlook 2020, April).

With the IMO 2020 regulation capping the Sulphur emissions, 3.6% of the global container fleet was idling during December 2019 due to scrubber retrofits, as per Alphaliner. This impacted the operating cost of vessels, global freight rates and global fuel supply.

In Sri Lanka, total cargo handled and total container traffic increased by 1.9% and 2.6% respectively in sharp contrast to the buoyant double-digit growth rates experienced in CY 2018, primarily due to the lack of capacity of deep draft terminal facilities in the Port of Colombo with the delay in developing the East Container Terminal – a major bottleneck in enhancing regional competitiveness to cater growth. Further, the contraction in domestic volumes with the slowdown of economic activities after the Easter Attacks negatively impacted the container throughput in the Port of Colombo.

Rs. 2.3Bn
Revenue
17.8% ↓

Rs. 478.0Mn
EBIT
30.9% ↓

During the year, the Hambantota port operationalised its tank farms, positioning it self as an energy hub for vessels plying the East-West shipping route. The port continued the development plans despite disruptions to supply chains with the pandemic and envisions to transform from an energy hub to a logistics hub providing a gamut of services from terminal operations to warehousing and distribution.

PERFORMANCE

Hemas Logistics and Maritime sector recorded a revenue decrease of 17.8% over last year, with revenues of Rs. 2.3 billion for the year ended 31 March 2020. New business volumes in our Spectra distribution center have built up more slowly than planned. In maritime, due to weakened local economic conditions and global slowdown, year-to-date throughput has declined. Slowdown in transshipment volumes and movement in the export sector coupled with import restrictions have resulted in depressed revenues in the maritime segment. Additionally, increased depreciation and finance costs from Spectra contributed to exert pressure on margins.

COVID-19 IMPACT AND RESPONSE

It is noteworthy that the Mobility sector continued to work throughout the lockdown period and was the only logistics operation to operate 24/7. Logistics operations have now reached an almost normal level of activity after the initial challenges of operating with minimum workforce. During the past few months, there was an increased demand for logistics support from clients engaged in food and pharmaceutical supplies.

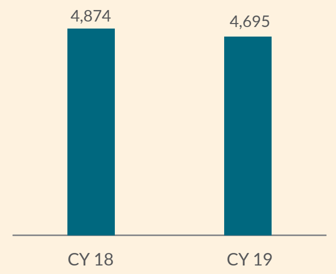
MARITIME

During the year, Hemas successfully strengthened its relationship with Evergreen shipping line by entering into a joint partnership with the focus of growing the operations in the region. Whilst strengthening the potential for growth with this global major,

Maritime and Logistics

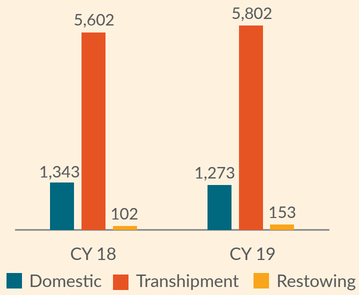
Sri Lanka's strategic location is a significant competitive advantage to realise its aspiration of becoming a global logistics hub.

Ship Traffic
(No. Vessels)



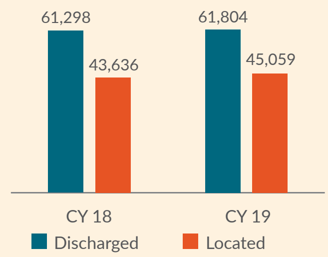
60% of world trade passes Sri Lanka.

Container Handling
(TEUs Million)



CICT is the only deep-water port in South Asia capable of handling Ultra Large Container Carriers (ULCC), which contributed 72% of CICT's container handling volumes.

Cargo Handled
(MT 000')



Source: Central Bank of Sri Lanka

SECTOR INTEGRATED REVIEW

Mobility

Performance Highlights in FY 2019/20	
Trusted Partnerships	Agency with Evergreen Shipping, a global major, matured in to a joint venture which commenced operations in August 2019 as Evergreen Shipping Agency Lanka (Pvt) Ltd. Strengthening of Principal Agent relationship with FAR Shipping with the initiation of an ownership re-structuring plan
Expansion of sector	Airline representation for passenger and cargo operations of Emirates Airlines was added to the sector's portfolio
Accreditation	ISO 9001:2015 certifications in place for Hemas Maritime and FAR Shipping

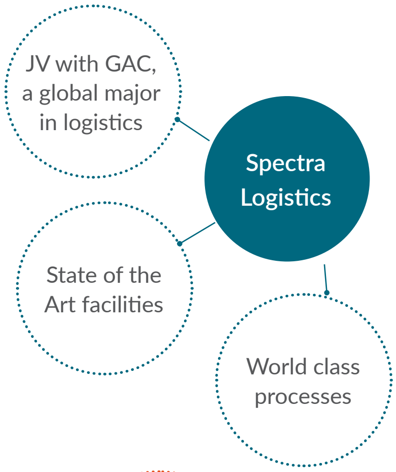
this strategic move also deepened Evergreen's commitment to investing in growth-driven ventures in Sri Lanka.

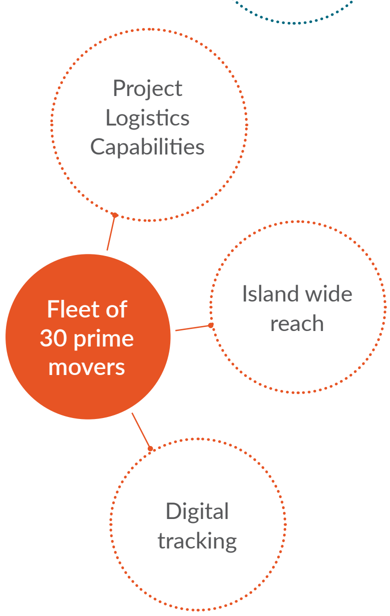
In line with its business strategy to enter the project logistics space, Hemas Maritime continued building our capabilities in handling and transporting heavy lift cargo. In the year under review, Hemas Maritime was also awarded the logistics contract to discharge and transport components of thirty windmills for the Ceylon Electricity Board, to be erected in Mannar, which was a highlight achievement for the year.

With the strategy of growing its network among the region, FAR Shipping commenced a new feeder service to Tuti, resulting in volumes growing by 23% in the year under review. Further, Hemas Maritime and FAR Shipping successfully renewed the ISO certifications, validating the process excellences of both organisations.

LOGISTICS

The year under review was the first full year of operation for Group's logistics business, Spectra. The Company's container depot operation was able to reach its full capacity during the financial





year in the back of building a healthy customer portfolio comprising of all major shipping lines.

The Distribution Centre witnessed deployment of world-class systems and processes with the help of its joint venture partner GAC logistics and continued to invest in its valued human resource in delivering the best in class services. With the consolidation of its customer portfolio, warehouse occupancy reached 70% occupancy towards the latter part of the year under review with control temperature chamber running at full capacity. Moving forward, the focus will be centered on creating greater value by offering more value-added services and also offering integrated logistics solutions with the inclusion of Spectra's Customs Brokerage and Transport divisions.

WAY FORWARD

The outlook for the maritime industry in a post-COVID-19 environment will be challenging with Alphaliner forecasting the global container throughput to decline by 7.3% and idle fleet capacity reaching a new high of 11.6% of overall fleet capacity. However, one positive change realised by the Sri Lankan maritime industry as a result of the pandemic was the digitalisation of processes, which were lagging behind in comparison to other industries. This accelerated momentum would hopefully enable us to fast track the journey of digitizing the maritime industry to have greater transparency among industry stakeholders and increase efficiency.

Further, in a post-COVID-19 environment, using Sri Lanka's strategic location to our advantage, we could offer a plethora of hub services to the maritime industry including crew logistics, bunkering and ship spare logistics to name a few. However, the operationalisation of East Container

Terminal and the Hambantota Port being positioned as a regional energy hub will be imperative to stimulate growth and realise hub aspirations as a country.

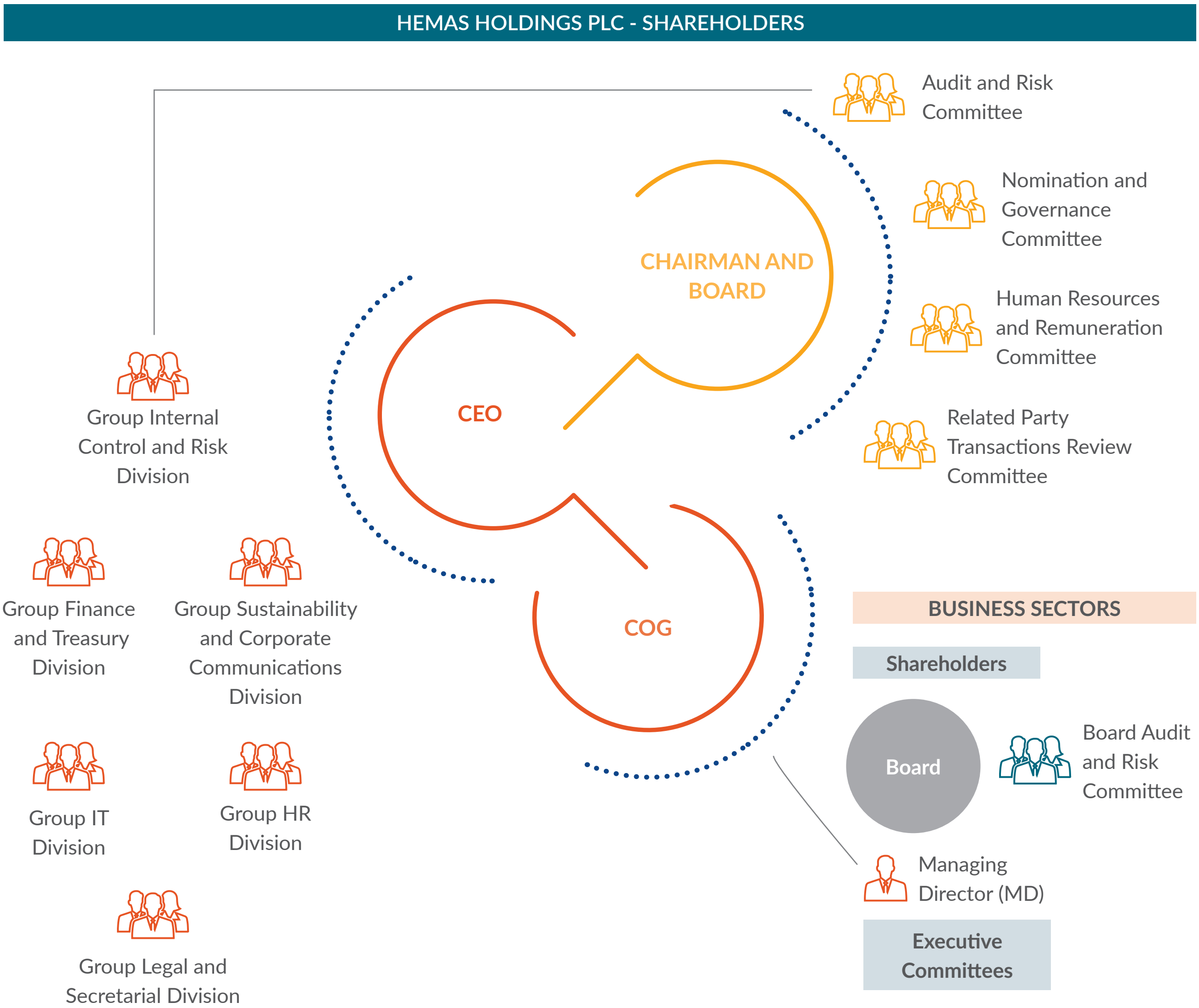
Logistics industry encountered significant challenges during the year under review mainly on account of the slowdown in domestic consumption and the resultant slowdown in demand for logistics. This also resulted in delays in outsourcing supply chain activities.

However, with the outbreak of COVID-19, numerous opportunities were emerged due to the changes in consumer behavior and the emergence of a 'new normal'. Solutions centered around last mile delivery is expected to be the primary area of growth and the infrastructure centered around online fulfillment capabilities is expected to augur well to cater to future consumer expectations.

Continuous pressure on supply chain costs is expected to bring life to models such as Omni Channel Distribution which is yet to be explored locally has proven successful in mature markets.

CORPORATE GOVERNANCE

The Hemas Group is committed to high standards of Corporate Governance. Embracing globally accepted best practices that entails more than legislative compliance, the Group believes good governance is fundamental to growth and strengthens the trust and confidence of the stakeholders.



Key Responsibilities

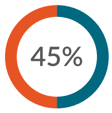
The Board	Takes overall responsibility for performance and affairs of the Group.
Board Sub-committees	Ensures in-depth focus on delegated matters.
CEO - Chief Executive Officer	Leads executive management. Responsible for strategy implementation and Group performance.
COG	In early 2020, following our portfolio rationalisation to be a consumer and healthcare focused Group business, we reconstituted and renamed our senior leadership team from Board of Management to COG. COG now consists of 9 members, MDs of our 5 major businesses and 4 leaders from Corporate Office. COG, as in gearbox in a vehicle, ensures that the Group works in a collaborative and high performance manner no matter what the circumstances and challenges the Group faces.

A well balanced and diverse Board.

BOARD COMPOSITION

Independent Directors	
Non-Executive Directors *(including Chairman)*	
Executive Directors	

INDEPENDENCE

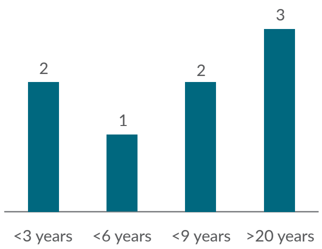


of the Board is independent

GENDER DIVERSITY

82%: 18%

NED TENURE

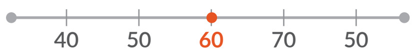


Sound blend of continuity and fresh perspectives

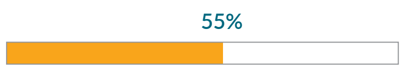
AGE DIVERSITY

Balanced in experience and new expertise.

Average Age



Younger than 60 years



BOARD SIZE

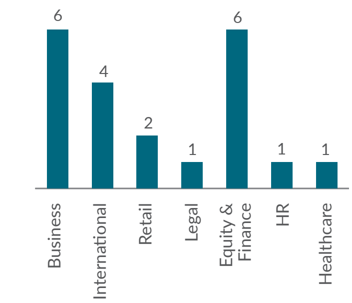
11

Appropriate board size promoting accountability and encouraging healthy, constructive debate and decision-making, while meeting regulatory requirements

EXPERTISE

Experienced board; combining knowledge and skills relevant to the Group.

Directors



Compliance Summary

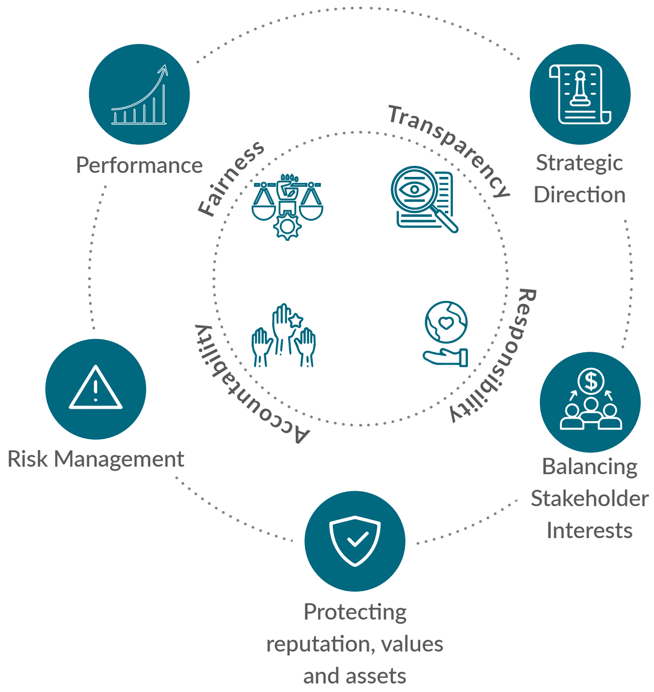
Regulation / Code	Adoption	Adherence	Disclosure Table
The Companies Act No.7 of 2007 (Companies Act)	Mandatory provisions	Compliant	Page 104
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions	Compliant	Pages 105 to 107
Securities and Exchange Commission Act No.36 of 1987, including directives, circulars and codes	Mandatory provisions	Compliant	Pages 105 to 107
Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions	Compliant	Pages 108 to 110

GOVERNANCE HIGHLIGHTS 2020

- Following the uncertainty and unprecedented challenges arising from the COVID-19 pandemic in March 2020, assessed the impact to the business as presented by the CEO and reviewed the proposed business recovery plan.
- In the aftermath of the April 2019 Easter Sunday bombings and misleading ethnically divisive attacks on Hemas brands, regularly assessed the impact and risks to the business. Monitored and reviewed the implementation of the Company's business recovery plan.
- Strengthened the Health and Safety Policy and reintroduced the Sexual Harassment Policy with revised guidelines and processes.
- Completed the 2019 Board evaluation and tabled recommendations at the 08 August 2019 Board meeting.
- Gave oversight to the on-going Organisation Transformation project.
- Appointment of Kasturi Chellaraja Wilson as Deputy CEO with effect from 01 July 2020. She will take over the position of CEO with effect from 01 October 2020, on the retirement of Steven on 30 September 2020.
- Retirement of Dinesh Weerakkody (Independent Director) with effect from 26 June 2019 and the resignation of Malinga Arsakularatne (Executive Director) with effect from 13 March 2020, respectively.
- Retirement by Rotation of Abbas Esufally, Murtaza Esufally and Jyotindra Trivedi, at the AGM to be held on 11 August 2020. They have offered themselves for re-election.
- Retirement of R. Gopalakrishnan pursuant to Section 210 of the Companies Act. The Board has recommended his re-election considering business exigencies of the Group.
- Kasturi Chellaraja Wilson will retire at the Annual General Meeting to be held on 11 August 2020 She has offered herself for re-election.

CORPORATE GOVERNANCE

OUR APPROACH TO GOVERNANCE



As custodians of governance, the Board sets the tone from the top, leading by example and embracing high standards of professionalism and ethics. The Board has adopted sound corporate governance principles and appropriate governance structures and policies; and believes it has embedded a business-wide culture of good governance that promotes transparency, fairness, responsibility and accountability.

Fairness

To be unbiased. Requires independence and objectivity, giving due consideration to the interests of all stakeholders involved.

Transparency

Stakeholders should be informed within their rights. Requires timely disclosure of adequate, clear and comparable information concerning corporate performance, governance and ownership.

Responsibility

Board is responsible for the performance and affairs of the Group. Refers to the requirement to act in the best interests of the Company.

Accountability

Accountable to shareholders for the way in which the Board carries out their responsibilities. Refers to the obligation and responsibility to give explanation or reason for the Group's actions and conduct.

NAVIGATING THE REPORT

The Corporate Governance Report has been arranged under the following principles:

The External Auditors, Messrs. Ernst and Young, have performed procedures set out in Sri Lanka Standards on Related Service 4400 (SLSRS 4400) issued by Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive.

1.0 FRAMEWORK AND STRUCTURE

Board's Primary Governance Roles and Responsibilities

STEERS AND SETS STRATEGIC DIRECTION
Approves strategy. Focuses on high environmental, social and governance standards

APPROVES POLICY AND CAPITAL PLANNING
Gives effect to strategy. Sets direction, resource allocation and risk appetite.

OVERSEAS AND MONITORS
Implementation by Management

ENSURES ACCOUNTABILITY
for organisational performance through reporting, disclosure and engagement with stakeholders

The Hemas Holdings PLC Board provides direction and leadership to the Group and assumes collective responsibility for the overall governance, performance, strategy and affairs of the Group. The Board has set in place a governance framework that comprises an organisation structure, a comprehensive set of policies, reporting mechanisms, internal controls and risk management processes designed to ensure the Group is well-managed and -controlled. The framework is regularly reviewed to adapt to internal developments and reflect global best practices.

The Board has delegated functions warranting greater attention, to four Board Sub-Committees while daily management of the Group and implementation of the Group's strategic plan has been delegated to the CEO. Structures of delegation provide for the assignment of authority while enabling the Board to retain effective control. Regular reporting on key matters aids effective oversight.

2.0 CULTURE AND VALUES

The Board believes ethical and effective leadership complement and reinforce each other. The Board is bound by the Code of Conduct and Ethics for Directors, and conducts its business responsibly, embracing high standards of ethics and integrity. Strong corporate values, an employee code of conduct 'The Hemas Way' and a proven performance management and values monitoring system nurtures a culture of ethical conduct across the Group. (Refer-Code of Conduct and Ethics - Pages 101 to 102).

3.0 DELIVERING STAKEHOLDER VALUE

Hemas is committed to balancing the interests of all stakeholders in the creation of shared value. The Group's stakeholder engagement mechanisms are structured and comprehensive, ensuring meaningful engagement and providing valuable insight into stakeholder concerns on environmental, social and governance matters. Feedback obtained is a key input in strategy formulation. Combined with increased focus on environmental and social considerations, the Board ensures the Group's growth is responsible, sustainable and aligned to Our Purpose.

During the year, the Group operated in an increasingly challenging environment, exacerbated by the Easter Sunday attacks in April 2019 and the ongoing COVID -19 pandemic since early 2020. The Board has spent a considerable amount of time assessing the impact and risks to the Group and its stakeholders and evaluated proposed business plans under multiple scenarios, as presented by the CEO.

The Board continues to monitor and review the evolving business landscape and progress made against measures implemented by the Group to sustain business. The Board satisfies itself that all decisions taken are fair, ethical and underpinned by Hemas' values and are in the best interests of both the Group and its stakeholders.

4.0 AN EFFECTIVE BOARD

A key driver to good governance is the establishment of an effective board.

4.1 Board Composition

Chairman *(Non-Executive)*	
Independent Directors	
Non-Executive Directors	
Executive	

The Board is well balanced and diverse, as reflected on page 93, to discharge its governance role and responsibilities objectively and effectively. Independent Directors are eminent professionals in their respective fields. They bring invaluable insights and varied perspectives to board deliberations, promoting constructive debate and objective evaluation of matters set before them.

Directors possess financial acumen and knowledge gained through experience from leading large enterprises and/or professional backgrounds. The profiles of the Board of Directors are set out on pages 16 to 19 of the Annual Report.

CORPORATE GOVERNANCE

Director's Independence

DEFINITION	ASSESSMENT	OUTCOME
Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with Schedule K of the Code.	Independent assessment of directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors.	The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' non-independence during the period under review.

4.2 Clear roles and responsibilities

Roles and responsibilities are clearly defined by mandates and job descriptions, and by which means authority is delegated and accountability established. It enables the Board to allocate sufficient time to matters within its scope while allowing decisions to be taken at the right level of business, by those best placed to take them. The roles of Chairman and CEO are separate, strengthening the decision-making process

Roles and Responsibilities		
Board	**Chairman**	**Chief Executive Officer (CEO)**
The Board's role is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enables risks to be assessed and managed. • Provide strategic direction. • Monitor implementation of strategy. • Set corporate values and promote ethical behaviours. • Establish systems of risk management, internal control and compliance. • Be responsive to the needs of society. • Meet shareholders, employees and other stakeholder's obligations, balancing their interests in a fair manner. • Present a balanced and understandable assessment of the Company's position and prospects. • Safeguard assets and ensure legitimate use. • Ensure succession planning and the continued ability of the Group to operate without any disruption.	Chairman leads the Board, preserving good corporate governance and ensuring that it works ethically and effectively, acting in the best interest of the Group. • Setting the ethical tone for the Board and Group. • Setting the Board's annual work plan and the agendas, in consultation with the Company secretary. • Building and maintaining stakeholder trust and confidence. • Ensuring effective participation of all Board members during Board meetings. • Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non-Executive Directors. • Monitoring the effectiveness of the Board.	The CEO is an Executive Director appointed by the Board and is accountable for implementation of the Group's strategic plan and driving performance. • Appointing and ensuring proper succession planning of the corporate management team and assessing their performance. • Developing Hemas' strategy for consideration and approval by the Board. • Developing and recommending to the Board budgets supporting Hemas' long-term strategy. • Monitoring and reporting to the Board on the performance of Hemas and its compliance with applicable laws and Corporate Governance principles. • Establishing an organisational structure for the Group which is appropriate for the execution of strategy. • Ensuring a culture that is based on Hemas' values. • Ensuring that the Company operates within the approved risk appetite.

Roles and Responsibilities	
Company Secretaries • Secretarial services to the Board are provided by Hemas Corporate Services (Private) Limited. • All Directors have access to their advice and services as necessary. • The Secretaries and Management keep the Board informed of new laws and revisions, regulations and requirements which are relevant to the individual Directors and collectively to the Board. • Secretaries maintain minutes of Board meetings, which are open for inspection by any Director at any time. • Appointment and removal of the Company Secretaries is a matter for the Board as a whole.	**COG** • In early 2020, following our portfolio rationalisation to a consumer and healthcare focused Group business, we reconstituted and renamed our senior leadership team from Board of Management to COG. COG, led by the CEO, meets monthly, and provides the Group with executive leadership. • The Committee consists of Group CEO, Deputy CEO, Group CFO, Chief Talent Officer, Chief Growth Officer and the MDs of Home and Personal Care, Atlas, Hospitals, Pharmaceutical Distribution and Morisons. • COG, ensures that the Group works in a collaborative and high performance manner no matter what the circumstances and challenges the Group faces. • Its key priorities are the management of emerging talent across the Group, collaborative growth and efficiency initiatives and digital transformation.

Directors and Key Management Personnel are indemnified by Hemas Holdings PLC in respect of liabilities incurred as a result of their office, in terms of Section 218 of the Companies Act.

Board Sub-committees

Board Sub-Committee	Areas of Oversight	Composition	Further Information
Audit and Risk Committee	• Financial Reporting • Internal Controls • Internal Audit • External Audit	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Audit and Risk Committee on pages 126 to 128
Nominations and Governance Committee	• Appointment of Key Management Personnel/ Directors • Effectiveness of the Board and its Committees	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Nominations and Governance Committee on pages 131 to 132
Human Resources and Remuneration Committee	• Remuneration policy for Key Management Personnel • Remuneration structure • Performance evaluation • Succession Planning	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Human Resources and Remuneration Committee on pages 129 to 130
Related Party Transactions Review Committee	Review of related party transactions	Comprises one Independent Director who is the Chairman of the Committee, One Non-Executive Director and the Chief Executive Officer	Report of the Related Party Transactions Review Committee on pages 133 to 134

CORPORATE GOVERNANCE

4.3 Appointments, Rotation/Re-election and Retirement

The Board is refreshed periodically through new appointments, rotation/re-election and retirement of directors, to maintain an appropriate mix of skills and experience.

Directors are appointed by the shareholders at the Annual General Meetings, following a formal and transparent process and based on recommendations made by the Board of Directors. The Nominations and Governance Committee (NAGC) makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to Hemas' strategic plans and any gaps thereof. The NAGC also reviews the participation, engagement and contribution of each Director prior to recommendation for Re-election.

Pursuant to the Articles of Association of the Company, 1/3 of the Directors will retire from office each year and are eligible for re-election. A director appointed by the Board to fill a casual vacancy during the year, will be proposed for election by the shareholders at the next AGM. Appointments and resignations of Directors are communicated to the CSE and shareholders through disclosures/press releases.

4.4 Meetings and Attendance

Board and Sub-committee meetings are held on a quarterly basis, with the flexibility to arrange ad-hoc meetings to supplement these when required. All directors attended 100% of the meetings of the Board and the Sub- committees on which they served.

The Chairman met with the Non-Executive Directors without the presence of the Executive directors, twice during the year to discuss governance related matters. Feedback was provided by the Chairman to the Executive Directors. Similarly, Independent Directors held their annual meeting during the year, chaired by the Chairman of the Nominations and Governance Committee, strengthening the independence and effectiveness of the Board further.

Appointments, Resignations and Re-elections 2020
Dinesh Weerakkody and Malinga Arsakularatne resigned from the Board during the year.
Kasturi Chellaraja Wilson was appointed Deputy CEO / Executive Director with effect from 01 July 2020. She will take over the position of Group CEO on the retirement of Enderby on 30 September 2020. Wilson will retire at the Annual General Meeting to be held on 11 August 2020. She has offered herself for re-election.
Abbas Esufally, Murtaza Esufally and Jyotindra Trivedi will retire by rotation in terms of the Company's Articles of Association at the AGM and have offered themselves for re-election.
Ramabadran Gopalakrishnan will retire pursuant to Section 210 of the Companies Act No 7 of 2007. The Board has recommended his re-election considering business exigencies of the Group.

100% Board attendance, demonstrating active engagement.

Name of Director	Director Status	Meeting Attendance - Attended/Eligibility				
		Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination and Governance Committee	Related Party Transaction Review Committee
Husein Esufally	NED	4/4	-	5/5	-	-
Abbas Esufally	NED	4/4	-	-	3/3	-
Imtiaz Esufally	NED	4/4	5/5	-	-	4/4
Ramabadran Gopalakrishnan	INED	4/4	-	-	C -3/3	-
Dr Anura Ekanayake	INED	4/4	-	C – 5/5	3/3	-
Shaktha Amaratunga	INED	4/4	C-5/5	5/5	-	C-4/4
Jyotindra Trivedi	INED	4/4	3/3	-	-	-
Prof Nilanthi Silva	INED	4/4	-	-	-	-
Murtaza Esufally	ED	4/4	-	-	-	-
Steven Enderby	ED	4/4	-	-	-	4/4
Malinga Arsakularatne - Resigned with effect from 13 March 2020	ED	4/4	-	-	-	-

INED - *Independent Non-Executive Director* **NED -** *Non-Executive Director* **ED -** *Executive Director* **C -** *Chairman*

Note: Trivedi was appointed to the Audit and Risk Committee with effect from 01 July 2019. Kasturi Chellaraja Wilson was appointed to the Board with effect from 01 July 2020

Board Agenda

The meetings calendar is prepared annually in advance. The Chairman sets the Board agenda, assisted by the Company Secretaries. The agenda is prioritised and timed to ensure all items are discussed. Agenda and Board papers for meetings are sent 7 days before the meeting, allowing members sufficient time to review the same. Urgent Board papers are included on an exceptional basis.

Resolutions

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Chairman shall put the resolution to be decided in a meeting.

Minutes

Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. Board minutes are circulated to members within two weeks of the meeting being held. Board/ Director action items are circulated shortly after the meeting, to enable follow up.

Key Board Focus Areas - 2019/20

Strategy and Business	Risk and Oversight	Governance	Stakeholder Engagement	Financial Performance
• Review of the business continuity plans following disruption to business from Easter Sunday attacks and on-going COVID-19 pandemic • Oversight of implementation of Organisation Transformation project	• Review of impacts from operating environment • Performance review of the Group • Risk Review	• Board appraisal 2019 and action plan to implement recommendations • Review of policy frameworks • Succession planning	• Review of stakeholder communications and engagement initiatives, in setting strategy and building brand	• Financial impact from adverse operating conditions • Approval of 2019/20 Financial Statements and Annual Report • Approval of 2020 budget

4.5 Other Business Interests

Directors declare their business interests at the beginning of every financial year and during the year as required. Details are maintained in a Register by the Company Secretaries and tabled at the next Board meeting. The Board is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities and duties in their capacity as a Director of Hemas.

Where there is a conflict of interest in matters set before the Board, Directors abstain from voting and excuse themselves from the discussion.

The Related Party Transactions Review Committee (RPTRC) considers all transactions that require approval, in compliance with relevant rules and regulations. Related Party Transactions are disclosed in Note 35 to the Financial Statements.

CORPORATE GOVERNANCE

The total number of Board seats (excluding directorship in the Company) held by each Director as at March 31, 2020 is given below.

