

Enriching lives, embracing opportunities



Enriching lives, embracing opportunities

The Hemas Group has been working in a wide range of industry sectors in Sri Lanka for over sixty years. From FMCG products to leisure, power generation, healthcare and transportation, our portfolio has been steadily growing and with it, the excellence and value creation we offer to every customer, business partner, supplier and shareholder we partner.

Today, we're growing even further, seeking new opportunities to enrich lives in households all across Sri Lanka, to improve lives and increase the quality of living of everyone we touch.

The Hemas Group. Enriching lives, embracing opportunities

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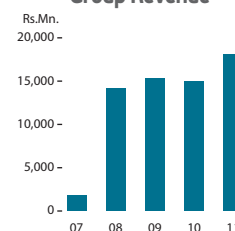
Financial Highlights

Year Ended 31 March

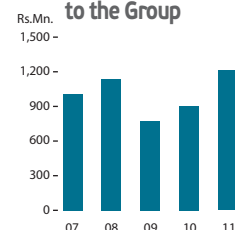
		Change			
		2011	2010	%	2009
Operating Results					
Group Revenue	Rs '000s	18,067,489	14,997,405	20.5	15,169,509
Profit Before Interest and Tax	Rs '000s	1,867,081	1,544,095	20.9	1,328,870
Profit Before Taxation	Rs '000s	1,569,345	1,094,719	43.4	856,932
Profit After Taxation	Rs '000s	1,355,191	934,644	45.0	719,078
Profit Attributable to the Group	Rs '000s	1,210,159	901,730	34.2	775,128
Dividend Gross	Rs '000s	382,390	183,525	108.4	126,635
Cash from Operations	Rs '000s	1,994,662	1,407,985	41.7	1,458,434
Balance Sheet Highlights					
Total Assets	Rs '000s	19,215,874	16,066,931	19.6	14,835,812
Total Shareholders' Funds	Rs '000s	8,874,005	7,692,116	15.4	7,028,290
No. of Shares	'000s	512,041	101,958	-	101,958
Gearing	%	27.8	25.8	7.8	32.9
Shareholder Information					
Return on Equity	%	14.6	12.3	18.7	11.5
Earnings per Share*	Rs.	2.36	1.76	33.8	1.51
Dividend per Share*	Rs.	0.70	0.36	94.4	0.25
Dividend Payout	%	29.6	20.3	45.8	16.5
Net Assets per Share*	Rs.	17.33	15.09	14.8	13.79
Market Capitalisation	Rs '000s	23,553,869	12,234,975	92.5	6,142,977
Price Earnings Ratio	Times	19.5	13.6	43.2	8.0
Market Price as at 31st March*	Rs.	46.00	24.00	91.7	12.05

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1

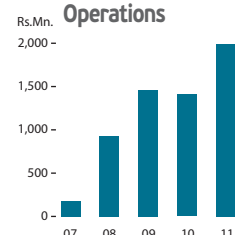
Group Revenue



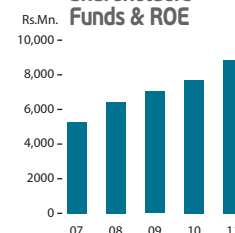
Profit attributable to the Group



Cash from Operations



Shareholders Funds & ROE

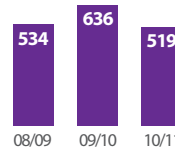


FMCG

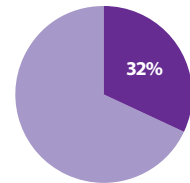


Personal Care
Home Care
Food
Paper Products

PROFIT AFTER TAX
Rs.Mn



TURNOVER

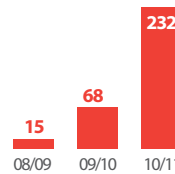


HEALTHCARE

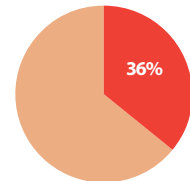


Pharmaceuticals
Diagnostics & Surgical
Hospitals

PROFIT AFTER TAX
Rs.Mn



TURNOVER

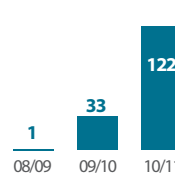


LEISURE

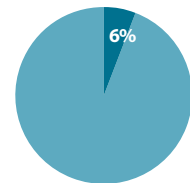


Hotels
Destination Management

PROFIT AFTER TAX
Rs.Mn



TURNOVER

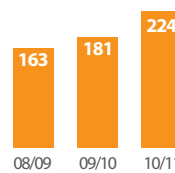


TRANSPORTATION

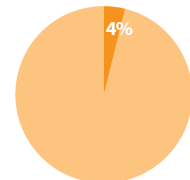


Aviation
Maritime
Freight & Logistics
Courier Services

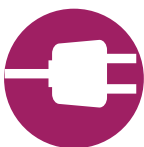
PROFIT AFTER TAX
Rs.Mn



TURNOVER

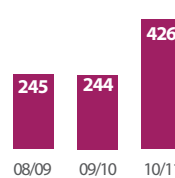


POWER

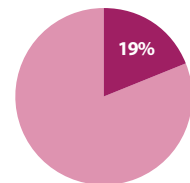


Thermal
Mini Hydro

PROFIT AFTER TAX
Rs.Mn



TURNOVER



Chairman's Review



20%
increase in
EBITDA

Rs. 1,569Mn
Profit Before Tax

The war is fast becoming a distant memory. The tranquillity of peace gives us the climate to plan for the future without apprehension. However the expectation that a great economic boom is the dividend of peace has not quite materialised.

One requirement for an explosive economic boom is large infusions of foreign direct investment. This has not happened, although the world of private equity, hedge funds and sovereign funds are awash with funds, seeking opportunities outside the West now grappling with a recession.

As an investment opportunity, tourism was perceived as a juicy red cherry that will attract massive inflows of investment. This has not happened. Foundations have so far been laid for only a fraction of the 15 to 20,000 rooms required to cater to an incremental million tourists.

Our excellent GDP growth has not been strong enough to generate inflows of investment.

“Why?” is the tantalising question that hangs in the air without a clear answer.

There was an interesting comment by the country director of ADB that is certainly food for thought. As reported he said the World Bank has ranked the island 105th out of 183 countries in its “ease of doing business classification.” He therefore stressed the need to cut red tape, minimize bureaucracy, expedite approval processes, guarantee investment protection and have consistent policies in place to attract investments.

Providers of funds are concerned with aspects outside monetary returns. Human rights, good governance and an atmosphere free of political interference are now becoming as important or possibly more important than good returns on investments.

Importantly it is the perceptions that matter whatever the facts. Perceptions are reality and the real challenge is to manage perceptions.

From the general macro picture I must now zoom into our world of Hemas. The business has moved on from a family business to become a major public quoted company following all the principles of good corporate governance. This has not dulled its spirit of entrepreneurship which is now entrenched in the genes of this business. Even during the days of war the company saw the opportunities and invested for the future. The sectors that benefited from this bold approach: Hospitals, Power and Hotels, are showing a very promising profile and the green shoots of cash and profits are now visible.

The CEO in his report will deal in depth with the performance of the business. I will confine myself to a few headline comments.

The old heartland of the business continues to be a very strong base. FMCG had a slight blip due to changes in rates of duty that affected its major household product Diva. Remedial measures are already in place. Notwithstanding this it produced a very impressive profit number. Pharmaceuticals sustained its star performance. Aviation continued to provide good profit growth. The Power portfolio has been restructured into a public quoted company which has an increasing emphasis in mini hydro power.

The Sector has turned in a good performance. One of the new sectors that is showing early signs of good profitability is Shipping. The business is rapidly developing a better balance. The old core sectors are now being supported by new growth areas with very good long term potential.

In terms of performance, the highlights are that sales increased by 20.5 % to Rs.18.1Bn, EBITDA increased by 19.9% to Rs. 2,493Mn. Through the refinancing of our US Dollar loans, the Group was able to reduce the finance costs from Rs.449Mn to Rs.298Mn. Profit before tax was Rs. 1,569Mn which was a growth of 43.4%. There is a revaluation gain of Rs. 24Mn behind the profit number. Earnings showed a growth of 34.2% to be Rs. 1,210Mn. A key feature of this business and one of its major strengths is its cash flow. Cash generated increased by 41.7% to Rs. 1,995Mn.

Your Board has paid an interim dividend of Rs. 0.25 per share and proposed a final dividend of Rs. 0.25 per share.

As for the future, we have every reason to be optimistic. The emerging profile has brought into focus the need to determine and design the best structures that will provide optimum corporate governance. This will be a key area of my focus in the coming year.

I must congratulate the CEO and his team for a very good performance. I am particularly delighted with the energy and enthusiasm with which they have dealt with the challenges of growth in the new sectors. I thank my colleagues on the Board for their strong support. It was a challenging year for the Audit Committee with the growth of new business units and the resulting challenges of risk management. It was a great comfort to me that the Audit Committee was in the safe of hands of Maithri Wickremesinghe. Everything we have achieved is due to the fine contribution made by our employees at all levels of the business. My Board and I express our deep appreciation of their contribution to the results of this business.



Lalith De Mel
Chairman

26th May 2011

CEO's Review



21%
increase in
Revenue

Rs. 1,210Mn
Earnings

I take great pleasure in reporting the performance of Hemas Holdings PLC and its subsidiaries for the year ended 31 March 2011. For the year under review, your company has recorded a consolidated revenue of Rs.18.1Bn, a year-on-year growth of 20.5%, and earnings attributable to equity holders of Rs. 1,210Mn, a year-on-year growth of 34.2%. Our Hospitals, Hotels and the Pharmaceuticals Distribution businesses have been the key drivers of revenue growth for the year with 45.4%, 32.6% and 24.2% growth rates respectively. With regard to growth in earnings, the businesses of Hotels, Power and Pharmaceuticals Distribution have led the way with growth rates of 105.9%, 74.4% and 23.7% respectively, whilst hospitals too contributed positively by reducing its startup losses by 49.0% during its second full year of operation.

The past year turned out to be an important one for the company as well as the country as a whole.

During 2010, the first full calendar year in post-war Sri Lanka, the GDP grew by 8.0% in real terms vis-a-vis a real growth of 3.5% in 2009. The past year has seen a high level of interest in many sectors of the economy from both domestic and foreign investors in terms of direct and indirect investment. Both the primary and secondary equity markets remained buoyant throughout the year. The stock market witnessed many successful IPOs, with great enthusiasm on the part of both domestic and foreign investors. In the secondary market too, investor confidence and optimism continued to gather momentum as reflected in the 92.9% growth in the All Share Price Index during 2010, following up on the 127.1% growth recorded in the previous year. During the year under review, the share price of Hemas appreciated 91.7% (after adjusting for 5:1 split which took place in June 2010), and with the annual dividend payout of Rs. 0.70 per share, the total return generated by Hemas shares for the year was 94.6%.

A year in which diversification paid off...

This year's Group performance was marked by a healthy growth in revenues and profits despite our biggest and most profitable business, FMCG posting a decline in profits. This was possible as a result of the strong performance of our Pharmaceuticals business, the steady build up of our Hospital revenues, the resurgence in our Hotels business and the excellent year enjoyed by our Renewable Energy business. It was a year in which our past investments in related diversifications have brought about stability and growth to our business portfolio.

Our FMCG business grew its revenues by 10.5% to close the year at Rs. 5.8Bn although profits declined by 18.4% to Rs. 519 Mn. This was mainly due to the introduction of a CESS on selected imports impacting our margins in the households category, together with the continuing upward momentum of palm oil prices which resulted in a sharp rise in raw material costs of our personal wash products. However, through timely management interventions the business was able to overcome these setbacks, and we expect that margins will be gradually restored over the coming year. On the other hand, it was encouraging that the underlying fundamentals of the business remained strong, with our key categories performing well in the market. Our flagship brand, **Baby Cheramy**, continued to be the market leader in baby care and the brand had grown steadily in many of the baby care categories, on the back of its relaunch in 2009. **Kumarika** hair oil

introduced two new variants in January this year, offering the customer wider choice and increasing its shelf presence. **Diva**, was adversely impacted by the CESS on imports which resulted in some supply issues last year. The business responded positively by setting up local manufacturing arrangements and the product is now sourced locally thus restoring its competitive position and in fact being better placed to pursue its mission of bringing a superior solution for washing clothes to Sri Lankan consumers. Our toilet soap brand, **Velvet**, enjoyed a successful year following its relaunch in December 2009. Continuous brand building efforts led to a much strengthened market position, and **Velvet** has become the third strongest brand in the adult toilet soap category, outperforming most of its competitors.

Our Pharmaceuticals Distribution business, which has been a steady performer over the past years, demonstrated a strong performance yet again with revenues growing by 24.2% and net profits growing by 23.7%. With a market share of 16.4% (source: IMS), the business continued its dominance as the leader in the domestic drug distribution market, which saw a rapid growth during the year. Thus far, the management team has proactively and successfully responded to the challenging industry dynamics. From a consumer standpoint, the market continues to shift away from branded products towards generics and branded generics. From a manufacturer's standpoint, value additions by the Distributor in a multitude of aspects is essential for the sustainability of the business. From a competitive standpoint, the market offers an abundance of choice in terms of efficacy and affordability. We have addressed these factors successfully through our rich distribution portfolio that keeps evolving to address the changing market needs and our superior service offering that is customized to each principal. During the year under review, the business further enhanced its portfolio by securing a new agency, Mankind, which specializes in acute and chronic therapies. In an effort to expand our presence in the currently underserved health and wellness market, we have established a dedicated OTC division to provide strategic and operational focus in this area. We have already launched several new products in the market in partnership with overseas principals, and we believe this is the kind of related diversification that will augment the core business well in the long term.

Hospitals, Hotels and Power in development mode...

Our Hospitals business, which currently consists of a 100 bed hospital in Wattala and a 50 hospital in Galle, grew its top line by 45.4% and reduced its losses by 49.0% during the year under review. Within a mere two years of operation we are being recognized as one of the key industry players, and our consumer franchise is growing on a daily basis. Our unique offering in the market was complemented with the accreditation by the Australian Council of Hospital Standards Institute (ACHSI). With this, Hemas Hospitals in Wattala and Galle have become the only internationally accredited hospitals in the country. With the promising results of our unique healthcare delivery model, which has a singular focus on patient care, we have embarked on a new 50-bed project in Battaramulla. Whilst we anticipate the new hospital to be operational in mid 2012, we intend to expand our hospital network into key suburbs in Colombo and across key cities in the island in the years to come.

CEO's Review

Our Hotels business performed well to post a 32.6% growth in revenues and a 105.9% growth in profits for the year under review. During the first half of the year, we invested Rs. 530Mn to renovate and upgrade Club Hotel Dolphin as a four star property. Subsequently, the hotel has managed to attract significantly higher yields without losing the high level of occupancies it used to enjoy in the past. On the back of the tourism resurgence, Hotel Serendib and Hotel Sigiriya too performed remarkably well, with higher rates and occupancies. The year under review also saw us partnering with the Minor Group in the acquisition of Kani Lanka Resort & Spa, where a stake of 19.9% was acquired by Serendib Hotels PLC with the balance being acquired by Minor. Serendib is also operating as the management company of the newly acquired Kani Lanka. A key priority for the coming year is the repositioning of Hotel Serendib as an upmarket 'design hotel'. We expect that the repositioning will enable us to target the product and service offering to a new and more sophisticated clientele, where we would be able to secure much higher yields. We have budgeted Rs. 650Mn for the project with Rs. 501Mn to be raised through a rights issue, which has already received the approval of shareholders. There will be more development activity in the coming years, as we intend converting our undeveloped leisure properties into unique propositions.