Name of Director	Directorship Status in HHL	No of Board seats held in Listed Companies		No of Board seats held in unlisted Companies	
		Executive Capacity	Non - Executive Capacity	Executive Capacity	Non - Executive Capacity
Husein Esufally	NED	-	1	-	7
Abbas Esufally	NED	-	5	-	17
Imtiaz Esufally	NED	-	1	-	12
Murtaza Esufally	ED	1	-	-	6
Steven Enderby	ED	-	3	-	23
Ramabadran Gopalakrishnan	INED	-	1	-	1
Dr. Anura Ekanayake	INED	-	3	-	2
Shaktha Amaratunga	INED	-	1	-	2
Jyotindra Trivedi	INED	-	-	-	1
Prof Nilanthi Silva	INED	-	-	-	2

* Kasturi Chellaraja Wilson was appointed to the Board with effect from 1 July 2020.

4.6 Informed decision making

The Board is equipped with the necessary awareness, insight and knowledge facilitating informed decision-making. Directors receive their Board packs 7 days prior to the meetings. Directors have unrestricted access to management and organisation information, to clarify matters. Executive Management makes presentations on matters including business performance against operating plans, strategy, investment proposals, risk management, compliance and regulatory changes. Access to independent professional advice, coordinated through the Company Secretaries, is available to Directors at Group expense.

4.7 Induction and training

The Board has in place an induction programme for new Directors to ensure they are adequately briefed and have the requisite knowledge of the Group and its operations. Directors are apprised of the Group's business and provided with an orientation pack with all relevant external and internal documentation. They are availed the opportunity to meet with the Board, key management personnel and visit production plants.

Directors similarly receive informative updates and training throughout their tenure, which assists in keeping them abreast of economic, regulatory and industry trends, and continuously develops their competence to lead effectively. They attend sessions of the Sri Lanka Institute of Directors as well as undertake programmes in their personal capacity.

4.8 Board and Sub- Committee appraisal

Areas Covered

- Degree of fulfilment of Board's Responsibilities
- Quality of the Board – Management Relationship
- Effectiveness of the Board Processes and Meetings

An annual evaluation is conducted to assess the effectiveness of the Board as a whole. Led by the Board Chairman and administered by the Company Secretary, directors assess their collective performance against key drivers of effectiveness. Collated results are made available to the NAGC (Nominations and Governance Committee) who make recommendations to the Board on areas for improvement. Similarly, an annual assessment is conducted by each Sub-committee to assess effectiveness.

4.9 Appraisal of CEO

The Chairman assesses the performance of the CEO annually, and shares same with the Board. Chairman agrees the goals and objectives with the CEO at the commencement of the financial year, and shares same with the Board for observations, and revisions are made where required. Performance is reviewed at the end of the financial year against the backdrop of the operating environment. HRRC assists in the evaluation process, recommending a revised remuneration based on performance.

4.10 Succession Planning

The Board is assisted by the NAGC in developing succession plans for Board members and the CEO, to ensure continuity of leadership and that the Board has the relevant mix of skills and experience that support delivery of the Group's strategic plan. The Committee also formulates succession plans for KMPs, focusing on developing employees to assume current and future responsibilities in key positions. The HRRC is responsible for the rollout of these career development plans.

5.0 RESPONSIBLE AND FAIR REMUNERATION

Hemas Compensation Policy

- Encourage the attraction and retention of high calibre individuals.
- Provide a competitive total compensation package including benefits.
- Ensure that pay is perceived to be fair and equitable.
- Balance the need to be competitive with the limits of available financial resources.
- Ensure compensation schemes are compliant with the laws and regulations applicable in the country.

5.1 Remuneration Policy

Through the Human Resources and Remuneration Committee (HRRC) the Board ensures that the Group's remuneration is appropriately designed, fair and market-related, to drive and retain high-calibre employees who contribute positively to corporate growth. The Committee is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors within agreed terms of reference and in accordance with the Hemas Remuneration policy. Refer pages 129 to 130 for the Report of the Human Resources and Remuneration Committee.

5.2 Level and Make Up of Remuneration

An incentive-based compensation plan seeks to motivate and reward employees for both individual performance and organisational. Compensation comprises of fixed (base) payments, short-term incentives and long-term incentives in the form of employee share options (ESOP) of Hemas Holdings PLC.

Remuneration of Non-Executive and Independent Directors is fixed. The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board and a member of a Sub-Committee. Remuneration is determined with reference to fees paid to other Non-Executive and Independent Directors of comparable companies and reviewed annually.

In the event of an early termination of a NED, there are no compensation commitments other than for accrued fees payable, if any, as per the terms of their contract.

The aggregate remuneration paid to Directors in FY 2019/20 is LKR 460 million.

6.0 GENDER PARITY

Female Representation	
Board	18%
Senior management	23%
Workforce	27%

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. Hemas has in place polices that promote equal opportunity, a safe workplace and flexible working arrangements and has implemented flexible, family friendly practices, disclosed on page 54, HR Capital that support female employees to fulfill their career aspirations.

The appointment of Kasturi Chellaraja Wilson as the Deputy CEO designate with effect from July 01, 2020, is a reflection of the progressive gender-related policies of the Group.

7.0 ACCOUNTABILITY

The Board is accountable for the Group's activities and presenting a fair, balanced and understandable assessment of the organisation's position and prospects to stakeholders. The Board ensures accountability to stakeholders through various means as explained below.

7.1 Compliance

The Group is compliant with applicable laws, rules, codes and standards. The enforcement of compliance principles is incorporated into the Group's Code of Conduct and Ethics – Hemas Way and is an integral part of the organisation culture.

7.2 Code of Conduct and Ethics

The Board is committed to instilling an ethical culture across the Group and leads by example. The Board is bound by the Code of Conduct and Ethics for Directors while employees are bound by the Group's Code of Conduct - the Hemas Way. The Group's Code provides guidance for appropriate behaviour when engaging with stakeholders and details the standards and priorities expected. The policies are published on the Group's internal media platforms and familiarised with by inclusion in employee induction and training programmes.

A whistle blowing policy provides a direct communication line for employees to report in good faith any genuine suspicions of fraud, bribery or malpractice. The policy provides for anonymity and protection of the reporting employee.

CORPORATE GOVERNANCE

HEMAS WAY – Topics Addressed Include the Following;

- Conflict of Interest
- Bribery & Corruption
- Entertainment & Gifts
- Confidentiality
- Whistle Blowing
- Compliance
- Protection of Assets
- Fair dealing
- Equal Opportunity
- Diversity
- Health and Safety
- Insider Trading

7.3 Risk Management and Internal control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Group Internal Audit Division supports the Board Audit and Risk Committee (ARC) in the discharge of duties, reviewing the adequacy and effectiveness of the risk management and internal control systems and reporting to the Committee on a regular basis.

7.4 Financial and business reporting

The Board has sought to present a balanced and understandable assessment of the Group's financial position, performance and prospects through the annual report, combining narrative and visual elements to facilitate readability and comprehension. Interim Quarterly Reports have also been published. All statutory requirements have been complied with and the reports reviewed and recommended by the ARC and approved by the Board of Directors, prior to publication.

Apart from the Annual Report, the following reports set out further information required by the Code:

- The Annual Report of the Directors on pages 118 to 125
- The Statement of Directors' Responsibilities on page 136
- Report of the Auditors on pages 137 to 139

7.5 External Auditor

The External Auditor provides reasonable assurance that the financial statements are free from material misstatements and prepared according to an accounting framework. The ARC makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor subject to the provision of the Companies Act and in-line with professional and ethical standards. The ARC monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements. The Auditors submit a statement annually confirming their independence in relation to the external audit.

In assignment of non-audit services to External Auditors, the ARC ensures that the external auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

7.6 Governance of Group Companies

Good governance practices are integrated across the Hemas Group. The Board is accountable for approving and providing oversight of the governance processes and frameworks, while the executive management is responsible for implementing policies and procedures through which governance occurs within the Group.

8.0 RELATIONS WITH SHAREHOLDERS

8.1 Communication with shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), regulatory reports, a dedicated investor relations page on the Hemas' website and through announcements in the CSE. Conscious of their responsibility towards stakeholders, the Board is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and, in such a, manner as to avoid the creation of a false market.

The Board's primary contact with institutional shareholders is through the Chief Executive Officer and Group Chief Financial Officer. They lead the Investor Relations and Corporate Communications teams, who are in regular contact with institutional shareholders and investment analysts.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

8.2 Constructive use of Annual General Meeting (AGM)

The Board ensures that proactive engagement with shareholders is encouraged by the Group, including engagement at Company AGMs. Board Sub-Committee Chairmen, Directors and key members of management, including Chief Executive Officer and Chief Financial Officer are available at the AGM to interact with and respond to questions raised by the Shareholders. The external auditors also attend to address any queries raised.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM. Hemas proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance.

All Shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required.

The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

9.0 INNOVATION GOVERNANCE

Hemas is focused on growing technological capabilities and innovation to deliver on strategy and leverage the opportunities they present. The Board is aware of its role in innovation governance and to this end, encourages the creativity and flexibility that promotes innovative thinking, while managing risk within the agreed appetite. The Director- Innovation, a member of the COG drives the Group's innovation strategy.

10.0 DIGITAL OVERSIGHT AND CYBER SECURITY

- IT Governance and Management Policy
- Information Security Policy
- Acceptable Information System Usage Policy

The Board is conscious of its responsibility to ensure investments in technology generate the desired business value while mitigating associated risks. The Board is assisted in the discharge of responsibilities by the Audit and Risk Committee who monitors and review's Managements initiatives to ensure that information technology (IT) risks, including emerging cybersecurity risks, are managed appropriately. Consequently, data protection and cyber security matters are regularly addressed at Board meetings.

The Group IT Division headed by the Chief Digital Officer is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyber threats.

Hemas has adopted an in depth defense approach in managing cyber threats where multiple security controls are placed at different layers of the Information Technology Organisation.

Network and Perimeter Defense

1. Includes investing in an industry leading next-generation family of firewalls and detection systems for network and perimeter security to avoid potential breaches.

Datacenter and Application Defense

1. Includes migrating all business applications to state-of-the-art “cloud” infrastructure enabling higher level of security including off-site Disaster Recovery plans.
2. Subjecting systems to regular Vulnerability Assessment and Penetration Testing by launching simulated cyberattacks to identify potential flaws and weaknesses. The tests are conducted internally and externally through third party professionals offering assurance.

End-user Defence

1. Includes investing in next generation end point protection security systems for physical, virtual, cloud and mobile endpoints.
2. Investment in end user training and development to enhance awareness of potential implications of cyber threats and improve user adoption of system safeguards.

CORPORATE GOVERNANCE

11.0 SUSTAINABILITY GOVERNANCE

The Board places significant emphasis on sustainable development and value creation. Sustainability principles are aligned to the United Nations Sustainable Development Goals and endorsed through the Group Sustainability Policy. These are reviewed annually and integrated into the business strategy and operations, as disclosed in the following sections of the Annual Report. The Annual Report is approved by the Board, prior to publication.

- Economic Sustainability - Finance Capital pages 38 to 42
- Environment - Natural Capital on pages 58 to 63
- Labour Practices - HR Capital on pages 52 to 57
- Society - Social and Relationship Capital on pages 64 to 72
- Product Responsibility - Social and Relationship Capital on pages 64 to 72
- Shareholder identification, engagement and effective communication - Investor Relations on page 102

Appendix I: Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference within the Report	Page
168 (1) (a)	The nature of the business together with any change thereof	Yes	About Us	4
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements	137 to 238
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditor's Report	136 to 139
168 (1) (d)	Accounting policies and any changes therein	Yes	Note to the Financial Statements	146 to 238
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors	118 to 125
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Note 35 to the Financial Statements	230
168 (1) (g)	Corporate donations made by the Company	Yes	Note 7 to the Financial Statements	156
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Annual Report of the Board of Directors Note 37 to the Financial Statements	121 to 122 233 to 237
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Note 7 to the Financial Statements	156
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit and Risk Committee	126 to 128
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Annual report of the Board of Directors	118 to 125

Appendix II- Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference within the Report	Page
(i)	Names of persons who were Directors of the Entity	Yes	Annual Report of the Directors	119 to 120
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us	4
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held	Yes	Shareholder Information	242
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes	Annual Report of the Directors	123
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	Annual Report of the Directors	120
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management	111 to 117
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Annual Report of the Directors	124
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 11 and 12 to the Financial Statements	163 to 174
(ix)	Number of shares representing the Entity's stated capital	Yes	Note 22 to the Financial Statements	198
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Shareholder Information	241
(xi)	Financial ratios and market price information	Yes	Ten Year Summary and Shareholder Information	240 & 241
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 11 - Property Plant and Equipment to the Financial Statements	163 to 171
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable		
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Shareholder Information	243
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Report	92 to 110
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Not Applicable		

CORPORATE GOVERNANCE

Appendix III - Statement of Compliance under Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Board Composition	95
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition	95
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Board Composition	95
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR)	Yes	Board Composition Board Profiles	96 16 to 19
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Yes	Not Applicable.	
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board Profiles	16 to 19
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Not Applicable	
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Board Composition	96
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	Human Resources and Remuneration Committee Report	129 to 130
7.10.5(a)	Composition of Remuneration Committee	RC Shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	Human Resources and Remuneration Committee Report	129 to 130
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Human Resources and Remuneration Committee Report	129 to 130
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report	Yes	Human Resources and Remuneration Committee Report Note 35 to the Financial Statements	129 to 130 230

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Audit and Risk Committee Report	126 to 128
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent.	Yes	Audit and Risk Committee Report	126 to 128
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	Yes		
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Yes		
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules.	Yes	Audit and Risk Committee Report	126 to 128
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee.	Yes	Audit and Risk Committee Report	126 to 128
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Yes		
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.	Yes		

Appendix IV- Statement of compliance under section 9.3.2 of the listing rules of the Colombo Stock Exchange (CSE) on Related Party Transactions.

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
CSE 9.3.2 / SEC 4.0	Related Party Transactions Review Committee	a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Note 35 to the Financial Statements	225 to 230
		b) Details pertaining to Recurrent Related Party Transactions	Yes	Note 35 to the Financial Statements	225 to 230
		c) Report of the Related Party Transactions Review Committee	Yes	Report of the Related Party Transactions Review Committee	133 to 134
		d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors	122

CORPORATE GOVERNANCE

Appendix V: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

VOLUNTARY PROVISIONS

Code Ref.	Requirement	Complied	Reference within the Report	Page
A	Directors			
A.1	*An effective Board should direct, lead and control the company*			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings and Attendance	98
A.1.2	Role and Responsibilities of the Board	Yes	Clear Roles and Responsibilities	96
A.1.3	Act in accordance with laws of the Country Independent professional advice	Yes	Compliance Informed Decision Making	101 100
A.1.4	Access to advise and services of the Company Secretary	Yes	Clear Roles and Responsibilities -Company Secretary	97
A.1.5	Independent judgement	Yes	Board Composition- Directors Independence	96
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Other Business Commitments	99
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Meetings and Attendance	98
A1.8	Board induction and Training	Yes	Induction and training	100
A.2	Chairman and CEO	Yes	Clear Roles and Responsibilities	96
A.3	Chairman's role in preserving good corporate governance	Yes	Clear Roles and Responsibilities	96
A.4	Availability of financial acumen	Yes	Board Composition	95
A.5	Board Balance	Yes	Board Composition	93
A.5.1	The Board should include sufficient number of NEDs	Yes	Board Composition	93
A.5.2	If the Board includes only 3 NEDs, they should be independent	Not Applicable		
A.5.3	Independence of Directors	Yes	Clear Roles and Responsibilities -Director Independence	96
A.5.4	Annual declaration of independence by Directors	Yes	Clear Roles and Responsibilities -Director Independence	96
A.5.5	Annual determination of independence of NEDs	Yes	Clear Roles and Responsibilities -Director Independence	96
A.5.6	Alternate Directors	Not Applicable		
A.5.7 & A.5.8	Senior Independent Director (SID)	No		
A.5.9	Annual meeting with NEDs	Yes	NEDs have met twice and Independent directors have met once, during the year to discuss governance related matters. Meetings and Minutes	98
A.5.10	Recording of dissent in minutes	Yes	Meetings and minutes	99
A.6	Supply of Information	Yes	Informed Decision Making	100

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.7	Appointments to the Board and Re-election	Yes	Board Refreshment	98
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Yes	Nomination and Governance Committee Report	131 to 132
A.7.2	Annual assessment of Board composition	Yes	Board Refreshment	131
A.7.3	Disclosures on appointment of new directors	Yes	Board Refreshment	120
A.8	Directors to submit themselves for re-election	Yes	Board Refreshment	131 to 132
A.9	Appraisal of Board and sub-Committee Performances	Yes	Board and Sub-Committee appraisal	100
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings and Attendance Other Business Interests	16 to 19 98 99
A.11	Appraisal of the CEO	Yes	Appraisal of CEO	100
B.	Directors Remuneration			
B.1	Establish process for developing policy on executive and director remuneration.		Responsible and Fair Remuneration	101
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration	101
B.3	Disclosures related to remuneration in Annual Report - Remuneration Policy statement - Aggregate Board remuneration paid - HRRC report	Yes	Responsible and Fair Remuneration Note 7 and 35 to Financial Statements Human Resources and Remuneration Committee report	101 156 and 230 129 to 132
C	Relations with Shareholders			
C.1	Constructive use of the AGM and Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)	103
C.2	Communication with shareholders	Yes	Communication with Shareholders	102
C.3	Disclosure of major and material transactions	Yes	There were no major or material transactions during the year, which materially affected the net asset base of the Company.	
D.	Accountability and Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects	Yes	Financial and Business Reporting	38 to 42
D1.1	Balanced Annual Report	Yes	Financial and Business Reporting	38 to 42
D.1.2	Balanced and understandable communication	Yes	Financial and Business Reporting	38 to 42
D.1.3	CEO/CFO declaration	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	142
D.1.4	Directors Report declarations	Yes	Annual report of the Board of Directors on the Affairs of the Company	118 to 125

CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Report	Page
D.1.5	Financial reporting -statement on board responsibilities Statement on internal control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	136
D.1.6	Management Discussion & Analysis	Yes	Capital reports	38 to 73
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken.	Not Applicable
D.1.8	Related Party Transactions	Yes	Other Business Interests	99
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Yes	Risk Management and Internal control Report of the Audit and Risk Committee Directors' Statement of Internal Control Risk Review	111 to 117 126 to 128 136 111 to 117
D.3	Audit Committee	Yes	Audit and Risk Committee Report	111 to 117
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee report	133 to 134
D.5	Code of Business Conduct and Ethics	Yes	Code of Conduct and Ethics	102
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Report	92 to 110
E/F	Institutional and other investors			
	Institutional and other investors	Yes	Relations with Shareholders	102
G	Internet of Things and Cybersecurity	Yes	Digital Oversight and Cyber Security	103
H	Principals of Sustainability Reporting	Yes	Sustainability Governance	104

RISK MANAGEMENT

1. RISK ENVIRONMENT

Risk management plays a pivotal and intrinsic role in the operations of the Group. The uncertain environment of past few years has had a major impact on how companies operate in the present. Hence the Group increasingly focuses on identifying and mitigating risks arising from its diversified nature with the intention of safeguarding shareholder's wealth and company's assets.

The Financial Year 2019/20 had been a very challenging year, with the Easter attacks creating a notable impact for the Group as a whole. However, due to our diversified businesses and pipeline products along with the Group's efficient management practices, we ensured a steady recovery for the group until the outbreak of the COVID-19 pandemic towards the end of the financial year, which led to sharp and long economic global downturn.

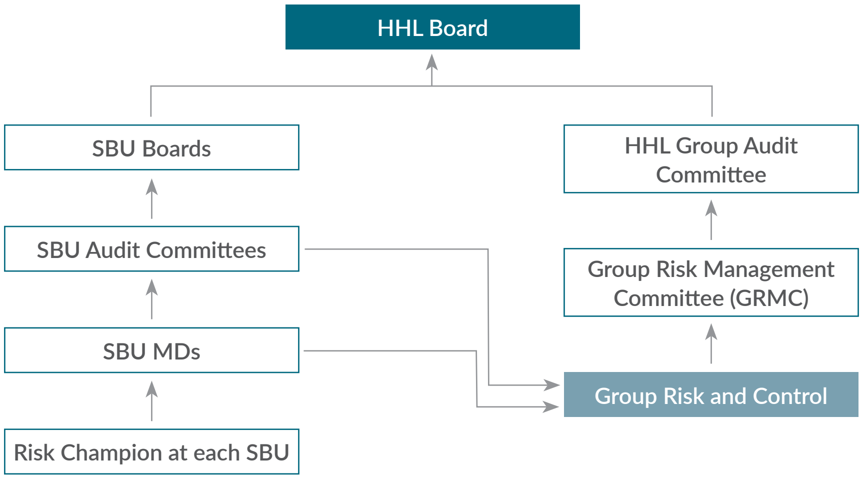
Further to the above external risk factors, Hemas acknowledges its internal risk factors arising due to its diversified nature and dynamic environment. It is currently implementing an Enterprise Risk Management Framework by adopting ISO 31000 - Risk Management which was rolled out to all SBUs across the Group. This will facilitate a structured risk governance system and ensure better evaluation, identification and mitigation of risks promptly while developing higher awareness of risk culture in every business unit.

2. RISK GOVERNANCE

a. Risk governance structure

The responsibility of managing risk, communicating risk strategy and approving policies for effective risk management ultimately rests with the Board. Individual SBU Audit committees review the comprehensive risk profile and receive quarterly reports on risk management which includes individual company risk portfolios, sound internal control systems and other mitigation schemes. These reports are subsequently collated into a single document where only the key risks affecting the Group are highlighted and submitted for the attention of the Group Risk Management committee (GRMC) on a quarterly basis. SBU AC and GRMC are authorized to investigate or seek any information relating to any activity for appropriate and informed decision making.

Risk Management Reporting Structure at Hemas



b. Description of roles and responsibilities of key committees

Board

The Board has the ultimate responsibility for identifying, assessing and ensuring that appropriate risk response strategies are undertaken to respond to the emerging risks. During each Board meeting, the key risks faced by the businesses are discussed as a specific agenda item and appropriate responses are initiated.

The Board engages in constructive discussions to decide on the responses taken for the identified risks. The status of the actions taken are continuously followed up on subsequent Board meetings to ensure effective risk management.

Group Audit Committee

The Group Audit Committee oversees the process of risk management among its other responsibilities of monitoring internal controls, recommending financial statements for the approval of the Board and engaging with internal and external auditors.

The key risks are presented at the Audit Committee meeting by the Group Chief Executive Officer with the assistance of the Group Chief Risk and Control Officer. The Audit Committee reviews this document to ensure that all key risks are identified and responded to appropriately.

Group Risk Management Committee

The Risk Management Committee assists the Board in providing oversight to the risk management activities performed by the various SBUs of the

RISK MANAGEMENT

Group along with deciding on the risk plan established for the Group. The responsibilities include, but are not limited to the following:

- Review the company's framework and policies for risk governance and overall risk management, covering all major risks such as strategic, financial, operational, IT risks etc.
- Review the risk management performance and all risk management matters and consult and exchange views with the Audit Committee in order to assess if the risk management policies and strategies cover all existing and new types of risk faced by individual business units and if the implementation of such policies and strategies are effective and efficient.
- Review the overall risk assessment of the Group and receive reports on a quarterly basis.
- Review the top risks arising from the Group along with the mitigation plans and monitor the risk movement of the key risks and report on the same to the Board through the GAC
- Advising on improving the risk management and control measures for critical risks at each SBU and/or for the Group.

c. Policy framework

The Hemas risk management framework is an authoritative document in accordance with the Hemas risk management policy governing the risk management process adopted in all business units in the group. It is supported by the Hemas Enterprise Risk Management (ERM) Framework and complies with the International Risk Management Standard ISO 31000 (2018).

Risk register

The Risk and Control team maintains a comprehensive risk register, which is used as a base document for risk identification, evaluation and mitigation which is addressed quarterly with risk owners. The key and emerging risks identified along with the risk strategies are escalated to senior management.

Risk assessment

All risks are assessed based on impact and likelihood using the matrix stipulated in the Hemas Risk Management Framework. Risk and Control teams also ensure that ratings are applied consistently throughout the Group.

d. Risk appetite

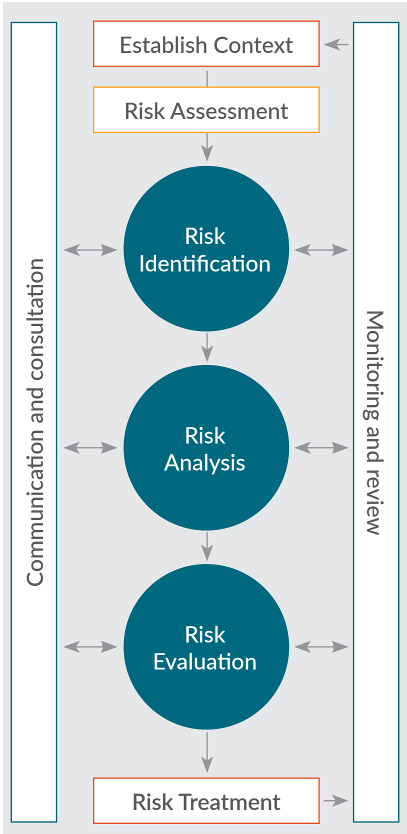
Risk appetite being a crucial part of Risk management is the amount of risk an organisation is willing to tolerate in the attainment of strategic objectives. The board along with the Risk management committee reviews and monitors the risk appetite levels of the business based on their nature and ensure the business strategies and operations are within the tolerance limit with the intention of safeguarding shareholder assets.

e. Risk culture

The Risk and Control teams work with risk champions at each SBU to establish risk awareness culture by encouraging active discussions with risk owners for the process of risk identification, evaluation and mitigation. The Risk team conducts risk workshops on a quarterly basis to facilitate this process.

3. RISK MANAGEMENT PROCESS

a. Process of managing risk



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 chains. Risks that have a significant impact over the division's performance are discussed at the quarterly meeting of the Group Risk Management Committee (GRMC). The Board and the Audit committee along with the GRMC manage risk across the Group to ensure that those are carried within tolerance levels and managed and/or mitigated.

Below is a brief 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 environments 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 the sources are under its control or otherwise. 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

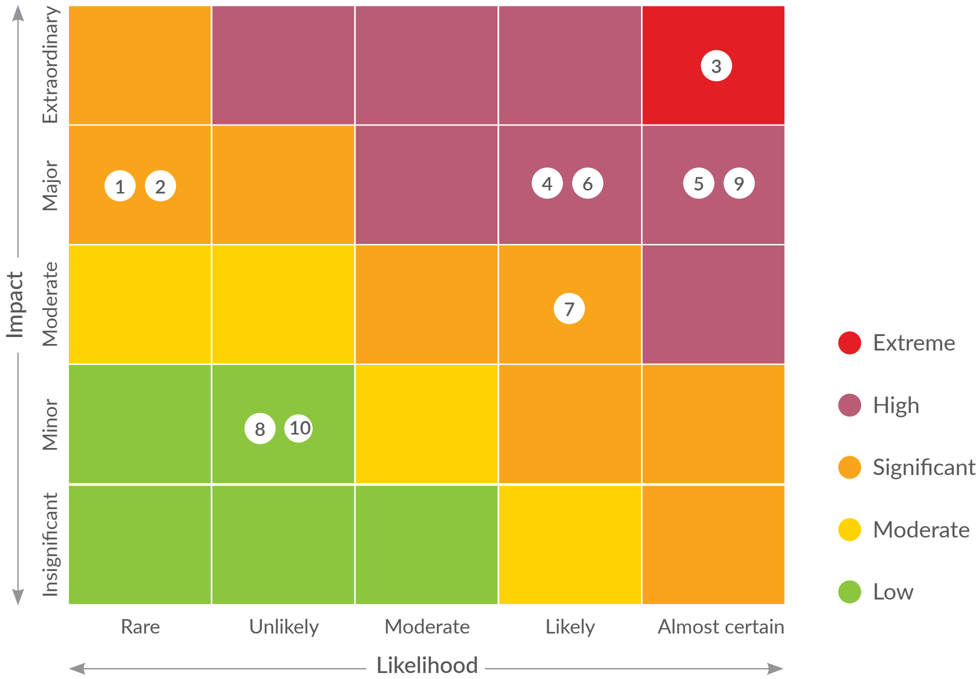
The purpose of risk treatment is to select and implement options for addressing risk.

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

b. Risk Heat map



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

4. KEY RISK DASHBOARD

Risk and Risk Rating	Key Drivers	Mitigation Strategies
01. Health and Safety Risk - Employees		
The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a workplace hazard or viral infection. **Assessment** Impact: Major Likelihood: Rare	• Factories of essential service and field staff functioning amidst the pandemic outbreak. • Possibility of an accident occurring despite all precautions taken by the business units.	• The vision of Hemas surrounds the concepts of healthful living. Accordingly, the business takes employee safety as the highest priority. • Operations and plants are designed considering employee health and safety. • Health and Safety related policies and procedures have been implemented across the group. • Such policies are subject to rigorous review and audits. • Any exception to the policies or newly arising health and safety risks are reviewed and responded to at the highest management level.
02. Health and Safety Risk - Customers		
Possibility of a customer facing health and safety risks while consuming a product or service provided by any of the businesses. **Assessment** Impact: Major Likelihood: Rare	• Clinical risks arising from hospital and laboratory operations. • Adverse impact due to consuming any product produced by the business.	• Quality policies and frameworks are in place at all our businesses. • Staff are continuously trained on conducting operations by adhering to quality protocols. • Hospitals are ACHSI accredited and have industry specific clinical governance policies and procedures in place.
03. Financial and operational consequences of the outbreak		
The operations of the Group have been disrupted due to a country wide lockdown and economic distress. The arising risks stem primarily from ongoing and potential future disruptions to supply chain and markets where we serve. **Assessment** Impact: Extraordinary Likelihood: Almost certain	• COVID-19 response plan implemented by GOSL. • Lockdowns and curfews. • Supply chain interruptions . • Reduction in consumer spending power.	• Swift and uninterrupted service by healthcare and mobility sectors, FMCG and Atlas to ensure critical medical supplies, essential items and masks were made available throughout the island. • Strengthening the business continuity plan and opportunities management.

RISK MANAGEMENT

Risk and Risk Rating	Key Drivers	Mitigation Strategies
04. Unstable political environment		
Tightening macro-environmental factors and adverse impacts arising due to an unstable political environment in the country. Assessment Impact: Major Likelihood: Likely	• Terrorist attacks during April 2019 in Sri Lanka. • Forthcoming general, provincial and local elections.	• Analysing PEST factors and developing appropriate strategies. • Business interruption cover, business continuity planning, and risk awareness training.
05. Credit risk		
Financial risk arising from debtor's bankruptcy or credit quality deterioration of a customer to whom the Group has directly or indirectly provided credit. Assessment Impact: Major Likelihood: Almost certain	• Existing credit facilities to customers. • Fluctuations in credit worthiness. • Economic downturn. • Country's credit rating being downgraded. • Outstanding total debts as at 31st March 2020 - Rs. 9.5 billion.	• Adherence to business specific credit policies. • Credit verification procedure and continuing to liaise with credit worthy customers. • Efficient debt follows up and collection practices.
06. Working capital management		
Difficulties of company to meet working capital obligations due to inadequate cash, delays in debtor collection and inability to cater to the demand. Assessment Impact: Major Likelihood: Likely	• Economic downturn due to pandemic outbreak.	• 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.
07. Cyber security		
A cyber-attack or data center failure resulting in business disruption or breach of corporate or personal data confidentiality. Assessment Impact: Moderate Likelihood: Likely	• Increased cases of e-commerce scams from coronavirus catastrophe. • Unsecured network access due to working from home arrangements.	• Implement a cyber-security and privacy control framework and monitor compliance. • Safeguard critical IT and operational assets by strict IT protocols, firewalls and business continuity plan. • Foster a positive culture of cyber-security through various awareness sessions. • Detect, respond, recover from cyber incidents and attacks.

Risk and Risk Rating	Key Drivers	Mitigation Strategies
08. Product/service Quality		
Product quality is crucial as the Group's portfolio includes pharmaceutical products, FMCG and healthcare services. Potential quality failures in products or healthcare services would impact the safety of patient and reputation. Assessment Impact: Minor Likelihood: Unlikely	• Healthcare and Home and Personal Care focused businesses.	• Adequate business-specific quality control divisions to ensure high quality throughout our processes • Continuous training, quality management and assurance programs to strengthen the product quality. • Internal and external quality inspection. • Standardised manufacturing processes. • Ongoing investment and improvement initiatives in manufacturing facilities and hospitals.
09. Fluctuations in Forex		
Potential losses as a result of adverse movements in the exchange rates. Assessment Impact: Major Likelihood: Almost certain	• Depreciation of LKR currency against foreign currency worsening the situation after COVID-19.	• 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.
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. This risk partly impacts on reputation as well. Assessment Impact: Minor Likelihood: Unlikely	• Employee absenteeism due to curfew. • Group is partly manufacture centric. • Day to day operations of the business.	• Business continuity plans to ensure the smooth operation of the businesses even at the time of disaster. • Internal audits on internal controls and compliance.

For a detailed understanding on the finance risk, please refer page 222 under the Note 34 to the Consolidated Financial Statements.

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 Financial Year 31 March 2020 and the Auditors' Report on the Company and 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 06 July 2020.

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 Capital and Sector Integrated Review are incorporated into this Directors' Report by reference. They contain details of the development and performance of the Group's businesses during the year, an indication of the key performance indicators and information regarding principal risks and uncertainties, together with information equivalent to that required for a business review.

The measures taken by the Company to manage its risks are detailed in the report titled 'Risk Management' on pages 111 to 117 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 Integrated Reviews of the Annual Report.

3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

The Financial Statements of both the Company and the Group, duly certified by the Chief Financial Officer and approved by two Directors in compliance with Sections 152, 153 and 168 of the Companies Act are given from pages 140 to 238 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 2020. The Auditors' Report on the Financial Statements is given on pages 137 to 139 of the Annual Report as required by Section 168 (1) (c) of the Companies Act.

5. ACCOUNTING POLICIES

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 146 to 238 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

There have been no changes in the accounting policies adopted by the Group during the year under review except for adoption of SLFRS 16 - Leases with effect from 1 April 2019. Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

6. RESULTS AND DIVIDENDS

6.1 Gross Revenue

The Total Revenue of the Group for the year ended 31 March 2020 was Rs. 61.6 billion (31 March 2019 - Rs. 64.1 billion). An analysis of the income is given in Note 04 to the Financial Statements on page 152 of this Annual Report.

6.2 Profit and Appropriations

The Profit Before Tax of the Group for the year ended 31 March 2020 was Rs. 2.8 billion (2019 - Rs. 5.1 billion) and the Profit After Tax for the year ended 31 March 2020 was Rs. 1.4 billion (2019 - Rs. 3.7 billion). Whilst the Group Profit attributable to equity holders of the parent was Rs. 1.2 billion (2019 - Rs. 2.4 billion).

The details of Profit relating to the Group are given on pages 140 to 141 of the Annual Report.

6.3 Dividends

No Dividends have been declared for the Financial Year ended 31 March 2020.

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. 24 of 2017 and any amendments there to. The deferred tax on all known temporary differences using the liability method have been calculated and disclosed in accordance with the Sri Lanka Accounting Standard LKAS 12 – Income Taxes.

Disclosures on Income Tax Expenses and Deferred Taxes are given in Note 8 to the Financial Statements on pages 157 to 161 of the Annual Report.

8. RESERVES

The Group's total Reserves as at 31 March 2020 amounted to Rs. 20.2 billion (2019 - Rs. 20.4 billion).

The movement of the Reserves are given on page 143 under Statement of Changes in Equity and in the Notes to the Financial Statements of the Annual Report.

9. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, RIGHT OF USE ASSETS/LEASEHOLD PROPERTIES AND INTANGIBLE ASSETS

The details of Property, Plant and Equipment, Investment Properties, Right of Use Assets/Leasehold Properties and Intangible Assets are given in the Notes 11 to 14 to the Financial Statements found on pages 163 to 177 of the Annual Report.

10. MARKET VALUE OF THE PROPERTIES

The Land and Buildings of the Group classified as Property, Plant and Equipment and Investment Properties are revalued by professionally qualified independent valuers and carried at revalued amounts as at 31 March 2018 and 31 March 2020 respectively. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of freehold properties owned by the Group are given in Notes 11 and 12 to the Financial Statements from pages 163 to 174 of the Annual Report.

11. INVESTMENTS AND ACQUISITIONS

The Group Investments and Acquisitions are detailed in Note 29 to the Financial Statements found on pages 211 to 215 of the Annual Report.

12. DIVESTMENTS AND DISPOSALS

During the year under review,

1. Visha BPO (Private) Limited disposed 100% of their equity stake in N-*able* (Private) Limited for a consideration of Rs. 450 million to Dishan Amrit Jitendrakumar Warnakulasuriya.

2. Diethelm Travel Lanka (Private) Limited disposed its 40% equity stake in Welanka Holidays (Private) Limited for a consideration of Rs. 40,000/- to Rukmankan Sivaloganathan, founder director of Welanka Holidays (Private) Limited.

3. A management buyout of the Travel and Aviation Assets took place whereby Hemtours (Private) Limited, a 100% owned subsidiary of the Company disposed its 80.1% shares stake in Forbes Leisure Services (Private) Limited to Acorn Partners (Pvt) Ltd for a total consideration of Rs. 201 million.

   Acorn Partners is owned by Malinga Arsakularatne, a former director of Hemas Holdings PLC, and Senior Management team of the subsidiaries of Forbes Leisure Services (Private) Limited.

13. AMALGAMATION OF SUBSIDIARIES

During the year under review, Evolution Capital (Private) Limited and Lantern Villa (Private) Limited were amalgamated to its holding company Frontier Capital Lanka (Private) Limited which is a subsidiary of Serendib Hotels PLC.

14. 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.
- Continually review payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining good working relationships.

15. DIRECTORS

15.1 Change in the Directorate

The Board of Directors of the Company as at the date of this Report comprises Eleven (11) Directors with extensive financial, governance and commercial knowledge and experience. The profiles of the Directors are set out in the 'Board of Directors' section from pages 16 to 19 of the Annual Report.

The names of the persons who held office as Directors of the Company as at 31 March 2020 are given below:

Non-Executive Directors
Husein Esufally – Chairman
Abbas Esufally
Imtiaz Esufally

Executive Directors
Steven Enderby - Chief Executive Officer
Murtaza Esufally

Independent Non-Executive Directors
Ramabadran Gopalakrishnan
Dr. Anura Ekanayake
Shaktha Amaratunga
Jyotindra Trivedi
Prof Nilanthi Silva

Dinesh Weerakkody retired from the Board of Directors at the end of the last Annual General Meeting held on 26 June 2019.

On 13th March 2020 Malinga Arsakularatne tendered his resignation from the Board of Directors of the Company and the Group. The necessary entries have been made in the Interest Register and is mentioned in section 15.7 below.

Further, Steven Enderby has intimated to the Board that he would be retiring from his position of Director/CEO with effect from 30th September 2020.

Subsequent to the Balance Sheet date, Kasturi Chellaraja Wilson was appointed to the Board of Directors of the Company with effect from 1st July 2020 and to the position of Deputy Chief Executive Officer. She will hold this position during the transition period and will take over the position of Chief Executive Officer with effect from 1st October 2020.

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

15.2 Independence of the Directors

The Board has made a determination as to the independence of each Non-Executive Independent Director and confirms that five of the Eight Non-Executive Directors meet the criteria for independence in terms of Rule 7.10.4 of the Listing Rules. Each of the Independent Directors has submitted a signed and dated declaration of his independence against the specified criteria.

15.3 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 11 August 2020 and being eligible, will offer themselves for re-election.

15.3.1 Recommendation for re-election/re-appointment

In terms of Article 84 of the Articles of Association, Abbas Esufally, Murtaza Esufally and Jyotindra Trivedi retires by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Board of Directors.

Further, it is proposed to the Shareholders to pass the resolution that the age limit stipulated in Section 210 of the Companies Act 7 of 2007 shall not apply to Ramabandran Gopalakrishnan who has attained the age of 74 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, Kasturi Chellaraja Wilson retires and being eligible, offers herself for re-election, with the unanimous consent of the Board of Directors.

15.3.2 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 126 to 134 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 COG are set out on pages 20 to 22 of the Annual Report.

15.4 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 2020	No of Shares as at 31 March 2019
Husein Esufally	5,791,640	5,791,640
Abbas Esufally	117,353	2,367,353
Imtiaz Esufally	4,586,284	4,586,284
Murtaza Esufally	6,164,633	6,164,633
Ramabadran Gopalakrishnan	Nil	Nil
Dr. Anura Ekanayake	Nil	Nil
Steven Enderby	Nil	Nil
Shaktha Amaratunga	Nil	Nil
Jyotindra Trivedi	Nil	Nil
Prof. Nilanthi De Silva	Nil	Nil
Kasturi Chellaraja Wilson*	Nil	Nil

appointed with effect from 1 July 2020

Directors' Interest in Ordinary Shares of the Company – Indirect

Name	No of Shares as at 31 March 2020	No of Shares as at 31 March 2019
A Z Holdings (Pvt) Ltd	94,092,305	94,092,305
Saraz Investments (Pvt) Ltd	89,565,277	89,565,277
Blueberry Investments (Pvt) Ltd	88,927,940	88,927,940
Amagroup (Pvt) Ltd	88,927,333	88,927,333
Sabrina Esufally	259,170	259,170
Adam Esufally	259,170	259,170
Sakina Esufally	2,073,365	2,073,365
Razia Esufally	259,170	259,170
Billiquis Esufally	725	-
Amaar Esufally	2,000,000	-
Zara Esufally	250,000	-

During the period under review,
Billiquis Esufally, spouse of Imtiaz Esufally, purchased 725 ordinary shares of Hemas Holdings PLC at a price of Rs 71.90 per share.

Further, Abbas Esufally transferred the following shares held by him to the next of kin by way of a gift during the year under review.

1. Amaar Esufally - 2,000,000 Ordinary Shares
2. Zara Esufally - 250,000 Ordinary Shares

The required disclosures in respect of the above have been made to the Colombo Stock Exchange on the dates of the transactions.

15.5 Directors' Remuneration and Other Benefits

The Directors' remuneration and other benefits, in respect of the Company for the Financial Year ended 31 March 2020 is given in Note 7 to the Financial Statements on page 156 of this Annual Report as required by Section 168 (1) (f) of the Companies Act.

15.6 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 Financial Year ended 31 March 2020, other than those disclosed on pages 225 to 230 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.

15.7 Interests Register

The Company has maintained an Interest Register as per the Companies Act No 7 of 2007 and all the Directors have made declarations as provided for in Section 192 (1) and (2) of the Companies Act. This Annual Report contains the particulars entered In the Interest Registers of subsidiaries which are public and private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

The Directors have all made a general disclosure relating to share dealings, indemnities and remuneration to the Board as per section 192(2) of the Companies Act No 7 of 2007 and no other additional interests have been disclosed by any Director. The Interest Register is available for inspection at the Registered Office of the Company as required by the Section 119 (1) (d) of the Companies Act.

During the year under review the following entries have been made in the Interest Register of the Company and its subsidiaries.

1. Hemas Holdings PLC

a. Resignation of a Director

Malinga Arsakularatne - resigned with effect 13 March 2020

b. Share Dealings of Directors

Abbas Esufally transferred by way of a gift 2,000,000 Ordinary Shares to his son Amaar Esufally and 250,000 Ordinary Shares to his daughter Zara Esufally.

c. Change of other Directorships

- **Ramabadran Gopalakrishnan**

Resigned from Akzo Nobel India Ltd with effect from 3rd June 2019.

Appointed Chairman of Castrol India Limited (Change of Capacity)

- **Shaktha Amaratunga**

P T Agro Indomas, Indonesia - Commissioner

- **Dr Anura Ekanayake**

Asia Siyaka Commodities PLC - Resigned with effect from 30th September 2019.

Wealth Trust Securities Ltd - Resigned with effect from 18th October 2019.

- **Imtiaz Esufally**

Discover the World Marketing (Private) Limited - Resigned with effect from 13th March 2020.

Hemas Air Services (Private) Limited - Resigned with effect from 13th March 2020.

Hemas Aviation (Private) Limited - Resigned with effect from 13th March 2020.

Hemas Travels (Private) Limited - Resigned with effect from 13th March 2020.

- **Steven Enderby**

Evergreen Shipping Agency Lanka (Pvt) Ltd - Resigned with effect from 19th June 2019.

Hemas Air Services (Private) Limited - Resigned with effect from 13th March 2020.

Hemas Travels (Private) Limited - Resigned with effect from 13 March 2020.

2. Subsidiaries of Hemas Group

The following were the entries made in Interest Register of the Subsidiaries of Hemas Group.

Serendib Hotels PLC
Dr Rohantha Athukorala - *Resigned with effect from 31 August 2019.*

Malinga Arsakularatne - *Resigned with effect from 13 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 23rd March 2020.*

Dolphin Hotels PLC and Hotel Sigiriya PLC

Malinga Arsakularatne - *Resigned with effect from 13 March 2020.*

Darshana Perera - *Resigned with effect from 13 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 23 March 2020.*

Kushan Pathiraja - *Appointed with effect from 23 March 2020.*

Hemtours (Private) Limited

Malinga Arsakularatne - *Resigned with effect from 25 February 2020.*

Zalmi Fazeel - *Appointed with effect from 25 February 2020.*

Concept Ventures (Private) Limited

Himesh Fernando – *Resigned with effect from 1 August 2019.*

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Ruwani Hettiarachchi – *Appointed with effect from 1 August 2019*.

Malinga Arsakularatne - *Resigned with effect from 13 March 2020.*

Chandima Cooray - *Resigned with effect from 31 March 2020.*

Forbes Air Services (Private) Limited

Malinga Arsakularatne - *Resigned with effect from 13 March 2020.*

Frontier Capital Lanka (Private)Limited

Malinga Arsakularatne - *Resigned with effect from 23 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 23 March 2020.*

Mowbray Hotels Limited

Malinga Arsakularatne - *Resigned with effect from 23 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 23 March 2020.*

P H Resorts (Private) Limited

Malinga Arsakularatne - *Resigned with effect from 23 March 2020.*

Dayan Gunasekara - *Ceased to be an Alternate Director to Malinga Arsakularatne.*

Shantha Kurumbalapitiya - *Appointed with effect from 23 March 2020.*

Serendib Leisure Management Limited

Malinga Arsakularatne - *Resigned with effect from 23 March 2020.*

Suranjith De Fonseka - *Resigned with effect from 23 March 2020.*

Harith Perera - *Resigned with effect from 23 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 23 March 2020.*

Kushan Pathiraja - *Appointed with effect from 23 March 2020.*

Peace Haven Resorts Ltd,

Malinga Arsakularatne - *Resigned with effect from 24 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 24 March 2020.*

Sanctuary Resorts Lanka (Pvt) Ltd,

Malinga Arsakularatne - *Resigned with effect from 24 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 24 March 2020.*

Sanctuary Resorts Wilpattu Lanka (Private) Limited

Malinga Arsakularatne - *Resigned with effect from 24 March 2020.*

Shantha Kurumbalapitiya - *Appointed with effect from 24 March 2020.*

Hemas Manufacturing (Private) Limited

Kasturi Chellaraja Wilson – *Appointed with effect from 1 August 2019*.

Rakesh Khosla – *Resigned with effect from 31 March 2020.*

Healthnet International (Private) Limited

Himesh Fernando – *Resigned with effect from 1 August 2019.*

Ruwani Hettiarachchi – *Appointed with effect from 1 August 2019.*

Kasturi Chellaraja Wilson – *Appointed with effect from 5 September 2019.*

Nissanka Asitha - *Appointed with effect from 5 September 2019.*

Vishwa BPO (Private) Ltd

Chandima Cooray - *Resigned with effect from 31 March 2020.*

Evergreen Shipping Agency Lanka (Private) Ltd

Mong-Jye Lee _ *Resigned with effect from 15 April 2019.*

Huey-Chuan Hsieh - *Appointed with effect from 15 April 2019.*

Steven Enderby - *Resigned with effect from 19 June 2019.*

Zalmi Fazeel - *Appointed with effect from 19 June 2019.*

16. 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 2020 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 2020 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 2020.

The details of all Related Party Transactions carried out during the year are disclosed on pages 225 to 230 of this Report.

17. 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 2020.

18. 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.

19. STATED CAPITAL

The Stated Capital of the Company as at 31 March 2020 was Rs. 7.73 billion comprising of 596,043,425 ordinary shares (2019 -596,043,425 Ordinary Shares - Rs. 7.73 billion). The movement of the Issued Share capital is given below:

Details of the Stated Capital are given in Note 22 to the Financial Statements on page 198 of the Annual Report. The rights and obligations attaching to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

20. SHARE INFORMATION

Details of share related information are given on pages 241 to 243 of this Annual Report and information relating to Earnings, Dividends and Net Assets per share is given in the Performance Highlights on page 8 of the Annual Report.

The twenty major shareholders of the Company as at 31 March 2020 are indicated on page 242 of this Annual Report.

20.1 Issue of Shares - ESOS

During the year under review no employee exercised their rights to purchase shares under the Employee Share Option Scheme established in 2015.

The details of the grants/vesting of ESOS since 2015 is given under Shareholder Information found on page 243 of the Annual Report.

20.2 Listed Debentures

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

The Debentures issued by the Company in 2014 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 redeemed at maturity on 29 April 2019.

20.3 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 2020 was 212,769,060 of the Issued Capital of the Company.

The minimum public holding requirement as at 31 March 2020 as per section 7.6(iv) of the listing rules is as follows:

Category	Float Adjusted Market Capitalization	Public Holding Percentage	No of Public Shareholders	Option
Ordinary Shares	11,958,657,653	35.70	4,318	1

21. 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.

22. 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.

23. 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 6,895.

24. 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.

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

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.

25. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Hemas' treasury and risk management objectives and policies are set out in the Financial Capital section and also in Note 34 to the Financial Statements.

26. CORPORATE DONATIONS

During the year, the Group made donations to charity amounting to Rs. 53.6 million (2019 - Rs. 60.8 million).

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.

27. 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.

28. ENVIRONMENTAL PROTECTION

28.1 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.

28.2 Sustainability Reporting

Sustainability practices have been built into every aspect of our businesses and we consider sustainability goals along with our operational and financial goals. Detailed information on our sustainability initiatives can be found on pages 33 to 37 of the Annual Report.

29. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet Date that would require adjustments to or disclosure in the Financial Statements other than as disclosed in Note 30 to the Financial Statements on page 215 of this Annual Report and section 35 of this Report.

30. GOING CONCERN

The Board of Directors have 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 Note 2 to the Financial Statements found on page 146 of the Annual Report

The Group has also considered the possible impact of COVID-19 on its operations in determining the going concern evaluation of the Group.

31. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

31.1 Risk Management

Specific steps that have been taken by the Company in risk management are detailed on pages 111 to 117 of this Annual Report.

31.2 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 111 to 117 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.

31.3 Audit Committee

The composition of the Audit Committee and their Report is given on page 126 to 129 of the Annual Report.

32. 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 92 to 110 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

33. 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.

34. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company Lawyers, there is no litigation currently pending against the Company, other than disclosed in note 31 to the Financial Statements, which will have material impact on the reported financial results or future operations of the Company.

35. COVID-19 IMPACT

Subsequent to the outbreak of COVID-19, the Company and its subsidiaries have taken appropriate measures to safeguard the health of all our employees and ensure compliance with various guidelines issued by the Health Authorities in Sri Lanka.

The overall impact of the pandemic on the Group Revenues and Profitability during the latter part of the Financial Year 2019/20 and post balance sheet was negative. The Management has implemented cost reduction and cash conservation measures across the group to protect the businesses and to ensure long-term sustainability.

The impact of the pandemic on Sri Lanka's economy and global demand and supply cannot be predicted at this time. There are multiple new risks that have emerged including foreign currency availability and import restrictions. Our businesses focus primarily on the Sri Lankan consumer and healthcare sectors providing essential healthcare products and services and day to day fast moving, mass market consumer goods. As such, we anticipate that demand for our products and services will recover relatively quickly from current levels. It is not possible at this time to predict the exact timing or extent of recovery.

36. 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.

37. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY

The Auditors, Messrs. Ernst & Young has charged Rs. 17.5 million (Rs. 16.5 million in 2019) 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.

38. RELEVANT AUDIT INFORMATION

As at 06 July 2020, 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.

39. ANNUAL GENERAL MEETING

The 71 Annual General Meeting of the Company will be held through Audio visual means on virtual platform located at Hemas House, No 75 Braybrooke Place, Colombo 2 on Tuesday 11 August, 2020 at 3.30 p.m. Shareholders who are unable to attend in person may submit questions before hand via email to info@hemas.com

40. 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

Husein Esufally
Chairman

Steven Enderby
Director/Chief Executive Officer

Hemas Corporate Services (Private) Limited Secretaries

06 July 2020

REPORT OF THE AUDIT COMMITTEE

"The role and responsibilities of the Audit Committee continues to evolve to keep pace with emerging trends in the business environment and ensure the Committee's obligations are discharged with due care."

AREAS OF FOCUS IN FY 2019/20

- Financial Reporting
- Risk management and Internal Control
- External Audit
- Compliance

PURPOSE/OBJECTIVES OF THE COMMITTEE

The Group Audit Committee (AC) was established to assist the Board in fulfilling its oversight responsibility for the Group's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of independence and performance of External Auditors with a view to safeguarding the interests of shareholders and all other stakeholders.

The role and responsibilities of the AC continues to evolve to keep pace with emerging trends in the business environment and ensure the Committee's obligations are discharged with due care.

The AC's responsibilities pertain to the Group as a whole. However, in discharging its responsibilities, the AC places reliance on the work of other audit committees within the Group, which have reporting obligations to the AC. Without prejudicing their independence, and to the extent and in a manner, it considers appropriate, the AC provides feedback to those committees for their consideration and necessary action. The group has 9 subsidiary Audit Committees to ensure effective governance across the group. The AC carries out its responsibilities relating to the audit and financial reporting obligations of the other Group companies by reviewing at scheduled meetings the annual financial statements, interim reports, audit and management reports. To ensure that there is 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.

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.

Composition and Attendance

Members		Attendance
Shaktha Amaratunga (Chairman)		4/4
Imtiaz Esufally		4/4
D. S. Weerakkody (Retired w.e.f. 26.06.2019)		1/1
Jyotindra Trivedi (Appointed w.e.f. 01.07.2019)		3/3

Independent Non-Executive Director

Non-Executive Director

Executive Director

Attendees by Invitation

Group Chief Executive Officer (CEO), Group Chief Financial Officer (CFO), Chief Risk and Control Officer (CRCO), General Manager Group Finance

External Auditors, Internal Auditors who carried out outsourced assignments and other officials of the Group attended meetings on a needs basis.

Secretary to the committee

Prasenna Balachandran – Chief Risk and Control Officer

Key Responsibilities

- Review of controls in the preparation and presentation of the financial statements and ensuring the adequacy of disclosures in accordance with the Sri Lanka Accounting Standards;
- Exercising oversight responsibilities in relation to compliance of published financial reports with the Companies Act No. 07 of 2007, other legal and regulatory requirements, reporting standards and good governance.
- Monitoring and review of the adequacy and effectiveness of the Group's internal control system and risk management function. Ensuring Group assets are appropriately safeguarded.
- Monitoring the internal audit function including execution of the Audit Committee approved coverage plan
- Assessing the independence and performance of the external auditors
- Making recommendations to the Board pertaining to appointment, re-appointment and, in appropriate circumstances, removal of the External Auditors
- Defining and considering the non-audit services that may be rendered by the external auditor
- Approving remuneration and terms of engagement of the External Auditors
- Considering the findings arising from the annual financial statements audit.
- Recommending to the Board the approval of the Integrated Report, Audited Annual Financial Statements and Interim Report.

ACTIVITIES IN FY 2019/20

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 unaudited quarterly financial statements and the final audited financial statements for the year under review, prior to them being recommended to the Board. Senior management and Finance Heads 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, endorsing the Company's state of affairs as at that date.

The Committee obtained independent input from External Auditors on the impact of new Sri Lanka Accounting Standards that will come in to effect in the current year and in the future, and satisfied themselves that the necessary preparatory work is 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 locally and globally.

The Committee also discussed with the Company's External Auditors the results of their audit and key audit matters, as well as the acceptability of the Company's accounting policies, significant judgments and estimates. 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, other than at the private meetings held by the Audit Committee with the Auditors.

Risk and Internal Controls

During the year, the Chief Executive Officer along with the Chief Risk and 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 and 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 and 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.

REPORT OF THE AUDIT COMMITTEE

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 the External Audit review and agreed on the plan for the year-end audit. The External Auditor's reports and the management letter along with responses and action plans were tabled at the Audit Committee Meeting. The Committee also met the External Auditors without Management being present, prior to the approval of the full year Financial Statements to obtain their feedback for 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' of confirmation as required by 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

Shaktha Amaratunga
Chairman – Audit Committee

July 06, 2020

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

"The Committee worked to ensure that the Remuneration Policy of the Group remains fair, transparent and competitive, and that remuneration is linked to business strategy and drives sustainable performance."

AREAS OF FOCUS IN FY 2019/20

- Policy Review
- Rewards and Remuneration
- Succession Planning
- Organisation Transformation

PURPOSE/OBJECTIVES OF THE COMMITTEE

The Objective of the Committee is to ensure appropriate human resource policies and practices are adopted by the Group and a robust remuneration framework is in place to attract, retain and motivate high calibre Key Management Personnel (KMP) who contribute positively to achieving the Company's strategic goals. It includes structuring a performance-based incentive scheme for KMP, CEO and Executive Directors and setting performance related formulae which are relevant, stretching and designed to enhance stakeholder value.

Hemas' Compensation Policy

- Encourage the attraction and retention of high calibre individuals.
- Provide a competitive total compensation package including benefits.
- Ensure that pay is perceived to be fair and equitable.
- Balance the need to be competitive with the limits of available financial resources.
- Ensure compensation schemes are compliant with the laws and regulations applicable in the country.

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 indicated in this report.
- 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.,
- All matters for determination at Committee Meetings is decided by a majority of the members present and voting.

Composition and Attendance

The Committee consists of three 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 Chairman of the Committee is an Independent Non-Executive Director.

Members		Attendance
Dr S.A.B. Ekanayake {Chairman of the Committee}		5/5
Shaktha Amaratunga		5/5
Husein Esufally		5/5

Independent Non-Executive Director

Non-Executive Director

Executive Director

Attendees by Invitation

Chief Executive Officer, Chief Talent Officer, Group Human Resources Director

Secretary to the Committee

Hemas Corporate Services (Private) Limited

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

Key Responsibilities

- Review and approve the overall remuneration philosophy, strategy, policies and practices of the Company and the Group.
- 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 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.
- Succession Planning for Key positions of the Company and the Group.
- Reviewing and monitoring C-Suite development programs.
- Career Progression planning for managerial level and above.

ACTIVITIES IN FY 2019/2020

Policy Review

During the year under review, the Committee;

- strengthened the Health and Safety Policy
- reintroduced the Sexual Harassment Policy with revised guidelines and processes.

The Committee also deliberated on its effectiveness and decided to revisit its Charter with a view to realign its scope and focus on new areas of improvement which is vital for organisational expansion and driving efficiencies.

Succession Planning and Talent Management

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 Committee;

- monitored the development plans of potential C-Suite successors and future leaders to ensure the required talent is readily available within the Group to meet natural attrition and business expansion.

Rewards and Remuneration

The Committee worked to ensure that the Remuneration Policy of the Group remains fair, transparent and competitive, and that remuneration is linked to business strategy and drives sustainable performance. The Committee :

- approved a new reward scheme to be implemented in the next financial year.
- considered the performance of the Chief Executive Officer and the Executive Directors bi-annually against the set goals and target and determined the basis of revising their increments, bonuses and other performance-based incentives during the year under review.

Directors Emoluments are disclosed in Note 7 to the Financial Statements for the year ended 31 March 2020 found on page 156 of the Annual Report.

Organisation Transformation

The Committee also focused on the progress made of Organisation Transformation project designed to drive productivity and efficiencies within the Group.

Conclusion

The Committee will continue to assist the Board of Directors by strengthening and introducing policies, practices and systems in the development of Human Capital in line with strategic business priorities and provide opportunities to the employees to enhance and acquire new skills and knowledge within the group for their career development. The Committee will also continue to ensure that plans and programmes relating to remuneration, supports the Group's business strategy and are closely linked to stakeholder interests.

Dr. Anura Ekanayake
Chairman of the Committee

July 06, 2020

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

"The Committee ensures that the Board has the collective skills and experience to operate effectively in the delivery of the Group's strategy, and in the execution of its duties."

AREAS OF FOCUS IN FY 2019/20

Board Evaluation

Board Succession

Re-Election of Directors

OBJECTIVE OF THE COMMITTEE

The Objective of the Nomination and Governance Committee is to review the structure and the composition of the Board annually and to ensure that the combined knowledge and experience complement its corporate strategy.

ACTIVITIES IN FY 2019/20

Board Evaluation

The Committee reviewed the results of the Board Evaluation of the Company and its subsidiaries and valuable insights were discussed on the governing structure of the companies.

Board Succession

The Committee deliberated on the progress made by the next generation engaged in the business operations and agreed that there should be clear development plans and career mapping for each of them.

The Committee also considered the progress of the Development Plan, role and the capabilities expected of the proposed successor to the Chief Executive Officer and the planned timeframe for the appointment.

Subsequent to the Balance Sheet date the Committee reviewed the selection process in line with the Company's Succession plan and developing of internal talent, recommended the appointment of Kasturi Chellaraja Wilson to the Board.

Re-Election of Directors

The Committee decided to recommend Abbas Esufally, Murtaza Esufally and Jyotindra Trivedi, 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 August 11, 2020.

Composition and Attendance

The membership of the Committee comprises of three Non-Executive Directors majority of whom are independent. The Board Chairman attends the meetings by invitation. There were no changes in the membership during the year under review.

Members		Attendance
R. Gopalakrishnan {Chairman of the Committee}	Independent Non-Executive Director	3/3
Dr. S.A.B. Ekanayake	Independent Non-Executive Director	3/3
A.N. Esufally	Executive Director	3/3

Independent Non-Executive Director

Non-Executive Director

Executive Director

Secretary to the committee

Hemas Corporate Services (Private) Limited

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

Key Responsibilities

- Propose suitable Guidelines for the appointment and re- appointment of Directors to the Board.
- Review the results of the Performance Evaluation of the Board of Directors of the Company and its Subsidiaries.
- The Chairman of the Committee shall discuss with the independent members and provide feedback to the Chairman of the Holdings Board on board effectiveness.
- To monitor compliance with the Corporate Governance Guidelines.
- Ratification of Subsidiary Board appointments carried out by the Chief Executive Officer, in consultation with the relevant Subsidiary Board Chairman.
- Monitor compliance with the Corporate Governance Statutory Guidelines.
- Establish the process for conducting the review of the Chief Executive Officer's performance annually.

Pursuant to section 210 of the Companies Act No 7 of 2007, 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. R. Gopalakrishnan refrained from participating in the discussion and decision relating to his re-appointment to the Board.

The Committee also decided to recommend the re-appointment of Kasturi Chellaraja Wilson, who retires in terms of Article 72 of the Company's Articles of Association, to the Board at the forthcoming Annual General Meeting.

CONCLUSION

The Committee will continue to assist the Board in selecting the right candidate with the necessary skills, knowledge and experience, ensuring the desired diversity of the Board to meet the strategic demands of the Company and Group. In addition, the Committee ensures uniform Governance mechanisms exists to enhance transparency and accountability.

R. Gopalakrishnan

Ramabadran Gopalakrishnan
Chairman of the Committee

July 06, 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

"Our prime focus has been to ensure that all Group Related Party Transactions have been properly and correctly identified and that they were compliant with the regulations."