Our Power business too enjoyed a successful year with profits growing by 74.4% although revenue growth was limited to 18.5%. The disproportionate growth in profits was a result of a debt restructuring in our Thermal Power business, Heladhanavi, leading to a significant reduction in the cost of borrowing. From an operational standpoint, growth was also driven by the Mini Hydro plants, which witnessed an unprecedented year in terms of rainfall. This, coupled with our increased investment into this sector, saw the profit contribution of Renewable Energy to the Power business increasing to nearly 45.0% from 25.0% last year. This contribution is expected to increase even further over the coming years, as we increase our exposure to Renewable Energy through more and more investments. Our latest Mini Hydro project, Magal Ganga, which is currently under development, is expected to commence commercial operations in September this year, and this will add a capacity of 2.4MW to our portfolio. Going forward, we will pursue more renewable energy opportunities in line with the government's target of generating 15.0% of the national energy supply through non-conventional renewable energy sources by 2015. We will also look to diversify our investments outside Sri Lanka by focusing our competencies on profitable offshore opportunities.

Our Transportation business, which consists of Aviation and Maritime, grew its top line by 10.5% and profits by 23.8% year-on-year. The Aviation arm, which experienced an ordinary year in 2009/10 with a profit decline, recovered well during the year under review, on the back of an impressive performance by our GSA's. The Maritime arm largely consists of our ship agency business, which performed remarkably well during the year under review. Going forward, we intend expanding our scope in the maritime industry and establishing our presence in a more significant manner by exploring opportunities in areas such as asset ownership and port operations.

Developing our talent for the next phase of growth...

With the increasing pace of change in the business world, today's competencies that make us winners in the market place become

fast irrelevant for tomorrow's challenges. This is particularly true in the case of Sri Lanka, where the economy is expected to take off in light of the positive factors such as capital investment into infrastructure development and growth in the middle class segment. These new developments will present us new challenges and new opportunities. We have realized the need to keep our top leadership up-to-date with change and prepare our next levels to take on future challenges. Through timely and focused interventions in the form of leadership development, technical training and executive coaching we plan to build new relevant capabilities while enhancing our existing capabilities. By doing this we aim to have a pool of talent that will drive Hemas successfully in the next phase of growth.

In line with our mission of Enriching Lives, we continue to place the highest emphasis on sustainability.

As we grow in multiple directions, we recognise the need to have a strong system of Governance in place. Over the year we have strengthened board processes, improved our risk management capability and sharpened the quality of management information. One subject that has taken up the special attention of the Board is that of succession and a Board Nomination subcommittee was set up to deliberate on this.

Whilst the year under review proved to be a decisive one for Hemas, the coming year is likely to be even more decisive in terms of executing our long-term growth plan. We have committed significant investments and resources behind the development plans of Hospitals, Hotels and Power, and I am confident of the successful delivery of all these projects. We will also maintain a high degree of focus in growing the underlying earnings of FMCG and Pharmaceuticals, with renewed product offerings and expansion into new markets. As always, we will continue to keep a close eye on acquisition opportunities that will fit in well with our business portfolio.

In conclusion, I wish to thank the Board of Directors and the Chairman for the guidance and wisdom provided, in steering the Group forward whilst keeping an even keel. My congratulations and thanks as always to Team Hemas for their commitment and excellence in delivering this year's successful performance, and I count on their support as we strive to accelerate growth in the years ahead.

Our business would not prosper if not for the enduring support of our customers and business partners, and to them I say a big, Thank You. Finally, my sincere thanks go out to all our shareholders for the confidence you have placed in Hemas and I can assure you of our best efforts to deliver superior business results in the years to come.



Husein Esufally
Chief Executive Officer

26th May 2011

Financial Review

Revenue

For the year under review the Group recorded consolidated revenues of Rs.18.1Bn, reflecting a growth of 20.5% over the previous year.

Revenue growth was driven by the Leisure and Healthcare sectors, which grew by 37.6% and 29.0% respectively. Leisure sector revenues were boosted by higher occupancies as well as increased room rates on the back of a post-war tourism revival. The Healthcare sector, which consists of Pharmaceuticals and Hospitals, enjoyed an excellent year, where our Pharmaceuticals turnover increased by 24.2% on the back of strong market growth and Hospitals turnover increased by 45.4% as a result of the successful build up of business volumes during its second year of operations.

Revenue growth of 18.5% in the Power sector was driven largely by an increased energy output by our mini hydro power plants due to higher rainfall and upward revisions of fuel prices, which get passed through to the revenue of our thermal power plant.

The Healthcare sector, which grew its revenues by 29.0%, which is well above the Group revenue growth of 20.5%, increased its revenue contribution to the Group from 33.7% to 36.1%, making it the largest revenue contributor for the year ended 31 March 2011. Moreover, the sector accounted for 47.7% of the growth in consolidated revenues.

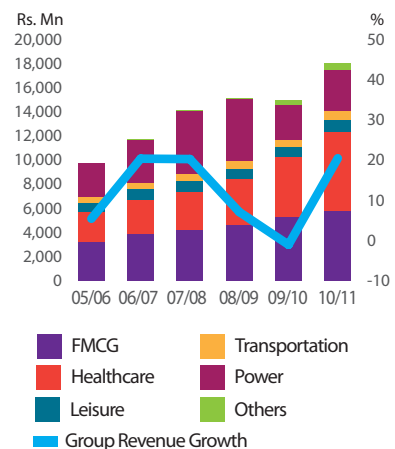
Our FMCG sector experienced a modest year in terms of revenue growth, posting a 10.5% increase for the year, but it was encouraging to see that revenue growth was almost entirely driven by volume growth, and we have managed to successfully defend our market positions in many categories. FMCG accounted for 18.0% of the growth in consolidated revenues, and as a result of its modest growth in turnover, the Sector's contribution to overall revenues have declined from 35.0% to 32.1%.

Operating Profit

Operating Profit of the Group increased by 26.1% over last year and the operating margin increased from 9.7% to 10.2%. Of the 0.5% improvement in operating margins, -0.2% is attributable to changes in revenue mix and 0.7% is attributable to changes in profitability.

The Leisure sector posted the largest increase in operating profits, driven by an excellent winter season enjoyed by all our hotels, and as a result the sector operating margins improved from 9.3% to 17.6%. The Transportation sector too, saw a healthy growth in operating margins, from 31.5% to 35.8%, as a result of increased business volumes on the back of higher passenger and cargo movements whilst successfully managing operating costs. On the other hand, FMCG suffered a drop in margin of 3.5%, from 13.0% last year to 9.5% this year, due to the significant increase in raw material prices and the new CESS levied on certain imports. We expect the negative impact on FMCG margins due to the increase in input costs and CESS to be reversed during the course of the year through the corrective actions that we have already taken.

Group Revenue Break-up



Operating Profit

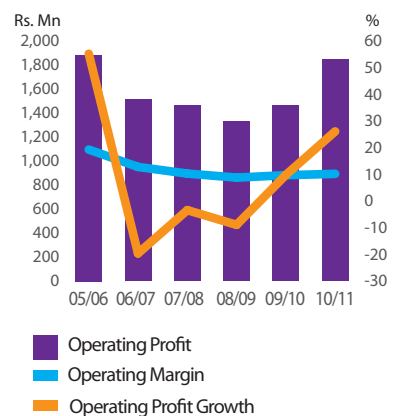


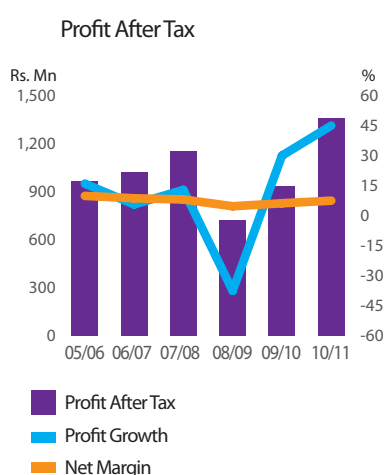
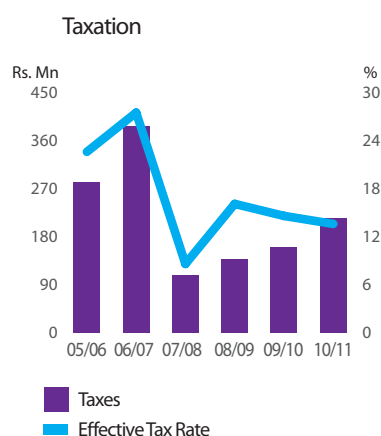
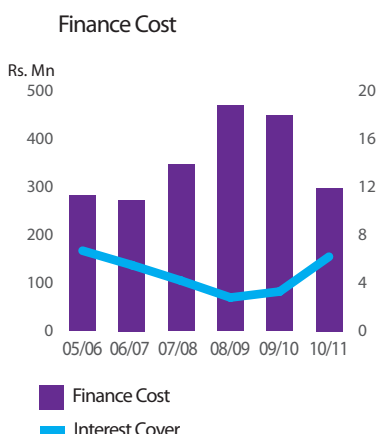
Table 1: Revenue Analysis

	Revenue Mix 09/10	Growth 10/11	Contribution to Growth	Revenue Mix 10/11
FMCG	35.0%	10.5%	18.0%	32.1%
Healthcare	33.7%	29.0%	47.7%	36.1%
Leisure	5.0%	37.6%	9.2%	5.7%
Transportation	4.4%	10.5%	2.3%	4.1%
Power	19.0%	18.5%	17.2%	18.7%
Other	2.9%	39.4%	5.7%	3.4%
Group	100.0%	20.5%	100.0%	100.0%

Table 2: Operating Margin Analysis

	Revenue Mix		Operating Margins		Margin Impact		
	09/10 %	10/11 %	09/10 %	10/11 %	Mix %	Profitability %	Total %
FMCG	35.0	32.1	13.0	9.5	0.0	-1.2	-1.2
Healthcare	33.7	36.1	6.6	7.3	-0.1	0.2	0.2
Leisure	5.0	5.7	9.3	17.6	0.1	0.4	0.5
Transportation	4.4	4.1	31.5	35.8	-0.1	0.2	0.1
Power	19.0	18.7	14.8	15.1	0.0	0.1	0.1
Other	2.9	3.4	-58.1	-23.2	-0.2	1.0	0.9
Group	100.0	100.0	9.7	10.2	-0.2	0.7	0.5

Financial Review



Finance Costs

Group finance costs declined 33.7% from Rs. 449Mn to Rs. 298Mn. This coupled with the increase in operating profits, has pushed the interest cover to 6.2 in comparison to 3.3 reported during the previous year.

The overall drop in finance costs was largely attributable to the 53.6% drop in finance costs in the Power sector, which refinanced the working capital facilities of Heladhanavi through USD borrowings, to take advantage of favorable Dollar interest rates at a time when the Rupee remained strong. Our Healthcare sector too recorded a lower finance cost due to repayments of the long term loans of Hospitals and the overall drop in interest rates. The Leisure sector showed an increase in finance costs during the year under review mainly due to the increase in gearing levels at Serendib Hotels to fund the refurbishment of Hotel Dolphin and the acquisition of the Kani Lanka Resort and Spa.

Overall borrowings of the Group increased to Rs. 4,080Mn from Rs.3,186Mn, increasing the gearing ratio to 27.8% from 25.8% in 2009/10. Additional borrowings were mainly used to fund the expansion plans of our Leisure sector.

Taxation

With the improved performance of most of our businesses, the Group taxation increased to Rs. 214Mn from Rs. 160Mn recorded last year. However, the effective tax rate declined marginally to 13.6% from 14.6% recorded the previous year, as a result of the improved performances of low-tax paying and tax free businesses such as Hotels and Power.

Net Profit

The Group achieved a commendable growth in net profits of 45.0% to record Rs. 1,355Mn for the year under review. The earnings attributable to the Group stood at Rs. 1,210Mn, in comparison to Rs. 902Mn posted in 09/10, a growth of 34.2% year-on-year.

Due to the impact on sector margins, FMCG profits declined by 18.4% from last year. The buildup of our Hospitals business and the impressive performance of our Pharmaceutical business boosted the Healthcare sector profits by 239.2% to record Rs. 232Mn this year. The Leisure sector achieved a net profit of Rs. 122Mn in comparison to Rs. 33Mn the previous year, a growth of 263.4% mainly driven by an excellent winter season.

The reduction in finance costs and the increase in the hydro power performance, helped boost the Power sector profitability by 74.4% over last year. Profits of Heladhanavi were marginally impaired by the drop in the non-escalable component of the revenue mix, which was however mitigated by the absence of a high maintenance cost for the year under review. Our Transportation sector too showed a growth in net profit of 23.8% to record Rs. 224Mn for the year, while maintaining a net margin of 30.5%.

Table 3: Net Margin Analysis

	Revenue Mix		PAT Margins		Margin		
	09/10	10/11	09/10	10/11	Mix	Profitability	Total
FMCG	35.0%	32.1%	12.1%	9.0%	-0.1%	-1.1%	-1.2%
Healthcare	33.7%	36.1%	1.4%	3.6%	-0.1%	0.7%	0.7%
Leisure	5.0%	5.7%	4.4%	11.8%	0.0%	0.4%	0.4%
Transportation	4.4%	4.1%	27.2%	30.5%	-0.1%	0.1%	0.1%
Power	19.0%	18.7%	8.6%	12.6%	0.0%	0.8%	0.7%
Other	2.9%	3.4%	-51.8%	-27.3%	-0.2%	0.7%	0.6%
Group	100.0%	100.0%	6.2%	7.5%	-0.3%	1.6%	1.3%

The Group net margin stood at 7.5% in comparison to 6.2% recorded the previous year. The revenue mix during the year had a negative impact of 0.3% on net profit margins, whilst the sector profitability had a positive impact of 1.6% on the overall net margin.

Cash Flow

The Group net operating cash flow for the year under review stood at Rs. 1,995Mn, a growth of 41.7% year-on-year. The growth in profitability was translated into a healthier growth in net operating cash flow, with the reduction in cash tied up in working capital.

The net cash from investing activities increased to Rs. 1,245Mn from Rs. 650Mn last year, fuelled by our investments in Hotels and the Power sector.

The year under review saw an increase in Rupee borrowings of Rs. 259Mn and an increase in Dollar borrowings equivalent to Rs. 229Mn. These increases are largely attributable to investments in the Leisure sector and the refinancing of Heladhanavi loans. A sum of Rs. 135Mn was raised by our Power sector in the form of a preference share issue. Net cash flow from financing activities was Rs. 339Mn this year, vis-à-vis a cash out flow of Rs. 21Mn last year.

Return on Capital

Over the last three years the return on capital employed of the Group declined due to the high level of investments across the Group. This year the Group was able to improve its return on capital employed to 13.6% from 12.2% recorded last year, mainly due to the improvement in profitability and asset utilization.

With most of our businesses enjoying a good year, interest cover improved from 3.3 to 6.2, whereas the gearing ratio increased from 25.8% to 27.8%, contributing to a higher return on equity of 14.6% for the year under review, compared to 12.3% during the previous year.

Stock Performance

During the year the secondary market activity of Hemas shares improved significantly following the 5:1 stock split that took place in June 2010. Dividends of Rs. 0.70 per share were paid out to shareholders during the year and the total shareholder return for the year ended 31 March 2011 was 94.6%.

Cash Flow

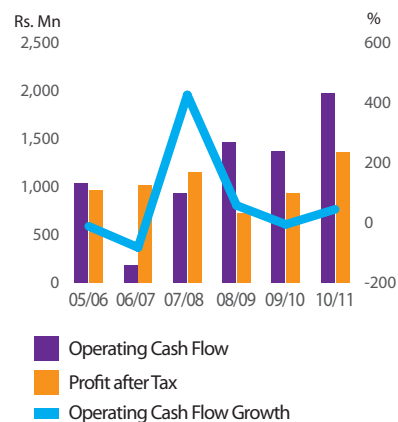


Table 4: Return on Capital

	06/07	07/08	08/09	09/10	10/11
Operating Margin	12.8%	10.3%	8.8%	9.7%	10.2%
Asset Turnover	1.10	1.15	1.08	0.97	1.02
Assets / Capital Employed	1.32	1.29	1.27	1.29	1.31
ROCE	18.6%	15.4%	12.1%	12.2%	13.6%
Interest Cover	5.5	4.2	2.8	3.3	6.2
Effective Tax Rate	27.5%	8.6%	16.1%	14.6%	13.6%
Gearing	33.0%	31.4%	32.9%	25.8%	27.8%
ROE	21.0%	19.4%	11.5%	12.3%	14.6%

FMCG





Sector Review **FMCG**

The dedicated 'innovation centre' works towards enhancing value offering in products and creating new additions to our existing product range.

The Fast Moving Consumer Goods (FMCG) sector strives to enrich the consumer's lifestyle by manufacturing and marketing a wide range of products in the personal care, personal wash, home care and food market spaces.

Sector revenue and net profit stood at Rs. 5.8Bn and Rs. 519Mn respectively. This is an increase of 10.5% in terms of revenue and a reduction of 18.4% in terms of net profit, when compared to the previous year. Reduction in profitability was mainly due to the unfavorable CESS charged on key imported materials. When eliminating the CESS impact, the business showed steady growth in underlying profitabilities.

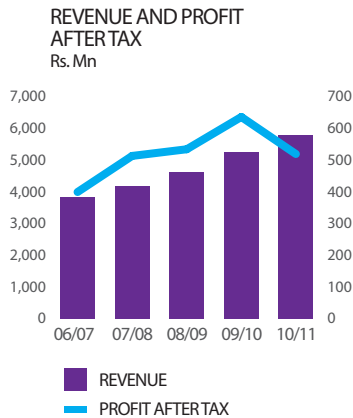
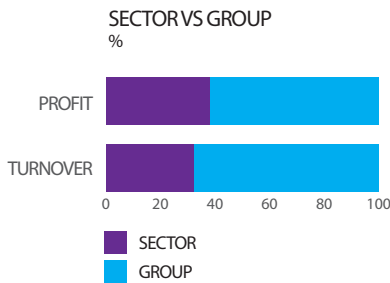
The overall FMCG market grew by 23.7% to Rs. 141Bn during the fiscal year. The key growth segments for the Industry were food and beverages segment, personal care segments and home care which grew by 16%, 9% and 5% respectively, against -4%, 13% and 10% growth posted the previous year (Source: LMRB). The year 2010 saw a higher growth in demand from urban markets, while the growth in rural markets, leveled off during the second half of 2010.

Amidst strong competition and challenging market conditions, the sector maintained its market position through continuous efforts to offer trusted and exceptional products that offer greater satisfaction to consumers. Timely management intervention and a focus on basics enabled the company to overcome the challenging environment.

Our FMCG product portfolio continues to evolve with the changing needs of the Sri Lankan consumer. Meeting the evolving needs of our consumers takes priority as the nation experiences the dividends of peace and records strong economic growth with corresponding developments in consumer behavior and life style.

Our flagship brand *Baby Cheramy* continued to maintain its stance as the market leader in the baby care category. Following the brand re-launch in 2009, *Baby Cheramy* has witnessed healthy growth in many of its product categories in 2010/11, in spite of continuous challenges faced by competition.

Clogard our oral care brand, was re-launched in the month of September with a stronger positioning statement – 'a unique combination of Clove Oil and Fluoride offering double protection



from cavity causing germs'. The brand continues to consolidate its footprint in the oral care segment with plans to further expand in the future.

Kumarika, the market leader in the hair oil segment was successfully re-launched in January 2011 offering consumers – 'nature's goodness to beautiful hair' through its range of hair care products. Our dedicated research and development team introduced three new variants in the herbal hair oil segment addressing specific needs of the consumers. Following the re-launch, the category has seen a growth in its topline, and looks forward to maintaining this momentum. The year under review, saw the company in collaboration with renowned beauticians, further enriching the lives of its consumers, by conducting workshops on "best practice in hair care".

Diva detergent, our washing powder, continued to be market leader in terms of volume generated. During the financial year, the margins of the brand were adversely affected by the CESS levied on certain imported materials. The company has taken measures to source the materials locally and commence manufacturing within our production facility at Dankotuwa. This would help negate the negative tax implications experienced during the year whilst restoring category margins in the years to come.

Velvet marked a successful year in the personal wash category, following its re-launch in December 2009. The brand was able to strengthen its position in the market through continuous efforts in brand building and product improvement. The success of these efforts was evident with 'Velvet' becoming the third strongest brand in the adult toilet soap category, outperforming most of its competitors.

Fems, the sanitary napkins brand, was re-launched in the month of November with enhanced quality and product features aimed at offering a differentiated product from the competition. Packaging was upgraded to be in line with the brand's new positioning - 'Purity & Comfort'. An integrated communication campaign covering all major media channels was launched to create awareness among consumers. The re-launch was well received by consumers and showed much growth potential in strengthening its market presence.

Mr. Pop is our key product in the food segment which is very popular among kids. **Chatters** our latest addition to the segment was introduced in 2011 to satisfy the taste buds of teenagers. **Chatters** made its entry with three key flavours, namely BBQ, Chillie and Pizza. We will continue researching diverse target audiences, and focus on adding value to our products.

During the year we commenced operations in Bangladesh with the launch of **Kumarika** hair oil. Encouraged by the positive response received in the market, we invested in a manufacturing facility in Bangladesh and are confident that our investment will enable us to cater to the growing demand in the market, and open new opportunities.

Our state of the art production facility at Dankotuwa continues to be recognized for its manufacturing excellence and has won several accolades making it one of the most efficient factories in Sri Lanka. Among the awards were the 'National Productivity Gold Award' given by the National Productivity Secretariat, the bronze medal for 'National Safety', and the Ceylon National Chamber of Industries (CNCI) Achievers Gold award. The awards were earned by the sector under the National level 'Extra Large' category in the manufacturing segment and were also able to secure First place in National Quality Award.

During the last few years the modern trade channel has been growing at a steady pace and has grown three fold since 2000. Today the contribution of modern trade in Sri Lanka has grown to 16%. The Company also showed an increase in modern trade where it enjoyed a revenue increase of 23.9% through the modern trade channel. We have understood the importance of continuously revisiting our strategies to enhance our competitive edge in the market and would be reviewing our product offering and will focus on the consumers who patronize these channels.

Our management team continues to work hard towards strengthening our existing product portfolio and identifying future business opportunities. The dedicated 'innovation centre' works towards enhancing value offering in products and creating new additions to our existing product range. The company is confident that this innovative culture would be the platform for a sustainable growth in the future.



HEALTHCARE

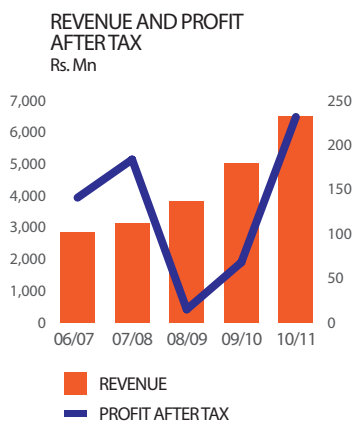
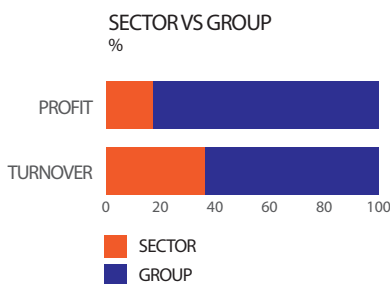




Sector Review **HEALTHCARE**

Hemas Hospitals became the first group of hospitals in Sri Lanka to be awarded with an International Accreditation by the Australian Council on Health Standards International (ACHSI)

Hemas Healthcare Sector, which comprises pharmaceuticals distribution and hospitals, has grown to become one of the most sought after healthcare product and service providers of Sri Lanka. For the year under review, the sector posted revenues of Rs. 6.5Bn and a profit of Rs. 232Mn. Compared to the previous year, sector revenues and profits have grown by 29.0% and 239.2% respectively. The steady buildup of our hospital patient volumes in Wattala and Galle has enabled us to significantly reduce startup losses during 2010/11 compared to 2009/10, leading to a disproportionately higher increase in sector profits compared to revenue growth. On the other hand, our pharmaceuticals business enjoyed one of its most successful years, posting a healthy growth in revenues and profits benefitting from efficiencies in our integrated supply chain management and boosted by high growth in the industry.



Over the years, the pharmaceuticals industry has seen a shift away from multinational brands to branded generics whilst experiencing an increase in the level of competitive intensity. In this challenging environment it was a creditable achievement by Hemas to retain its market leadership position with a share of 16.4% (source: IMS). Both revenues and profits of our Pharmaceuticals business grew in excess of 20.0% and the fact that such a high level of profit growth was achieved in spite of incurring market development expenses to expand our over-the-counter (OTC) business is noteworthy. The OTC Division, which was set up to provide greater focus in the rapidly growing health and wellness segment, is in the process of building an attractive and innovative portfolio of products catering to consumer segments with a clear need for effective solutions to their problems which would be freely available for purchase over the counter. The Company launched two new brands namely *Solo*, a low calorie non-nutritive sweetener and *Reflex*, a dietary supplement known to help alleviate symptoms associated with Osteoarthritis. Both categories have great market potential based on the growing incidence of diabetes and osteoarthritis, and the company believes that the two new brands will play an important role in enriching the lives of consumers who are deprived of a good quality of life. With regard to our core pharmaceuticals business, we managed to secure a new agency, *Mankind*, which specializes in Acute and Chronic therapies, in October 2010. With this new addition, our distribution portfolio now stands at 26 agencies. The implementation of our tailor-made redistribution system has facilitated faster decision making and tracking online sales information anywhere in the world. Deployment of palm top devices to our sales force has provided the organization with an efficient mechanism to reach customers faster.



Our hospitals in Wattala and Galle, which completed two years of operations, experienced an impressive buildup of business volumes during the year, reaching positive EBITDA levels within a short span of time. During the year under review, Hemas Hospitals became the first group of hospitals in Sri Lanka to be awarded with an International Accreditation. The Australian Council on Health Standards International (ACHSI), which awarded the accreditation, evaluated both our hospitals under three broad categories of clinical, support services and corporate. The fact that this was accomplished within a short period of two years is a great compliment and a reflection of the high standards we maintain.

We at Hemas have taken measures to support the government's efforts in enriching lives of senior citizens during their golden years and have introduced **Lengathu Sathkara**, a loyalty scheme to ease financial burdens of patients during times of illness. For the first time in Sri Lanka, Hemas introduced **Suwa Savi**, a special health screening package for state sector employees. Another addition to our unique healthcare proposition is the Health Screening Unit, **Suwatha Piyasa**, which was established for early detection of diseases. Hemas also signed up for a benefit package together with Hatton National Bank to introduce **Maathru Singithi Kiriketiyo**, where both parties would contribute to a minor's account at the birth of the child. Our fixed priced packages **Maathru** and **Suwa Sathkam** continue to be popular among the local community as is evidenced by the continued increase in daily census numbers.

Our state of the art laboratories were awarded ISO 15189 and ACHSI accreditation, which is a clear reflection of the high standards in quality and processes. We have recently commissioned a fully integrated bar-coding, inter-phasing and fully automated laboratory system at both Hospitals, the first of its kind in Sri Lanka. Our new laboratory in Ragama that opened in September 2010 has performed very well during its first six months of operation. This laboratory is equipped with automated biochemistry and haematology analyzers, providing speedy and accurate laboratory test reports round the clock. Hemas Hospitals continued its pioneering stance in its healthcare business by introducing Capsule Endoscopy, a revolutionary new diagnostic tool for the detection of small bowel disease, becoming the first Sri Lankan hospital to provide this diagnostic tool in Sri Lanka.

The growing elderly population, changes in food habits and lifestyle have given rise to many non-communicable diseases (NCDs). Every year the Government spends approximately Rs. 900Mn to treat patients that suffer from NCDs. In recognition of the growing importance of NCDs, the Government is hoping to implement a three-year, nation wide plan, to control the growth of Non Communicable Diseases.

Hemas plans to invest in expanding its chain of hospitals. Two new hospitals will be built in Battaramulla and the Colombo South region, which are expected to be operational by late 2012. Our model in healthcare delivery is gaining wide acceptance, as Hemas is becoming a trend setter in the industry.



LEISURE





Sector Review **LEISURE**

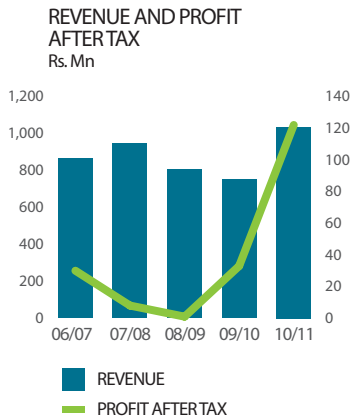
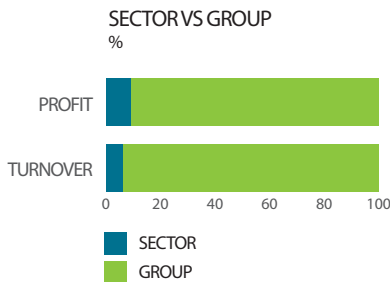
Going forward, our hotel sector expects to enter a new era in the tourism industry with unbeaten service excellence and experiences, repositioning them with a distinctive edge in the hospitality industry.

The Leisure Sector constitutes the Serendib Group of Hotels and Diethelm Travels, a key inbound tour operator in Sri Lanka. The Serendib Group, which is a 51% owned subsidiary of Hemas Holdings, includes Hotel Serendib in Bentota, Club Hotel Dolphin in Waikkal and Hotel Sigiriya located within the cultural triangle. The year saw an addition to the Serendib family in the form of Kani Lanka Resort and Spa in Kalutara, increasing the total room strength of the group from 320 last year to 422.

For the year under review, the leisure sector generated revenues of Rs. 1.0Bn, a 37.6% year-on year growth. Sector performance marked a good year recording a profit attributable to the Group of Rs. 51Mn, compared to a loss of Rs 6Mn posted in 2009/10.

The tourism industry experienced remarkable growth of 46% in 2010 recording 654,476 tourist arrivals, the highest over the last decade (Source: SLTDA). The year saw improved yields with the end of the ethnic conflict which persisted over the last three decades. Overall occupancy rates increased by 22.0% recording an average of 70% and the industry is expected to grow considerably over the coming years. Our hotels recorded an impressive average occupancy in excess of 80% for the period under review.

Club Hotel Dolphin was upgraded at a cost of Rs. 530Mn and reopened in October 2010 with the proposition "Best of Both Worlds". The Hotel experienced improved yields during the winter season and has been endowed with a dual personality of a vibrant and active 'PLAY' area with one of the longest pools in South Asia that sharply contrasts with its peaceful and quiet 'PAUSE' area that affords guests absolute calm and privacy delivering on the "Best of Both Worlds" proposition. Club Hotel Dolphin achieved an annual occupancy of 84% backed by an increased room strength of 150 which includes charming villas and suites. For the year under review, the hotel posted a revenue growth of 12%. The hotel won the ITS Red Star Award for the second consecutive year for outstanding standards & customer satisfaction from REWE group, one of Germany's largest tour





operators and the Traveller's Choice Award in the family hotel category in 2010 by Trip Advisor. Club Hotel Dolphin was also recognized by the British tour operator, Hayes & Jarvis which bestowed Hayes & Jarvis Unmistakable Value – Preferred Partner Award for outstanding contribution and service excellence during the year.

Hotel Serendib achieved a revenue growth of 52% whilst maintaining a bottom line growth of 872%. The year saw the Hotel enjoy higher occupancy rates boosted by an excellent winter season enjoyed by most resort hotels and recorded a year round occupancy of 80%. The Group will upgrade and reposition Hotel Serendib and renovations have now commenced and are expected to be completed in time for the peak of the coming winter season, preserving the charm of the Bawa architecture of the hotel.

Hotel Sigiriya posted a revenue growth of 66% and a bottom-line growth of 945%, whilst showing an average occupancy of 71% in comparison to 53% recorded the previous year. The year saw the completion of the refurbishment on hotel rooms which commenced in late 2009, upgrading all rooms to the superior category.