AREAS OF FOCUS IN FY 2019/20

- Strengthened Processes
- Reviewed and Approved Transactions
- Recommended Management Buy Out

OBJECTIVES OF THE COMMITTEE

To have an oversight of Related Party Transactions of the Company and its listed Subsidiaries and to ensure they are 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 9 of Listing Rules of the Colombo Stock Exchange.

ACTIVITIES IN FY 2019/20

Strengthened Governance

The Charter and Policy Manual was revised during the year under review to enhance transparency and accountability of Related Party Transactions, to streamline the approval process, and to ensure shareholder interests are safeguarded.

The Transfer pricing methodology adopted by the Company and its subsidiaries was reviewed by the Committee to ensure it is in compliance with the regulatory requirements.

Approval of Related Party Transactions (RPTs)

The Committee also reviewed and approved all non-recurrent and recurrent Related Party Transactions carried out during the Financial Year 2019/20. For this purpose, all significant RPTs of the Listed and Non-Listed entities of Group were presented to the Committee for review.

The Annual RPT Declarations from the Key Management Personnel and the Heads of Finance of Subsidiaries were obtained and reviewed by the Committee.

Management Buy Out

The Committee also reviewed and deliberated the management buyout proposal of the Travel and Aviation cluster of Hemas Group and recommended same to the Board for approval.

Composition and Attendance

The Related Party Transactions Review Committee comprised of the following members during the period under review and the composition is in compliant with the Listing Rules of the Colombo Stock Exchange.

A.S. Amaratunga
I.A.H. Esufally
S.M. Enderby
D.S. Weerakkody (Retired on 26th June 2019)

The profiles of the members are found on pages 16 to 19 of the Annual Report

Members		Attendance
A. S. Amaratunga {Chairman of the Committee}		4/4
I.A.H. Esufally		4/4
S.M. Enderby		4/4

Independent Non-Executive Director
Non-Executive Director
Director/CEO

Attendees by Invitation

Group Chief Financial Officer and General Manager - Finance

Secretary to the committee

Hemas Corporate Services (Private) Limited

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Key Responsibilities

- 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 that Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.
- Obtaining 'competent independent advice' from professionals and 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.

The activities and views of the Committee are informed to the Board quarterly by tabling the minutes of the Committee Meetings and through verbal briefings.

CONCLUSION

The Committee will continue to assist the Board of Directors by reviewing all Related transactions and ensuring that they are:

- In compliance with Section 9 of the Listing Rules of Colombo Stock Exchange
- The Shareholder Interest are safeguarded
- Fair and transparent and on commercial terms

Shaktha Amaratunga
Chairman – Related Party Transactions Review Committee

July 06,, 2020

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The COG 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 137 to 139 of this Report.

The Directors are responsible for:

- preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable laws and regulations;
- preparing Financial Statements which give a true and fair view of the state of affairs as at the Balance Sheet date and the profit or loss for the period then ended of the Company and the Group in accordance with SLFRSs and LKASs;
- keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company enabling them to ensure that the Group Financial Statements comply with applicable laws and regulations;
- establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities; and maintaining 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

06 July 2020

INDEPENDENT AUDITORS' REPORT

Building a better working world

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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 2020, 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 2020, 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
Impairment of Intangible Assets with Infinite Life Intangible assets include Goodwill and Brands amounting to LKR 3.2 Bn which account for 5% of the total assets of the Group as at 31 March 2020. The Group has impaired Goodwill amounting to LKR 125Mn during the year subsequent to the annual impairment test. The impairment test is based on the recoverable amount determined using Value In Use computations (VIU). Such VIU computations are based on the discounted cash-flow models of each Cash Generating Unit (CGU) to which Goodwill has been allocated as further detailed in Note 15. A deficit between the recoverable value and the carrying values of the CGUs including Goodwill would result in an impairment.	Our audit procedures included the following; • We obtained an understanding of the management's impairment assessment process; • We engaged our internal specialised resources to assist us in assessing the reasonableness of the significant assumptions and judgements used by the Group, in particular those relating to the forecasted revenue growth, profit margins, working capital cash flows and discount rates of the separate CGUs of the Group; and • We have also assessed the adequacy of the disclosures made in the Note 15 to the financial statements.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
The VIU calculations are significant to our audit as it involves management's estimation of future cashflows which is complex and highly judgmental due to considerations relating to expected sales growth, profit margin, working capital cash flows, discount rates and includes the probable impact assessment of the COVID-19 outbreak.	
Measurement of carrying value of Land and Buildings Included within Property, Plant and Equipment and Investment Properties are Land and Buildings carried at fair value. As of reporting date, such Land and Buildings within Property, Plant and Equipment and Investment Properties amounted to LKR 12.7 Bn and LKR 1.6 Bn respectively and collectively account for 22% of Total Assets. Investments Properties were fair valued and the carrying values of Land and Buildings included in Property, Plant and Equipment were assessed for indicators of Impairment by an independent external valuer engaged by the Group. Such assessments were considered a key audit matter due to the use of significant judgments and estimates which included the assessment of the probable impact of the COVID-19 outbreak on such valuations as disclosed in Notes 11 and 12 to the Financial Statements.	Our audit procedures included the following; • We evaluated the competence, capability and objectivity of the external valuers engaged by the Group; • We read the external valuers reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of land and buildings; • We engaged our internal specialised resources to assist us in assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and • We have also assessed the adequacy of the disclosures made in the Note 11 and 12 to the financial statements.

Other Information included in the 2020 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.

06 July 2020
Colombo

STATEMENT OF PROFIT OR LOSS

		Group		Company	
Year ended 31 March	Notes	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Revenue from Contracts with Customers	4	61,632,071	64,082,154	818,918	969,197
Cost of Sales		(41,341,019)	(42,604,605)	-	-
Gross Profit		20,291,052	21,477,549	818,918	969,197
Other Operating Income	5	689,389	793,590	1,814,205	358,647
Selling and Distribution Expenses		(6,484,661)	(5,894,116)	-	-
Administrative Expenses		(10,815,271)	(10,622,973)	(1,144,450)	(1,092,105)
Share of Results of Joint Ventures	17	(119,527)	(58,043)	-	-
Share of Results of Associates	17	(430)	(34,682)	-	-
Operating Profit		3,560,552	5,661,325	1,488,673	235,739
Finance Cost	6	(1,049,161)	(1,046,212)	(133,125)	(214,041)
Finance Income	6	280,448	478,027	49,045	58,329
Profit Before Tax	7	2,791,839	5,093,140	1,404,593	80,027
Income Tax Expenses	8	(1,429,132)	(1,413,904)	(968)	(66,777)
Profit for the Year		1,362,707	3,679,236	1,403,625	13,250

Attributable to:			
Equity Holders of the Parent		1,235,717	3,369,279
Non-Controlling Interests		126,990	309,957
		1,362,707	3,679,236

		LKR	LKR
Earnings Per Share			
Basic Earnings Per Share	9	2.07	5.65
Diluted Earnings Per Share	9	2.07	5.65
Dividend Per Share	10	1.45	4.93

The Accounting Policies and Notes on the Pages 146 to 238 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group 2020 LKR 000	Group 2019 LKR 000	Company 2020 LKR 000	Company 2019 LKR 000
Profit for the Year		1,362,707	3,679,236	1,403,625	13,250
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods					
Net Movement in Hedging Reserves		(90,507)	(37,802)	-	-
Income Tax Effect		3,041	11,549	-	-
Exchange Differences on Translation of Foreign Operations		25,508	111,387	-	-
Transfers of Exchange Differences on Translation of Foreign Operations		(51,481)	-	-	-
Share of Other Comprehensive Loss of Joint Ventures / Associates	17	(62,860)	(98,731)	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods					
Net Loss on Financial Assets at FVOCI		(180,155)	(126,692)	(97,487)	(66,662)
Actuarial Gain/(Loss) on Defined Benefit Plans	26	(111,677)	(39,373)	2,780	1,286
Income Tax Effect		27,117	6,948	(778)	(360)
Revaluation of Land and Buildings		-	12,205	-	-
Income Tax Effect		-	(3,416)	-	-
Income Tax Effect on Rate Changes due to Merger		37,325	-	-	-
Share of Other Comprehensive Income of Joint Ventures / Associates	17	228	3,166	-	-
Other Comprehensive Income for the Year, Net of Tax		(403,461)	(160,759)	(95,485)	(65,736)
Total Comprehensive Income for the Year, Net of Tax		959,246	3,518,477	1,308,140	(52,486)
Attributable to:					
Equity Holders of the Parent		868,237	3,246,399		
Non-Controlling Interests		91,009	272,078		
		959,246	3,518,477		

The Accounting Policies and Notes on the Pages 146 to 238 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2020 LKR 000	Group 2019 LKR 000	Company 2020 LKR 000	Company 2019 LKR 000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	20,032,726	18,685,435	118,835	150,359
Investment Properties	12	1,647,591	1,647,591	699,300	657,950
Right-of-Use Assets	13	2,028,296	-	51,920	-
Leasehold Rights/Prepaid Lease Rentals	14	-	731,276	-	-
Intangible Assets	15	3,439,125	3,468,946	99,897	72,946
Investment in Subsidiaries	16	-	-	17,330,481	17,498,412
Investment in Joint Ventures	17	701,461	883,620	-	-
Investment in Associates	17	-	5,868	-	-
Lease Receivables	18	172,486	-	-	-
Other Non-Current Financial Assets	19	540,670	711,386	148,999	245,516
Deferred Tax Assets	8	164,426	107,862	-	-
		28,726,781	26,241,984	18,449,432	18,625,183
Current Assets					
Inventories	20	13,559,991	11,200,949	-	-
Trade and Other Receivables	21	16,093,960	18,434,020	244,303	348,111
Tax Recoverable		240,567	299,270	29,360	22,558
Lease Receivables	18	58,385	-	-	-
Other Current Financial Assets	19	83,761	99,546	199,711	17,558
Cash and Short-Term Deposits	28	5,616,972	6,473,631	347,738	524,287
		35,653,636	36,507,416	821,112	912,514
TOTAL ASSETS		64,380,417	62,749,400	19,270,544	19,537,697
EQUITY AND LIABILITIES					
Equity					
Stated Capital	22	7,734,054	7,734,054	7,734,054	7,734,054
Other Capital and Revenue Reserves	23	216,800	185,449	438,151	406,800
Other Components of Equity		1,389,205	1,682,492	(148,972)	(51,485)
Retained Earnings		18,574,233	18,496,649	9,744,584	9,203,220
Equity Attributable to Equity Holders of the Parent		27,914,292	28,098,644	17,767,817	17,292,589
Non-Controlling Interests		3,560,170	3,771,078	-	-
Total Equity		31,474,462	31,869,722	17,767,817	17,292,589
Non-Current Liabilities					
Interest-Bearing Loans and Borrowings	24	4,738,157	1,369,067	-	-
Other Financial Liabilities	25	2,206,681	1,955,697	-	-
Deferred Tax Liability	8	1,733,238	1,811,865	138,528	136,782
Employee Benefit Liability	26	1,018,623	968,964	45,776	47,394
		9,696,699	6,105,593	184,304	184,176
Current Liabilities					
Trade and Other Payables	27	17,937,272	18,599,450	480,645	505,919
Income Tax Liabilities		512,791	439,083	-	-
Interest-Bearing Loans and Borrowings	24	3,363,156	3,553,237	834,525	1,554,640
Bank Overdraft	28	1,396,037	2,182,315	3,253	373
		23,209,256	24,774,085	1,318,423	2,060,932
TOTAL EQUITY AND LIABILITIES		64,380,417	62,749,400	19,270,544	19,537,697

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 146 to 238 form an integral part of these financial statements.

06 July 2020
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	Hedging 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 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	-	-	-	-	-	-	-	-	-	(790,720)	(790,720)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	(1,101,680)	(1,101,680)	-	(1,101,680)
Adjustment on Acquisition	-	-	-	-	-	-	-	-	-	(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 Adoption of New Accounting Standards	-	-	-	-	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
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)
Transfers	-	-	(175,536)	-	-	-	-	175,536	-	-	-
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	-	(135,887)	(135,887)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	408,830	408,830	-	408,830
Adjustment in Respect of Changes in Group Holdings	-	-	-	-	-	-	-	(257)	(257)	86,600	86,343
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
Profit for the Year	-	-	-	-	-	-	-	1,235,717	1,235,717	126,990	1,362,707
Other Comprehensive Income	-	-	20,831	(25,567)	-	(143,548)	(145,003)	(74,193)	(367,480)	(35,981)	(403,461)
Total Comprehensive Income	-	-	20,831	(25,567)	-	(143,548)	(145,003)	1,161,524	868,237	91,009	959,246
Share-Based Payments	-	31,351	-	-	-	-	-	-	31,351	-	31,351
Final Dividend Paid - 2018/19	-	-	-	-	-	-	-	(864,263)	(864,263)	-	(864,263)
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	(118,098)	(118,098)
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	-	(97,094)	(97,094)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	(211,754)	(211,754)	-	(211,754)
Adjustment in Respect of Changes in Group Holdings	-	-	-	-	-	-	-	(7,923)	(7,923)	(63,976)	(71,899)
Disposal of Subsidiaries	-	-	-	-	-	-	-	-	-	(22,749)	(22,749)
As at 31 March 2020	7,734,054	216,800	1,781,625	121,847	-	(259,597)	(254,670)	18,574,233	27,914,292	3,560,170	31,474,462

The Accounting Policies and Notes on the Pages 146 to 238 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
			Available for Sale Reserve	Fair Value Reserve		
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
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	-	-	(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
Profit for the Year	-	-	-	-	1,403,625	1,403,625
Other Comprehensive Income	-	-	-	(97,487)	2,002	(95,485)
Total Comprehensive Income	-	-	-	(97,487)	1,405,627	1,308,140
Share-Based Payments	-	31,351	-	-	-	31,351
Final Dividend Paid - 2018/19	-	-	-	-	(864,263)	(864,263)
As at 31 March 2020	7,734,054	438,151	-	(148,972)	9,744,584	17,767,817

The Accounting Policies and Notes on the Pages 146 to 238 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	Group 2020 LKR 000	Group 2019 LKR 000	Company 2020 LKR 000	Company 2019 LKR 000
Profit Before Taxation		2,791,839	5,093,140	1,404,593	80,027
Adjustments for,					
Depreciation	11	1,271,330	1,270,844	32,581	34,437
Amortisation of Right-of-Use Assets	13	293,388	-	51,919	-
Gain on Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets	5	(72,995)	(25,048)	(14,100)	(4,969)
Gain on Fair Value Adjustment of Investment Properties	12	-	(140,117)	(41,350)	(65,825)
Amortisation and Impairment of Intangible Assets	15	218,911	88,615	29,278	20,211
Amortisation of Leasehold Rights	14	-	5,627	-	-
Provision/(Reversal) for Obsolete Stocks	20	101,192	(97,824)	-	-
Provision for Impairment of Trade and Other Receivables	21	451,395	138,404	59,218	23,583
Impairment/(Reversal) of Investment in Subsidiaries/ Joint Ventures/ Other Financial Assets		15,012	-	252,524	3,000
Net (Gain)/ Loss on Disposal of Non-Current Investments		51,217	(85,575)	-	-
Exchange (Gain)/ Loss on Foreign Currency Borrowings	24	(13,117)	79,521	-	-
Share-Based Payment Expense	22	31,351	44,044	6,756	5,805
Finance Cost	6	1,049,161	1,046,212	133,125	214,041
Finance Income	6	(280,448)	(478,027)	(49,045)	(58,329)
Investment Income	5	-	-	(1,746,627)	(283,121)
Share of Results of Associates	17	430	34,682	-	-
Share of Results of Joint Ventures	17	119,527	58,043	-	-
Provision for Employee Benefit Liability	26	206,156	200,120	10,735	10,032
Operating Cash Flows before Working Capital Changes		6,234,349	7,232,661	129,607	(21,108)
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(2,447,132)	(1,247,123)	-	-
(Increase)/Decrease in Trade and Other Receivables		(2,082,574)	(4,508,846)	16,443	304
Increase/(Decrease) in Trade and Other Payables		2,173,438	2,258,991	(26,249)	165,183
Increase/(Decrease) in Other Non-Current Financial Liabilities		(33,055)	319,299	-	-
Cash Generated from Operations		3,845,026	4,054,982	119,801	144,379
Finance Cost Paid	6	(894,262)	(1,044,430)	(124,763)	(214,041)
Finance Income Received	6	274,449	470,019	48,712	58,084
Income Tax Paid		(1,484,510)	(1,558,032)	(6,803)	(41,355)
Employee Retirement Benefit Paid	26	(151,457)	(109,118)	(8,597)	(9,917)
Net Cash flows from/(used in) Operating Activities		1,589,246	1,813,421	28,350	(62,850)
Investing Activities					
Purchase of Property, Plant and Equipment	11	(3,042,111)	(2,644,095)	(14,387)	(40,314)
Purchase of Intangible Assets	15	(33,255)	(63,628)	(1,829)	(12,909)
Acquisition of/Investment in Subsidiaries	29/16	(23,768)	-	(84,593)	(134,097)
Disposal of Subsidiaries	29	372,489	442,826	-	-
Proceeds from Redemption of Preference Shares		-	-	-	483,490
Investment in Joint Ventures / Associates		(1,400)	(13,054)	-	-
Net Movement in Financial Assets		27,217	(69,419)	(184,448)	381,446
Proceeds from Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets		201,134	150,038	27,430	23,034
Investment Income Received		-	-	1,746,627	283,121
Net Cash flows from/(used in) Investing Activities		(2,499,694)	(2,197,332)	1,488,800	983,771
Financing Activities					
Interest-Bearing Loans and Borrowings (Net)	24	1,830,264	(126,541)	(832,316)	414,495
Proceed from Exercise of Employee Share Option		-	1,604	-	1,604
Net Proceeds from/(to) Non-Controlling Interest		(14,337)	86,343	-	-
Dividends Paid to Equity Holders of the Parent	10	(864,263)	(1,063,636)	(864,263)	(1,063,636)
Dividends Paid to Non-Controlling Interest		(118,098)	(32,938)	-	-
Net Cash flows from/(used in) Financing Activities		833,566	(1,135,168)	(1,696,579)	(647,537)
Net Increase/(Decrease) in Cash and Cash Equivalents		(76,882)	(1,519,079)	(179,429)	273,384
Net Foreign Exchange Differences		6,501	70,076	-	-
Cash and Cash Equivalents at the Beginning of the Year	28	4,291,316	5,740,319	523,914	250,530
Cash and Cash Equivalents at the End of the Year	28	4,220,935	4,291,316	344,485	523,914

The Accounting Policies and Notes on the Pages 146 to 238 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 Hemas House, 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 2020 comprises of Hemas Holdings PLC (the Company) and all its Subsidiaries whose financial statements have been consolidated therein (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 the Note 37 to these financial statements.

1.4 Date of Authorisation for Issue

The Consolidated Financial Statements of Hemas Holdings PLC for the year ended 31 March 2020 were authorised for issue, in accordance with a resolution of the Board of Directors on 06 July 2020.

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 financial assets at fair value through other comprehensive income that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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. Therefore, the financial statements continue to be prepared on a going concern basis.

Due to the significant uncertainty arising from the COVID-19 pandemic management has performed a detailed going concern review of Company's/ Group's liquidity positions to ensure that there is enough headroom to withstand negative cash flow impacts, performance of individual segments and the related impact to the Group considering the evolving situations as outlined below.

To date, the overall impact of the pandemic on the Group revenues and profitability has been negative, both in the last few weeks of FY 2019/20 and continuing on to FY 2020/21. The Group has deferred capital expenditure and discretionary spending, and has also instituted salary cuts at the senior levels in the Group and in businesses with very low revenues. Each business unit continues to work through a detailed plan on cash conservation and cost containment, while it rebuilds demand and supply of key products and services.

Future Outlook

The impact of the pandemic on Sri Lanka's economy and global demand and supply cannot be accurately predicted at this time. The recovery period of key industries most likely to take at least several months.

There are also multiple new risks that have emerged including foreign currency availability and import restrictions.

The Group's businesses focus primarily on the Sri Lankan consumer and healthcare sectors providing essential healthcare products and services and day-to-day fast moving, mass market consumer goods.

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

2.6 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 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 of each entity 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)
Hemas Consumer Products (Pvt) Ltd.	Subsidiary	Pakistan	Pakistani Rupee (PKR)
Hemas Consumer Brands India (Pvt) Ltd.	Subsidiary	India	Indian Rupee (INR)
Kyannmar Pharmaceutical Limited.	Subsidiary	Singapore	US Dollar (USD)
Hemas Mandalar Pharmaceutical Limited.	Subsidiary	Myanmar	Kyat (MMK)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments risk management and policies Note 34
- Sensitivity analysis disclosures Note 34

2.7.1 Judgements

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.

2.7.2 Estimates and Assumptions

Information about assumptions and estimation uncertainties as at 31 March 2020 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 management has assessed the existing and anticipated effects of COVID-19 on Group companies and the appropriateness of the judgments, estimates and assumptions as applicable.

The line items which have most significant effect on accounting judgements, estimates and assumptions are as follows:

- Valuation of Land and Buildings and Investment Properties
- Impairment of non-financial assets including Intangible Assets
- Right-of-Use Assets and Lease Liabilities – Estimating the incremental borrowing rate
- Share-Based Payments
- Taxes
- Employee Benefit Liability
- Provision for expected credit losses of trade receivables
- Fair value measurement of financial instruments
- Valuation of Non-Controlling Interest Put Option

3 Changes in Accounting Policies and Standard Issues but not yet Effective

3.1 Changes in Accounting Policies

The Group adopted SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of this new accounting standard is described below.

SLFRS 16-Leases

SLFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for Land and Building before the adoption of SLFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 13 for the accounting policy applicable prior to 1 April 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The effect of adoption of SLFRS 16 as at 1 April 2019 is as follows:

	LKR 000
Assets	
Non-Current Assets	
Right-of-Use Assets	2,194,797
Lease Rentals Paid in Advance	(740,652)
Current Assets	
Lease Rentals Paid in Advance	(26,771)
Total Assets	1,427,374
Equity and Liabilities	
Liabilities	
Non-Current Liabilities	
Interest-Bearing Loans and Borrowings	(1,287,544)
Current Liabilities	
Interest-Bearing Loans and Borrowings	(139,830)
Total Equity and Liabilities	(1,427,374)

Nature of the Effect of Adoption of SLFRS 16

Upon adoption of SLFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term Leases and Leases of low-value assets. The Group recognised lease liabilities to make lease payments and Right-of-Use Assets representing the right to use the underlying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Changes in Accounting Policies and Standard Issues but not yet Effective (Contd.)

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in Revenue/Other Income in the Statement of Profit or Loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as Revenue/Other Income in the period in which they are earned.

Group as a Lessee

Leases Previously Classified as Finance Leases

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the Right-of-Use Asset and the Lease Liability at the date of initial application. The requirements of SLFRS 16 were applied to these leases from 01 April 2019.

Leases Previously Accounted for as Operating Leases

The Group recognised Right-of-Use Assets and Lease Liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Right-of-Use Assets and Lease Liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Lease Liabilities as at 01 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	LKR 000
Operating Lease Commitments as at 31 March 2019	2,209,448
Discounted Operating Lease Commitments as at 01 April 2019	1,069,472
Less:	
Commitments Relating to Short-term Leases	(28,050)
Add:	
Payments in Optional Extension Periods not Recognised as at 31 March 2019	385,952
Lease Liabilities as at 01 April 2019	1,427,374

Estimating the Incremental Borrowing Rate (IBR)

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-Use Asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiary's stand alone credit rating). Group's IBR span within the range of 10% -15%.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12-Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments and it assessed whether the interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Several other amendments and interpretations apply for the first time in 2019/2020, 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.

3.2 Standard Issues but not yet Effective

The amended standards that are issued but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group/Company intends to adopt these amended standards, if applicable, when they become effective.

Amendments to LKAS 1 and LKAS 8: Definition of "Material"

Amendments to LKAS 1-Presentation of Financial Statements and LKAS 8-Accounting policies, Changes in Accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 01 January 2020 with early application permitted.

Amendments to SLFRS 3: Definition of a "Business"

Amendments to the definition of a business in SLFRS 3-Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities to assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 01 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in SLFRS Standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 01 January 2020, with early application is permitted.

Pending the detailed review of such amendment/s, the extent of the impact/probable impact is not yet known/reasonably estimable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Revenue from Contracts with Customers

Accounting Policy

The different business segments of the Group in the course of providing a variety of goods and services to its customers.

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-Revenue from contracts with customers 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 consideration.

Each segment 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 are accounted for at the time of sale.

In connection with contracts with travel agents, tour operators, online travel agents, corporate customers and free individual travelers, 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 those such services (acting as an agent).

Mobility and 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.

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 the 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 have 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, The Group acts 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, none of the indicators 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Revenue from Contracts with Customers (Contd.)

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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Goods Transferred at a Point in Time	50,934,380	48,729,137	-	-
Services Transferred Over Time	10,697,691	15,353,017	818,918	969,197
	61,632,071	64,082,154	818,918	969,197

The disaggregation of the Group's revenue from contracts with customers set out in Note 36 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.

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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Gain on Disposal/Derecognition of Non-Current Investments	58,173	85,575	-	-
Gain on Disposal of Property Plant and Equipment/ Intangible Assets/ Investment Properties	72,995	25,048	14,100	4,969
Change in Fair Value of Investment Properties	-	140,117	41,350	65,825
Rental Income	15,428	9,766	-	-
Commission Income	9,552	16,301	-	-
Foreign Exchange Gain	354,915	323,890	8,683	-
Dividend Income from Investments in				
- Related Parties	-	-	1,746,617	283,104
- Other	71	18	10	17
Sundry Income	178,255	192,875	3,445	4,732
	689,389	793,590	1,814,205	358,647

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.

6.1 Finance Cost

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Interest Expense on Overdrafts	125,404	194,359	3,716	61,131
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	65,993	15,310
- Others	730,364	772,721	55,054	137,600
Foreign Exchange Loss on Foreign Currency Borrowings	10,919	77,350	-	-
Finance Charges on Lease Liabilities	153,117	-	8,362	-
Total Interest Expense	1,019,804	1,044,430	133,125	214,041
Preference Share Dividends	27,575	-	-	-
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	1,782	1,782	-	-
Total Finance Cost	1,049,161	1,046,212	133,125	214,041

6.2 Finance Income

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Interest Income on Loans and Receivables				
- Related Parties	-	-	25,184	38,983
- Others	274,449	470,019	23,528	19,101
Total Interest Income	274,449	470,019	48,712	58,084
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	5,999	8,008	333	245
Total Finance Income	280,448	478,027	49,045	58,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Assets 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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Staff Expenses	7,452,672	7,336,731	139,486	256,388
Directors’ Emoluments	460,195	451,117	118,482	131,212
Costs of Defined Employees Benefits				
- Defined Benefit Plan Cost - Gratuity	206,156	200,120	10,735	10,032
- Defined Contribution Plan Cost - MSPS/EPF/ETF	582,324	585,549	28,400	26,103
Depreciation	1,271,330	1,270,844	32,581	34,437
Amortisation of Right-of-Use Assets	293,388	-	51,919	-
Amortisation of Intangible Assets	93,794	88,615	29,278	20,211
Impairment of Goodwill	125,117	-	-	-
Auditors' Remuneration				
- Audit	17,526	16,501	1,985	1,838
- Non Audit	8,099	9,572	2,805	949
Legal Fees	25,290	20,634	281	561
Donations	53,581	60,761	11,536	3,386
Provision/(Reversal) for Obsolete Stocks	101,192	(97,824)	-	-
Impairment of Trade Receivables	451,395	138,404	59,218	23,583
Impairment of Investment in Subsidiaries	-	-	252,524	3,000
Loss on Disposal of Subsidiaries	109,390	-	-	-
Transport Cost	342,775	306,141	-	-
Advertising Cost	1,626,628	1,517,007	-	-

8 Taxes

Accounting Policy

Tax expense comprises of 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 amounts 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. 24 of 2017, effective from 01 April 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- Income Taxes.

The Ministry of Finance has instructed on 31 January 2020 and 05 March 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from 01 January 2020, pending formal amendments being made to the Act. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from 01 January 2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the Group. Accordingly, the Group has decided to apply the revised income tax rates with effective from 01 January 2020.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Taxes (Contd.)

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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Current Income Tax				
Current Income Tax Charge (Note 8.1)	1,178,334	1,300,027	-	16,263
Adjustment in Respect of Income Tax of Prior Years	29,191	43,455	-	52,168
Tax on Dividends	323,831	50,318	-	-
ESC Written off	13,147	-	-	-
Deferred Tax Charge/(Reversal)				
Relating Origination and Reversal of Temporary Differences (Note 8.2)	(115,371)	20,104	968	(1,654)
	1,429,132	1,413,904	968	66,777

8.1 Reconciliation Between Income Tax Expenses and Accounting Profit

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Accounting Profit Before Tax	2,791,839	5,093,140	1,404,593	80,027
Intra Group Adjustments/Share of Results of Joint Ventures/ Associates	119,957	92,725	-	-
Income not Subject to Income Tax	(70)	(885)	(1,746,627)	(283,121)
Exempt Profit	(170,359)	(165,088)	-	-
Aggregate Disallowed Expenses	3,959,962	2,435,633	505,537	284,577
Aggregate Allowable Expenses	(2,508,282)	(2,183,228)	(169,773)	(23,400)
Adjustment to Tax Losses	(100,037)	(144,465)	6,270	-
Taxable Profit	4,093,010	5,127,832	-	58,083
Standard Rates	1,070,721	1,085,527	-	16,263
Concessionary Rates	107,613	214,500	-	-
Current Income Tax Charge	1,178,334	1,300,027	-	16,263

8.2 Deferred Tax Charge/(Reversal) Relates to the Following;

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Change in Fair Value of Investment Properties	-	(11,032)	18,640	5,002
Accelerated Depreciation for Tax Purposes	(15,455)	87,806	(3,288)	2,217
Employee Benefit Liability	(15,919)	(26,722)	(325)	(121)
Losses Available for Offset Against Future Taxable Income	50,537	2,230	-	-
Net Impact from Right-of-Use Asset and Lease Liability	(4,124)	-	(687)	-
Others	(130,410)	(32,178)	(13,372)	(8,752)
	(115,371)	20,104	968	(1,654)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Taxes (Contd.)

8.3 Deferred Tax Assets and Liabilities

Group	Deferred Tax Assets 2020 LKR 000	Deferred Tax Assets 2019 LKR 000	Deferred Tax Liabilities 2020 LKR 000	Deferred Tax Liabilities 2019 LKR 000
Balance at the Beginning of the Year	107,862	61,510	1,811,865	1,814,508
Recognised through Profit or Loss	67,073	30,406	(48,298)	50,510
Recognised through Other Comprehensive Income	14,720	13,511	(52,763)	(1,570)
Transfer	23,564	1,435	23,564	1,435
Recognised through Changes in Equity	810	1,000	(260)	-
Disposal of Subsidiaries	(49,603)	-	(870)	(53,018)
Balance at the End of the Year	164,426	107,862	1,733,238	1,811,865

Company	Deferred Tax Liabilities 2020 LKR 000	Deferred Tax Liabilities 2019 LKR 000
Balance as at Beginning of the Year	136,782	138,076
Reversal/(Charge) arising During the Year	968	(1,654)
Recognised through Other Comprehensive Income	778	360
Balance at the End of the Year	138,528	136,782

8.3.1 The Closing Deferred Tax Liability/(Asset) Balances Relates to the Following;

Group	Group 2020 LKR 000	Group 2019 LKR 000	Company 2020 LKR 000	Company 2019 LKR 000
Revaluation of Land and Buildings to Fair Value	1,253,906	1,291,231	-	-
Change in Fair Value of Investment Properties	64,540	64,540	158,803	140,162
Accelerated Depreciation for Tax Purposes	774,692	797,193	17,118	20,406
Employee Benefit Liability	(248,796)	(227,559)	(12,817)	(13,270)
Losses Available for Offset Against Future Taxable Income	(15,753)	(65,609)	-	-
Net Impact from Right-of-Use Asset and Lease Liability	(4,124)	-	(687)	-
Others	(252,652)	(155,793)	(23,889)	(10,516)
	1,568,812	1,704,003	138,528	136,782

8.4 Unutilised Tax Losses

Unutilised carry forward Group tax losses as at 31 March 2020 is LKR 1,024Mn. (Provisional) (2019 - LKR 946Mn)

8.5 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% till 31 December 2019, afterward with effect of Circular No. PN/IT/2020-03 (Revised) liable to income tax at 24% (2018/19- 28%) on taxable profit during the period with the exception of the Companies stated below,

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.

8.5.1 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

8.5.2 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

8.5.3 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. Till 30 June 2019 profit on locally manufactured products is charged at 33.5% and afterwards it is charged at 35%.

8.5.4 As per ''Income Tax ordinance 2001(IT-2)'' in Pakistan, taxable profits of Hemas Consumer Products (Pvt) Ltd. is charged at 29%.

8.5.5 As per ''Income Tax Act, taxable profits of Hemas Consumer Brands India (Pvt) Ltd. is charged at 25%.

8.5.6 As per "Income Tax Act of Singapore " tax is charged on the taxable profit of Kyannmar Pharmaceuticals (Pvt) Ltd. at 17%.

8.5.7 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

9.1 Basic Earnings Per Share

	Group	
	2020 LKR 000	2019 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,235,717	3,369,279
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	596,043	596,034
Basic Earnings Per Share	2.07	5.65

9.2 Diluted Earnings Per Share

	Group	
	2020 LKR 000	2019 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share	1,235,717	3,369,279
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Diluted Earnings Per Share	596,043	596,267
Diluted Earnings Per Share	2.07	5.65

10 Dividend Per Share

10.1 Dividends Paid

	Group / Company	
	2020 LKR 000	2019 LKR 000
Declared and Paid During the Year		
Dividends on Ordinary Shares;		
Final Dividend	864,263	833,655
First Interim Dividend	-	229,981
Second Interim Dividend - Scrip Issue	-	1,771,630
	864,263	2,835,266

10.2 Dividend Per Share

	Group / Company	
	2020 LKR	2019 LKR
Final Dividend - 2018/2019 (2019-2017/2018)	1.45	1.45
First Interim Dividend - 2019/2020(2019-2018/2019)	-	0.40
Second Interim Scrip Dividend - 2019/2020 (2018-2018/2019)	-	3.08
	1.45	4.93

The Final Dividend for 2018/2019 has been paid on 05 July 2019.

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 which are stated at fair value, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress is stated at cost net of 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 and sensitivity analysis are provided in Note 11.1.1-11.1.3.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in progress and is stated at cost. On completion, the related assets are transferred to Property, Plant and Equipment. Depreciation on such assets commences when the assets are ready for their intended use.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Property, Plant and Equipment (Contd.)

Depreciation

Depreciation is calculated on a 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.

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.

Borrowing Costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent where borrowing costs that are 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 respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalised from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Accounting Judgement, Estimate and Assumption

Fair value of the Land and Buildings are ascertained by independent valuations carried out by the 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 redevelopment requirements have been considered. Further valuers have referred 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.

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020, has impacted global financial markets and market activities are being impacted in many sectors.

As a result of that a reassessment of the valuation was obtained from the same independent valuers who determined that there is no significant change between the carrying value and the fair value as at 31 March 2020. The report indicated that the pandemic condition continues to evolve and hence is considered too premature to reasonably assess and estimate its full impact and in their opinion, the value reflected as of 31 March 2020 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement

11 Property, Plant and Equipment

11.1 Group

	Freehold Land	Freehold Buildings	Buildings on Leasehold Land	Plant and Machinery	Furniture, Fittings & Other Equipment	Motor Vehicles	Capital Work-in Progress*	Total 2020	Total 2019
	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	4,210,510	6,775,666	2,220,695	3,614,100	5,656,994	1,698,036	799,932	24,975,933	23,451,078
Additions	-	53,931	13,941	240,615	436,778	98,163	2,198,683	3,042,111	2,644,095
Acquisition through Subsidiaries	-	-	-	-	16,228	484	6,877	23,589	-
Disposal of Subsidiaries	-	(1,872)	-	-	(346,966)	(42,903)	-	(391,741)	(861,982)
Disposals	-	(21,778)	(118,072)	(46,534)	(122,600)	(206,060)	-	(515,044)	(305,996)
Exchange Translation Difference	20,094	514	-	1,116	116	888	-	22,728	48,777
Transfers and Reclassifications	-	110,498	400	(364,747)	214,630	-	(221,393)	(260,612)	(39)
Balance at the End of the Year	4,230,604	6,916,959	2,116,964	3,444,550	5,855,180	1,548,608	2,784,099	26,896,964	24,975,933
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	159,500	126,839	2,030,725	3,091,943	881,491	-	6,290,498	5,382,039
Charge for the Year	-	229,524	75,287	208,497	573,095	184,927	-	1,271,330	1,270,844
Acquisition through Subsidiaries	-	-	-	-	5,172	30	-	5,202	-
Disposal of Subsidiaries	-	(339)	-	-	(220,828)	(29,411)	-	(250,578)	(178,566)
Disposals	-	(11,851)	(64,223)	(43,775)	(110,076)	(156,980)	-	(386,905)	(191,195)
Exchange Translation Difference	-	468	-	673	(459)	491	-	1,173	7,464
Transfers and Reclassifications	-	(257)	234	(178,618)	112,159	-	-	(66,482)	(88)
Balance at the End of the Year	-	377,045	138,137	2,017,502	3,451,006	880,548	-	6,864,238	6,290,498
Carrying Value									
At the End of the Year	4,230,604	6,539,914	1,978,827	1,427,048	2,404,174	668,060	2,784,099	20,032,726	
At the Beginning of the Year	4,210,510	6,616,166	2,093,856	1,583,375	2,565,051	816,545	799,932	18,685,435	

*Capital work-in progress includes LKR 2.5Bn relating to expenditure on the construction of the new pharmaceutical manufacturing and research facility of Morison PLC. Construction of the plant is financed through loans and borrowing, finance cost amounting to LKR 89Mn (2019-21Mn) was capitalised during the year ended 31 March 2020 on an actual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Property, Plant and Equipment (Contd.)

11.1.1 Details of the Properties

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			31-Mar-2018
Land at Industrial Property at Welisara		1A-0R-33.12P	- Price per perch for land	LKR 540,000 to 660,000	116,000	
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 Ltd.						
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	2	72,532 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-10P	- Average daily rate	LKR. 9,000	511,000	
Buildings at Waikkal	56	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	65,763 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-19.15P	- Discount rate	7%	208,000	
Building at Aluthmawatha	1	21,901 Sq.ft.			58,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Property, Plant and Equipment (Contd.)

11.1.1 Details of the Properties (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 Company (Pvt) Ltd.						
K. T. D Tissera - Chartered Valuation Surveyor			Market Comparable Method			31-Mar-2018
Land at Peliyagoda		32.26P	- Price per perch for land	LKR 1,000,000	32,260	
Land at Peliyagoda		1A 3R 19.5P	- 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.	- Discount rate	9.5%	113,988	
		7 Rooms				
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor			Profit Basis of Valuation			31-Aug-2017
Land, Mirissa		1R-34P	- Average room rate	LKR 25,000 - 30,000	145,495	
Buildings on Freehold Land, Mirissa	1	7,235 Sq.ft.	- Discount rate	8% -10%	116,038	
		8 Rooms				
G.W.G. Abeygunawardene FRICS - Chartered Valuation Surveyor			Residual Method of Valuation			21-Apr-2017
Freehold Land at Mirissa		1R-5.24P	- Average room rate	LKR 25,000 - 30,000	88,000	
			- Discount rate	8% -10%		
Sunil Fernando & Associate (Pvt) Ltd. - Chartered Valuation Surveyor			Profit Basis of Valuation			31-Aug-2017
Land at Mirissa		1R-38.4P	- Average room rate	LKR 25,000 - 30,000	146,806	
Buildings on Freehold Land, Mirissa	1	7,235 Sq.ft.	- Discount rate	8% -10%	120,679	
		8 Rooms				

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
Sanctuary Resorts Wilpattu Lanka (Pvt) Ltd.						
A. O. M. Najeeb - Licensed Surveyor						
Land at Wanathawillu		43A-0R-23P	-	-	30,986	1-Oct-2018 (Date of Acquisition)
Hemas Holdings PLC						
Building at Nawala	1	1,446 Sq. ft.	-	-	27,000	31-Mar-2020 (Date of Available for use)

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			Market Comparable Method			31-March 2018
Freehold Property at Welisara						
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			31-March 2018
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			Investment Method			31-March 2018
Freehold Property at Braybrooke Place						
Land		1R-10P	- Gross monthly rental	LKR. 190 - 235	488,500	
Building	1	99,372 Sq.ft.	- Rate of return	6%	1,134,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot for building Depreciation rate	Estimated fair value would increase (decrease) if; - Price per perch increases/ (decreases) - Price per square foot increases /(decreases) - Depreciation rate for building increases / (decreases)
Investment Method		
This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Gross monthly rental Years from purchase (Present value of 1 unit per period) Void period	Estimated fair value would increase (decrease) if; - Gross annual rental increases/(decreases) - Years from purchase increases /(decreases) - Void period increases / (decreases)
Profit Basis of Valuation		
In a trade related property the best measure of value is the income generation. It is based on a hypothetical operator who is knowledgeable prudent and efficient rather than actual.	Average room rate	Estimated fair value would increase (decrease) if; - Average room rate increases/(decreases)
Residual Method of Valuation		
Residual valuation is the process of valuing land with development potential. The sum of money available for the purchase of land is calculated from the value of the completed development less the costs of development.	Average room rate	Estimated fair value would increase (decrease) if; - Average room rate increases/(decreases)

11.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR 3,042 Mn (2019-LKR 2,644 Mn) by means of cash.

11.1.5 Carrying Value

	Group	
	2020 LKR 000	2019 LKR 000
At Cost	9,219,007	7,695,235
At Valuation	10,808,528	10,984,066
On Finance Lease	5,191	6,134
	20,032,726	18,685,435

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

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

	Cost	Accumulated Depreciation	Net Carrying Amount	
			2020	2019
	LKR 000	LKR 000	LKR 000	LKR 000
Freehold Land	541,406	-	541,406	541,406
Building on Freehold Land	4,369,334	1,000,504	3,368,830	3,407,805
Building on Leasehold Land	798,977	194,646	604,331	619,319
	5,709,717	1,195,150	4,514,567	4,568,530

11.1.8 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 2,910 Mn (2019-LKR 2,250 Mn).

11.2 Company

	Building	Furniture and Fittings	Office Equipment	Computer Hardware	Motor Vehicles	Capital Work-in Progress	Total 2020	Total 2019
	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	-	79,578	34,109	102,410	151,654	26,000	393,751	396,550
Additions	-	976	91	1,020	11,300	1,000	14,387	40,314
Transfers	27,000	-	-	-	-	(27,000)	-	-
Disposals	-	(505)	(295)	(8,378)	(42,954)	-	(52,132)	(43,113)
Balance at the End of the Year	27,000	80,049	33,905	95,052	120,000	-	356,006	393,751
Accumulated Depreciation								
Balance at the Beginning of the Year	-	51,375	16,726	91,742	83,549	-	243,392	234,003
Charge for the Year	-	8,836	3,500	3,680	16,565	-	32,581	34,437
Disposals	-	(410)	(262)	(8,378)	(29,752)	-	(38,802)	(25,048)
Balance at the End of the Year	-	59,801	19,964	87,044	70,362	-	237,171	243,392
Carrying value								
At the End of the Year	27,000	20,248	13,941	8,008	49,638	-	118,835	
At the Beginning of the Year	-	28,203	17,383	10,668	68,105	26,000	150,359	

11.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of LKR 14 Mn (2019-LKR 40 Mn) by means of cash.

11.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 152 Mn (2019-LKR 141 Mn).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 derecognition.

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 accounts 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 the 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 redevelopment 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.

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets and market activities are being impacted in many sectors.

Perera Sivaskantha & Co, Incorporated Valuers revalued investment properties of the Group/ Company as at 31 March 2020. The financial statements of the Group/ Company as of 31 March 2020 reflect the fair value of such investment properties. Above assessment report indicated that the pandemic condition continues to evolve and hence is considered too premature to reasonably assess and estimate its full impact and in their opinion, the value reflected as of 31 March 2020 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

12.1 Group

	2020 LKR 000	2019 LKR 000
At the Beginning of the Year	1,647,591	1,507,474
Change in Fair Value	-	140,117
At the End of the Year	1,647,591	1,647,591

Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(214)	(231)
Net Loss Arising from Investment Properties Carried at Fair Value	(214)	(231)

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		Market Comparable Method		119,750	31-Mar-2020
Freehold Property at Tangalle		- Price per perch for land	LKR 450,000-500,000		
Land	1A-2R-26.06P	- Sensitivity	+5%-LKR 126 Mn -5% -LKR 114 Mn		
Peace Haven Resorts Limited					
Perera Sivaskantha & Co Incorporated Valuers		Market Comparable Method			31-Mar-2020
Freehold Property at Tangalle		- Price per perch for land	LKR 500,000-600,000	1,527,841	
Land	19A- 02R-34.16P	- 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

	2020 LKR 000	2019 LKR 000
At the Beginning of the Year	657,950	592,125
Change in Fair Value	41,350	65,825
At the End of the Year	699,300	657,950

Rental Income Derived from Investment Properties	25,019	31,119
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(443)	(7,913)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(14)	(117)
Net Profit Arising from Investment Properties Carried at Fair Value	24,562	23,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Investment Properties (Contd.)

12.2.1 Details of Investment Properties

Name of Company / Professional Valuer / Location	Extent	No of Buildings	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Perera Sivaskantha & Company Incorporated Valuers						
Freehold Property at Welisara			Market Comparable Method			31-Mar-2020
Land	1A-3R-8P		- Price per perch for land	LKR 775,000 - 850,000	225,200	
Building	67,300 sq.ft.	3	- Price per square foot for building	LKR 1,142 - 6,500	247,350	
			- Depreciation rate	40%		
			- Sensitivity	+5% - LKR 259 Mn -5% - LKR 235 Mn		
Freehold Property at Hendala			Market Comparable Method			31-Mar-2020
Land	2R-4.13P		- Price per perch for land	LKR 1,250,000 - 1,350,000	101,000	
Building	2,960 sq.ft.	1	- Price per square foot for building	LKR 4,000	6,000	
			- Depreciation rate	50%		
			- Sensitivity	+5% - LKR 6.2 Mn -5% - LKR 5.6 Mn		
Freehold Property at Tangalle			Market Comparable Method		119,750	31-Mar-2020
Land	1A-2R-26.26P		- Price per perch for land	LKR 450,000 - 500,000		
			- Sensitivity	+5% - LKR 126 Mn -5% - LKR 114 Mn		

13 Right-of-Use Assets and Leases

Accounting Policy

The Group/ Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group/ Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises Lease Liabilities to make lease payments and Right-of-Use Assets representing the right to use the underlying assets.

The Group/ Company only reassesses whether a contract is, or contains, a lease subsequent to initial recognition if the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group/ Company recognises Right-of-Use Assets at the commencement date of the lease, when the underlying asset is available for use. Right-of-Use Assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of Lease Liabilities. The cost of Right-of-Use Assets includes the amount of Lease Liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group/ Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Right-of-Use Assets are amortised on a straight-line basis over the shorter of its estimated useful life or the lease term. If ownership of the leased asset transfers to the Group/ Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset (Land and Building 2-30 Years). Right-of-Use Assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group/Company recognises Lease Liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of Lease Liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of Lease Liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group's Lease Liabilities are included in Interest-Bearing Loans and Borrowings.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group does not foresee any impairment of Right-of-Use Assets due to the COVID-19 pandemic since the demand for its products and services has recovered relatively quickly. Further Group does not anticipate discontinuation of any Right-of-Use Assets as at the reporting date and the lease liability is not reassessed as there are no known moratoriums received for the lease payments so far.

Policies Applicable Prior to 1 April 2019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Right-of-Use Assets and Leases (Contd.)

Set out below, are the carrying amounts of the Group's Right-of-Use Assets and Lease Liabilities and the movements for the period ended 31 March 2020.

13.1 Right-of-Use Assets

	Group LKR 000	Company LKR 000
Cost		
Balance at the Beginning of the Year	-	-
Effect of Adoption of SLFRS 16	2,194,797	-
As at 1 April 2019	2,194,797	-
Additions	126,887	103,839
Balance at the End of the Year	2,321,684	103,839
Accumulated Amortisation and Impairment		
As at 1 April 2019	-	-
Amortisation	293,388	51,919
Balance at the End of the Year	293,388	51,919
Carrying Value	2,028,296	51,920
Land and Building	2,028,296	51,920

13.2 Lease Liabilities

	Group LKR 000	Company LKR 000
Balance at the Beginning of the Year	5,194	-
Effect of Adoption of SLFRS 16	1,427,374	-
As at 1 April 2019	1,432,568	-
Additions	124,977	103,839
Interest Expense	153,117	8,362
Payments	(293,987)	(57,828)
Balance at the End of the Year	1,416,675	54,373
Current	159,440	54,373
Non-Current	1,257,235	-
Total	1,416,675	54,373

The following are the amounts recognised in the Statement of Profit or Loss:

	Group LKR 000	Company LKR 000
Amortisation Expense of Right-of-Use Assets	293,388	51,919
Interest Expense on Lease Liabilities	153,117	8,362
Expense Relating to Short-Term Leases and Low-Value Assets	100,768	-

14 Leasehold Rights/Prepaid Lease Rentals

Accounting Policy

Prepaid lease rentals to acquire land use right are amortised over the lease term.

	Group	
	2020 LKR 000	2019 LKR 000
At the Beginning of the Year	731,276	766,809
Transfers due to Adoption of SLFRS 16	(731,276)	-
Transfers	-	(29,906)
Amortisation for the Year	-	(5,627)
Balance at the End of the Year	-	731,276

15 Intangible Assets

Accounting Policy

Basis of Recognition

Intangible Assets are recognised if it is probable that the 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 the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible Assets (Contd.)

Where goodwill has been allocated to a cash generating unit (CGU) 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 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 indefinite.

Intangible Assets with finite life are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the Intangible Asset may be impaired. The amortisation period and the amortisation method for an Intangible Asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on Intangible Assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the Intangible Assets.

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

Software	10% - 33.3%
Brand Name	6.7% - 10%

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 CGU 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 CGU 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 CGUs, 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%- 6%)
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 economic condition.

In light of current operational and economic conditions due to the ongoing COVID-19 pandemic, the Group has reassessed the expected future business performance relating to cash generating units where the management has concluded that the recoverable value of CGUs exceeds its carrying values.

15.1 Group

	Software	Brands	Goodwill on Consolidation	Total 2020	Total 2019
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Cost					
Balance at the Beginning of the Year	545,957	1,150,721	2,331,602	4,028,280	3,973,507
Additions	33,255	-	-	33,255	63,628
Transfers	54,823	-	-	54,823	2,281
Acquisition through Subsidiaries	11,158	-	109,654	120,812	-
Disposal of Subsidiaries	(36,735)	-	(6,738)	(43,473)	(10,102)
Disposals	-	-	-	-	(1,034)
Balance at the End of the Year	608,458	1,150,721	2,434,518	4,193,697	4,028,280
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year	333,961	146,708	78,665	559,334	479,525
Amortisation	88,792	5,002	-	93,794	88,615
Transfers	31	-	-	31	1,552
Acquisition through Subsidiaries	4,228	-	-	4,228	-
Disposal of Subsidiaries	(27,932)	-	-	(27,932)	(9,324)
Impairment Loss Recognised	-	-	125,117	125,117	-
Disposals	-	-	-	-	(1,034)
Balance at the End of the Year	399,080	151,710	203,782	754,572	559,334
Carrying Value					
At the End of the Year	209,378	999,011	2,230,736	3,439,125	
At the Beginning of the Year	211,996	1,004,013	2,252,937	3,468,946	

The aggregate carrying amount of goodwill allocated to each unit is as follows;

	Group	
	2020 LKR 000	2019 LKR 000
Serendib Hotels PLC and its Subsidiaries	123,300	123,300
Spectra Logistics (Pvt) Ltd.	-	15,463
LTU Asia Aviation Services (Pvt) Ltd.	-	6,738
Morison PLC	259,288	259,288
Atlas Axillia Company (Pvt) Ltd.	1,848,148	1,848,148
	2,230,736	2,252,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible Assets (Contd.)

15.2 Company

	Software	
	2020 LKR 000	2019 LKR 000
Cost		
Balance at the Beginning of the Year	182,370	169,461
Additions	1,829	12,909
Transfers	54,400	-
Balance at the End of the Year	238,599	182,370
Accumulated Amortisation		
Balance at the Beginning of the Year	109,424	89,213
Amortisation	29,278	20,211
Balance at the End of the Year	138,702	109,424
Carrying Value	99,897	72,946

16 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	
	2020	2019	2020 LKR 000	2019 LKR 000
Unquoted 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.	100%	100%	509,905	509,905
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	213,331	213,331
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100%	100%	23,957	23,957
Exchange & Finance Investments (Pvt) Ltd.	100%	100%	9,412	9,412
Leisure Asia Investments Ltd.	100%	100%	5,533,371	5,533,371
Hemas Transportation (Pvt) Ltd.	100%	100%	723,029	705,529
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%	252,524	185,431
Atlas Axillia Company (Pvt) Ltd.	75%	75%	5,658,706	5,658,706
			16,430,289	16,345,696
Impairment of Investment in				
FAR Shipping Lanka (Pvt) Ltd.			(3,000)	(3,000)
Exchange & Finance Investments (Pvt) Ltd.			(9,412)	(9,412)
Concept Ventures (Pvt) Ltd.			(252,524)	-
			16,165,353	16,333,284
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			17,330,481	17,498,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 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 Venture 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.

17.1 Investment in Joint Venture

	Holding 2020	Holding 2019	2020 LKR 000	2019 LKR 000
Unquoted				
Cost				
PH Resorts (Pvt) Ltd.	50%	50%	1,411,398	1,411,398
			1,411,398	1,411,398
Disposed / Transferred During the Year				
H & M Shipping (Pvt) Ltd.			-	30,000
Share of Net Assets Disposed/ Transferred During the Year			-	10,475
Cumulative Loss Accruing to the Group Net of Dividend			(550,504)	(471,452)
Cumulative Other Comprehensive Income Accruing to the Group			(159,433)	(96,801)
			(709,937)	(527,778)
Carrying Amount of the Investment			701,461	883,620

Summarised Financial Information of Joint Venture

	2020 LKR 000	2019 LKR 000
Group Share of Joint Venture's Statement of Financial Position		
Current Assets	563,065	378,970
Non-Current Assets	2,607,329	2,683,023
Current Liabilities	(590,726)	(448,664)
Non-Current Liabilities	(1,878,207)	(1,729,709)
Carrying Amount of the Investment	701,461	883,620

	2020 LKR 000	2019 LKR 000
Group Share of Joint Venture's Statement of Profit or Loss;		
Share of the Joint Venture Revenue	629,808	909,591
Share of the Joint Venture Losses Before Tax	(118,181)	(57,954)
Share of the Joint Venture Losses Net of Tax	(119,527)	(58,043)
Share of the Joint Venture Other Comprehensive Income	(62,632)	(94,667)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Equity Accounted Investees (Contd.)

17.2 Investment in Associates

	Holding 2020	Holding 2019	2020 LKR 000	2019 LKR 000
Unquoted				
Aviation Services (Pvt) Ltd.	-	49%	-	12,518
Healthnet International (Pvt) Ltd.	-	49%	-	49,999
Pulz Solutions (Pvt) Ltd.	30%	30%	6,500	6,500
Hire 1 Technologies (Pvt) Ltd.	20%	20%	29,500	29,500
VulcanD (Pvt) Ltd.	20%	20%	10,000	8,600
			46,000	107,117
Disposed / Transferred During the Year				
Aviation Services (Pvt) Ltd.			12,518	-
Healthnet International (Pvt) Ltd.			49,999	-
Share of Net Assets Disposed/ Transferred During the Year			(62,517)	-
Cumulative Loss Accruing to the Group Net of Dividend			(6,416)	(78,213)
Cumulative Other Comprehensive Income Accruing to the Group			-	1,536
Impairment of Investment in Associate			(39,584)	(24,572)
Carrying Amount of the Investments			-	5,868

Summarised Financial Information of Associate

	2020 LKR 000	2019 LKR 000
Group Share of Associates' Statement of Profit or Loss		
Share of the Associate Revenue	-	138,027
Share of the Associate Losses Before Tax	(430)	(34,682)
Share of the Associate Losses Net of Tax	(430)	(34,682)
Share of the Associate Other Comprehensive Income	-	(898)

18 Lease Receivables

The assets are reported as receivables at an amount equal to the net investment in the lease. Lease income from finance leases is recognised over the term of the lease based on the effective interest rate method.

	2020	
	Gross Investment in Lease	Present Value of Minimum Lease Receipts
Non-Current - Between One to Five Years	187,473	172,486
Current	71,032	58,385
	258,505	230,871

19 Financial Assets and Liabilities

Accounting Policy

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 (FVOCI) and fair value through profit or loss (FVPL).

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 rate (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Financial Assets and Liabilities (Contd.)

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

- 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.

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 the 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 are given below

	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)	Sensitivity - LKR '000	
				Increase by 0.5%	Decrease by 0.5%
Jada Resorts and Spa (Pvt) Ltd.	Discounted Cash Flow Method	Long-Term Growth Rate for Cash Flows for Subsequent Years	2% - 5%	25,136	(22,860)
		Cost of Equity	15% - 18%	(47,686)	47,686

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 at 31 March 2020.

Derecognition

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.

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 to 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Financial Assets and Liabilities (Contd.)

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 considering 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.

Derecognition

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

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, cross currency swaps to hedge its foreign currency risks and interest rate risks respectively. 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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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 cost of hedging reserve within equity.

Cross Currency Swap (CCS)

The Group uses cross currency swaps to hedge the interest rate risk and exchange rate risk arising from a floating rate borrowing denominated in foreign currencies. The hedge type is designated as cash flow hedge since the Group is expecting to hedge the variability arisen from the interest rate risk and exchange rate risk, where the US Dollar borrowing can be identified as the hedged item, the CCS can be identified as the hedge instrument and interest rate risk and exchange rate risk can be identified as the hedged risk.

The economic relationship between the hedged item (currency outflows for repayments of foreign currency loan) and the hedging instrument (inflows from cross currency swap) is such that it moves in an opposite direction as a result of the common underlying or hedged risk.

The Group has established a hedge ratio of 1:1 between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. Moreover, the hedge effectiveness is set at 100% as per the contractual terms where the fair value change in the hedge instrument is 100% efficient in offsetting the fair value change of the liability.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Financial Assets and Liabilities (Contd.)

19.1 Financial Assets

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Quoted Equity Shares (Note 19.1.1.1 (a))	2,052	2,216	259	346
Unquoted Equity Shares (Note 19.1.1.1 (b))	324,637	454,953	145,300	242,700
	326,689	457,169	145,559	243,046
Loans to Company Employees	130,060	146,132	5,151	6,475
Loans Due from Related Parties (Note 19.1.3)	-	-	198,000	13,553
Advances/Refundable Deposits	157,122	198,288	-	-
Derivative Assets	10,260	9,043	-	-
Other Investments	300	300	-	-
	297,742	353,763	203,151	20,028
Total Financial Assets	624,431	810,932	348,710	263,074
Total Non-Current (Note 19.1.1)	540,670	711,386	148,999	245,516
Total Current (Note 19.1.2)	83,761	99,546	199,711	17,558

19.1.1 Other Financial Assets - Non Current

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Investment In Equity Securities	326,689	457,169	145,559	243,046
Loans to Company Employees	56,859	55,929	3,440	2,470
Refundable Deposits	157,122	198,288	-	-
	540,670	711,386	148,999	245,516

19.1.2 Other Financial Assets - Current

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Loans to Company Employees	73,201	90,203	1,711	4,005
Loans Due from Related Parties (Note 19.1.3)	-	-	198,000	13,553
Derivative Assets	10,260	9,043	-	-
Other Investments	300	300	-	-
	83,761	99,546	199,711	17,558

19.1.1.1 Investment in Equity Securities - Non Current

(a) Quoted

	No. of Shares		Carrying Value		Fair Value	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Group						
Overseas Realty (Ceylon) PLC	1,000	1,000	12	16	12	16
Eden Hotels Lanka PLC	127	127	2	2	2	2
Galadari Hotels PLC	1,500	2,500	9	17	9	17
CT Holdings PLC	10,934	10,934	1,749	1,780	1,749	1,780
CIC Holdings PLC	296	296	10	11	10	11
Blue Diamond Jewellery Worldwide PLC	-	1,300	-	1	-	1
Royal Palm Beach Hotels PLC	85	85	1	2	1	2
Hayleys PLC	13	13	2	2	2	2
Lankem Ceylon PLC	50	50	1	1	1	1
John Keells Holdings PLC	2,377	2,377	266	384	266	384
			2,052	2,216	2,052	2,216
Company						
Overseas Realty (Ceylon) PLC	500	500	6	8	6	8
John Keells Holdings PLC	2,081	2,081	253	338	253	338
			259	346	259	346

(b) Unquoted

	No. of Shares		Carrying Value	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Group				
Rainforest Ecology (Pvt) Ltd.	1,200,000	1,200,000	7,450	8,192
Takas Investments (Pvt) Ltd.	219,998	219,998	-	-
Jada Resorts and Spa (Pvt) Ltd.	53,535,680	53,535,680	267,437	446,761
Forbes Leisure Services (Pvt) Ltd.	4,975,000	-	49,750	-
			324,637	454,953
Company				
Jada Resorts and Spa (Pvt) Ltd.	29,086,200	29,086,200	145,300	242,700
			145,300	242,700
Total				
Group			326,689	457,169
Company			145,559	243,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Financial Assets and Liabilities (Contd.)

19.1.3 Loans Due From Related Parties

	Relationship	Company 2020 LKR 000	Company 2019 LKR 000
Spectra Logistics (Pvt) Ltd.	Subsidiary	-	10,000
FAR Shipping Lanka (Pvt) Ltd.	Subsidiary	-	3,553
Hemas Surgical and Diagnostics (Pvt) Ltd.	Subsidiary	195,000	-
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	3,000	-
		198,000	13,553
Current		198,000	13,553
Non-current		-	-
Terms and Conditions			
Security - Unsecured			
Repayment -To be Repaid on Demand			
Interest - Based on Market Rates (AWPLR + Margin)			

19.2 Financial Assets and Liabilities by Categories

As at 31 March	Notes	Group 2020 LKR 000	Group 2019 LKR 000	Company 2020 LKR 000	Company 2019 LKR 000
Financial Assets					
Financial Assets at Amortised Cost					
Trade and Other Receivables	21	14,897,448	16,861,469	212,914	303,722
Other Financial Assets					
- Loans to Company Employees	19	130,060	146,132	5,151	6,475
- Loans due from Related parties	19	-	-	198,000	13,553
- Refundable Deposits	19	157,122	198,288	-	-
- Other Investments	19	300	300	-	-
Cash and Short-Term Deposits	28	5,616,972	6,473,631	347,738	524,287
Financial Assets at FVOCI					
Equity Share Investment	19	326,689	457,169	145,559	243,046
Derivative Assets	19	10,260	9,043	-	-
Total		21,138,851	24,146,032	909,362	1,091,083
Financial Liabilities					
Loans and Borrowings					
Derivative Liabilities/Advances	25	3,376	61,240	-	-
Interest-Bearing Loans and Borrowings					
- Loans and Borrowings	24	6,684,638	3,864,470	-	-
- Loans due to Related Parties	24	-	-	780,152	502,000
- Debenture	24	-	1,052,640	-	1,052,640
- Lease Liability	24	1,416,675	5,194	54,373	-
Trade and Other Payables	27	17,937,272	18,599,450	480,645	505,919
Bank Overdraft	28	1,396,037	2,182,315	3,253	373
Total		27,437,998	25,765,309	1,318,423	2,060,932

20 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.