The Serendib Group acquired a 19.9% stake and will manage the Kani Lanka Resort and Spa, a 105 room four star resort, adding a fourth resort to the Groups hotel arm. Under the management of Serendib Group, the hotel has maintained an average occupancy of 90%. A luxury hotel is also being developed adjacent to the current hotel, under the internationally acclaimed 'Anantara'

branded resorts and would be among the first few international luxury hotel chains to cross the threshold in post-conflict Sri Lanka.

Diethelm Travels, a strategic partnership with Diethelm Group, enjoyed a good year with the positive outlook of the country enabling growth within the destination management market space. The notable volume increase in the German and Indian markets accelerated the revenue growth of the company.

The year ahead would be part of a momentous phase for the tourism industry and the Government has declared 2011 as "Visit Sri Lanka" year, to position Sri Lanka as a premier tourist destination in Asia. The Sri Lankan tourism Industry anticipates an investment of USD 3Bn to increase the national room strength to 36,000.

Going forward, our hotel sector expects to enter a new era in the tourism industry with unbeaten service excellence and experiences, repositioning them with a distinctive edge in the hospitality industry.

TRANSPORTATION





Sector Review **TRANSPORTATION**

Our Aviation businesses, which focus on delivering superior value to our customers and strategic partners, enjoyed higher volumes in passenger and cargo movement, resulting in revenue growth of 16.3%.

The Transportation Sector of the Group has business interests in the Aviation, Maritime and Integrated Logistics segments.

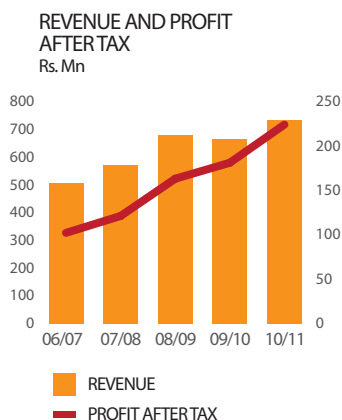
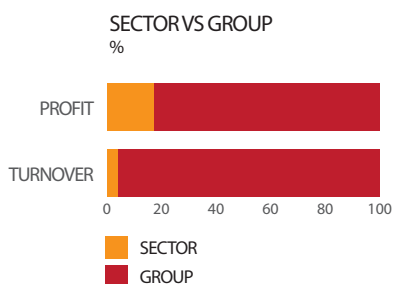
With the expansion of the overall portfolio and strong relationships with our key strategic partners, the Sector posted overall revenues of Rs. 734Mn growing by 10.5% over last year, with the profit after tax growing by 23.8% to Rs. 224Mn.

From a national perspective, the transportation industry grew by 11.4% during the calendar year 2010 (Source: CBSL), the highest recorded growth over the last three years. Ongoing development of seaports and airports as well as road and rail networks will open up a plethora of opportunities for the industry as a whole.

Our Aviation segment comprises airline representation and the outbound travel business. The recovery of global economic conditions was reflected through higher passenger and cargo movements during the year. Our Aviation businesses, which focus on delivering superior value to our customers and strategic partners, enjoyed higher volumes in passenger and cargo movement, resulting in revenue growth of 16.3%.

Hemas Travels and its leisure arm, *Prime Destinations*, performed satisfactorily in a tough, competitive environment. The company continued its focus on developing value-added products and services to complement service offerings and was successful in attracting and retaining key customer accounts during the year.

Our GSA division did well to enhance their business, with Malaysia Airlines enhancing frequencies out of Colombo with a daily service to Kuala Lumpur from March 2011 and Emirates enhancing their frequencies to 28 flights a week during the year. Our portfolio expanded to include Ukraine International Airlines which started operations to Colombo in December 2010. Other Sector GSA's which include Kenya Airlines, Alitalia, Druk Air, Maldivian and BMI together with the ground supervision services for Rossiya Airlines and Travel Service helped to further enhance our Aviation performance with strong cargo and passenger sales.





The Maritime industry recovered globally during the year. Container handling at the Port of Colombo grew by 15% over last year, while transshipment cargo grew by 13% in the same period. Accordingly, our feeder agency business and maritime services division expanded its business despite price competition and ended the financial year with a revenue growth of 25.2%. Our investment in Mercantile Shipping Company PLC (MSL) has given us the opportunity to participate in maritime asset ownership where two vessels have been chartered out internationally.

Our Integrated Logistics segment exceeded expectations, boosted by the increase in cargo movements to and from Sri Lanka. Hellman Worldwide Logistics, our joint venture partner in cargo logistics experienced a good year.

Taking into account the Government's commitment to infrastructure development plans which includes both seaport and airport development, we see considerable opportunity in the Sector and look forward to playing an active role in the growth plans for Sri Lanka in the years to come. Accordingly, we will seek to build our presence locally through strategic partnerships and our experienced team to further strengthen our position in the country.

POWER



Sector Review **POWER**

We continue to seek new opportunities to invest in suitable renewable energy projects and are currently exploring opportunities overseas, in addition to expanding the capacity in Sri Lanka.

The Power Sector comprises Heladhanavi Ltd., a 100MW thermal power plant, which is a joint venture between Lakdhanavi and Hemas Power PLC, and two mini hydro plants with a combined capacity of 4.6MW, located at Giddawa and Lindula. The third, 2.4MW mini hydro plant, Magal Ganga, is under construction and would enhance the company's renewable energy capacity to 7.0MW upon completion in September 2011.

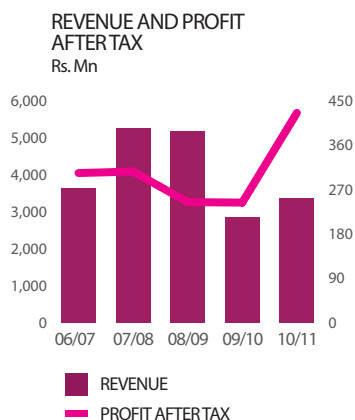
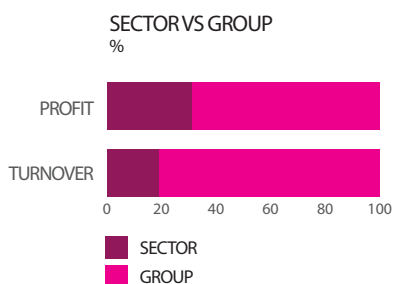
Hemas Power marked a commendable year, contributing 18.7% and 31.4% to Group revenue and profitability respectively. The sector recorded a turnover of Rs. 3.4Bn during the year, which is a 18.5% increase compared to the previous year, with a net profit of Rs. 426Mn, recording an increase of 74.4% over last year. The improved performance was mainly driven by healthy rainfall in the catchment areas around our hydro power plants throughout most of the year, along with a reduction in finance cost due to refinancing of borrowings for working capital.

The thermal power plant, which contributed 636.2GWh to the national grid during the year, recorded an exceptional performance throughout the year and remained the main contributor towards the Sector bottom line. Revenue of Heladhanavi increased by 13.8% to close at Rs. 3.1Bn, mainly due to the recent upward revision of fuel prices. Thermal power profitability increased by 29.4% to close at Rs. 238Mn for the period ending 31st March 2011, influenced largely by the significant reduction in finance cost. The decrease in finance charges was primarily due to the conversion of the rupee working capital facilities to USD loans in September 2010, to take advantage of favorable interest rates, and the ongoing repayments of the company's long term loans.

The hydro power segment recorded revenues of Rs. 240Mn and a net profit of Rs. 181Mn, growing by 160.3% and 172.5% respectively compared to the previous year. The Upper Agra Oya plant completed its first full year of operations under the Hemas management. The hydro power contribution to the Power Sector profits showed a significant increase to account for nearly 45.0% of sector profits in comparison to 25.0% recorded in the previous financial year. This noteworthy performance was partly due to heavy rainfall witnessed across the year within the relevant catchment areas. This in turn led to the mini hydro plants recording high levels of plant efficiency with plant factors in excess of 50%, generating 21.2GWh in total during the year under review. Revenue growth in 2010 was further boosted by higher tariff rates enjoyed by the two plants from September 2010 onwards.

Magal Ganga, the third hydro power plant is currently under construction, and is expected to be completed and commissioned in September 2011.

With global focus on solving the energy puzzle, conventional energy sources such as coal reserves and fossil fuels continue to dwindle at a rapid pace. This has resulted in higher costs for the use of these resources in power generation and it has been recognised that use of these resources also contributes to pollution and global warming. With the current global developments, the Government's stance on energy, focuses more towards generating power through more sustainable renewable energy (RE) sources including hydro, biomass and wind.



The Government successfully commissioned the first coal power plant at Norochcholai in January 2011 which is expected to decrease the cost per unit but increase annual carbon emissions (Source: Lanka Business Online). Reinforcing the long term focus on sustainable energy, the Government has already taken steps to assist projects based on non-conventional RE sources and targets to increase the RE contribution to the national power supply to 15% by 2015. During the year, the Government continued to support biomass and wind power projects. The Government has also made plans to test the feasibility of Ocean Thermal Energy Conversion (OTEC), a technology that converts solar radiation to electricity using the ocean's natural 'thermal gradient' in the eastern sea waters of Trincomalee.

Under the *Vidulamu Lanka* project, the government intends to ensure that every Sri Lankan will have access to electricity by the end of year 2012. Currently, the national grid fails to cover about 12% of electricity distribution in the country, while per capita electricity consumption in Sri Lanka is amongst the lowest in South Asia. Thus, Hemas is ready to capitalize on the opportunities in the renewable energy space in order to enhance shareholder value while contributing to the development of the nation.

We continue to seek new opportunities to invest in suitable renewable energy projects and are currently exploring opportunities overseas, in addition to expanding the capacity in Sri Lanka.



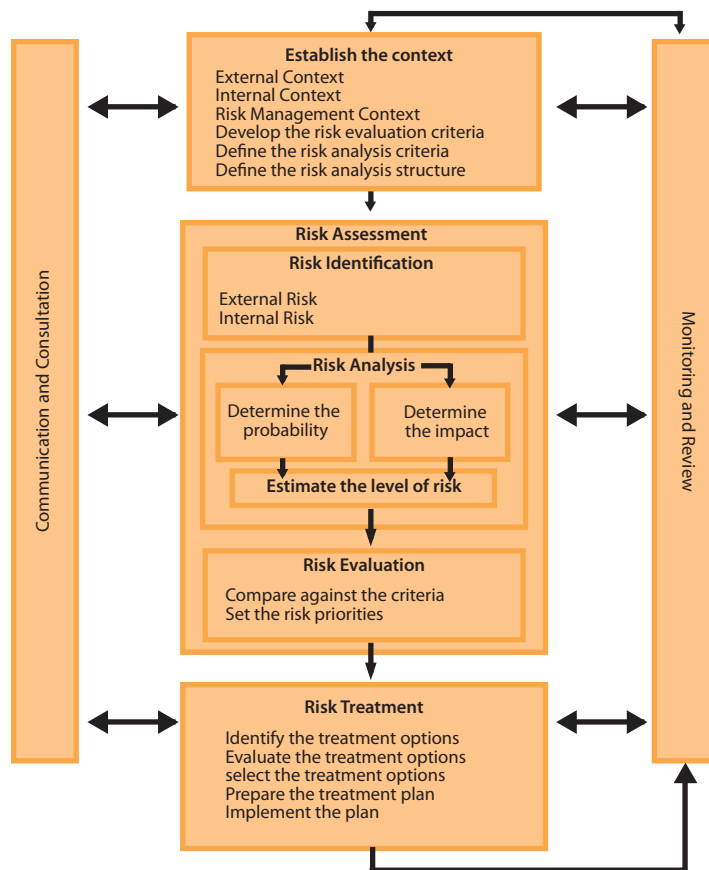
Risk Management

We believe that good risk management is fundamental to good business management and that our success as a diversified conglomerate depends on our ability in identifying and responding to key risks and opportunities faced by the Group.

The comprehensive Enterprise Risk Management (ERM) Framework is designed to identify, assess, communicate, and develop appropriate Risk Management responses to maintain risk exposure within the appetite of the Group and to mitigate risks in

order to minimize their potential impact on the Group. The identification and management of risk is an integral part of the strategic management process and is essential in achieving long-term goals. The strategies are set based on the objectives and the risk profile.

Hemas Risk Management framework includes the following steps and processes:

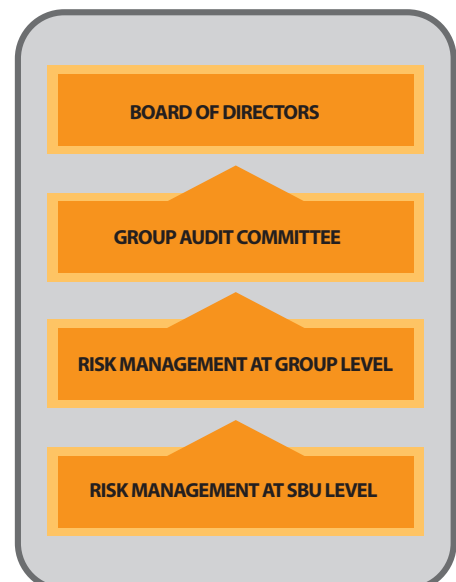


The above framework has been established at both Group and SBU level to enable the Hemas Group to achieve its corporate objectives within a well managed risk profile. It elaborates on risk identification, risk assessment, risk response and risk reporting methodologies.

The Group continuously reports on risk-related matters to the Audit Committee and the Board. The Board has the overall responsibility for the identification and management of risk.

The Boards, through Committees where appropriate, regularly review significant risk areas and decisions that could have a material impact on the Hemas Group. These reviews consider severity and likelihood of the risk and recommend risk response plans.

The risks that we consider the most relevant to our businesses are identified below. We have also commented on certain mitigating actions that we believe help us manage such risks.



Risk Exposure	Mitigating Actions
<p>1. Reputation Risk Adverse impact on the corporate image which is likely to impair stakeholder value.</p>	<ul style="list-style-type: none"> • Maintenance of the highest ethical standards at all times in all business activities. • Continuous assessment of customer satisfaction and prompt follow up actions on complaints and/or suggestions. • Proper adherence to the statutory and environmental regulations.
<p>2. Growth Risk Adverse impact on future earnings due to our key businesses entering a maturity or declining phase.</p>	<ul style="list-style-type: none"> • Emphasis on identifying new business segments and supporting them with the required investment.
<p>3. Business Partner Risk Losing the principals/business partners due to global mergers and acquisitions, intense competition, service level gaps.</p>	<ul style="list-style-type: none"> • Relationships with principals/business partners are maintained in a manner that mutually benefits all parties involved. • Regular assessments of service levels in order to ensure business partner expectations are met. • Consciously limit dependence on a single party to limit the impact arising from the potential loss of business partners.
<p>4. Market Risk Adverse impact on business performance due to intense competition, new entrants, changes to customer attitudes and/or economic conditions.</p>	<ul style="list-style-type: none"> • Continuous focus on innovation. • Regular monitoring of customer /consumer trends.
<p>5. Inflation Risk Potential adverse impact on margins and cash flows as a result of increase in input cost and overhead cost.</p>	<ul style="list-style-type: none"> • Continuous focus on lean management and the overall efficiency of business processes. • Periodic price reviews to ensure required margins.
<p>6. Legal and Regulatory Risk Potential for losses arising due to changes to the existing regulations or the introduction of new regulations.</p>	<ul style="list-style-type: none"> • The centralized legal division assists and advises the companies across the Group on legal matters. • Proactive dissemination of regulatory information with regard to changes and new regulations.
<p>7. Operational Risk Potential losses as a result of inadequate internal controls, failures of internal processes, people and systems, natural and man made disasters.</p>	<ul style="list-style-type: none"> • Business Continuity Plans are in place to ensure the smooth operation of the businesses even at a time of disaster. • Internal audits are carried out following on internal controls and compliance, whilst ensuring independence and objectivity.
<p>8. Human Resources Risk Risk arising as a result of failure to attract, develop and retain a skilled workforce.</p>	<ul style="list-style-type: none"> • A well structured Talent Management process is in place to identify critical employees and retain them in the long term. • Periodic salary surveys to ensure that remuneration is in line with the market. • Investment in strengthening employee brand image.
<p>9. Interest Rate and Foreign Exchange Risk Potential losses as a result of adverse movement of interest rates and exchange rates.</p>	<ul style="list-style-type: none"> • Centralized treasury management. • Managing interest rate and foreign exchange exposure through appropriate financial risk management techniques.
<p>10. Credit Risk Adverse impact on the liquidity position as a result of payment delays/ non payment by debtors.</p>	<ul style="list-style-type: none"> • Efficient follow up and collection practices at SBU level. • Adherence to business specific credit policies.