The Group has reassessed the net realisable value of its inventories with COVID-19 pandemic. However, no adjustment to the carrying value of the inventory to reflect its net realisable value was required.

	Group	
	2020 LKR 000	2019 LKR 000
Raw Materials	1,791,538	1,346,344
Work-In Progress	196,154	179,056
Finished Goods and Other Stocks	10,799,303	9,356,102
Goods In Transit	996,121	441,380
Less: Provision for Obsolete Stocks	(223,125)	(121,933)
	13,559,991	11,200,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade and Other Receivables

	Group		Company	
As at 31 March	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Trade Receivables				
-Related Parties (Note 21.1)	-	-	155,322	187,215
-Others	12,938,659	14,196,443	7,827	1,425
	12,938,659	14,196,443	163,149	188,640
Less: Allowance for Impairment				
-Related Parties	-	-	(87,617)	(30,413)
-Others	(824,474)	(549,829)	(2,016)	(2)
	(824,474)	(549,829)	(89,633)	(30,415)
	12,114,185	13,646,614	73,516	158,225
Other Receivables				
-Related Parties (Note 21.2)	-	-	74,601	65,450
-Others	2,783,263	3,214,855	64,797	80,047
Advances and Prepayments	1,196,512	1,572,551	31,389	44,389
	16,093,960	18,434,020	244,303	348,111

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

Group	Total	Neither	Past due but not impaired				
As at 31 March		due nor impaired	< 30 days	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
2020	12,114,185	6,777,291	2,638,795	840,995	610,348	541,600	705,156
2019	13,646,614	7,179,562	2,815,783	1,338,624	645,821	936,278	730,546

Company	Total	Neither	Past due but not impaired				
As at 31 March		due nor impaired	< 30 days	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
2020	73,516	42,003	16,190	6,364	5,381	3,578	-
2019	158,225	96,429	43,991	9,765	6,438	1,602	-

Movements in the allowance for impairment of Trade Receivables;

	Group			Company		
	Individually Impaired LKR 000	Collectively Impaired LKR 000	Total LKR 000	Individually Impaired LKR 000	Collectively Impaired LKR 000	Total LKR 000
As at 31 March 2018	65,071	336,758	401,829	-	6,391	6,391
Impact on Adoption of SLFRS 09	-	26,443	26,443	-	441	441
As at 1 April 2018	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	-	(12,141)	(12,141)	-	-	-
As at 31 March 2019	65,477	484,352	549,829	-	30,415	30,415
Charge for the Year	(623)	452,018	451,395	-	59,218	59,218
Acquisition of Subsidiary	-	8,692	8,692	-	-	-
Disposal of Subsidiary	(60,595)	(122,454)	(183,049)	-	-	-
Write off / Transfers	(4,119)	1,726	(2,393)	-	-	-
As at 31 March 2020	140	824,334	824,474	-	89,633	89,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade and Other Receivables (Contd.)

21.1 Trade Dues from Related Parties

	Relationship	Company 2020 LKR 000	Company 2019 LKR 000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	8,943	10,984
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	236	339
Vishwa BPO (Pvt) Ltd.	Subsidiary	4,355	5,821
Hemas Hospitals (Pvt) Ltd.	Subsidiary	11,721	7,957
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	1,576	3,550
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	2,975	131
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	20,242	60,676
Forbes Air Services (Pvt) Ltd.	Subsidiary	1,807	1,198
Hemas Developments (Pvt) Ltd.	Subsidiary	59	79
Serendib Leisure Management Ltd.	Subsidiary	1,336	5,499
Serendib Hotels PLC	Subsidiary	236	975
Dolphin Hotels PLC	Subsidiary	297	1,385
Sigiriya Hotels PLC	Subsidiary	202	786
Far Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	346	726
Hemas Transportation (Pvt) Ltd.	Subsidiary	515	226
P H Resorts (Pvt) Ltd.	Joint Venture	13,763	4,577
Morison PLC	Subsidiary	2,427	18,235
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	4,139	1,779
Spectra Logistics (Pvt) Ltd.	Subsidiary	8,459	12,036
Hemas Maritime (Pvt) Ltd.	Subsidiary	192	737
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	25,823	18,999
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	45,288	21,720
Hemas Mandalar Pharmaceutical Limited	Subsidiary	89	-
Evergreen Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	213	-
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	32	49
Mazu Shipping (Pvt) Ltd.	Subsidiary	51	2
N-able (Pvt) Ltd.*		-	611
Diethelm Travels Lanka (Pvt) Ltd.*		-	2,915
Hemas Aviation (Pvt) Ltd.*		-	2,362
Hemas Travels (Pvt) Ltd.*		-	1,781
Hemas Air Services (Pvt) Ltd.*		-	1,080
		155,322	187,215

21.2 Other Dues from Related Parties

	Relationship	Company 2020 LKR 000	Company 2019 LKR 000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	13,931	-
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	713	1,323
Forbes Air Services (Pvt) Ltd.	Subsidiary	8,839	5,772
Vishwa BPO (Pvt) Ltd.	Subsidiary	1,208	283
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	31	30
Hemas Hospitals (Pvt) Ltd.	Subsidiary	5,253	3,406
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	-	29
Far Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	6	-
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	-	1,515
Hemas Transportation (Pvt) Ltd.	Subsidiary	1,898	473
Hemas Maritime (Pvt) Ltd.	Subsidiary	1,904	205
Mowbray Hotels Ltd.	Subsidiary	-	595
Serendib Leisure Management Ltd.	Subsidiary	4,771	1,555
Morison PLC	Subsidiary	6,888	4,099
Spectra Logistics (Pvt) Ltd.	Subsidiary	3,898	1,627
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	118	-
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	4,199	20,001
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	15,212	8,626
Hemas Developments (Pvt) Ltd.	Subsidiary	-	24
Mazu Shipping (Pvt) Ltd.	Subsidiary	-	187
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	4,299	3,089
Hemas Mandalar Pharmaceutical Limited	Subsidiary	7	-
Concept Ventures (Pvt) Ltd.	Subsidiary	1,426	6,508
Hemas Air Services (Pvt) Ltd.*		-	2,078
N-able (Pvt) Ltd.*		-	564
Hemas Aviation (Pvt) Ltd.*		-	25
Hemas Travels (Pvt) Ltd.*		-	603
Diethelm Travel Lanka (Pvt) Ltd.*		-	2,774
Diethelm Travel The Maldives Pvt Ltd*		-	59
		74,601	65,450

* Pursuant to the disposal of subsidiaries, receivable balances as at 31 March 2020 from these entities (Note 29.2) are reclassified to "Receivables - Others".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Stated Capital

22.1 Fully Paid Ordinary Shares

	2020		2019	
	Number	LKR 000	Number	LKR 000
Balance at the Beginning of the Year	596,043,425	7,734,054	574,934,259	5,960,450
Exercise of Share Options	-	-	18,333	1,974
Scrip Issue	-	-	21,090,833	1,771,630
Balance at the End of the Year	596,043,425	7,734,054	596,043,425	7,734,054

22.2 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.

22.3 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, 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 an 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
Grant 5	27.07.2019	4,115,000	69.00	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 and time criteria. The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model considering 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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
For the Year Ended 31 March				
Total Expense Arising from Share-Based Payment Transactions	31,351	44,044	6,756	5,805

Movement During the Year

	Group			
	2020		2019	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	8,099,877	111.68	5,812,164	120.94
Granted During the Year	4,115,000	69.00	3,491,250	108.81
Expired During the Year	(794,117)	-	-	-
Exercised During the Year	-	-	(18,333)	87.50
Cancelled During the Year	(1,513,428)	-	(1,185,204)	-
Outstanding at the End of the Year	9,907,332	97.05	8,099,877	111.68
Exercisable at the End of the Year	5,862,332	116.41	4,623,627	113.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Stated Capital (Contd.)

	Company			
	2020		2019	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	2,435,447	105.68	2,124,239	114.49
Granted During the Year	1,077,500	69.00	795,000	108.81
Expired During the Year	(466,979)	-	-	-
Cancelled During the Year	(441,984)	-	(483,792)	-
Outstanding at the End of the Year	2,603,984	94.45	2,435,447	105.68
Exercisable at the End of the Year	1,541,484	111.99	1,640,447	85.93

*** WAEP - Weighted Average Exercise Price (LKR)**

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

	Grant 5	Grant 4	Grant 3	Grant 2
Dividend Yield (%)	2.47	1.48	1.70	1.70
Expected Volatility (%)	1.73	1.13	1.32	1.73
Risk Free Interest Rate (%)	9.83	10.51	11.14	10.00
Expected Life of Share Options (Years)	4	4	4	4
Weighted Average Share Price at the Date of Exercise of these Options (LKR)	69.00	108.81	149.50	87.50
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)	20.97	33.34	48.36	28.84
Exercise Price for Options Outstanding at the End of the Year (LKR)	69.00	108.81	149.50	87.50

23 Reserves

23.1 Other Capital and Revenue Reserves

	Group		Company	
As at 31 March	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	185,449	141,775	406,800	363,126
Provision for Share-Based Payment	31,351	44,044	6,756	5,805
Exercise of Share Option	-	(370)	-	(370)
Charge from Group Companies	-	-	24,595	38,239
Balance at the End of the Year	216,800	185,449	438,151	406,800

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.

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 01 April 2006 the investments in subsidiaries are accounted at carrying value as at that date and any investment made after 01 April 2006 are carried at cost, net of any provision for impairment.

23.2 Other Component of Equity

Revaluation Reserve

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

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.

Fair Value Reserve

Fair Value Reserve comprises the cumulative net change in the fair value of Financial Assets at FVOCI.

Hedging Reserve

Cash Flow Hedge

The Group designates its identified foreign currency loans as a hedging instrument in order to hedge the variation in highly probable specifically identified future foreign currency revenue attributable to changes in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised in the Cash Flow Hedge Reserve, through Other Comprehensive Income while any ineffective portion is recognised immediately in the Statement of Profit or Loss.

	Group	
	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	(109,667)	1,230
Net Movement	(67,466)	(110,897)
Balance at the End of the Year	(177,133)	(109,667)

Cross Currency Swap Hedge

The Group uses Cross Currency Swap (CCS) to hedge the interest rate risk and exchange rate risk arising from a floating rate borrowing denominated in foreign currencies.

	Group	
	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	-	-
Net Movement	(77,537)	-
Balance at the End of the Year	(77,537)	-
Total	(254,670)	(109,667)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Interest-Bearing Loans and Borrowings

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	4,922,304	5,175,453	1,554,640	1,140,145
Cash Movement				
Obtained During the Year	38,930,798	73,673,501	2,195,000	1,271,500
Repayments	(37,100,534)	(73,800,042)	(3,027,316)	(857,005)
Non Cash Movement				
Effect of Adoption of SLFRS 16	1,427,374	-	-	-
Leases Obtained	124,977	-	103,839	-
Interest on Leases	153,117	-	8,362	-
Acquisition through Subsidiaries	60,045	-	-	-
Disposal of Subsidiaries	(494,158)	(243,931)	-	-
Exchange Differences through Statement of Profit or Loss	(13,117)	79,521	-	-
Exchange Differences through Other Comprehensive Income	90,507	37,802	-	-
Balance at the End of the Year	8,101,313	4,922,304	834,525	1,554,640
Non-Current	4,738,157	1,369,067	-	-
Current	3,363,156	3,553,237	834,525	1,554,640
	8,101,313	4,922,304	834,525	1,554,640

24.1 Details of Interest-Bearing Loans and Borrowings

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2020 LKR 000	2019 LKR 000
Hemas Holdings PLC		Debenture	11.00% Fixed	-	-	1,052,640
Hemas Pharmaceuticals (Pvt) Ltd.	CITI Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	250,000	-
	CITI Bank	Short-Term Loan	11.83% Fixed	-	-	400,000
	Hatton National Bank	Short-Term Loan	3 Months LIBOR plus Margin	-	-	368,715
	Standard Chartered Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	600,000	-
	The Hongkong & Shanghai Banking Corporation	Term Loan	3 Months LIBOR plus Margin	Repayable in Dec 2022	1,741,666	-
	The Hongkong & Shanghai Banking Corporation	Short-Term Loan	4 Months LIBOR plus Margin	Repayable in April 2020	77,710	-
	The Hongkong & Shanghai Banking Corporation	Short-Term Loan	5 Months LIBOR plus Margin	Repayable in April 2020	104,690	-
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Standard Chartered Bank	Short-Term Loan	Money Market rates	Repayable in April 2020	46,000	-
	Standard Chartered Bank	Short-Term Loan	Money Market rates	Repayable in April 2020	10,000	-
	Standard Chartered Bank	Short-Term Loan	12.17%	-	-	54,000
	Union Bank of Colombo	Short-Term Loan	14.89%	-	-	129,500
Hemas Hospitals (Pvt) Ltd.	People's Bank	Term Loan	AWPLR+0.75%	-	-	108,400
Hemas Capital Hospital (Pvt) Ltd.	Hatton National Bank	Term Loan	8.50% Fixed	-	-	26,320
Spectra Logistics (Pvt) Ltd.	Commercial Bank	Term Loan	AWPLR+1%	-	-	1,167
Spectra Integrated Logistics (Pvt) Ltd.**	Commercial Bank	Term Loan	AWPLR plus Margin	Repayable in 45 Installments starting from January 2018	565,730	606,680
	Standard Chartered Bank	Term Loan	3 Month LIBOR plus Margin	Repayable in 16 Quarterly Instalments starting from September 2018	321,619	430,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Interest-Bearing Loans and Borrowings (Contd.)

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2020 LKR 000	2019 LKR 000
Serendib Hotels PLC *	Hatton National Bank	Term Loan	AWPLR plus Margin	Repayable in 34 Installments starting from July 2017	50,000	66,000
	Standard Chartered Bank	Term Loan	1 Month LIBOR plus Margin	-	-	114,563
Dolphin Hotels PLC*	The Hongkong & Shanghai Banking Corporation	Term Loan	1 Month GBP LIBOR plus Margin	Repayable in 60 installments starting from April 2019	276,521	277,432
	The Hongkong & Shanghai Banking Corporation	Term Loan	1 Month Euro LIBOR plus Margin	Repayable in 60 installments starting from April 2019	334,107	315,600
Frontier Capital Lanka (Pvt) Ltd.*	DFCC Bank	Term Loan	AWPLR plus Margin	Repayable in 60 installments starting from November 2015	25,999	26,867
	DFCC Bank	Term Loan	AWPLR plus Margin	Repayable in 60 installments starting from October 2014	9,999	10,333
	Hatton National Bank	Short-Term Loan	13.77%	-	-	27,000
	DFCC Bank	Term Loan	AWPLR plus Margin	Repayable in 60 installments starting from October 2014	25,862	26,725
	National Development Bank	Term Loan	Fixed Rate p.a	Repayable in 60 installments starting from February 2016	13,420	14,465
Morison PLC	CITI Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	360,000	-
	Nations Trust Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	259,960	-
	The Hongkong & Shanghai Banking Corporation	Term Loan	Cost of Funds plus Margin	Repayable in 36 installments	94,444	-
	Standard Chartered Bank	Term Loan	AWPLR Based Rate	Repayable in 16 installments starting from April 2021	1,098,850	42,000

Company	Lending Institution	Nature of Facility	Interest Rate	Repayment Terms	2020 LKR 000	2019 LKR 000
N - Able (Pvt) Ltd.	Cargills Bank	Short-Term Loan	AWPLR + 3.00%	-	-	57,746
	DFCC Bank	Short-Term Loan	Money Market Rates	-	-	151,582
	Hatton National Bank	Short-Term Loan	AWPLR + 4.00%	-	-	185,000
	The Hongkong & Shanghai Banking Corporation	Short-Term Loan	COF + 2.00%	-	-	119,477
	Sampath Bank	Short-Term Loan	Money Market Rates	-	-	84,779
	Standard Chartered Bank	Short-Term Loan	SLIBOR + 2.00%	-	-	47,677
Atlas Axillia Company (Pvt) Ltd.	The Hongkong & Shanghai Banking Corporation	Short-Term Loan	SLIBOR plus Margin	Repayable in October 2020	15,878	-
Hemas Mandalar Pharmaceutical (Pvt) Ltd.	Commercial Bank	Short-Term Loan	1-month LIBOR plus Margin	Repayable in 5 Months	152,183	171,502
Hemas Manufacturing (Pvt) Ltd.	Nations Trust Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	50,000	-
	Standard Chartered Bank	Short-Term Loan	Money Market Rates	Repayable in April 2020	200,000	-

*These companies have been granted a one year loan moratorium ending 31 March 2020 for the above term loans as the tourism industry in Sri Lanka was severely affected from the terrorist attack on Easter Sunday. The said moratorium has been extended for a further 6 months as the COVID-19 outbreak resulted critical downturn in tourism industry.

** Further Spectra Integrated Logistics (Pvt) Ltd. been granted a six months moratorium up to 30 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Interest-Bearing Loans and Borrowings (Contd.)

24.2 Company

	2020 LKR 000	2019 LKR 000
Interest-Bearing Loans and Borrowings-Current		
Loans due to Related Parties (Note 24.2.1)	780,152	502,000
Debentures (Note 24.2.2)	-	1,052,640
Lease Liability (Note 13.1)	54,373	-
	834,525	1,554,640

24.2.1 Loans due to Related Parties

Subsidiaries	As at 01.04.2019 LKR 000	Obtained During the Year LKR 000	Repayments LKR 000	As at 31.03.2020 LKR 000	Non- Current LKR 000	Current LKR 000
Hemas Developments (Pvt) Ltd.	480,000	45,000	(62,750)	462,250	-	462,250
Vishwa BPO (Pvt) Ltd.	-	450,000	(132,098)	317,902	-	317,902
Hemas Corporate Services (Pvt) Ltd.	22,000	-	(22,000)	-	-	-
	502,000	495,000	(216,848)	780,152	-	780,152

	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
Total Loans due to Related Parties	38,399	780,500	(316,899)	502,000	-	502,000

Terms and Conditions

Treasury Loans

Security - Unsecured

Repayment - To be Repaid on Demand

Interest - Based on Market Rates (AWPLR + Margin)

24.2.2 Debentures

	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	1,052,640	1,024,768
Interest	10,661	112,991
Repayments	(1,063,301)	(85,119)
Balance at the End of the Year	-	1,052,640
Current	-	1,052,640

Terms and Conditions

On 29 April 2019 the Company redeemed its unsecured redeemable debentures of ten million (AA-lka by Fitch Ratings Lanka Limited) which carried a coupon rate of 11% p.a.

25 Other Financial Liabilities

Accounting Policies

Put Option over Non-Controlling Interest

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 the end of each period, the Group determines the amount that would have been recognised for the non-controlling interest, including an allocation of profit or loss, allocations of changes in other comprehensive income and dividends declared for the reporting period, as required by SLFRS 10-Consolidated Financial Statement.
- 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	
	2020 LKR 000	2019 LKR 000
Preference Shares*	275,000	275,000
Derivative Liabilities/Advances	3,376	61,240
Put Option over Non-Controlling Interests	1,928,305	1,619,457
	2,206,681	1,955,697

* In 2019 Hemas Developments (Pvt) Ltd, a fully owned subsidiary of Hemas Holdings PLC issued LKR 275Mn Redeemable, Cumulative and Non-Convertible Preference Shares at LKR 10 each carrying a yield of 10%.

26 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Employee Benefit Liability (Contd.)

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Balance at the Beginning of the Year	968,964	850,448	47,394	48,248
Acquisition/ (Disposal) through Subsidiaries	(116,717)	(11,859)	-	-
Charge for the Year (Note 26.1)	206,156	200,120	10,735	10,032
Actuarial (Gain)/Loss (Note 26.2)	111,677	39,373	(2,780)	(1,286)
Benefits Paid	(151,457)	(109,118)	(8,597)	(9,917)
Transfers	-	-	(976)	317
Balance at the End of the Year	1,018,623	968,964	45,776	47,394

26.1 Post Employee Benefit Expenses for

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Current Service Cost	100,580	102,021	5,285	4,966
Interest Cost	105,576	98,099	5,450	5,066
	206,156	200,120	10,735	10,032

26.2 Actuarial (Gain)/Loss

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Actuarial (Gains)/Losses on Obligations;				
Due to Change in Demographic Assumptions	-	64,885	-	1,944
Due to Change in Financial Assumptions	68,161	(46,261)	2,696	(1,843)
Due to Experience	43,516	20,749	(5,476)	(1,387)
	111,677	39,373	(2,780)	(1,286)

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2020	2019
Demographic Assumptions		
Retirement Age	55 Years	55 Years
Financial Assumptions		
Discount Rate Assumed (%)	10.0	11.5
Future Salary Increase (%)	8.5	8.5

26.3 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 the 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 2020	Group		Company	
	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000
If Discount Rate Increases by 1%	(49,601)	49,601	(1,837)	1,837
If Discount Rate Decreases by 1%	55,058	(55,058)	2,016	(2,016)
If Salary Increment Rate Increases by 1%	55,323	(55,323)	2,025	(2,025)
If Salary Increment Rate Decreases by 1%	(50,696)	50,696	(1,878)	1,878

31 March 2019	Group		Company	
	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability 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

26.4 Expected Future Years Payments

Following payments are the expected payments to the define benefit plan for the future years:

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Years from the Current Period				
1st Following Year	204,360	179,534	6,259	5,202
2nd Following Year	121,142	106,828	14,169	5,086
3rd Following Year	130,349	136,418	3,868	21,524
4th Following Year	128,896	124,219	4,182	3,491
5th Following Year	127,558	121,361	3,706	3,652
Sum of Years 6 to 10	553,245	543,323	24,988	22,964
Sum of Years 11 and above	846,130	856,985	24,680	23,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Trade and Other Payables

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Trade Payables				
- Others	13,099,527	12,795,164	-	-
Other Payables				
- Related Parties (Note 27.1)	-	-	35,938	48,948
- Others	1,890,693	3,230,420	155,811	160,000
Sundry Creditors including Accrued Expenses	2,914,051	2,542,969	275,415	285,879
Dividend Payable-Unclaimed	33,001	30,897	13,481	11,092
	17,937,272	18,599,450	480,645	505,919

27.1 Non Trade Dues to Related Parties

		Company	
	Relationship	2020 LKR 000	2019 LKR 000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	1,979	2,935
Forbes Air Services (Pvt) Ltd.	Subsidiary	2,552	9,353
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	460	79
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	-	6,670
Vishwa BPO (Pvt) Ltd.	Subsidiary	5,709	996
Hemas Developments (Pvt) Ltd.	Subsidiary	18,768	9,655
Hemas Hospitals (Pvt) Ltd.	Subsidiary	31	-
Serendib Leisure Managements (Pvt) Ltd.	Subsidiary	-	14
Dolphin Hotels PLC	Subsidiary	75	38
Spectra Logistics (Pvt) Ltd.	Subsidiary	5,345	5,377
Concept Ventures (Pvt) Ltd.	Subsidiary	-	2,463
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	239	-
Digital Healthcare Solutions (Pvt) Ltd.	Subsidiary	634	-
Serendib Hotels PLC	Subsidiary	146	146
Hemas Aviation (Pvt) Ltd.*		-	597
Diethelm Travel Lanka (Pvt) Ltd.*		-	329
N-Able (Pvt) Ltd.*		-	2,154
Hemas Travels (Pvt) Ltd.*		-	8,142
		35,938	48,948

* Pursuant to the disposal of subsidiaries, payable balances as at 31 March 2020 from these entities (Note 29.2) are reclassified to "Other Payable - Others".

28 Cash and Cash Equivalents in the Statement of Cash Flows

Accounting Policy

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, in hand, 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.

	Group		Company	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
28.1 Favourable Balances				
Cash and Bank Balance	3,502,294	4,211,475	114,409	357,002
Fixed Deposits, Commercial Papers, Treasury Bills and REPO Investments	2,114,678	2,262,156	233,329	167,285
	5,616,972	6,473,631	347,738	524,287
28.2 Unfavourable Balances				
Bank Overdraft	(1,396,037)	(2,182,315)	(3,253)	(373)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	4,220,935	4,291,316	344,485	523,914

29 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 remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the 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 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 the Statement of Profit or Loss. If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in the 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 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Business Combinations and Acquisitions of Non-Controlling Interests (Contd.)

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

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 %
Spectra Logistics (Pvt) Ltd.	50%
Hemas Mandalar Pharmaceutical Limited	35%

The Group reassesses 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.

Put Option Over Non-Controlling Interest

Accounting policies relating to recognition of non-controlling interest to be acquired set-out in Note 25 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.

29.1 Acquisitions of Subsidiaries

- The Group acquired controlling interest over Aviation Services (Pvt) Ltd. with effect from 1 April 2019 through the shareholders' agreement and changed the investment status from associate to subsidiary. However, during the year, the said company was disposed along with Forbes Leisure Services (Pvt) Ltd.

- On 1 October 2019, the Group increased its stake in Healthnet International (Pvt) Ltd. to 58% and changed its classification from an Associate to a Subsidiary. Further, subsequent investment made during the year led to increase the stake to 74%.

	Aviation Services (Pvt) Ltd. LKR 000	Healthnet International (Pvt) Ltd. LKR 000
Assets		
Property, Plant and Equipment	10,694	7,693
Intangible Assets	-	6,930
Inventories	-	13,324
Trade and Other Receivables	14,353	198,852
Cash and Cash Equivalents	10,981	23,781
	36,028	250,580
Liabilities		
Interest-Bearing Loans and Borrowing	15,949	44,096
Employee Benefit Liability	-	3,756
Trade and Other Payables	47,309	234,161
Tax Payable	-	23
	63,258	282,036
Total Identifiable Net Assets	(27,230)	(31,456)
Non-Controlling Interests Measured at Proportionate Share of Acquiree's Identifiable Net Assets	13,887	43,674
Goodwill Arising on Acquisition	13,343	96,311
Purchase Consideration Transferred		
Cash	-	(58,530)
Investment Fair value	-	(49,999)
Net Cash Acquired with the Subsidiary	10,981	23,781
Net Cash Flows on Acquisition of Subsidiaries	10,981	(34,749)

29.2 Disposal of Subsidiaries

- Vishwa BPO (Pvt) Ltd., a subsidiary of Hemas Holdings PLC, divested its 100% stake in N-able (Pvt) Ltd. at a total consideration of LKR 450Mn on 12 July 2019.

- Diethelm Travel Lanka (Pvt) Ltd, a subsidiary of Hemas Holdings PLC, divested its 40% stake in Welanka Holidays (Pvt) Ltd. at a total consideration of LKR 40,000 on 30 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Business Combinations and acquisitions of Non-Controlling Interests (Contd.)

- Hemtours (Pvt) Ltd. a subsidiary of Hemas Holdings PLC divested its 80.1% stake in Forbes Leisure Services (Pvt) Ltd. at a total consideration of LKR 201Mn on 13 March 2020.

  Forbes Leisure Service (Pvt) Ltd. was the holding company of the following subsidiary companies engaged in Travel & Aviation business.

  - Diethelm Travel Lanka (Pvt) Ltd.
  - Airserve Aviation Lanka (Pvt) Ltd.
  - Hemas Air Services (Pvt) Ltd.
  - Hemas Travels (Pvt) Ltd.
  - Hemas Aviation (Pvt) Ltd.
  - Discover the World Marketing (Pvt) Ltd.

The amount of derecognised assets and liabilities of disposed subsidiaries and resulting losses are as follows.

	N-able (Pvt) Ltd. Group LKR 000	Welanka Holidays (Pvt) Ltd. LKR 000	Forbes Leisure Service (Pvt) Ltd. Group LKR 000
Assets			
Cash and Cash Equivalents	12,303	416	571,903
Trade and Other Receivables	2,712,436	638	1,454,533
Financial Assets	4,583	-	34,260
Inventories	-	-	219
Tax Recoverable	73,467	-	24,937
Intangible Assets	464	-	8,339
Deferred Tax Asset	19,617	-	29,985
Property, Plant and Equipment	36,646	868	103,649
	2,859,516	1,922	2,227,825
Liabilities			
Bank Overdraft	230,947	70	196,054
Trade and Other Payables	1,549,034	1,641	1,593,529
Financial Liability	-	-	24,808
Deferred Tax Liability	-	10	870
Employee Benefit Liability	56,837	-	63,636
Interest-Bearing Loans and Borrowing	458,541	-	35,617
	2,295,359	1,721	1,914,514
Total Identifiable Net Assets	564,157	201	313,311
Non-Controlling Interests	-	3,520	(26,266)
Reclassification of Foreign Translation Reserve	(41,963)	-	(9,518)
Goodwill Elimination	-	-	6,738
Investment in Equity Securities	-	-	(49,750)
Loss on Disposal	(72,194)	(3,681)	(33,515)
Sales Consideration	450,000	40	201,000
Sales Consideration			
- Cash	450,000	40	80,000
- Receivables	-	-	121,000
Net Cash and Cash Equivalent Disposed	218,644	(346)	(375,849)
Net Cash Flows on Disposal of Subsidiaries	668,644	(306)	(295,849)

29.3 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.

	Serendib Hotels PLC and Group	
	31.03.2020 LKR 000	31.03.2019 LKR 000
Non-Current Assets	4,340,270	4,414,609
Current Assets	654,956	836,967
Non-Current Liabilities	(1,202,569)	(1,013,327)
Current Liabilities	(562,488)	(832,804)
Net Assets	3,230,169	3,405,445
Carrying Amount of Non-Controlling Interest	1,917,128	1,986,388
Revenue	1,588,581	2,038,943
Profit/(Loss) for the Year	(121,310)	102,351
Other Comprehensive Income for the Year, Net of Tax	(53,965)	(58,020)
Total Comprehensive Income for the Year	(175,276)	44,331
Profit/(Loss) for the Year Attributable to Non-Controlling Interests	(47,004)	70,917
Other Comprehensive Income for the Year, Net of Tax Attributable to Non-Controlling Interest	(24,920)	(26,502)
Total Comprehensive Income for the Year Attributable to Non-Controlling Interests	(71,924)	44,415
Net Cash Flows from Operating Activities	109,892	413,825
Net Cash Flows (used in) Investing Activities	(75,342)	(209,186)
Net Cash Flows from/(used in) Financing Activities	(172,140)	30,639
Net Increase/(Decrease) in Cash and Cash Equivalents	(137,590)	235,278
Dividends Paid to Non-Controlling Interest	-	-

Details of the commitments and contingencies are given in Note 31 to these financial statements.

30 Events After The Reporting Date

- Concept Ventures (Pvt) Ltd, a subsidiary of Hemas Holdings PLC, divested its 80.1% stake in Digital Healthcare Solutions (Pvt) Ltd, for a total consideration of LKR 3Mn on 29 June 2020.

Other than the above no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 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.

31.1 Capital Commitment

	2020 LKR 000	2019 LKR 000
Hemas Capital Hospital (Pvt) Ltd.	85,261	1,450
Hemas Hospitals (Pvt) Ltd.	89,849	90,517
Morison PLC	409,201	846,683
Hemas Manufacturing (Pvt) Ltd.	7,554	5,335
	591,865	943,985

Morison PLC

Subsequent to the 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 PO's to purchase machinery and equipment for a research and manufacturing facility in Pitipana, Homagama amounting to LKR 1,092Mn and out of which LKR 274Mn yet be paid. Further, the company awarded civil construction of aforesaid facility to local civil construction company and out of total contracted value, LKR 135 Mn yet to be paid.

31.2 Other Commitments/Contingencies

(a) Hemas Holdings PLC

The Company has provided a corporate guarantee to PH Resorts (Pvt) Limited for USD 10.6Mn (Equivalent to LKR 1,999.4Mn) in favour of The Hongkong and Shanghai Banking Corporation Limited.

(b) Hemas Manufacturing (Pvt) Ltd.

The Department of Inland Revenue has issued Income Tax Assessments for the years of assessment 2008/2009 and 2009/2010 disputing the qualifying payment relief claimed on factory relocation under the 300 enterprise programme.

The Tax Appeals Commission and Court of Appeal provided determinations against the company for the year of assessment 2008/09 and the company filed a case against such determinations at the Supreme Court which is ongoing. Appeal lodged for the year of assessment 2009/2010 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 have been made in the financial statements for the year ended 31 March 2020 in this regard.