Sustainability Report

Our commitment to serving our community

At the heart of everything we do at Hemas Holdings is one question – 'Will this make us good corporate citizens?'. The answer must always be a resounding 'Yes!'. Engaging in sustainable community centric activity is a cornerstone of the Groups' values and traditions, and a vital element in any business objective.

At the forefront of our efforts is Piyawara, our long term flagship initiative undertaken in partnership with the Ministry of Child Development and Women's Affairs. Piyawara focuses on the establishment of Early Childhood Care and Development (ECCD) centres, thus providing a sound foundation for lifelong learning.

Piyawara Primary Project in 2010/2011

In 2009 Piyawara set up temporary play areas and pre-schools for the IDPs at Menik farm. During the year under review our key objective was to build a model pre-schools in Jaffna, thus giving children whose lives had been overshadowed by war and violence the chance to receive high quality education and care in a conducive and positive environment. The school would be the first ever model pre-schools to be set up in the area in the post war era.

With the assistance of the Ministry of Child Development and the Education Ministry of the Northern Province, the Mayor of Jaffna allocated 60 perches at the Nallur municipality limits for the pre-schools. The construction was under taken by UNOPS, and was completed in November 2010 at a total cost of Rs.7,202,438/-. The school was officially handed over to the Mayor of Jaffna in January 2011. Minister Douglas Devananda and Minister of Child Development Mr. Tissa Karaliadda were among the dignitaries who graced the occasion.

The school currently serves approximately 82 children with that number steadily increasing due to resettlement in the area.

The project has been the focus of great hope and enthusiasm and Hemas Holdings is proud beyond measure to have had the opportunity to give the children of Jaffna their first full fledged pre-schools, a symbol of our country's hard won peace and bright future.



During the year under review our key objective was to build a model pre-school in Jaffna. The construction was undertaken in UNOPS, and was completed in November 2010 at a total cost of Rs.7,202,438/-. The school was officially handed over to the Mayor of Jaffna in January 2011.

Piyawara Secondary Projects in 2010/2011

Piyawara also focused on the Hambantota Special School which is managed by the Southern Youth Development Foundation in partnership with the Hambantota Municipal Council and Hemas Outreach Foundation. During the year under review Hemas provided every student with a set of uniforms, while Hemas staff made personal donations in order to purchase wheel chairs and other required essentials for the students.

The school's annual concert was sponsored by the Foundation and a night camp was held for 3 days in Hambantota. The foundation was also a key sponsor of a 7 day residential training programme for teachers organised by the Education Ministry of the Southern Province.

Hemas employees are dedicated to the school and its students, visiting them whenever possible. Some employees have also sponsored children at the school. These are voluntary individual sponsorships and are direct arrangements with the families involved.

Piyawara has much more planned for the school in the year to come including further teacher training programmes and other special needs oriented facilities.



Other Piyawara Projects in 2010/2011

- Annual Piyawara teacher training programme was held in August 2010. This 3 day residential programme in Galle catered to 75 teachers from all centres island wide, and was coordinated by the officials of the Childrens' Secretariat. An educational tour of the 'Piyawara' model schools in the Southern province was also included. Another noteworthy event was a visit to the special school in Hambantota where other teachers were encouraged to consider inclusive education in their respective areas.
- Popular TV programme 'Nuga Sevena' was chosen to conduct weekly shows on the importance of ECCD which included live talk show segments with Ms. Shiromi Masakorala and other professionals in ECCD.
- One of the key donors to the foundation, Rewe Touristik Germany showcased the Hemas Outreach work at their annual CSR event. The Rewe staff donated approx Euro 20,000/- to the foundation. Rewe Touristik is a key business partner of the Hemas Leisure Sector.
- The Galle Piyawara teacher was awarded the 'Best Pre-school Teacher' award in Galle District. We congratulate her on this well deserved achievement.
- Annual parental awareness programs were conducted in the 'Piyawara' schools.
- The 'Diriya' program was introduced to low income parents at selected Piyawara schools.

Why choose a project of this nature? It all began with Baby Cheramy the Groups' leading brand. Childcare was the obvious compliment to the product range which had established itself as a first choice among local mothers and we were eager to demonstrate that our interest went beyond infancy and that Hemas and Baby Cheramy were committed to making a positive long term impact on childrens' lives. Thus began the Piyawara journey into ECCD centres, and over the last 9 years the program has made a phenomenal contribution to the overall Government system of education, fulfilling a critical national need.

Hemas is responsible for supporting 33 ECCD centres. School based activities include teacher training and parental awareness programmes. Intelligent, interactive and target oriented mass

media strategies help take our message to the district and national levels.

The Piyawara Objectives are as follows:

1. Enhance and improve the psychosocial and cognitive development of young children through the addition of new pre-schools to the existing national network and upgrading established pre-schools to reach minimum standards.
2. Emergency intervention during national disasters (man made or otherwise) in managing temporary pre-schools or setting up play areas in makeshift camps.
3. Fulfill the training requirements of the preschool teachers.
4. Empower community led social development through island wide parental awareness programmes.
5. Improve children's recreational facilities in disadvantaged communities.
6. Improve child protection legislations and provide publicity for children's issues.
7. Empower children with 'Special Needs'.

Diriya : Empowering Rural Women

Launched in September 2009, Diriya is a house to house selling operation designed to empower women in rural areas by making them self employed, independent and regular contributors to their household income. The programme also contributes to the upliftment of living and health standards in rural Sri Lanka, since Diriya entrepreneurs receive training in this regard which they in turn pass on to their customers.

Diriya entrepreneurs purchase Hemas products at the wholesale price and sell them at the retail rate – retaining the 10% profit margin. Hemas Holdings is constantly working on special offers and deals that are exclusive to those in the Diriya network so that they have the maximum opportunity for success.

Diriya entrepreneurs are females between 25-50 years of age who live in a rural or semi rural community and are able to walk or ride a bicycle or motorbike up to 20kms per day, six days a week. These women must also be motivated individuals who are able to work independently, possess basic accounting and selling abilities and excellent interpersonal skills.



Sustainability Report

Diriya Today : Celebrating the Power of Women

Following the pilot operation in Anuradhapura, Diriya has gone from strength to strength with 100 Diriya entrepreneurs now covering approximately 15 towns islandwide including Bible, Keenya (Trincomalee), Badulla, Hambantota and Kalutara. Redistribution sales have seen an amazing spike, rising from Rs.958, 607/- in January 2010 to Rs.13Mn at the close of the 2010/2011 financial year.

The success of the programme has encouraged us to look at taking it even further, with future expansion focused on the Uva and South Eastern Provinces.

Leisure Sector

The hotels within the Hemas Group are dedicated to giving back to the communities in which they operate and their outreach efforts in 2010/2011 were no exception to that commitment, demonstrating the sincere and focused participation of leisure sector staff and management.

Hotel Sigiriya

- Set up a much needed pre-schools in Diyakepilla village with an initial investment of Rs.25,000/- and a running cost of Rs.1,500/- per month
- Undertook the maintainance of the Kimbissa Government hospital with a bi-annual 20 staff member effort to clean, paint and arrange all the wards in the hospital.
- Clean and maintain the area surrounding the Sigiriya rock.
- Engage in the following energy saving initiatives:
 - Minimising the use of plastic water bottles and using glass bottles instead.
 - Garbage separation.
 - Maximum use of energy saving bulbs.
 - Use of firewood instead of diesel to operate the boiler.
 - Use of compost for plants.
 - Developing a vegetable plot using carbonic manure for hotel use.
 - Use of recycled water from the sewer plant to water the garden.

Hotel Serendib

- Responsible for maintaining the Bentota railway station in a clean and proper condition for a period of 3 years commencing August 2010. The station which was in an appalling condition was refurbished at a cost of Rs.850,000/- in addition to continued monthly maintainance charges of over Rs.10,000/-.
- Commitment to conduct English language classes for the less affluent children in the area. A teacher has been engaged to conduct classes 4 times per month at a cost of Rs.2,000/- per session of 2 hours. 25 students benefit and have all received uniforms at the cost of Rs.14,000/-.
- Engage in regular beach cleaning programmes.
- Undertaken the annual cleaning, painting and arranging of all wards in the Bentota government hospital.

Hotel Dolphin

- Kammala South (Village) community centre, kids park, volleyball court and library were developed and reopened on 3rd September 2010. A community project by Club Hotel Dolphin in liaison with Pradeshiya Sabha Wennappuwa with an investment of Rs.1.2 Mn which includes water & electricity supply to the building.
- One of the activities has been an English language teaching programme for village children at the community centre. Classes are conducted by professional instructors, who receive an allowance of Rs. 8,500/- per session borne by the hotel.
- Rewired and added lamp fittings to the Dummaladeniya temple at a cost of Rs.35,000/-.
- Provided wooden signage boards to the Kirimetiyan Ladies College.
- Engage in regular beach cleaning programmes.

Committed to developing our people

At Hemas, we believe that our employees are the very soul of our organisation. Thus, we place their development, empowerment and fulfilment at the very top of our list of priorities. 2010/2011 saw the implementation of many programmes, policies, schemes and events designed to ensure that our people continue to grow with us, reaching their full potential and performing at the very top of their game.

HEMAS HIGHER LEARNING ACADEMY

The Hemas Higher Learning Academy (HHA) conducted several training programmes geared to add value to Hemas personnel and thus enhance the value we give our customers.

Management Development Programme (MDP)

This Diploma level course was conducted for middle and junior level managers of Hemas SBU's and was designed to develop their managerial and leadership abilities. The third MDP course catered to a batch of 20 participants.

Advanced English Programme (AEP)

Focused on further enhancing communication skill of the middle and junior level managers of Hemas SBUs, the programme saw enthusiastic participation from 16 participants.

Business English Course (BEC)

This programme was aimed at helping junior level managers to develop their speech and language abilities in the English language within a business setting. The comprehensive 6 month programme included class room work and take home assignments that focused on the use of English as part of their day to day professional lives.

Urban Challenge 1 and 2

30 Directors participated in this exciting programme that featured team building and leadership exercises set in a high pressure urban environment. Based on the success of the event a similar programme was subsequently carried out for the Hemas Corporate office, Vishwa BPO and Group IT division.



FUTURE PLANS

The HHA is determined to continue to provide effective, relevant and inspiring personal development programmes, and has outlined its goals for 2011/2012 as follows:

- Develop critical business competencies in Hemas Businesses.
- Establish affiliations with local and foreign seats of learning.
- Establish a mentoring programme for middle and junior managers.
- Develop an e-learning portal.
- Develop a learning culture at Hemas.

FMCG Sector

The Sector experienced a busy year as the country enjoyed a new post-war confidence and optimism. Focussed on engaging in training programmes that would enhance their skill sets, the FMCG Sector carried out the following training and development initiatives:

Development: Both Technical and Behavioral

- Technical Competency Profiling for the Brands Function was introduced and individual assessment centers were completed.
- Emotional Intelligence for Coaching – this programme was open to Manager and above categories. The comprehensive training focused on management techniques that would bring about the best results.

Awards and Recognitions

- National Productivity Award – GOLD, presented by the National Productivity Secretariat under the Ministry of Labour Relations and Productivity Promotion.
- CNCI Industrial Excellence Award – GOLD, presented by Ceylon Chamber of Commerce.
- National Quality Award – GOLD, presented by the Sri Lanka Standards Institution.



Sustainability Report

Healthcare Sector

Pharmaceuticals

Education is the Key to Success

In order to achieve our pharmaceutical arm's critical success factor – that of demand creation, Hemas HR designed and developed a 5 month long learning programme entitled the "Medical Delegates' Professional Development Course". The programme covers Anatomy & Physiology, Pharmacology, Marketing, and Management. To date 85 Medical Delegates have successfully completed the programme and this value addition has been highly commended and appreciated by Principals and local Agency staff.

Assessment for Personal Development

HR formulated and established Assessment /Personal Development Centres and carried out 4 days of rigorous assessments for 18 Managers/Assistant Managers using conventionally accepted testing tools including group discussions, case studies, oral presentations, structured interviews, psychometric as well as numeric tests. Based on the outcome, a personalised 'Assessment Report' was prepared and an individual development plan formulated for each manager thus ensuring transparency, clarity and career progression.

Healthy Body – Healthy Mind

With a view to increasing the mental and physical well being of employees and thus the overall productivity of the company, a mini gymnasium was established within the Colpetty office complex which included the services of a physical trainer.

Hospitals

Improved Employee Relations

Hemas Hospitals takes a series of measures to ensure positive working relationships with employees. We set up Joint Consultative Committees at both hospitals, with representatives from the staff, departments and hospital administration. The committees are a tool to promote mutual understanding and create better working relationships between staff and management. It is also a mechanism through which employees can play a greater role within the company planning process. Furthermore we also formed a Hostel User Committee to enhance support for employees using the staff hostel facilities.



Employees are also kept abreast of the progress made in our business through Hospital Performance Review Sessions held with a wider forum of heads of departments, executive and above. Quarterly Staff Communication Sessions are also held to educate employees on company progress, challenges faced and future plans.

The management also conducts quarterly performance review sessions with employees, to discuss their performance against objectives and goals, in a structured and transparent manner.

Employee Credentialing

The patient safety standards at Hemas Hospitals were further raised with an initiative to credential all staff directly involved in patient care delivery. For this purpose, the Central Credentialing Committee was set up in February 2011 and vested with the authority to credential healthcare workers on careful evaluation of recommendations forwarded by the Medical Advisory Committee and two other Credentialing Sub Committees (Nursing and Allied Healthcare Services). The qualifications and pre-conditions for credentialing are clearly defined and approved by the board.

Developing Future Nursing Talent

We completed a recruitment drive to employ 250 trainee nurses to meet the future requirement of the Hemas Hospitals chain. The trainees are now undergoing a 3 year diploma programme conducted by Open University of Sri Lanka and Aquinas University College. Their clinical training will commence from July 2011.

Focused Training and Development

Staff at both hospitals underwent a series of mandatory training programmes as per the criteria set out by the accreditation by prestigious Australian Council on Health Standards International (ACHSI) as well as requirements of ISO 15189 and ISO 9001:2008.

The total number of training programmes conducted during the year totalled 217, which amounted to 1074 hours of training for the year. The programmes conducted included clinical programmes as well as management development and soft skills development sessions. External expertise was brought in wherever possible to support the training programmes.



Employee Welfare at Hemas Southern Hospital

Hemas Southern Hospital organised 20 hours per nurse of training on fundamentals of nursing for the nursing staff in order to update their knowledge with the latest developments of nursing profession.

Hemas Southern Hospital also provided accommodation facilities to male employees. The Employee welfare society organised a talent show in August to showcase hidden talents of staff members in a bid to uplift employee morale and team spirit.

Transportation Sector

The Transportation Sector held its Annual "Associate of the Quarter" awards ceremony at Excel World. The event was attended by all staff attached to the Sector and the Country Managers of both Emirates Airlines and Malaysia Airlines. The awards are presented to employees below Manager grade. The awards ceremony was followed by a bowling tournament and a karaoke competition.

Leisure Sector

Diethelm Travel Sri Lanka

The year under review was a challenging one for the leisure industry as consistent team work and optimum performance levels were expected. Thus, motivation and team building were the order of the day and every employee at Diethelm Travel Sri Lanka was driven to play a key role thus increasing accountability, encouraging creativity and building trust and loyalty among personnel.

A team was appointed for each quarter and were assigned a project that was in line with the company's business objectives. These were carried out with finesse, creativity and a definite unifying and inspirational change was seen with marked improvements in employee performance and attitude.

Q1: The Singing & Dancing competition served as the perfect ice breaker, encouraging a spirit of friendly competition and setting the right tone for the projects to come.

Q2: Every member of the team joined hands to benefit the residents of the Borella Elders Home. A rewarding and unifying experience.



Q3: When the going gets tough the tough get going, and that's exactly what happened during the Decision Making programme conducted during this quarter.

Q4: An outbound excursion provided the finale to a year of tremendous team work, memories were made, bonds forged and every member of the team determined to work towards the company's goal of delivering exceptional service and results with excellence and efficiency.

Educational Tours

Two such tours were conducted for employees involved in sales and operations. These tours fulfilled the desired objective by enhancing the participants' product knowledge as well as their interpersonal and customer service skills.

Chauffeur/Driver Training

25 new recruits were put through an intensive training programme that included a fascinating and educational familiarisation tour.

Serendib Leisure Management Limited

Investing in Future Generations

- In order to encourage staff members to focus on their children's education, a scholarship scheme is offered to children who pass the year 5 scholarship with high marks. Financial assistance is provided to the child who scores the highest marks and qualifies to enter a popular school. The payment is made monthly until the child enters GCE Advanced Level.

Celebrations and Fellowship

The company encourages work life balance by supporting an annual staff trip while also organising a christmas party for staff and their families, where all children are presented with gifts.



Sustainability Report

Dolphin Hotel

Enhancing skills

- Eco Lab conducted food safety training programmes for the Kitchen and F&B staff. A tea tasting session was also held courtesy Dilmah

Sigiriya Hotel

From excellent to exceptional

- Kitchen and F&B staff were exposed to several skill development programmes including training on Chocolate Creations.

Kitchen Camaraderie

- The kitchen staff get together proved to be an enjoyable event and a vegetable carving competition also provided the opportunity for friendly competition and interaction.

All hotels within the Group provided the following in the year under review:

Proactive Training and Development

Department Heads conducted needs based training programmes under the guidance of the Manager Learning and Development. A guest feedback system, travel agent observations and internet reviews all formed the basis on which training sessions were conceived.

Staff Security

In addition to providing meals to all staff, accommodation is also provided for those residing in distant areas. A medical insurance scheme covering the staff member and his or her immediate family was introduced.

Employee Awards

At Hemas we believe that when you have the best personnel, you should celebrate them.

Talent Management & Succession Planning

A structured programme was carried out sector wise for the group to identify the stars and the critical talent from the employees who belong to the middle and senior /top management. For the identified stars, critical talent and successors individual development plans are designed and executed.

The Group

Management Trainee Programme

Hemas Group Management Trainee Programme was started more than 15 years ago. It is an opportunity for the best young talent of the country to be part of the Company and move up the career path. The programme has been successful throughout the years and has produced fine talent for the group who have come up to head functions. The group is planning a new intake this year.

CEO's Awards

The awards that are most looked forward to, the CEO's Awards are presented to Senior Managers and Managers who have made an outstanding contribution to the success of the company to which they belong within the Hemas Group. The annual event recognises excellence in every industry in which the Group operates.

The Living Hemas Values Awards

These awards are unique in that they are based on the nominations of staff members who feel that a fellow employee is deserving of the award since he or she embodies or exemplifies one or more of the core values by which Hemas operates. These values include:

- passion for customers
- driven by innovation
- obsession for performance
- concern for people

The awards are given on a quarterly basis with a 'Grand winner' selected annually.

The Enriching Lives Awards

Presented at the CEO's Awards ceremony, this new award recognises the exceptional performance of a team that has developed or enhanced a product or service that enriches the lives of Hemas customers. Members of staff can nominate their preferred team or group of employees and a panel of judges will select the winning team.



Committed to protecting our planet

Hemas has always been committed to protecting our country's precious natural resources and has been steadfast when it comes to abiding by all laws and policies pertaining to the conservation of our environment.

The Group lives by the tenet of the Hemas Green Pledge 'We take responsibility as individuals and collectively as part of the Hemas Group to minimise harmful practices and embrace emerging trends, that will help us leave a more gentle environmental footprint'. The Green Pledge has enabled us to create an environmentally friendly mindset among our employees and within our operations, ensuring that the potential impact of our business decisions on the environment are always considered.

While plans are in place to further ingrain and expand our green mindset during the coming year, we look back at the year under review and are proud of the achievements we have made in terms of keeping our companies green.

Leisure Sector

Hotel Sigiriya : Eco Champions

Much before eco tourism was in vogue Hotel Sigiriya launched the country's first greening project – integrating environmental protection disciplines into the daily management of the hotel. These included energy and water conservation, waste and pollution minimisation, a proactive effort to reduce, reuse and recycle and use eco friendly materials while conserving biodiversity and indigenous flora.

Half a decade later Hotel Sigiriya has set the standard when it comes to eco sensitive, nature friendly practices within the industry. The hotel's achievements include:

Over 100 species of indigenous flora grow unchecked within the hotel premises, while over 200 varieties of birds and a host of animals also make their home in the hotel environs.

194 mature and 359 semi-mature trees have been planted on the premises.



A self contained, non chemical biological sewerage plant is in operation and the 30,000 litres of discharge water produced is re-cycled and used for garden irrigation.

Energy saving strategies include solar heating, card key switching for room air conditioning, scheduled light usage, water saving cisterns, use of CFL bulbs and the optional reuse of room linen.

The hotel has its own organic vegetable garden. Compost and sludge from the sewerage plant is used as fertiliser.

A biomass fueled gasifier has replaced the diesel boiler and the hotel has also halved its use of aerosols and plastics.

85% of wet and 75% of dry garbage is recycled.

The staff at Hotel Sigiriya are 100% committed to its eco related goals. The considerable time and effort that went into training and sensitising our staff has ensured that all staff practice environmental management and have seamlessly integrated it into their day to day professional lives.

Thus it is no surprise that Hotel Sigiriya won the Silver Award Asia Green Apple Award, presented by the Green Organisation UK for the second year in succession. It is a symbol of the hotels dedication, strength of purpose and determination to go the distance to preserve our planet.

Environmental Achievements at Hotel Sigiriya

2010/11 up to 71% occupancy	
Total carbon footprint (UNEP guidelines)	198.4MT
Reduction in CO2 equivalent due to current interventions	12.9MT
Reduction in CO2 equivalent due to proposed interventions	10.9MT
Total reduction in CO2 equivalent	29.95MT
Total financial saving due to current interventions	Rs 1,965Mn
Total financial saving estimated due to proposed intervention	Rs. 2,908Mn
Total financial savings	Rs 1,965Mn



Sustainability Report

Manufacturing Sector

Dankotuwa Plant

Bujjampola, 6km from Dankotuwa, is home to our main facility, and we place primary focus on ensuring that the environment within and surrounding our premises is protected and retains all its natural purity and beauty.

This commitment is manifest in the Rs.8Mn investment we made to enhance the capacity of our waste water treatment plants, one of which deals with production effluent and the other, human effluent. This has enabled us to recycle almost 100% of our waste water, an achievement far above that stipulated within regulatory norms. This treated water is used for maintaining the garden.

We recycle 80% of our solid waste including polythene, paper, glass, plastics, oil and metal. Our agreement with Geo Cycle (a subsidiary of Holcim Sri Lanka) is a symbol of our commitment to disposing of all solid waste in a completely eco friendly manner. The facility further underlined its dedication by beginning the stringent process of certification for ISO 14001:2004 which is expected to be achieved in 2011.

The efforts made by the Dankotuwa facility were rewarded when the facility received the Geo Responsibility Award for the year 2011, organised by Geo Cycle and the Central Environmental Authority (CEA) with the participation of the University of Moratuwa Sri Lanka. The award recognises the facility's long term commitment to the protection of the environment, and the positive example it sets to those within the industry in which it operates.

Power Sector

Water conservation and the management of noise pollution are key areas of focus at Heladhanavi. The plant faces a rigorous annual assessment by the North – Western Province Environmental Authority and is proud to have been able to obtain the required licensing with ease for yet another year in succession.

Rain water harvesting pools within the plants' premises aid the water conservation effort. Water that contains heavy oil components is treated prior to being released into the environment, thus ensuring that the delicate eco system of the area is completely unaffected.

58 acres of plant site has been dedicated to the creation of a green belt, that aids in keeping noise levels to the regulatory minimum. Constant internal monitoring as well as independent assessments are made to ascertain that noise levels are managed and maintained.

The Group's hydropower plants operate on the basis of minimum impact to the environment and are fully compliant with environmental regulations and standards stipulated by the Central Environmental Authority. The plants also take special measures to nurture and maintain the green environment within the plant premises, thereby contributing towards clean energy generation.

Every company within the Group looks to the future and sees one key colour – Green – and it is our sworn commitment to continue focusing on enhancing our positive practices to ensure that our environmental footprint is negligible and that we lead by example in terms of eco sensitive practices and results.

Corporate Governance Principles

The Board of Directors of Hemas believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. These Corporate Governance Principles have been approved by the Board. They will be reviewed annually, or more often if deemed necessary or appropriate.

The business of Hemas is managed under the oversight of the Board, which is elected by the shareholders. The Hemas Board represents the shareholders' interest in optimising long-term financial returns while addressing, as appropriate, the concerns of other stakeholders and interested parties, including employees, customers, suppliers, government officials and the public at large. Directors counsel Management and monitor its performance and adherence to corporate standards. Hemas' businesses are conducted by its employees, managers and officers under the direction of its Chief Executive Officer.

1. Selection and Composition of the Board

Board Membership Criteria

The Board seeks to select as directors, individuals with skills and experience to assist management in operating Hemas businesses. The Board considers on an annual basis the perceived needs of the Board at that point in time. Board membership criteria include business experience, character, judgment, diversity of experience, skills and acumen, international background and other matters that are relevant to the Board's needs and objectives. Independence, financial literacy and experience and ability to devote significant time to Board activities and to the enhancement of his knowledge of Hemas businesses are also factors considered for Board membership. Each director should devote the time and attention necessary to fulfill the obligations of a director, attend Board meetings and meetings of committees of which he is a member, and review material sent in advance of meetings. Directors should also attend annual meetings of shareholders.

Board Membership Selection

A Nominations Committee, recently established, comprising the Non-Executive Chairman of the Board, a Non-Executive director and the Chief Executive Officer has the responsibility to nominate directors to fill new and existing Board positions within the group and, at the appropriate time, recommend nominees for election by the shareholders.

Director Orientation and Continuing Education

The Board and management will conduct orientation for new directors to become familiar with Hemas, its strategies, values, including ethics, financial matters, corporate governance and other key policies and practices. New directors will review background material provided by management on the various businesses, meet with senior management and visit Hemas facilities. The Board also recognises the importance of continuing education for its members. It is the responsibility of management to advise directors about continuing education opportunities, and directors are encouraged to take advantage of these opportunities.

2. Board Functioning

Board Leadership

It is the policy of the Board that the role of the Chief Executive Officer and the Chairman should be separate. The Non-Executive Chairman preserves order and facilitates the effective discharge of Board functions.

The Board's Role

The Board as a whole, is responsible for managing and for directing and supervising the management of the business and affairs of the company and the group, which inter alia include the following:-

- discussion and approval of the Company's strategic direction, plans and objectives and the risks to achieving them;
 - review and approval of budgets and forecasts, including both revenue and capital expenditure;
 - regular reviews of the risks to achieving objectives and actions being taken to mitigate them;
 - regular reviews by the Audit Committee of the scope and results of internal audit work across the Company and of the implementation of recommendations. The scope of the work covers all key activities of the Company and concentrates on higher risk areas;
 - reviews of the scope of the work of the external auditors by the Audit Committee and any significant issues arising;
 - reviews by the Audit Committee of accounting policies and levels of delegated authority; and
 - consideration by the Board and by the Audit Committee of the major risks facing the Group and of the controls and procedures in place to manage them.
- The board delegates certain responsibilities to its principal committees. The Audit Committee ensures the integrity of financial information, the effectiveness of the financial controls and the internal control and risk management systems. The Remuneration Committee sets the remuneration policy for executive Directors and Senior Management and determines their individual remuneration arrangements. The Committee also ratifies allocations in terms of the group's share schemes. The Nominations Committee, recently established, recommends suitable Candidates for appointment to the Board, as and when the need arises.

The composition and responsibilities of the Remuneration and Audit Committees are given in detail on pages 46 and 47 of this Report.

Size of the Board

The Board currently comprises eight members. The names of the Board members who served during the year and their profiles are on page 50.

Independence of Members

One half of the directors are independent directors who have no material relationship with Hemas (either directly or as a partner, shareholder, or officer of an organisation that has

Corporate Governance Principles

such a relationship with Hemas), as defined under the listing rules of the Colombo Stock Exchange, which are incorporated into these Principles. Each director must notify the Board as soon as practicable of every situation or condition that may affect his independence. The names of the directors determined to be independent are disclosed in the "Board of Directors" on page 50.

Code of Conduct

It is of major importance to corporations and their leaders to create a "tone at the top" and a corporate culture that promotes ethical conduct on the part of those corporations and their employees. The single most important factor in creating such a culture is the quality of corporate leadership, especially the "tone at the top" set by Boards and Senior Management.

We, the directors of Hemas, understand this responsibility and are committed to this responsibility. We believe that each Director, by agreeing to serve as Director, has agreed to read, understand and adhere to this "Code of business Conduct and Ethics for Directors" ("The Code").

Retirement and Term Limits

1/3rd of the Directors will stand for re-election each year. A director should retire on reaching the age of 70 years and is eligible for re-appointment on a limited term renewable each year.

Director Compensation

The Board will periodically review director compensation in comparison with companies that are similarly situated to ensure that Board and committee compensation is reasonable and competitive. Compensation should fairly pay outside directors for work required in a company of Hemas' size and scope; compensation should align Directors' interests with the long-term interest of shareholders and the structure of the compensation should be transparent and easy for shareholders to understand.

Loans to Directors

It is the policy of Hemas not to make any personal loans to its Directors in compliance with the Companies' Act.

Stock Ownership of Directors

Directors are encouraged to own an equity interest in Hemas within a reasonable period after initial election to the Board and to retain such equity interests while serving on the Board.

Access to Outside Advisors

The Board, as well as each committee, may retain at any time, at the expense of Hemas, outside financial, legal, compensation or other advisors as it deems appropriate.

Access to Management

Board members have complete access to Hemas' management and to the Company Secretary for any information or clarification required on the business of the Company and the Group.

Annual Performance Evaluation of the Board

The Board performs a self-evaluation annually to determine

whether it and its committees are functioning effectively. The purpose of the evaluation is to increase the effectiveness of the Board and the committees, as well as the individual members.

Board Interaction with Investors, the Press, Customers and Others

Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with Hemas. However, it is expected that Board Members will speak for Hemas only with the knowledge and consent of the board.

Transactions Between Directors and Hemas

Any payments for any reason, including for goods or services, by Hemas or its subsidiaries to a Director's primary business affiliation or that of an immediate family member of a Director must be made in the ordinary course of business and on the same terms prevailing at the time for comparable transactions with non-affiliated persons. The term "primary business affiliation" means an entity of which the director or an immediate family member is a principal or executive officer or in which the director or an immediate family member holds at least 10% of the equity interests.

4. Committee Matters

Types of Committees

Standing Board Committees currently consist of the Audit and Remuneration Committees and a Nomination Committee appointed during the year. From time to time the Board may form a new Committee or disband a current Committee. Each standing Committee has a charter, which it will review annually.

Independence of Members of Committees

The Audit Committee, Nomination Committee and the Remuneration Committee are composed of a majority of independent directors, as defined under applicable law and the listing standards of the Colombo Stock Exchange, adopted by the Board.

Frequency and Length of Meetings

Committee Chairpersons, in consultation with the Company Secretary, will determine the frequency of the meetings of the Committees.

Audit Committee Financial Expert

At least one member of the Audit Committee will be a person that the Board determines is an "Audit Committee Financial Expert" as defined by the Code of Best Practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka and the Rules of the Colombo Stock Exchange, unless the Board otherwise determines.