(c) Spectra Logistics (Pvt) Ltd.

The Company has provided a corporate guarantee to Spectra Integrated Logistics (Pvt) Ltd for LKR 560Mn in favour of Standard Chartered Bank.

(d) Serendib Hotel PLC and its Subsidiaries

- Serendib Hotel PLC has provided Corporate Guarantees to Kalutara Luxury Hotel & Resort (Pvt) Ltd for USD 5.2Mn (Equivalent to Rs. 790.3Mn) in favour of The HongKong & Shanghai Banking Corporation Limited.
- Bentota Pradeshiya Sabha has filed a case against Serendib Hotels PLC at Magistrate Court- Balapitiya, charged for operating the Hotel without the required permit issued by the Pradeshiya Sabha in the year 2018 & 2019.
- 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 license issued under the Pradeshiya Sabha Act, for the years 2016 ,2017, 2018 & 2019.
- 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 license issued under the Pradeshiya Sabha Act, for the year 2018.

(e) Hemas Pharmaceutical (Pvt) Ltd.

- The Company has provided a corporate guarantee to Hemas Surgical & Diagnostics (Pvt) Ltd for LKR 150 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.
- The Company has given a guarantee to Commercial Bank of Ceylon PLC on behalf of Kyannmar Pharmaceuticals (Pvt) Ltd amounting to USD 1Mn relating to facilities obtained.

(f) Morison PLC

The Department of Inland Revenue has issued VAT assessments for the years of assessment 2014/2015 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 cases against such determinations at the Tax Appeal Commission which are ongoing. Appeal lodged for the year of assessments 2014/2015 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 31 March 2020 in this regard.

The Company has given a bank guarantee of LKR 24.3 Mn to Tax Appeals Commission with respect to the above tax appeal.

(g) Atlas Axillia Company (Pvt) Ltd.

The Department of Inland Revenue has issued Income Tax assessments for the years of assessment 2015/2016 and 2016/2017 for which the company has duly appealed. Currently the appeal is pending hearing by the Commissioner General. 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, hence above assessments will not have any material adverse impact on the financial statements and no provisions have been made in the financial statements for the year ended 31 March 2020 in this regard.

Other than stated above there were no material contingent liabilities pertaining to employees and industrial relations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Assets Pledged

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

Name of the Company	Nature of Asset	Nature of Liability	Carrying Amount of the Assets Pledged 2020 Rs.'000	2019 Rs.'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 & Shanghai Banking Corporation Limited. (GBP Loan of LKR 1.2Mn and EURO Loan of LKR 1.6Mn)	1,800,855	1,830,002	Property, Plant and Equipment
Frontier Capital Lanka (Pvt) Ltd.	Freehold Land and Building	Primary Mortgage of LKR 42Mn over allotments of Land marked Lot X depicted in Plan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligama Pradeshiya Sabha in District of Matara together with everything else standing thereon owned by the Company. Further mortgage of LKR 20Mn over the allotments of Land marked Lot X depicted in Plan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligama Pradeshiya Sabha in District of Matara together with everything else standing thereon owned by the Company.	344,513	346,502	Property, Plant and Equipment
		Primary fixed mortgage of LKR 20Mn 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 (Private) Ltd. (Merged with Frontier Capital Lanka (Pvt) Ltd) Primary fixed mortgage of LKR 11Mn over land marked as Lot 1 in zone 3 Cadastral Map No. 820079 made by Surveyor General, situated in Talaramba containing in extent of 0A-0R-19.041P owned by Lantern Villa (Private) Limited. (Merged with Frontier Capital Lanka (Pvt) Ltd)	262,320	264,357	Property, Plant and Equipment
Spectra Logistics (Pvt) Ltd.	Property, Plant and Equipment	Mortgage over vehicles procured under the Bank Loans from Commercial Bank of Ceylon PLC	-	784	Property, Plant and Equipment
Morison PLC	Inventory	Documents of title to goods shipped	-	847,400	Inventory
	Trade Debtors	Charged over trade finance facilities (import credit)	-	1,163,700	Trade Debtors
	Property, Plant and Equipment	Primary Mortgage up to Rs.1.6Bn to facilitate Term Loan Facility	1,600,000	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	Cash and Short-term deposits

33 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Fair Value (Contd.)

The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits and trade receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Variable rate and long-term fixed rate receivables/borrowings are evaluated by the Group/Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the project. Based on this evaluation, allowances are taken in to account for the expected losses of these receivables. As at 31 March 2020, 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 is estimated using appropriate valuation techniques and if it's impracticable in assessing the fair value of the investment, primarily as a result of the unavailability of adequate and comparable market information are carried at cost.

33.1 Fair Value Hierarchy

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

Group	Total	Level 1	Level 2	Level 3
31 March 2020	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI				
- Quoted Equity Shares	2,052	-	2,052	-
- Unquoted Equity Shares	324,637	-	-	324,637
Derivative Assets	10,260	-	10,260	-
Non-Financial Assets Measured at Fair Value				
Land and Building	10,808,528	-	-	10,808,528
Investment Properties	1,647,591	-	-	1,647,591

Group	Total	Level 1	Level 2	Level 3
31 March 2019	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI				
- Quoted Equity Shares	2,216	2,216	-	-
- Unquoted Equity Shares	454,953	-	-	454,953
Derivative Assets	9,043	-	9,043	-
Non-Financial Assets Measured at Fair Value				
Land and Building	10,984,066	-	-	10,984,066
Investment Properties	1,647,591	-	-	1,647,591

Company	Total	Level 1	Level 2	Level 3
31 March 2020	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI				
- Quoted Equity Shares	259	-	259	-
- Unquoted Equity Shares	145,300	-	-	145,300
Non-Financial Assets Measured at Fair Value				
Investment Properties	699,300	-	-	699,300

Company	Total	Level 1	Level 2	Level 3
31 March 2019	LKR 000	LKR 000	LKR 000	LKR 000
Financial Assets Measured at Fair Value				
Financial Assets at FVOCI				
- Quoted Equity Shares	346	346	-	-
- Unquoted Equity Shares	242,700	-	-	242,700
Non-Financial Assets Measured at Fair Value				
Investment Properties	657,950	-	-	657,950

33.2 Reconciliation of Fair Value Measurement under Level 3 Hierarchy

Financial Assets Measured at Fair Value	Group	Company
	Financial Assets at FVOCI LKR 000	Financial Assets at FVOCI LKR 000
As at 1 April 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
Recognised in Other Comprehensive Income	(180,066)	(97,400)
Additions	49,750	-
As at 31 March 2020	324,637	145,300

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 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
Recognised in Profit or Loss	(223,672)	-	41,350
Purchased / Acquisition	48,111	-	-
Transfers	23	-	-
As at 31 March 2020	10,808,528	1,647,591	699,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Financial Risk Management

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits. The Group also holds investments in equity instruments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and reassess those frequently. The Group's senior management is supported by the Group Risk Management Committee and Group Treasury that advises on financial risks and the appropriate financial risk governance framework for the Group.

Group Risk Management Committee and Group Treasury provide the assurance to the Group's senior management and the Board of Directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision and external consultants advise is taken whenever its required according to the Group's Policy. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise various 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 sensitivity analysis in the following sections relate to the position as at 31 March 2020 and 2019.

The overall risk management strategy 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. Further, the Group has entered in to Cross Currency Swaps, in which it has agreed to exchange the variable rate with fixed.

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
2020	+150	(50,505)	(3,519)
	-150	50,505	3,519
2019	+150	(52,071)	-
	-150	52,071	-

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's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a foreign currency, foreign currency borrowings and the Group's net investments in foreign subsidiaries.

Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Senior Management, with the use of external consultants' advice when required. Based on the suggestions made by Group treasury, Group Senior Management takes decisions on whether to hold, sell, or enter into derivative contracts.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EURO, GBP and TAKA exchange rates against LKR with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies are not material.

	Group			
	2020		2019	
	Strengthening LKR 000	Weakening LKR 000	Strengthening LKR 000	Weakening LKR 000
USD (5% Movement)	297,725	(297,725)	240,381	(240,381)
EURO (5% Movement)	9,715	(9,715)	(1,101)	1,101
GBP (5% Movement)	7,190	(7,190)	6,997	(6,997)
TAKA (5% Movement)	(23,870)	23,870	(29,122)	29,122

Equity Price Risk

The Group's listed equity securities are susceptible to market 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 19.

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 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. The Group companies also obtains bank guarantees to mitigate the credit risks as required by the Group policy. 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 Expected Credit Loss (ELC) approach.

Cash and Cash Equivalents

Credit risk from balances with banks is managed by the Group's treasury 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 28 except for financial guarantees.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Financial Risk Management (Contd.)

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.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group As at 31 March 2020	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	2,015,211	1,188,506	3,347,093	133,828	6,684,638
Lease Liabilities	159	79,207	224,323	1,080,920	1,634,421	3,019,030
Other Non-Current Financial Liabilities	-	-	-	2,206,681	-	2,206,681
Trade and Other Payable	-	17,795,275	-	-	-	17,795,275
Bank Overdraft	1,396,037	-	-	-	-	1,396,037
	1,396,196	17,874,482	3,428,039	6,768,523	1,634,421	31,101,661

Group As at 31 March 2019	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	2,523,083	1,030,155	1,242,399	126,669	4,922,304
Other Non-Current Financial Liabilities	-	-	-	1,955,697	-	1,955,697
Trade and Other Payable	-	18,281,130	-	-	-	18,281,130
Bank Overdraft	2,182,315	-	-	-	-	2,182,315
	2,182,315	19,333,770	2,500,597	3,324,764	-	27,341,446

Company As at 31 March 2020	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	-	780,152	-	-	780,152
Lease Liabilities	4,819	9,638	43,371	-	-	57,828
Trade and Other Payable	-	459,648	-	-	-	459,648
Bank Overdraft	3,253	-	-	-	-	3,253
	8,072	469,286	823,523	-	-	1,300,881

Company As at 31 March 2019	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	1,052,640	502,000	-	-	1,554,640
Trade and Other Payable	-	458,544	-	-	-	458,544
Bank Overdraft	373	-	-	-	-	373
	373	1,511,184	502,000	-	-	2,013,557

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 adjusts in light of the 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. The Group 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%.

	Group	
	2020	2019
	LKR 000	LKR 000
Interest-Bearing Borrowings	8,101,313	4,922,304
Bank Overdraft	1,396,037	2,182,315
Debt	9,497,350	7,104,619
Equity Attributable to Equity Holder of the Parent	27,914,292	28,098,644
Non-Controlling Interests	3,560,170	3,771,078
Total Equity	31,474,462	31,869,722
Equity and Debt	40,971,812	38,974,341
Gearing Ratio	23%	18%

In order to achieve this overall objective, the Group's management, among other things, aims to ensure that it meets financial covenants attached to the Interest-Bearing Loans and Borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any Interest-Bearing Loans and Borrowing in the current period.

No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2020 and 31 March 2019.

35 Related Party Disclosures

Refer Note 37 for effective equity holding percentages and other key information's of Group entities.

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest-bearing borrowings are at pre-determined interest rates and terms.

Terms and conditions and other related information on loans obtained from related parties and loans granted to related parties are disclosed in Note 24.2.1 and 19.1.3 to these financial statements respectively.

35.1 Transactions with Related Entities

Details of significant related party disclosures are as follows:

Guarantees

Guarantees given by the Company to banks on behalf of related parties are disclosed in the Note 31 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Related Party Disclosures (Contd.)

35.1.1 Company

Nature of Transaction	Subsidiaries		Joint Ventures/ Associates		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Services Rendered	694,492	742,252	-	-	137	141	694,929	742,393
Bank Guarantee Fees	-	1,203	8,389	12,137	-	-	8,389	13,340
IT Charges	190,711	315,217	1,073	6,680	92	210	191,876	322,107
Rent	28,580	36,517	-	-	-	-	28,580	36,517
Loan Interest Income	23,130	38,983	-	-	-	-	23,130	38,983
Loans Granted to Subsidiaries	(1,008,300)	(320,000)	-	-	-	-	(1,008,300)	(320,000)
Loans Repaid by Subsidiaries	820,300	641,447	-	-	-	-	820,300	641,447
Loan Interest Expense	(65,993)	(15,311)	-	-	-	-	(65,993)	(15,311)
Receipt of Services	(88,071)	(132,877)	-	-	-	-	(88,071)	(132,877)
Shared Service Fee	(12,214)	(11,948)	-	-	-	-	(12,214)	(11,948)
Purchase of Air Tickets and Foreign Currency	(16,282)	(46,783)	-	-	-	-	(16,282)	(46,783)
Purchase of goods	(59)	(60)	-	-	-	-	(59)	(60)
Loans Obtained from Subsidiaries	495,000	780,500	-	-	-	-	495,000	780,500
Loans Repaid to Subsidiaries	(216,848)	(316,899)	-	-	-	-	(216,848)	(316,899)

The provision made for on accounts of related party receivables is disclosed in Note 21 to these financial statements

35.1.1.1 Details of Transactions

Entity	Nature of Transaction	2020 LKR 000	2019 LKR 000
Hemas Manufacturing (Pvt) Ltd.	Services Rendered	166,777	164,881
	IT Charges	68,261	95,791
	Rental Income	27,494	-
Hemas Pharmaceuticals (Pvt) Ltd.	Services Rendered	419,376	399,899
	IT Charges	24,545	42,964
	Interest Expense	-	(114)
	Interest Income	9,513	-
	Treasury Loans Obtained	-	200,000
	Treasury Loans Repaid	-	(200,000)
	Treasury Loans Granted	(450,000)	-
	Treasury Loans Repaid	450,000	-

Entity	Nature of Transaction	2020 LKR 000	2019 LKR 000
Hemas Hospitals (Pvt) Ltd.	Services Rendered	4,848	15,087
	IT Charges	12,672	23,966
Hemas Capital Hospital (Pvt) Ltd.	IT Charges	8,066	10,248
	Services Rendered	924	8,289
Hemtours (Pvt) Ltd.	IT Charges	-	33
Diethem Travels Lanka (Pvt) Ltd.	Services Rendered	2,460	2,260
	IT Charges	8,552	19,133
	Transport and Accommodation Charges	(976)	(2,111)
Diethelm Travel The Maldives (Pvt) Ltd.	Services Rendered	-	26
Serendib Hotels PLC	IT Charges	1,251	2,981
	Services Rendered	212	1,391
	Interest Income	-	35,915
	Corporate Guarantee Fees	-	426
	Treasury Loans Repaid	-	310,000
Serendib Leisure Management Ltd.	IT Charges	4,993	9,195
	Services Rendered	1,077	9,840
Dolphin Hotels PLC	IT Charges	1,373	3,182
	Services Rendered	332	2,098
	Hotel Charges	(234)	(302)
Hotel Sigiriya PLC	IT Charges	1,081	2,298
	Services Rendered	115	926
Forbes Air Services (Pvt) Ltd.	Services Rendered	9,825	10,323
	IT Charges	1,930	2,951
Hemas Air Services (Pvt) Ltd.	IT Charges	2,022	3,763
	Services Rendered	365	1,006
Hemas Travels (Pvt) Ltd.	IT Charges	5,334	10,684
	Services Rendered	1,777	3,383
	Air Line Ticket Sales	(16,162)	(46,783)
Far shipping Lanka (Pvt) Ltd.	Treasury Loans Repaid	-	1,447
Far Shipping Agency Lanka (Pvt) Ltd.	IT Charges	2,054	4,143
	Services Rendered	255	435
Hemas Aviation (Pvt) Ltd.	IT Charges	1,751	3,657
	Services Rendered	1,315	2,575
	Corporate Guarantee Fees	-	777
	Interest Income	-	94
	Air Line Ticket Sales	(120)	-
	Treasury Loans Granted	-	(90,000)
	Treasury Loans Repaid	-	90,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Related Party Disclosures (Contd.)

Entity	Nature of Transaction	2020 LKR 000	2019 LKR 000
Hemas Transportation (Pvt) Ltd.	IT Charges	777	1,128
	Services Rendered	150	1,345
Spectra Logistics (Pvt) Ltd.	IT Charges	4,725	10,777
	Services Rendered	714	2,048
	Interest Income	868	1,284
	Rental Income	1,086	36,517
	Treasury Loans Repaid	10,000	10,000
Hemas Developments (Pvt) Ltd.	Services Rendered	563	540
	IT Charges	73	153
	Interest Expense	(47,171)	(12,834)
	Rental Expense and Service Charges	(60,818)	(55,997)
	Car parking expenses	(5,072)	(3,708)
	Treasury Loans Obtained	45,000	495,500
	Treasury Loans Repaid	(62,750)	(25,149)
Vishwa BPO (Pvt) Ltd.	Services Rendered	1,415	1,094
	IT Charges	21,439	30,515
	Interest Expense	(17,801)	(1,183)
	Shared Services Expenses	(12,214)	(11,948)
	Treasury Loans Obtained	450,000	75,000
	Treasury Loans Repaid	(132,098)	(85,750)
Hemas Corporate Services (Pvt) Ltd.	IT Charges	1,109	1,714
	Interest Expense	(1,021)	(1,180)
	Services Rendered	528	2,326
	Services Obtained	(20,971)	(20,833)
	Treasury Loans Obtained	-	10,000
	Treasury Loans Repaid	(22,000)	(6,000)
	Treasury Loans Granted	(300)	-
	Treasury Loans Repaid	300	-
N-able (Pvt) Ltd.	Services Rendered	52	4,431
	IT Charges	1,232	2,744
	IT equipment and services	-	(49,926)
Morison PLC	Services Rendered	16,568	39,837
	IT Charges	2,160	7,070
P H Resorts (Pvt) Ltd.	IT Charges	1,073	6,680
	Corporate Guarantee Fees	8,389	12,137
Hemas Maritime (Pvt) Ltd.	IT Charges	517	3,865
	Services Rendered	170	1,082
	Reimbursement of Expenses	198	181

Entity	Nature of Transaction	2020 LKR 000	2019 LKR 000
Mazu Shipping (Pvt) Ltd.	IT Charges	305	747
	Services Rendered	13	67
Atlas Axillia Company (Pvt) Ltd.	IT Charges	110	35
	Services Rendered	47	4,194
	Purchases	(59)	(60)
Spectra Integrated Logistics (Pvt) Ltd.	IT Charges	3,032	3,759
	Services Rendered	228	539
Hemas Consumer Brands Pvt Ltd.	IT Charges	9,152	9,875
	Services Rendered	-	429
Digital Healthcare Solutions (Pvt) Ltd.	Services Rendered	20,655	21,058
	IT Charges	1,262	4,096
	Interest Income	115	-
	Treasury Loans Granted	(3,000)	-
Evergreen Shipping Agency Lanka (Pvt) Ltd.	IT Charges	571	-
	Services Rendered	44	-
Hemas Mandalar Pharmaceuticals Limited	IT Charges	89	-
Aviation Services (Pvt) Ltd.	IT Charges	273	-
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Services Rendered	43,687	40,843
	Interest Income	12,634	1,690
	Treasury Loans Granted	(555,000)	(230,000)
	Treasury Loans Repaid	360,000	230,000
Hemas Southern Hospital (Pvt) Ltd.	IT Charges	-	3,750

35.1.2 Group

Company	Relationship	Name of Director	Nature of Transaction	Value	
				2020 LKR 000	2019 LKR 000
PH Resorts (Pvt) Ltd.	Joint Venture	Mr. A.N. Esufally	Services Rendered	15,171	30,014
		Mr. Steven Enderby	Rent and Utilities	4,149	-
			Support Services, Promotional and IT Services	1,940	6,708
ET Properties (Pvt) Ltd	Key Management Personnel	Mr. A.N. Esufally Mr. I.A.H. Esufally	Services Rendered	289	73
			Rent and Utilities	(67,944)	(84,884)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Related Party Disclosures (Contd.)

35.2 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	
	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Short-Term Benefits	460,195	454,117	118,482	131,212
Post Employment Benefit	29,687	29,759	9,502	9,356
Share-Based Payment	-	211	-	-

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

Hemtours (Pvt) Ltd., a subsidiary of Hemas Holdings PLC divested its 80.1% stake in Forbes Leisure Services (Pvt) Ltd. at a total consideration of LKR 201Mn on 13 March 2020 to Acorn Partners (Pvt) Ltd. of which Mr. Malinga Arsakularatne is a shareholder who was an Executive Director of Hemas Holdings PLC (Resigned w.e.f 13.03.2020) and member of the senior management team of the subsidiaries of Forbes Leisure Services (Private) Limited.

Other than above no significant transactions had taken place involving Key Management Personnel and their close family members.

36 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)

	Consumer		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
For the year ended 31 March	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Revenue												
Segmental Revenue - Gross	23,959,530	25,718,741	32,219,535	27,942,220	3,620,346	4,981,878	2,607,308	2,965,565	1,616,529	4,357,810	64,023,248	65,966,214
Intra Segmental Revenue	(153,419)	(163,696)	(801,326)	(244,980)	-	-	(91,760)	(35,505)	(132,585)	(187,540)	(1,179,090)	(631,721)
Segment Revenue	23,806,111	25,555,045	31,418,209	27,697,240	3,620,346	4,981,878	2,515,548	2,930,060	1,483,944	4,170,270	62,844,158	65,334,493
Inter Segmental revenue	-	-	-	-	-	-	(184,244)	(95,095)	(1,027,843)	(1,157,244)	(1,212,087)	(1,252,339)
Total Revenue	23,806,111	25,555,045	31,418,209	27,697,240	3,620,346	4,981,878	2,331,304	2,834,965	456,101	3,013,026	61,632,071	64,082,154
Results												
Segmental Results	1,904,074	2,737,949	2,258,549	2,181,087	(11,605)	372,032	478,017	691,750	(948,526)	(368,886)	3,680,509	5,613,933
Finance Cost	(218,684)	(261,768)	(514,162)	(395,081)	(98,276)	(82,284)	(125,151)	(86,958)	(92,888)	(220,121)	(1,049,161)	(1,046,212)
Finance Income	119,950	233,683	50,889	117,116	42,842	53,669	34,278	40,143	32,489	33,416	280,448	478,027
Change in Fair Value of Investment Properties	-	-	-	-	-	113,492	-	-	-	26,625	-	140,117
Share of Results of Associate	-	-	-	-	-	(11,585)	-	-	(430)	(23,097)	(430)	(34,682)
Share of Results of Joint Venture	-	-	-	-	(119,527)	(58,043)	-	-	-	-	(119,527)	(58,043)
Profit/(Loss) Before Tax	1,805,340	2,709,864	1,795,276	1,903,122	(186,566)	387,281	387,144	644,935	(1,009,355)	(552,063)	2,791,839	5,093,140
Income Tax	(376,651)	(680,244)	(462,507)	(404,546)	(120,664)	(74,804)	(131,534)	(115,529)	(337,776)	(138,781)	(1,429,132)	(1,413,904)
Profit / (Loss) for the Year	1,428,689	2,029,620	1,332,769	1,498,576	(307,230)	312,477	255,610	529,406	(1,347,131)	(690,844)	1,362,707	3,679,236
Attributable to:												
Equity Holders of the Parent	1,267,116	1,889,987	1,396,022	1,492,759	(266,700)	213,081	186,410	464,296	(1,347,131)	(690,844)	1,235,717	3,369,279
Non-Controlling Interests	161,573	139,633	(63,253)	5,817	(40,530)	99,396	69,200	65,110	-	-	126,990	309,957
	1,428,689	2,029,620	1,332,769	1,498,576	(307,230)	312,477	255,610	529,406	(1,347,131)	(690,844)	1,362,707	3,679,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Segmental Information (Contd.)

	Consumer		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
As at 31 March	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000	2020 LKR 000	2019 LKR 000
Assets and Liabilities												
Non-Current Assets												
Property, Plant and Equipment	4,076,615	4,050,528	7,458,789	5,653,475	4,175,020	4,400,954	2,179,340	2,324,741	127,382	200,913	18,017,145	16,630,611
Investment Property	-	-	-	-	-	-	-	-	4,125,542	3,931,792	4,125,542	3,931,792
Right-of-Use Assets	283,134	-	964,449	-	154,990	-	650,983	-	87,689	-	2,141,245	-
Other Non-Current Financial Assets	55,203	55,313	342,665	205,812	179,347	218,425	-	6,764	612,150	725,516	1,189,365	1,211,829
Other Non-Current Assets	2,764,052	2,713,855	1,514,847	1,569,517	7,457,015	8,239,616	3,013,061	3,547,847	19,641,282	19,512,330	34,390,257	35,583,165
Segmental Non-Current Assets	7,179,004	6,819,696	10,280,750	7,428,804	11,966,372	12,858,995	5,843,384	5,879,352	24,594,045	24,370,551	59,863,555	57,357,398
Deferred Tax Assets											164,426	107,862
Eliminations/Adjustments											(31,301,200)	(31,223,276)
Total Non-Current Assets											28,726,781	26,241,984
Segmental Current Assets												
Other Current Financial Assets	19,684	21,722	506,548	200,045	63,052	61,719	627,098	46,965	523,971	49,853	1,740,353	380,304
Segmental Current Assets	9,667,389	6,139,951	21,238,945	17,461,315	2,473,698	5,208,746	1,839,957	1,839,092	974,966	6,222,426	36,194,955	36,871,530
Tax Recoverable											240,567	299,270
Eliminations/Adjustments											(2,522,239)	(1,043,688)
Total Current Assets											35,653,636	36,507,416
Total Assets											64,380,417	62,749,400
Non-Current Liabilities												
Segmental Non-Current Liabilities	497,064	306,010	3,728,069	415,233	878,787	765,467	703,391	764,626	64,285	155,219	5,871,596	2,406,555
Other Non-Current Financial Liabilities	183	42,565	2,568	3,388	435	14,806	190	480	275,000	275,000	278,376	336,239
Deferred Tax Liability											1,733,238	1,811,865
Eliminations/Adjustments											1,813,490	1,550,935
Total Non-Current Liabilities											9,696,699	6,105,593
Current Liabilities												
Segmental Current Liabilities	4,723,412	3,587,300	16,283,550	12,627,913	1,833,747	4,561,764	1,448,537	1,184,805	1,491,629	3,903,895	25,780,876	25,865,677
Income Tax Liability											512,791	439,083
Eliminations/Adjustments											(3,084,411)	(1,530,675)
Total Current Liabilities											23,209,256	24,774,085
Total Liabilities											32,905,955	30,879,678
Total Segment Assets	16,866,077	12,981,369	32,026,243	25,090,164	14,503,122	18,129,460	8,310,439	7,765,409	26,092,982	30,642,830	97,798,863	94,609,232
Total Segment Liabilities	5,220,659	3,935,875	20,014,187	13,046,534	2,712,969	5,342,037	2,152,119	1,949,911	1,830,914	4,334,114	31,930,848	28,608,471
Other Segmental Information												
Acquisition Cost of Property Plant and Equipment	332,327	366,915	2,438,763	1,135,540	97,944	330,369	101,006	759,714	72,071	51,556	3,042,111	2,644,095
Depreciation of Segmental Assets	309,945	331,338	486,170	492,285	223,720	214,827	169,034	127,445	82,461	104,949	1,271,330	1,270,844
Provision for Retirement Benefit	65,612	55,420	76,165	75,383	31,401	34,110	10,103	8,591	22,876	26,616	206,156	200,120
Impairment and Amortisation of Intangibles	25,321	17,852	113,269	29,437	31,664	17,672	19,156	2,890	29,501	20,764	218,911	88,615
Amortisation of Right-of-Use Assets	89,875	-	127,397	-	12,650	-	63,466	-	-	-	293,388	-

37 Group Companies

Hemas Holdings PLC has business interests across four industry groups namely, Consumer, Healthcare, Mobility and Leisure, Travel and Aviation.

The Holding Company is located at Hemas House, 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 34 companies which are 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 27 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 /Principal Place of Business	Relationship	Effective Holding 2020	Effective Holding 2019	Principal Activities	Board Members
CONSUMER					
Hemas Manufacturing (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Husein Esufally, Steven Enderby, Roy Joseph, Kasturi Chellaraja Wilson, V. S. Sitaram, Vikram Kaushik, Asanga Ranasinghe, Sriyan De Silva Wijeyeratne
Hemas Marketing (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Trading & Distribution of Consumer Products	Roy Joseph, Zalmi Fazeel
Hemas Trading (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Import and sale of Food Products	Roy Joseph, Zalmi Fazeel
Hemas Consumer Brands (Pvt) Ltd.* Rupayan Centre, 6th Floor, 72, Mohakhali C-A,Dhaka-1212	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Husein Esufally, Steven Enderby, Roy Joseph, Subir Chowdhury, Naveedul I. Khan, Reazul Chowdhury, Muallem Choudhury
Hemas Consumer Products (Pvt) Ltd.* No 1418, BRR Tower, I.I Chundrigar Road, Karachi, Pakistan.	Subsidiary	100%	100%	Trading of Consumer Products	Husein Esufally, Steven Enderby, Roy Joseph
Hemas Consumer Brands India (Pvt) Ltd.* No 1865, Rajdanga Main Road, The Chambers,6th Floor, Room No-605, Kolkata-700107	Subsidiary	100%	-	Trading of Consumer Products	Dasaratharaman Kannan, Rakesh Khosla
Unicorn Investments (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Research and Development Services	Steven Enderby, Roy Joseph, Dimuthu Jayasinghe

For the purpose of this report, the above companies have been referred as Home and Personal Care (HPC).

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37 Group Companies (Contd.)

Name /Principal Place of Business	Relationship	Effective Holding 2020	Effective Holding 2019	Principal Activities	Board Members
Morison PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	91%	Importing and Distribution of Consumer Products	Husein Esufally, Steven Enderby,Murtaza Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Aruni Rajakarier, Ranjan Chakravarti
Atlas Axillia Company (Pvt) Ltd. 96, Parakrama Road, Peliyagoda.	Subsidiary	75%	75%	Manufacturing and trading of all kinds of school and office stationery.	Husein Esufally, Steven Enderby, Roy Joseph, Asitha Samaraweera, Nirmal Madanayake (Alt. Director-A.R Rasiah)
HEALTHCARE					
Hemas Pharmaceuticals (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02. *Also referred as Pharmaceutical Distribution*	Subsidiary	100%	100%	Distribution of Pharmaceutical Products	Murtaza Esufally, Steven Enderby, Zalmi Fazeel, Kasturi Chellaraja Wilson, Sanjiva Senanayake, Stuart Chapman
Hemas Surgicals & Diagnostics (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Distribution of Healthcare Products	Kasturi Chellaraja Wilson, Zalmi Fazeel
Kyannmar Pharmaceuticals (Pvt) Limited* 531A Upper Cross Street, #04-98, Hong Lim Complex, Singapore.	Subsidiary	100%	51%	Distribution of Pharmaceutical Products	Teo Chong Yeow, Kasturi Chellaraja Wilson, Steven Enderby, Nissanka Asitha
Hemas Mandalar Pharmaceutical Limited* No.1001, Pyay Road, 10 Mile, Insein Township, Yangon, Myanmar.	Subsidiary	35%	51%	Distribution of Pharmaceutical Products	Ilyas @ Soe Myint, Kasturi Chellaraja Wilson,Khaing Kyaw, Nissanka Asitha, Steven Enderby
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala.	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally, Steven Enderby, Dr. Lakith Peiris, Zalmi Fazeel, Dr. Uma Kadamboor, Dr. Gershu Paul
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda.	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally , Steven Enderby, Dr. Lakith Peiris
Digital HealthCare Solutions (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	93%	Develop and Operating Mobile Application for Healthcare Service and Operating Wellness Centers	Murtaza Esufally, Chandima Cooray, Dr. Lakith Peiris, Dr. Chamila Ariyananda, Ruwani Hettiarachchi
Morison PLC No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	91%	91%	Manufacturing, Importing and Distribution of Pharmaceuticals and Medical Aid	Husein Esufally, Steven Enderby,Murtaza Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Aruni Rajakarier, Ranjan Chakravarti
Healthnet International (Pvt) Ltd.* No. 30/4, Park Road, Colombo 05.	Subsidiary	74%	49%	Online Pharmacy Services	Kasturi Chellaraja Wilson,Deeshana Bandara, Rangika Wijesinghe, Ruwani Hettiarachchi, Nissanka Asitha

Name /Principal Place of Business	Relationship	Effective Holding 2020	Effective Holding 2019	Principal Activities	Board Members
LEISURE, TRAVEL AND AVIATION					
Leisure Asia Investments Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding Company	Abbas Esufally, Husein Esufally, Imtiaz Esufally
Serendib Hotels PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	Operating a Tourist Hotel and Investment Holding Company	Abbas Esufally, Murtaza Jafferjee, Dillipraj Rajakarier, Steven Enderby, Thilan Wijesinghe, Linda Speldewinde, Stephen Chojnacki, Imtiaz Esufally, Shantha Kurumbalapitiya
Hotel Sigiriya PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	35%	35%	Operating a Tourist Hotel	Abbas Esufally, Sarada De Silva, A. R Gamage, (Alt. Director-Lalith Gamage), Kushan Pathiraja, Shantha Kurumbalapitiya
Dolphin Hotels PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	43%	43%	Operating a Tourist Hotel	Abbas Esufally, Sarada De Silva, A. R. Gamage, (Alt. Director-Lalith Gamage), Kushan Pathiraja, Shantha Kurumbalapitiya
Serendib Leisure Management Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	Provision of Hotel Management Services	Abbas Esufally, Dillipraj Rajakarier, Shantha Kurumbalapitiya , Kushan Pathiraja
Frontier Capital Lanka (Pvt) Ltd.* (FCL) Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	Operating a Tourist Hotel	Abbas Esufally, Imtiaz Esufally, Shantha Kurumbalapitiya
Evolution Capital Lanka (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Merged with FCL	-	56%	-	
Lantern Villas (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Merged with FCL	-	56%	-	
Hemtours (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Destination Management Services	Steven Enderby, Abbas Esufally, Zalmi Fazeel
Mowbray Hotels Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Zalmi Fazeel, Jayantha Panabokke, Shantha Kurumbalapitiya
PH Resorts (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Joint Venture	50%	50%	Operating a Tourist Hotel	Abbas Esufally, Dillipraj Rajakarier, Stephen Chojnaki, Micah Thamthai, Steven Enderby, Shantha Kurumbalapitiya

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Group Companies (Contd.)