5. Meeting Procedures

Conduct of Meetings

Board and Committee meetings will be conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues. Whenever feasible, directors will receive material concerning matters to be acted upon well in advance of the applicable meeting to

allow Directors to prepare for discussions of items at the meeting. Presentations on specific subjects are generally sent to the Board in advance to save time at board meetings and focus discussions on the Board's questions. When the subject matter is very sensitive, the presentation will be provided at the meeting.

Selection of Agenda Items

The Chairman, together with the Chief Executive Officer/Managing Director, will establish the agenda for each Board Meeting. Board members may suggest the inclusion of items on the agenda for particular Board meetings. Certain agenda items will be recurring, such as Committee reports and a review of Hemas annual business plan, its long-term strategic plan and financial goals.

Attendance

The table shows the attendance of Directors at scheduled Board and Committee meetings. The Board scheduled 5 meetings during the year.

Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Mr. L.De Mel *	5/5		4/4
Mr. H.N. Esufally	5/5	4/4	4/4
Mr. A.N. Esufally	5/5		
Mr. I.A.H. Esufally	5/5		
Mr. M.E. Wickremesinghe **	5/5	4/4	4/4
Mr. M.A.H. Esufally	5/5		
Mr. P.K. Mohapatra	3/5	3/4	
Mr. D. Bhatnagar	5/5		

* Chairman – Hemas Holdings PLC / Remuneration Committee

** Chairman – Audit Committee

reviewed regularly by the Audit Committee which then reports to the Board.

8. Investor Relations

The Company is committed to maintaining good communications with investors. Normal shareholder relationship is the responsibility of the Company Secretary. The Chairman and CEO are generally available to shareholders and meet with institutional and other large investors as required.

The Company regularly meets with its large investors and institutional shareholders who, along with research analysts, are invited to presentations by the Company immediately after the announcement of the Company's interim and full year results. The content of these presentations are posted on the Company's website (www.hemas.com) so as to be available to all investors.

Shareholders have the opportunity to meet and question the Board at the AGM, which this year will be held on Thursday, 30th June 2011. Each item of business to be considered at the AGM is included with the Notice of Meeting which will be sent to shareholders at least 15 working days before the meeting.

6. Internal Control

The Board has overall responsibility for the system of internal controls, which is fully embedded into the operations of the Company and includes risk management. Certain of these responsibilities have been delegated to the Audit Committee. The Audit Committee has reviewed the effectiveness of the system of internal control and has ensured that any required remedial action has been or is being taken on any identified weaknesses. The system of internal controls has been in place throughout the year. It is designed to manage the risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It covers all controls including those in relation to financial reporting processes (including the preparation of consolidated accounts), operational and compliance controls and risk management procedures.

7. Risk Management

The risk management system has been in place throughout the year. Accepting that risk is an inherent part of doing business, the system is designed to identify key risks and provide assurance that these risks are fully understood and managed. It is also supported by a risk policy and guidelines on how to apply the policy, which are communicated throughout the Company. The effectiveness of the process is

Report of the Remuneration Committee

The Remuneration Committee is established to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of Senior Executives. It also sets the overall remuneration policy for the company.

The following directors served on the Committee during the year:
Mr. J.C. L. De Mel (Chairman)
Mr. M.E. Wickremesinghe

No member of the Committee has any personal financial interest, other than as a shareholder (as disclosed in the Interest in shares table on page 101) in the matters to be decided by the Committee. The two independent members of the Committee have no conflicts of interest arising from Committee members' cross-directorships and none of the members of the Committee participate in any bonus schemes or any employee share schemes in respect of the Company. Members of the Committee have no day-to-day involvement in the running of the Company.

The Company's Chief Executive attends Committee meetings by invitation. He does not attend where his individual remuneration is discussed and no director is involved in deciding his own remuneration.

In 2010/11, the Committee met Four (04) times and details of attendance at these meetings are provided in the Corporate Governance Section.

Activities

In discharging its responsibilities, the Committee has, during the year, undertaken a thorough review of the Company's reward strategy. In doing so, the Committee considered the results of a Compensation Benchmark survey carried out by appropriate organisations.

During the financial year under review, the Committee also reviewed and ratified the following:-

- a policy guideline for approval of expenses of Executive Directors and Senior Managers of the group a succession management plan for Senior Managers.

Remuneration Philosophy and Policy

The group's philosophy is to remunerate its Directors, Executives and staff by paying them competitively structured packages.

In determining the remuneration policy and the size of the awards, the Remuneration Committee takes account of structures and levels of remuneration for Executive Directors and Senior Managers in other substantial companies that it regards as appropriate comparators and of such companies' stated remuneration policies.

Advise

The Committee recruited an Independent Advisor, Hewitt Associates, from whom they received assistance and advice on Job Evaluation and Grade structuring at Hemas.

Incentive Scheme

In addition to paying annual bonuses based on both individual and Group performance, the Group offers share incentive schemes to Senior Management and to staff who the group has identified as future leaders.

A 2nd tranche of shares to key executives was approved by the Committee in November 2010 for allocation in terms of the Group's Employee share Ownership Scheme, which was established in 2008.

Details of executive remuneration are included under Key Management Personnel compensation on page 96 of the Annual Report.

The fees payable to the Non-Executive Directors for 2010 remain in place for the next year.

On behalf of the Remuneration Committee.



Lalith De Mel
Chairman

26th May 2011

Audit Committee Report

The Audit Committee of your Company consists of Maithri Wickremesinghe, Chairman and Pradipta Mohapatra, two directors who qualify as Independent Non-Executive Directors under the standards prescribed by the Colombo Stock Exchange.

The main role and responsibilities of the Audit Committee include

- (a) exercising oversight responsibilities relating to the quality and integrity of the Company's financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of Company in accordance with the Sri Lanka Accounting Standards;
- (b) exercising oversight responsibilities relating to the Company's compliance with financial reporting and information requirements of the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations;
- (c) exercising responsibilities over processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; and compliance by the Company with legal and statutory requirements;
- (d) assessing the independence and performance of the Company's external auditors;
- (e) making recommendations to the Board pertaining to appointment re-appointment and in appropriate circumstances removal of the external auditors;
- (f) considering (if appropriate) the degree of any work undertaken by the external auditor for the group other than the statutory audit; and
- (g) approving the remuneration and terms of engagement of the external auditors.

The internal auditors report to the Audit Committee which meets with the internal auditors both with and without the Management present.

The Audit Committee met four times during the financial year ended 31st March 2011. The Audit Committee invited the Chief Executive Officer and the Chief Financial Officer of the Group to attend all its meetings although it reserved the right to request any of the individuals to withdraw. The Audit Committee inter alia engaged in the following activities during the financial year under review.

Review of the un-audited quarterly financial statements and discussion of these financial statements with management.

Review of the audited financial statements for the year and discussion of those financial statements with the Management and external auditors.

Discussion with the Company's external auditors the results of the external auditors examinations and the judgment of the external auditors concerning the quality as well as the acceptability of the Company's accounting principles.

Discussion of the management letter issued by the external auditors and monitoring follow up action by the Management.

Discussion with the external auditors of their independence from the Company and the Company's Management including a consideration of the compatibility of non-audit services provided by the external auditors with their independence.

Review of the internal audit plan for the Company and unlisted subsidiaries and monitoring the performance of the internal auditors and their adherence to the internal audit plan.

Review of the internal audit reports and monitoring follow up action by the management of the Company and its unlisted subsidiaries.

Commissioning follow up reviews and reviewing the reports.

Reviewing the report on compliance with statutory reporting and payment requirements submitted by the Company.

The Committee reviewed the effectiveness of the external audit and 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.



Maithri Wickremesinghe
Chairman



Pradipta Mohapatra
Director

26th May 2011

Directors' Interest in Contracts with the Company

Related Party disclosures as required by the Sri Lanka Accounting Standards No. 30 on Related Party Disclosures is detailed in Note 35 to the financial statements. In addition, the Company carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Directors	Value Nature of Transaction	Value	
			2011 Rs.	2010 Rs.
Hemas Manufacturing (Pvt) Ltd.	Mr. H. Esufally	Bank Guarantee Charges	437,024	328,606
		Consultancy Fees	64,500,000	68,401,960
		IT Charges	18,896,554	24,548,015
		Interest Expense	(9,873,888)	(76,302,293)
		Dividend Income	43,373,632	19,746,664
Hemas Pharmaceuticals (Pvt) Ltd.	Mr. H. Esufally Mr. M. Esufally	Consultancy Fees	100,000,000	116,391,400
		IT Charges	26,888,592	15,359,561
		Interest Income	15,894,493	9,836,768
		Bank Guarantee Charges	183,633	457,471
		Dividend Income	43,508,675	23,815,072
Hemas Hospitals (Pvt) Ltd.	Mr. M. Esufally Mr. H. Esufally	Bank Guarantee Charges	1,028,293	923,532
		Consultancy Fees	246,790	247,004
		IT Charges	4,074,306	2,573,671
		Interest Income	12,025,350	-
		Interest Expense	-	(385,055)
Hemas Southern Hospitals (Pvt) Ltd.	Mr. M. Esufally	Bank Guarantee Charges	565,561	567,006
		IT Charges	890,035	794,541
		Rental Income	226,802	206,184
Hemas Clinical Research Services (Pvt) Ltd.	Mr. H. Esufally	IT Charges	-	19,221
		Interest Income	-	93,486
Hemtours (Pvt) Ltd.	Mr. H. Esufally Mr. A. Esufally	Interest Income	5,923,506	5,290,663
		Dividend Income	6,750,000	3,375,000
Diethem Travel Lanka (Pvt) Ltd.	Mr. A. Esufally Mr. H. Esufally	IT Charges	2,829,717	3,353,818
		Consultancy Fees	246,790	247,004
		Interest Income	663,744	1,424,646
		Transport and Accommodation Charges	(1,717,676)	(362,356)
		Interest Income	-	232,542
Mowbray Hotels Ltd.	Mr. A. Esufally	Interest Income	-	232,542
Serendib Hotels PLC	Deshamanya Lalith De Mel Mr. H. Esufally Mr. A. Esufally	IT Charges	17,099	-
		Interest Income	2,887,492	-
		Interest Expense	(60,463)	-
Forbes Air Services (Pvt) Ltd.	Mr. H. Esufally Mr. A. Esufally Mr. I. Esufally Mr. M. Esufally	Consultancy Fees	53,300,000	59,463,800
		IT Charges	281,043	255,778
		Dividend Income	8,640,000	6,198,901
		Interest Expense	(19,994,121)	(20,492,729)
Hemas Air Services (Pvt) Ltd.	Mr. H. Esufally Mr. I. Esufally	Consultancy Fees	8,000,000	9,092,760
		Interest Expense	(4,392,991)	(6,213,129)
		IT Charges	1,585,304	1,536,897
		Dividend Income	3,240,000	2,877,655
Hemas Travels (Pvt) Ltd.	Mr. H. Esufally Mr. I. Esufally	Air Line Ticket Sales	(7,147,877)	(6,777,037)
		Bank Guarantee Charges	-	36,083
		Consultancy Fees	1,000,000	9,092,760
		IT Charges	3,243,813	3,502,548
		Dividend Income	4,230,000	2,877,655
HIF Logistics (Pvt) Ltd.	Mr. I. Esufally	IT Charges	-	493,526
		Interest Income	1,082,489	1,744,191
Far shipping Lanka (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	-	13,961,498
		IT Charges	901,108	790,384
		Dividend Income	3,949,521	3,673,831
		Interest Income	533,041	-

Company	Directors	Value Nature of Transaction	Value	
			2011 Rs.	2010 Rs.
Exchange & Finance Investment (Pvt) Ltd.	Mr. I. Esufally Mr. H. Esufally	Bank Guarantee Charges	- -	6,443
Hemas Aviation (Pvt) Ltd.	Mr. I. Esufally	IT Charges	468,481	442,923
ACX International (Pvt) Ltd.	Mr. H. Esufally Mr. I. Esufally	IT Charges	3,251,244	710,123
		Interest Income	182,488	310,841
		Consultancy Fees	663,267	-
		Courier charges	(47,843)	(70,771)
Hellman Worldwide Logistics (Pvt) Ltd.	Mr. I. Esufally	Interest Income	-	189,681
		IT Charges	87,768	-
Discover the World Marketing (Pvt) Ltd.	Mr. I. Esufally	Dividend Income	6,257	-
Hemas Power PLC	Mr. H. Esufally Mr. I. Esufally	Bank Guarantee Charges	51,415	37,242
		Consultancy Fees	308,488	308,756
		IT Charges	717,193	453,392
		Interest Income	174,646	3,235,811
		Dividend Income	122,070,000	2,778,427
Giddawa Hydro Power (Pvt) Ltd.	Mr. H. Esufally	IT Charges	35,170	33,452
		Interest Income	52,516	1,417,366
		Dividend Income	2,047,809	4,169,589
Peace Haven Resorts Ltd.	Mr. H. Esufally Mr. A. Esufally	Interest Expense	(8,248,379)	(12,870,419)
		Dividend Income	5,630,455	39,413,187
Hemas Developments (Pvt) Ltd.	Mr. A. Esufally	Consultancy Fees	463,283	617,511
		Interest Expense	(6,058,733)	(7,561,018)
		IT Charges	68,788	37,874
		Dividend Income	18,000,000	9,000,001
Vishwa BPO (Pvt) Ltd.	Mr. H. Esufally	Shared Services Expenses	(9,031,320)	(4,011,740)
		Consultancy Fees	370,185	710,086
		IT Charges	755,734	4,618
		Interest Expense	(481,972)	(771,122)
		Dividend Income	434,414	-
Hemas Corporate Services (Pvt) Ltd.	Mr. H. Esufally	Centralised Coporate Services	(4,207,367)	(2,184,008)
		Consultancy Fees	-	154,013
		Bank Guarantee Charges	25,707	25,773
N-able (Pvt) Ltd.	Mr. I. Esufally	Consultancy Fees	123,395	293,292
		Rental Income	925,463	927,828
		Interest Expense	2,652	-
		Interest Income	4,516,977	3,939,468

Board of Directors

1. Mr. Lalith De Mel – Independent Chairman

Mr. Lalith De Mel has a Master of Arts Degree from Cambridge University, UK, and the AMP Harvard Business School USA. He counts over 40 years Board experience having served as a Director of several companies in Sri Lanka and abroad. He has served most of his career at Reckitt Benckiser PIC, UK and was a main Board Director. He was the Global Director – Pharmaceuticals when he retired. He has served as the Chairman of the Board of Investment and the Chairman of Sri Lanka Telecom Limited, and was a Senior Advisor Ministry of Finance. He holds directorships in many other companies and is a Trustee of the Cambodia Trust UK.

2. Husein Esufally – Chief Executive Officer

Mr. H. N. Esufally was appointed as the Chairman of Hemas Power PLC in 2009. He is also the Chief Executive Officer of Hemas Holdings PLC. Mr. Esufally has over 28 years of management experience. Mr. Esufally holds a BSc (Honours) Degree in Electronics from the University of Sussex, UK. He is the founder member of the Association for Rehabilitation of Spinal Cord Injuries (ARSCI).

3. Abbas Esufally – Non Executive Director

Mr. A.N. Esufally is a Fellow of both the Institute of Chartered Accountants of England and Wales and the Institute of Chartered Accountants of Sri Lanka and is an all Island Justice of Peace. He serves as Chairman of Serendib Hotels PLC and Dolphin Hotels PLC. He has experience of over 30 years in Sri Lanka and overseas and has been in the forefront of the leisure industry in Sri Lanka. He is the Honorary Consul General of Bhutan in Sri Lanka.

4. Imtiaz A H Esufally – Executive Director

Mr I A H Esufally holds a Bachelor of Arts (Honours) degree in Accounting and Economics from the University of Kent, UK. He heads the Transportation Sector and has over 20 years management experience in this field and has been in the forefront of the aviation industry. He was also past president of the IATA Agents Association of Sri Lanka.



5. Mr. Maithri Wickremesinghe – Independent Director

Mr. M.E. Wickremesinghe is an Honours Graduate in Law of the University of Colombo, an Attorney-at-Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. He is a practicing Attorney-at-Law specialising in Commercial, Corporate & Banking Law. He has previously lectured and examined at the Faculty of Laws of the University of Colombo, at the University of Moratuwa and at the Kotalawela Defense Academy.