Name /Principal Place of Business	Relationship	Effective Holding 2020	Effective Holding 2019	Principal Activities	Board Members
Forbes Air Services (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	GSA Emirates Airline	Imtiaz Esufally, Steven Enderby, Murtaza Esufally, Abbas Esufally, Husein Esufally, Kasturi Chellaraja Wilson, Gayan Amerasinghe
Sanctuary Resorts Wilpattu Lanka (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
Sanctuary Lanka Resorts (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	56%	56%	Provision of Hotel Management Services	Abbas Esufally, Shantha Kurumbalapitiya
Peace Haven Resorts Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
MOBILITY					
Far Shipping Lanka (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Kasturi Chellaraja Wilson
Far Shipping Agency Lanka (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	60%	60%	Shipping Agents	Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Mohit Chaturvedi, Yu Yongjun, Preethilal Fernando
Hemas Transportation (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding Company	Steven Enderby, Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson
Hemas Maritime (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Break Bulk Casual Callers, Cargo Handling and Project Logistics	Imtiaz Esufally, Kasturi Chellaraja Wilson
Evergreen Shipping Agency Lanka (Pvt) Ltd. Level 9, “Parkland”, No:33, Park Street, Colombo 02.	Subsidiary	60%	60%	Shipping Agent	Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Cheng Yung Chang, Huey Chuan Hseih
Spectra Logistics (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	50%	General Carries & Warehousing	Steven Enderby, Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Shehara Jayawardana, Rohan De Silva, Mahesh Kurukulasuriya, Dinesh Jayawardana

Name /Principal Place of Business	Relationship	Effective Holding 2020	Effective Holding 2019	Principal Activities	Board Members
Spectra Integrated Logistics (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	50%	General Carries & Warehousing	Steven Enderby, Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Shehara Jayawardana, Rohan De Silva, Mahesh Kurukulasuriya, Dinesh Jayawardana
Mazu Shipping (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Kasturi Chellaraja Wilson
OTHER					
Hemas Corporate Services (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Corporate Secretaries	Steven Enderby, Dulanga Wydeman, Zalmi Fazeel
Hemas Developments (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Property Development	Abbas Esufally, Zalmi Fazeel
Vishwa BPO (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Financial and Accounting BPO	Steven Enderby, Zalmi Fazeel
Concept Ventures (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding	Ruwani Hettiarachchi, Amila Priyadarshana
Pulz Solutions (Pvt) Ltd.* 8th Floor, Concept Nursery, SLIIT, New Kandy Road, Malabe.	Associate	30%	30%	Research & Development, Manufacturing and Sales & Distribution of Invention.	Pramadhi Atapattu, Mithra Mayadunna
Hire 1 Technologies (Pvt) Ltd.* No.199/29, Obesekara Crescent, Rajagiriya.	Associate	20%	20%	Providing Digital Logistics Services	Yeshanth Gunewardena
VulcanD (Pvt) Ltd.* 570, Gothatuwa Watta, Baddegama, Galle.	Associate	20%	20%	Development of Health related technology based products.	Dimuthu Lakmal, Ayesha Rathnayake

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37 Group Companies (Contd.)

Subsidiaries Disposed/Derecognised from Consolidation During the Year (Note 29)

Name /Principal Place of Business	Effective Holding		Principal Activities
	2020	2019	
OTHER			
N-able (Pvt) Ltd.* No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01.	-	100%	Enabling Information & Technology Solutions
N-able Global (Pvt) Ltd.* 51 Goldhill Plaza, No.07-10/11,Singapore	-	100%	Enabling Information & Technology Solutions
LEISURE, TRAVEL AND AVIATION			
Welanka Holidays (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	24%	Destination Management Services
Hemas Air Services (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	20%	100%	GSA Malaysian Airline
Hemas Travels (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	20%	100%	Travel Agent
Hemas Aviation (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01	20%	100%	Airline Representation
LTU Asia Aviation Services Co. Ltd.* 849, Worawat Building, 21st Floor, Silom Road, Bangrak, Bangkok.	8%	40%	Airline Representation
Aviation Services (Pvt) Ltd.* H.Athireege - Aage, Lotus Goalhi, Male, Republic of Maldives.	10%	49%	Airline Representation
Airserve Aviation Lanka (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	20%	100%	Airline Ground Handling Representation
Discover The World (Thailand) Co. LTD.* 849, Worawat Building, 21st Floor, Silom Road, Bangrak, Bangkok.	5%	24%	Airline Representation
Discover the World Marketing (Pvt) Ltd.* No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01.	20%	100%	Airline Representation
Forbes Leisure Services (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	20%	100%	Airline Representation
Diethelm Travel Lanka (Pvt) Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	12%	60%	Destination Management Services
Diethelm Travel The Maldives (Pvt) Ltd.* 4th Floor,Henvery Megama Sikka Golhi, Male, Republic of Maldives	10%	49%	Destination Management Services

TEN YEAR SUMMARY

Year Ended 31 March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
LKR 000			Restated			Restated	Restated			
Operating Results										
Group Revenue	61,632,071	64,082,154	49,874,384	43,404,452	37,976,564	32,496,953	27,259,281	26,974,910	22,210,017	18,552,220
Profit Before Taxation	2,791,839	5,093,140	4,392,336	5,086,894	4,074,369	3,094,939	3,192,344	2,406,155	1,521,080	1,569,345
Taxation	1,429,132	1,413,904	1,441,523	1,333,044	1,148,399	704,200	469,673	472,422	259,772	214,154
Profit After Taxation	1,362,707	3,679,236	2,950,813	3,753,850	2,925,970	2,390,739	2,722,671	1,933,733	1,261,308	1,355,191
Profit Attributable to the Parent	1,235,717	3,369,279	2,687,457	3,491,478	2,653,208	1,927,051	2,409,276	1,657,655	1,164,525	1,210,159
Equity and Liabilities										
Stated Capital	7,734,054	7,734,054	5,960,450	5,741,038	5,722,837	1,600,603	1,600,603	1,600,603	1,600,603	1,468,426
Other Reserves	1,606,005	1,867,941	2,097,672	2,262,995	2,081,186	1,327,720	1,492,495	1,724,228	1,601,854	646,083
Retained Earnings	18,574,233	18,496,649	17,420,761	16,907,218	14,187,670	12,730,653	11,207,426	8,828,511	7,447,822	6,613,376
Non-Controlling Interests	3,560,170	3,771,078	3,590,445	3,217,800	2,661,619	2,263,623	3,329,111	2,259,037	1,990,665	1,589,630
Non-Current Liabilities	9,696,699	6,105,593	6,817,837	3,195,557	4,236,430	4,244,615	4,322,629	2,613,184	1,938,996	2,203,470
Current Liabilities	23,209,256	24,774,085	21,811,416	15,993,943	13,437,433	12,271,106	10,174,363	6,757,388	8,075,746	6,585,210
	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627	23,782,951	22,655,686	19,106,195
Assets										
Property, Plant and Equipment	20,032,726	18,685,435	18,069,039	13,525,589	12,764,329	11,465,089	12,563,655	10,038,723	10,283,616	7,446,650
Right-of-Use Assets	2,028,296	-	-	-	-	-	-	-	-	-
Investment Properties	1,647,591	1,647,591	1,507,474	1,472,928	1,735,779	1,763,665	1,683,130	578,453	474,685	1,309,965
Leasehold Properties	-	731,276	766,809	828,405	115,751	109,545	145,847	90,592	94,455	98,386
Intangible Assets	3,439,125	3,468,946	3,493,982	954,060	852,339	755,953	1,333,219	436,670	461,499	491,318
Investments (Joint Ventures, Associate and Others)	1,242,131	1,600,874	1,765,584	2,011,322	2,102,962	2,091,425	2,854,479	2,033,993	503,468	445,257
Lease Receivables	172,486	-	-	-	-	-		-	-	-
Deferred Tax Assets	164,426	107,862	61,510	57,400	47,829	72,731	58,580	39,596	35,621	35,014
Current Assets	35,653,636	36,507,416	32,034,183	28,468,847	24,708,186	18,179,912	13,487,717	10,564,924	10,802,342	9,279,605
	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627	23,782,951	22,655,686	19,106,195

TEN YEAR SUMMARY

Year Ended 31 March	2020	2019	2018 Restated	2017	2016	2015 Restated	2014 Restated	2013	2012	2011
Key Indicators										
Earnings Per Share (LKR)	2.07	5.65	4.52	6.10	4.71	3.74	4.68	3.22	2.27	2.36
Dividends Per Share (LKR)	1.45	4.93	1.85	1.40	1.10	1.10	0.75	0.55	0.50	0.70
Dividend Cover (No. of Times)	1.43	1.15	2.44	4.36	4.28	3.40	6.05	5.82	4.50	3.40
Interest Cover (No. of Times)	3.39	5.41	6.87	9.21	7.70	7.33	7.15	7.50	4.30	6.20
Net Asset Per Share (LKR)	46.83	47.14	44.32	43.50	38.41	30.39	27.75	46.15	20.70	17.30
Cash from Operating Activities (LKR 000)	1,589,246	1,813,421	5,782,146	3,005,374	4,250,945	3,329,052	2,686,659	1,863,616	1,096,261	1,994,663
Current Ratio (No. of Times)	1.5	1.5	1.5	1.8	1.8	1.5	1.3	1.6	1.3	1.4
Gearing (%)	23.2	18.2	19.7	16.0	18.5	26.9	25.9	25.5	25.0	27.8
ROE (%)	4.4	12.1	10.3	14.2	13.7	12.9	18.2	14.5	12.0	14.6

SHAREHOLDER INFORMATION

1. ANALYSIS OF SHAREHOLDERS AS AT 31-MAR-2020

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1000 Shares	2,822	1,022,826	0.17	23	9,012	0.00	2,845	1,031,838	0.17
1001 to 10,000 Shares	1,081	3,105,041	0.52	19	57,971	0.01	1,100	3,163,012	0.53
10,001 to 100,000 Shares	257	6,964,859	1.17	17	488,587	0.08	274	7,453,446	1.25
100,001 to 1,000,000 Shares	56	15,923,623	2.67	19	8,880,870	1.49	75	24,804,493	4.16
Over 1,000,000 Shares	18	412,137,674	69.15	21	147,452,962	24.74	39	559,590,636	93.89
TOTAL	4,234	439,154,023	73.68	99	156,889,402	26.32	4,333	596,043,425	100.00

2. CATEGORIES OF SHAREHOLDERS

	No.of Shareholders	No. of Shares
Individual	4,051	43,263,882
Institutional	282	552,779,543
	4,333	596,043,425

3. SHARE TRADING

	2020	2019
Market Price		
Highest Price	86.70	127.00
	13/11/2019	17/04/2018
Lowest Price	55.10	73.50
	20/3/2020	25/.03/2019
As at year end (Rs.)	56.20	75.00
No. of Trades	3,640	2,542
No of Shares Traded	24,447,637	46,483,897
Value of Shares Traded (Rs. Mn)	1,781	4,467
Market Capitalisation (Rs Mn)	33,497.64	44,703.25

4. COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March	2020 No of shares
Issued Share Capital as at 31 March	596,043,425
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	16,659,910
Spouses of Directors and Chief Executive Officer	-
Key Management Personnel	-
Close Family Members (b)	5,101,600
Controlling Interest (c)	361,512,855
Over 10% Holding	-
Public Holding	212,769,060
Public Holding as a % of Issued Share Capital	35.70%
Total Number of Shareholders	4,333
Number of Persons Holding Shares Excluded when Computing Public Holding %	15
Number of Shareholders representing the Public Holding	4,318

SHAREHOLDER INFORMATION

5. MAJOR SHAREHOLDERS

List of 20 Major Shareholders as at 31st March	2020 No of Shares	%	2019 No of Shares	%
A Z Holdings (Private) Limited	94,092,305	15.79	94,092,305	15.79
Saraz Investments (Private) Limited	89,565,277	15.03	89,565,277	15.03
Blueberry Investments (Pvt) Ltd	88,927,940	14.92	88,927,940	14.92
Amagroup Pvt Ltd	88,927,333	14.92	88,927,333	14.92
JPMLU-Franklin Templeton Investment Funds	34,134,070	5.73	34,134,070	5.73
Citibank Newyork S/A Norges Bank Account 2	17,815,148	2.99	17,815,148	2.99
JPMCB-Templeton Global Investment Trust-Templeton Emerging Markets Small Cap Fund	15,513,186	2.60	15,513,186	2.60
BNYMSANV-Re-First State Investments ICVC-Stewart Investors Indian Subcontinent Sustainability Fund	12,042,539	2.02	12,401,434	2.08
BBH-KOPERNIK GLOBAL ALL-CAP FUND	11,607272	1.95	9,846,711	1.65
Phoenix Ventures Private Limited	7,985,804	1.34	5,985,804	1.00
CB London S/A Verdipapirfondet Holberg Rurik	7,978,255	1.34	8,899,078	1.49
JPMCB-Pacific Assets Trust Plc	7,043,079	1.18	7,043,079	1.18
BBH-Kopernik Global All-Cap Equity Fund	6,583,225	1.10	5,477,055	0.92
Mr. M. A. H. Esufally	6,164,633	1.03	6,164,633	1.03
BNYMSANV Re-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund	6,085,356	1.02	6,085,356	1.02
Mr. H.N. Esufally	5,791,640	0.97	5,791,640	0.97
Mr. M.J. Fernando	5,448,159	0.91	2,602,741	0.44
Rubber Investment Trust Ltd A/C No. 01	5,382,525	0.90	2,243,993	0.38
Mr. I.A.H. Esufally	4,586,284	0.77	4,586,284	0.77
State Street Luxembourg C/O SSBT-Alliance Bernstein Next 50 Emerging Markets (Master) Fund SICAV-SIF	4,215,354	0.71	4,215,354	0.71
Total	519,889,384	87.22	514,356,474	85.62

a) Directors' Shareholding

	31 March 2020	31 March 2019
H.N. Esufally	5,791,640	5,791,640
A.N. Esufally	117,353	2,367,353
I.A.H. Esufally	4,586,284	4,586,284
M.A.H. Esufally	6,164,633	6,164,633
J.M. Trivedi	-	-
R. Gopalakrishnan	-	-
A.S. Amaratunga	-	-
S.M. Enderby	-	-
Dr. S.A.B. Ekanayake	-	-
Prof. Nilanthi De Silva	-	-
Total	16,659,910	18,909,910

b) Close Family Members

	31 March 2020	31 March 2019
Sabrina Esufally	259,170	259,170
Adam Esufally	259,170	259,170
R.H. Esufally	259,170	259,170
Sakina Imtiaz Esufally	2,073,365	2,073,365
Billiquis I Esufally	725	-
Amaar Esufally	2,000,000	-
Zara Esufally	250,000	-
Total	5,101,600	2,850,875

c) Controlling Interest

	31 March 2020	31 March 2019
Saraz Investments (Private) Limited	89,565,277	89,565,277
A Z Holdings (Private) Limited	94,092,305	94,092,305
Blueberry Investments (Pvt) Ltd	88,927,940	88,927,940
Amagroup (Pvt) Ltd	88,927,333	88,927,333
Total	361,512,855	361,512,855

Employee Share Option Plan as at 31 March 2020

	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	-	-	-	-
		Executive Directors	687,500				180,000	-	130,520	376,980	-	-	-	
		Senior Executives	2,366,250				1,600,306	12,500	336,307	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	1,443,428	-	2,032,822	2,032,822		108.81
		Executive Directors	687,500					-	170,075		517,425	517,425		
		Senior Executives	2,803,750					15,000	1,273,353	-	1,515,397	1,515,397		
Grant 5	27.07.2019		4,115,000	26.07.2023	69.00	-	-	70,000	-	-	4,045,000	-	4,045,000	69.00
		Executive Directors	687,500					40,000	-	-	647,500	-	647,500	
		Senior Executives	3,427,500					30,000	-	-	3,397,500	-	3,397,500	

INDEPENDENT ASSURANCE REPORT

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- 2019/20

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- 2019/20 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 30 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 ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI 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 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 03 May 2020. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

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

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2020.
- 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 30 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2020.
- 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

06 July 2020
Colombo

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 (ROCE)
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.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
GRI 101: Foundation 2016 (does not include any disclosures)					
General Disclosures					
GRI 102: General Disclosures 2016	102-1 Name of Organisation	4			
	102-2 Activities, brands, products and services	7			
	102-3 Location of headquarters	4			
	102-4 Location of operations	4			
	102-5 Ownership and legal form	4			
	102-6 Markets served	233-238			
	102-7 Scale of the organisation	8-9			
	102-8 Information on employees and other workers	53		Goal 1, Goal 5, Goal 8, Goal 10	
	102-9 Supply chain	65			
	102-10 Significant changes to the organisation and supply chain	6			
	102-11 Precautionary principle	34		Goal 13	7
	102-12 External initiatives	5			
	102-13 Membership of associations	66		Goal 17	
	102-14 Statement from senior decision maker	10-15			
	102-16 Values, principles, norms and standards of behaviour	4, 101-102		Goal 8, Goal 16	
	102-18 Governance Structure	92		Goal 16, Goal 8	
	102-40 List of stakeholder groups	26			
	102-41 Collective bargaining agreements	57		Goal 8	1, 3
	102-42 Identifying and selecting stakeholders	26			
	102-43 Approach to stakeholder engagement	27			
	102-44 Key topics and concerns raised	27			
	102-45 Entities included in the consolidated financial statements	233-238			
	102-46 Defining report content and topic boundary	5, 36			
	102-47 Material topics	34, 36			
	102-48 Restatement of information	6			
	102-49 Changes in reporting	6			
	102-50 Reporting period	5			
	102-51 Date of most recent report	5			
	102-52 Reporting cycle	5			

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
	102-53 Contact point for questions regarding Report	6			
	102-54 Claims of reporting in accordance with GRI Standards	5			
	102-55 GRI context index	246-252			
	102-56 External assurance	5, 244			
Material Topics					
Economic Performance					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	30		Goal 1, Goal 8, Goal 10	
	201-3 Defined benefit plan obligations and other retirement plans	56		Goal 1, Goal 8, Goal 10	
Anti - Corruption					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 16	10
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 16	10
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 16	10
GRI 205: Anti-Corruption	205-1: Operations Assessed for Risk Related to Corruption	55		Goal 16	10
Energy					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	59-60		Goal 7, Goal 12, Goal 13	8

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
Water					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 6, Goal 12	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 6, Goal 12	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 6, Goal 12	8
GRI 303: Water 2018	303-1 Interactions with water as a shared resource	https://www.hemas.com/sustainability and page 62-63		Goal 6, Goal 12	8
	303-2 Management of water discharge-related impacts				
	303-3 Water Withdrawal	61		Goal 6, Goal 12	8
	303 – 4 Water Discharge	62		Goal 6, Goal 12	8
Bio Diversity					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 14, Goal 15	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 14, Goal 15	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 14, Goal 15	8
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in or adjacent to protected areas and high areas of biodiversity value outside protected areas	63		Goal 14, Goal 15	8
Emissions					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
GRI 305 Emissions: 2016	305-1 Direct Greenhouse Gas (GHG) emissions	61		Goal 7, Goal 12, Goal 13	8
	305-2 Energy indirect Greenhouse Gas (GHG) emissions (Scope 2)	61		Goal 7, Goal 12, Goal 13	8

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
Effluents and Waste					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposable method	62		Goal 12, Goal 14, Goal 15	8
	306 – 3 Significant Spills	62		Goal 12, Goal 14, Goal 15	8
Environmental Compliance					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 6, Goal 12, Goal 13, Goal 14, Goal 15,	8
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 6	8
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 12	8
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	59, 62		Goal 13	8
Employment					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 2, Goal 5, Goal 8, Goal 10	3,6
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 1	3,6
	103-3 Evaluation of the Management Approach Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 5, Goal 8	3,6
GRI 401: Employment 2016	401-1 Employee hires and turnover	55		Goal 10	3,6
Health and Safety					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 3, Goal 8	
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 3, Goal 8	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 3, Goal 8	
GRI 403: Health and Safety 2018	403-1 Occupational health and safety management system	https://www.hemas.com/sustainability and pages 56-57		Goal 3, Goal 8	
	403-2 Hazard identification, risk assessment, and incident investigation				
	403-3 Occupational health services				
	403-4 Worker participation, consultation, and communication on occupational health and safety				
	403-5 Worker training on occupational health and safety				
	403-6 Promotion of worker health				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships				
	403-9 Work-Related Injuries	56		Goal 3, Goal 8	
Training and Education					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 5, Goal 8	
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 5, Goal 8	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 5, Goal 8	
GRI 404: Training and education	404-1 Average hours of training per year per employee	55		Goal 5, Goal 8	6
	404-3 Percentage of employees receiving regular performance and career development reviews	56		Goal 5, Goal 8	6
Freedom of Association and Collective Bargaining					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 8	22,23
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 8	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 8	

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operation and suppliers in which the right to freedom of association and collective bargaining might be at risk	65, 57		Goal 8	
Child Labour					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
GRI 408: Child Labour 2016	408-1: Operations and suppliers with risk of Child Labour	55		Goal 8, Goal 16	5
Forced or Compulsory Labour					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 8	4,1
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 8	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 8	
GRI 409: Forced, Compulsory Labour	409-1: Operations and suppliers with risk of Forced & Compulsory Labour	55		Goal 8	4
Local Communities					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 11	
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 11	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 11	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	66		Goal 1, Goal 2, Goal 6, Goal 10, Goal 11, Goal 17	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UN SDG Goals	UNGC 10 Principles
Customer Health and Safety					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability			
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability			
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability			
GRI 416: Customer Health and Safety 2016	416-2 Incidences of non-compliance concerning the health and safety aspects of products	65			
Marketing and Labeling					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability			
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability			
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability			
	417-2 Incidents of non compliance concerning product and service information and labelling	65			
Socio Economic Compliance					
	103-1 Explanation of material topics and its boundaries	https://www.hemas.com/sustainability		Goal 16	
	103-2 The Management Approach and its components	https://www.hemas.com/sustainability		Goal 16	
	103-3 Evaluation of the Management Approach	https://www.hemas.com/sustainability		Goal 16	
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	9		Goal 16	

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy First Annual General Meeting of Hemas Holdings PLC will be held at the Registered Office, Hemas House No 75, Braybrooke Place, Colombo 2 through Audio/Visual means on Tuesday the 11th day of August 2020 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 2020 together with the Reports of the Directors and Auditors thereon.
2. To re-elect, Abbas Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
3. To re-elect, Murtaza Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
4. To re-elect, Jyotindra Trivedi who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
5. To re-elect Ramabadran Gopalakrishnan who is over 70 years as a Director by passing the following resolution:

   "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Ramabadran Gopalakrishnan who has attained the age of 74 and that he be re-elected a Director of the Company."
6. To re-elect, Kasturi Chellaraja Wilson who retires in terms of Article 72 of the Articles of Association, as a Director.
7. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine and make donations to Charity.

By order of the Board of,
HEMAS HOLDINGS PLC

Hemas Corporate Services (Private) Limited
Secretaries

6 July 2020

Notes:

- A Member entitled to attend, and vote is entitled to appoint a Proxy to attend and vote online in his/her place.
- A Proxy need not be a Member of the Company.
- A Form of Proxy is enclosed for this purpose.
- The Board of Directors, having taken note of the health and safety guidelines issued by Health Authorities in view of the Covid- 19 pandemic and the Colombo Stock Exchange issuing guidelines to listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through Audio or Audio/Visual means in conformity with the regulatory provisions of the Company.
- Shareholders who wish to participate the Annual General Meeting through the online platform are kindly requested to complete and forward the Annexure 1- Registration of Shareholder Information attach to the Annual Report to the email address shireenw@hemas.com with the email subject titled "Hemas Holdings AGM 2020" or post it to the registered address mentioned below not less than 3 days before holding of the meeting. Shareholders are requested to provide their email address in the space provided in the annexure 1 in order to forward the web link if they wish to view the proceedings through the online platform.
- The Chairman and certain members of the Board, the Company Secretaries and key officials essential for the administration of formalities and conduct the meeting will be physically present at the Registered Office.
- Voting on the items listed in the Agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.
- Shareholders who wishes to appoint a member of the Board of Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy, in such event the email address of the proxyholder will not be required.
- Shareholders may send their questions/comments on the items listed in the Agenda of the Notice Convening the AGM by email to shireenw@hemas.com or by post to Company Secretarial Division, 9th Floor Hemas House, No 75 Braybrooke Place, Colombo 2 not less than 3 days before holding of the meeting
- 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 or scanned and emailed to shireenw@hemas.com.
- Only registered shareholders and registered proxy holders will be permitted to log in and participate in the AGM on-line.
- The Annual Report, Form of Proxy and the Shareholder Information Form will be hosted in the Company's Website www.hemas.com
- The date fixed for the AGM will not be affected even if a public holiday is declared on such a date since arrangements will be in place to proceed via online platform.

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

Husein Esufally of Colombo 7	whom failing
Steven Enderby of Colombo 5	whom failing
Kasturi Chellaraja Wilson of Colombo 6	whom failing
Abbasally Esufally of Colombo 7	whom failing
Imtiaz Esufally of Colombo 7	whom failing
Murtaza Esufally of Colombo 7	whom failing
Ramabadran Gopalakrishnan of Colombo 2	whom failing
Dr. Anura Ekanayake of Nugegoda	whom failing
Saktha Amaratunga of Colombo 7	whom failing
Jyotindra Trivedi of Colombo 2	whom failing
Prof Nilanthi De Silva of Pitakotte	

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Seventy First Annual General Meeting of Hemas Holdings PLC to be held as an online meeting on Tuesday the 11th day of August, 2020 at 3.30 p.m. at Hemas House, No. 75, Braybrooke Place, Colombo 2 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 2020 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect, Abbas Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
3.	To re-elect, Murtaza Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
4.	To re-elect, Jyotindra Trivedi who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
5.	To re-elect Ramabadran Gopalakrishnan who is over 70 years as a Director by passing the ordinary resolution set out in the notice convening the AGM.		
6.	To re-elect, Kasturi Chellaraja Wilson who retires in terms of Article 72 of the Articles of Association, as a Director.		
7.	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.		
8.	To authorise the Directors to determine and make donations to Charity.		

....

Signature/s and Date *NIC No/PP No*

Note: Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION OF THE PROXY IS ON THE REVERSE

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A shareholder who appoints a Director as his/her proxy to represent him/her need not fill the email address of the proxy holder.
3. In the case of Corporate Shareholder, 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 either be:

(i) addressed to the 'Company Secretary' and posted or hand delivered to the registered office of the Company at Hemas House, No 75 Braybrooke Place, Colombo 2;

or

(ii) Scanned and emailed to the email address: shireenw@hemas.com with the email subject titled "HEMAS HOLDINGS PROXY" not less than 48 hours before the time appointed for the holding of the AGM together with the following information.

CDS Account Number of the Shareholder (s)	
Shareholder's contact number/s	
Land line (residence/work): Mobile:	
Email address to which the on-line link should be forwarded to for the proxy holder's participation at the AGM	
Proxy holder's NIC number	

Annexure 1

Folio/CDS Account Number [ ]

Hemas Holdings PLC
71st Annual General Meeting – 2020

Registration of Shareholder Information

1. Full Name of the Shareholder: ....
   ....

2. Address of the Shareholder: ....
   ....

3. Shareholder's NIC/Passport/Co. Reg. No.: [ ]

4. Shareholder's Contact No.

Residence		Mobile	

5. Name of the Proxyholder: ....
   ....

6. Proxyholder's NIC/Passport No.: [ ]

7. Shareholder's/Proxyholder's E-mail Address ....

8. Participation at AGM via Online Platform Yes/No

9. Name of Joint holders if any
   a. ....
   b. ....

10. NIC/Passport Nos of Joint holder
    a. ....

....	....	....
Principal Shareholder *Signature & Date*	1st Joint holder *Signature & Date*	2nd Joint Holder *Signature & Date*

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
10 December 1948

DATE OF RE-REGISTRATION
30 May 2007

COMPANY RE-REGISTRATION NUMBER
P Q 6

ACCOUNTING YEAR END
31 March

REGISTERED OFFICE
'Hemas House'
No. 75, Braybrooke Place,
Colombo 2.

Telephone: +94 11 4731731

Website: www.hemas.com

DIRECTORS
H. N. Esufally (Chairman)
S. M. Enderby (CEO)
Ms. K. C. Wilson (DyCEO)
A. N. Esufally
I. A. H. Esufally
M. A. H. Esufally
R. Gopalakrishnan
Dr. S. A. B. Ekanayake
A. S. Amaratunga
J. M. Trivedi
Prof. N. R. De Silva

AUDIT COMMITTEE
A. S. Amaratunga – Chairman
I. A. H. Esufally
J. M. Trivedi

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
I. A. H. Esufally
S. M. Enderby

SECRETARIES
Hemas Corporate Services (Pvt) Ltd
No. 75, Braybrooke Place,
Colombo 2.

Telephone: +94 11 4731731 (hunting)

Facsimile: +94 11 4731777

REGISTRARS
SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 3.

Tel.: +94 11 2573894, +94 11 2576871

Fax: +94 11 2573609

Email: sspsec@sltnet.lk

INVESTOR RELATIONS
Hemas Holdings PLC
'Hemas House', No. 75, Braybrooke Place,
Colombo 2.

Telephone: +94 11 4731731

Email: ir@hemas.com

AUDITORS
Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10.

LAWYERS TO THE COMPANY
D.L & F De Saram
No. 47, Alexandra Place,
Colombo 7.

BANKERS
Commercial Bank of Ceylon PLC
Deutsche Bank AG
The Hong Kong & Shanghai Banking Corp. Ltd
Hatton National Bank PLC
Standard Chartered Bank
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
National Development Bank PLC
DFCC Bank
Citibank N A
Bank of Ceylon

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