6. Mr. Murtaza Esufally – Executive Director

Mr. M. A. H. Esufally holds a Bachelor of Law degree from the University of Essex, UK. He is a Barrister-at-Law (Lincoln's Inn) and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He has an Executive MBA from the Melbourne Business School. He has over 17 years of Senior Management experience. He is also the Chairman of Hemas Hospitals (Pvt) Ltd.

7. Mr. Divyaroop Bhatnagar – Independent Director

Mr. D. Bhatnagar is a Graduate in Mechanical Engineering from the Indian Institute of Technology, Kanpur, India with an MBA in Marketing from the Indian Institute of Management, Calcutta, India. He has over 25 years of experience with multinational companies such as Unilever, Benckiser, Phillips and ICI.

8. Mr. Pradipta Mohapatra – Independent Director

Pradipta K. Mohapatra sits on the Board of 15 publicly quoted as well as private companies in India, South Asia, USA and Europe. He had a long career, working as a Director on the main Board of US \$4 Billion RPG Enterprises in India, providing oversight to a number of businesses. Mr. Mohapatra coaches many CEOs & CXOs. He is a Graduate in Chemical Engineering and Studied Management at the Harvard Business School. He was also invited to be a fellow of the Chartered Management Institute, UK.



Senior Management

The Senior Management of the Hemas Group consists of the Executive Directors of Hemas Holdings PLC, the Board of Management and the Group Operating Committee.

The Board of Directors of Hemas Holdings PLC provides leadership for the affairs of the Company within the framework of prudent and effective risk management. It sets the strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives. The Board reviews management performance, sets the Company's values and standards and makes sure that the obligations to its shareholders are understood and met.

The role of the Board of Management is to develop overall Group strategy and annual business plans, review business plans, evaluate investment proposals, design and review Group policies and controls and provide a forum for the Chief Executive Officers to discuss ideas and issues.

The Group Operating Committee provides a Forum for Senior Management to appraise Group performance, share business information and best practices, and implement decisions delegated by the Board. From time to time learning interventions by high-level resource personnel are provided to this Group.

Board of Management



1. Malinga Arakularatne - Chief Financial Officer
2. Kishan Nanayakkara - Managing Director, Hemas Power PLC
3. Imal Fonseka - Managing Director, Hemas Consumer Brands
4. Sanjeeva Samaranayake - Managing Director, Hemas Pharmaceuticals
5. Kasturi Chellaraja Wilson - Chief Process Officer

*Also in the Board of Management:
Husein Esufally
Imtiaz Esufally
Murtaza Esufally*

Group Operating Committee



1. Harith Perera - Managing Director, Diethelm Travels
2. Dr. Irshad Musheen - Director, Hemas Maritime
3. Roy Joseph - Director Finance, Hemas Consumer Brands
4. Indresh Fernando - Director Finance, Hemas Transportation
5. Riad Ameen - Legal Consultant
6. Dimuth De Alwis - Head of Group Human Resources
7. Dr. Aruna Rabel - Director Medical Services, Hemas Hospitals
8. Ranil De Silva - Managing Director, Serendib Hotels PLC

Also in the Group Operating Committee:

*Husein Esufally
Kishan Nanayakkara
Malinga Arsakularatne
Imal Fonseka
Kasturi Chellaraja Wilson
Sanjeewa Samaranyake*

Annual Report of the Board of Directors

Principal Activities

Hemas Holdings PLC (the Company) is a holding company which owns, directly or indirectly, investments in the numerous companies constituting Hemas. Hemas is engaged in the principal aspects of the Fast Moving Consumer Goods and Healthcare industry and also has interests in the Transportation, Leisure and Energy-related businesses. Details of the Company's subsidiaries can be found in the Financial Review and Sector Reviews, which form part of this Report.

Business Review

The information that fulfills the requirements of the Business Review can be found in the Chairman's Review, the Chief Executive Officer's review, Sector Reviews and also in the Financial Review, all of which are incorporated in this Report of the Directors by way of reference. Throughout the Report of the Directors, the Board aims to present a balanced and understandable assessment of the Company's position and prospects in its financial reporting to shareholders and other interested parties.

Serendib Hotels PLC, the owning company of the Hotel Sector, together with the Minor group, Thailand, acquired a 100% stake in Cyprea Lanka (Pvt) Ltd, owners of the Kani Lanka Resort & Spa, Kalutara, in August 2010. Cyprea Lanka (Pvt) Ltd subsequently changed its name to Jada Resort & Spa (Pvt) Ltd.

Hemas Hospitals (Pvt) Ltd, a subsidiary of Hemas raised Rs.1.4 bn by way of a Rights Issue during March 2011. The issue was underwritten by Hemas as a result of which it increased its stake upto 81%.

Accounting Policies

The Company and the Group have adopted significant accounting policies in preparing the Financial Statements, which are stated in note 2.

Post-Balance Sheet Events

Post-balance sheet events are given in Note 32 to the Consolidated Financial Statements.

Financial Statements and Dividends

The Consolidated Balance Sheet and Consolidated Statement of Income are available on pages 60 and 61 under Consolidated Financial Statements.

The Company paid an Interim dividend for the year ended 31st March 2011 of Rs.0.25 per share on 22nd November 2010 (2009/10: Rs.2.25) to Ordinary Shareholders whose names appeared in the Register at the close of business on 11th November 2010.

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

Accordingly, shareholder approval will be sought to declare a final dividend of Rs.0.25 per Ordinary share as recommended by the Board, for the year ended 31st March 2011.

Board of Directors

Mr. Lalith De Mel Chairman
Mr. Husein Esufally CEO
Mr. Abbas Esufally
Mr. Imtiaz Esufally
Mr. Maithri Wickremesinghe
Mr. Murtaza Esufally
Mr. Pradipta Mohapatra
Mr. Divyaroop Bhatnagar

Profiles of the directors who held office at the end of the year are given in the directors' profiles section on pages 50 and 51.

The Company's Articles of Association requires a director to stand for re-election once every 3 years. Accordingly, Messrs. M.E. Wickremesinghe and D. Bhatnagar will stand for re-election at the forthcoming Annual General Meeting.

Mr. L. De Mel, the Independent Chairman, retires from Office having served a term of 1 year from the date of his re-appointment at the last AGM. The Board, unanimously recommends his re-appointment for another term of 1 year and a resolution to this effect is included in the Notice of Meeting on page 104.

Appointment and Re-Appointment of Non-Executive Directors

The terms and conditions of appointment of Non-Executive Directors are set out in their letters of appointment with the Company. No director is, or was, materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business. See also "Related party transactions" under note 35.

Qualifying Third-Party Indemnities

The Company has indemnified each of the directors, to the widest extent permitted by the applicable laws against any and all liability, howsoever caused (including by that Director's own negligence), suffered or incurred in the course of acting as a Director or Employee of the Company or certain other entities.

Directors' Interests

The interests (in shares or calculated equivalents) of the Directors in office at the end of the financial year, including any interests of a "connected person" (as defined in the Rules and Regulations of the Colombo Stock Exchange) of the directors, and the Chief Executive Officer's holding in shares of the Company are set out on page 101 of this Report.

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. All directors have made declarations as provided for in section 192(2) of the said Act and related entries were made in the Interest Register during the year under review.

There were no changes in Directors' share interests during the period under review other than as a result of the sub division carried out last year.

Remuneration of Directors

The fees payable to the Non-Executive Directors for 2010/2011 remain in place for the next year.

The aggregate remuneration paid to the Directors who served during the year is included under Key Management Personnel Compensation on page 96 of this report.

Board Committees

Audit Committee

Mr. Maithri Wickremesinghe (Chairman)
Mr. Pradipta Mohapatra

Remuneration Committee

Mr. Lalith De Mel (Chairman)
Mr. Maithri Wickremesinghe

Nominations Committee

Mr. Lalith De Mel (Chairman)
Mr. Pradipta Mohapatra
Mr. Husein Esufally

Operating Committees

Board of Management

Mr. Husein Esufally (Chairman)
Mr. Imtiaz Esufally
Mr. Murtaza Esufally
Mr. Malinga Arsakularatne
Mr. Kishan Nanayakkara
Mr. Imal Fonseka
Mr. Sanjeewa Samaranayake
Ms. Kasturi Chellaraja Wilson

Group Operating Committee

Mr. Husein Esufally
Mr. Kishan Nanayakkara
Mr. Malinga Arsakularatne
Mr. Imal Fonseka
Ms. Kasturi Chellaraja Wilson
Mr. Harith Perera
Mr. Sanjeewa Samaranayake
Dr. Irshad Musheen
Mr. Roy Joseph
Ms. Indresh Fernando
Mr. Riad Ameen
Mr. Dimuth De Alwis
Dr. Aruna Rabel
Mr. Ranil De Silva

Share Capital

Share Subdivision

At the Annual General Meeting held on 2nd July 2010, shareholders approval was obtained to subdivide the Company's issued shares in the proportion of five (5) new shares for every one (1) existing share held as at that date.

Thus the ordinary shares in issue increased from 101,958,124 to 509,790,620.

Share Ownership Scheme-2008

The Hemas Employee Share Ownership Scheme (ESOS) was established in 2008 to assist and enable its employees to obtain the benefits from an appreciation in the value of shares in the Company. The maximum number of shares to be granted to eligible employees under this scheme shall not exceed 3% of the issued ordinary shares of the Company.

Jacey Trust Services (Pvt) Ltd were appointed Trustees to the ESOS.

A first tranche of 650,000 shares were allotted in February 2009 and vested in the eligible employees for a period of 3 years from that date. With the sub division of shares that was carried out by the Company in July 2010, these shares increased to 3,250,000 and are held in Trust for and on behalf of the eligible employees until the expiry of the vesting period.

A total of 2,250,000 shares (post subdivision) were allotted under the 2nd tranche in December 2010 and is also held in trust with Jacey Trust Services (Pvt) Ltd.

The new scheme shares allotted pursuant to the ESOS are listed and rank pari passu with the issued ordinary shares of the Company.

Share Capital

The Company's issued share capital as at 31st March, 2011, was Rs.1,468,425,034/- details of which are set out in Note 14th to the Company Financial Statements.

Transfer of Securities

There are no significant restrictions on the transfer of securities.

Substantial Shareholdings

As at 31st March 2011, the Company had been notified by the following investors of their interests in 10% or more of the Company's shares. These interests are notified to the Company pursuant to Rule 7.6 of the Regulations of the Colombo Stock Exchange.

Name of Shareholder	Number of shares held	Percentage holding
AZ Holdings (Pvt) Ltd	90,762,875	17.73%
Saraz Investments (Pvt) Ltd	86,396,035	16.87%
Blueberry Investments (Pvt) Ltd	85,781,250	16.75%
Amagroup (Pvt) Ltd	85,780,665	16.75%

The names of the twenty major shareholders of the Company are indicated on page 101.

The percentage of shares held by the public as at 31st March 2011 was 28.05%.

Other Matters

Financial Risk Management, Objectives and Policies

Descriptions of the use of financial instruments and financial risk management objectives and policies are set out on pages 32 and 33.

Related Party Transactions

Other than disclosures given in Notes 35.1 and 35.2 to the Consolidated Financial Statements respectively, there were no transactions or proposed transactions that were material to either the Company or any related party. Nor were there any transactions that were unusual in their nature or conditions with any related party.

Annual Report of the Board of Directors

Charitable Contributions

Hemas, through individual subsidiary companies, donated Rs 9,665,268 (2010 - Rs 1,544,983) during the year under review to charitable causes.

Employee Communication and Involvement

Detailed information can be found in the Sustainability Report on page 37.

Group Employment

The number of persons in employment in the Company and its subsidiaries as at 31st March 2011 was 3,034 (2010 - 2585)

Corporate Social Responsibility

A summary of Hemas' approach to corporate social responsibility is contained in the Chief Executive Officer's Review. Further details are available in the Sustainability Report on page 34.

Contingent Liabilities and Capital Commitments

Commitments made on capital expenditure and contingent liabilities as at the year end are disclosed in note 33 to the financial statements.

Capital Expenditure

A sum of Rs. 1,095Mn (2010 - Rs. 463 Mn) was capitalised by the group in property plant and equipment during the year under review. The movement in Property, Plant and Equipment for the year are given in note 3 to the financial statements.

Market Statistics

Market statistics as at 31st March 2011 are indicated on page 101 of this report.

Reserves

Total reserves is the Company and the Group as at the close of the Financial year were Rs. 257Mn and Rs. 1,046Mn respectively. (2010 Rs. 257Mn and Rs. 806Mn)

Investments

Investment of the Company in subsidiaries, joint ventures, and external investments amounted to Rs. 5,849Mn (2010 - Rs. 5,728Mn). A detailed description of the long term investments held as at the balance sheet date is given in notes 7 to 9 of the Financials statements.

Statutory Payments

The directors are satisfied that all statutory payments to the Government and other statutory institutions including employee related payments have been made in time to the best of their knowledge and belief.

Auditors and Disclosure of Information to Auditors

So far as each person who was a director at the date of approving this report 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. Each director has taken all the steps that he is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

Ernst & Young, Chartered Accountants have signified their willingness to continue in office, and a resolution for their re-

appointment and to authorise the directors to set their remuneration will be submitted to the AGM.

Note 28 to the financial statements sets out details of the auditor's remuneration.

Corporate Governance

The Company's statement on Corporate Governance is included in the Corporate Governance Principles.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the Financial review and note 17 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The business review includes an analysis of the key risks facing the Group and the Group's approach to risk management.

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM will take place on June 30, 2011, at the Auditorium of the Chamber of Commerce, Navam Mawatha, Colombo 2. Details of the business to be put to shareholders at the AGM can be found in the Notice of the Annual General Meeting.

Acknowledgement

Your directors would like to express their appreciation for the assistance and co-operation received from financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your directors also wish to place on record their appreciation of the committed services by the executives, staff and workers of the Company.

Signed on behalf of the Board



Lalith de Mel
Chairman



Husein Esufally
CEO



Hemas Corporate Services (Pvt) Ltd.
Secretaries

26th May 2011

Financial Statements

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act No. 7 of 2007. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the directors are also responsible for preparing a Report of the Directors, Directors' Remuneration report and Corporate Governance statement that complies with those laws and regulations.

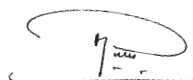
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' Responsibility Statement

The directors confirm to the best of their knowledge, that:-

1. the financial statements prepared in accordance with the applicable laws, give a true and fair view of the financial position and profit of the Company and the undertakings included in the consolidation as a whole.
2. the management reports, which are incorporated into the Report of the Directors, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with the principal risks and uncertainties they face.

By Order of the Board of
Hemas Holdings PLC



Hemas Corporate Services (Pvt) Ltd
Secretaries

26th May 2011

Auditors' Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hemas Holdings PLC, the consolidated financial statements of the Company and its subsidiaries which comprise the Balance Sheets as at March 31, 2011, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate Accounting Policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 and its Profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.


Colombo
May 26, 2011

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Balance Sheet

As At 31 March	Note	Group		Company	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3	7,457,601,494	7,033,615,456	105,305,439	59,682,782
Investment Properties	4	1,309,965,000	1,261,409,950	309,965,000	330,409,950
Intangible Assets	5	323,894,824	333,073,487	-	-
Leasehold Property	6	58,779,136	61,844,853	-	-
Deferred Tax Assets	18	25,488,978	22,805,294	-	-
Loans Due from Related Parties	12	-	-	15,000,000	21,937,369
Investment in Subsidiaries	7	-	-	5,696,001,377	5,574,780,994
Investment in Joint Ventures	8	-	-	38,519,264	38,519,264
Other Long Term Receivables		43,318,140	43,318,140	-	-
Other Investments	9	433,661,251	64,498,596	114,008,371	114,248,398
		9,652,708,823	8,820,565,776	6,278,799,451	6,139,578,757
Current Assets					
Inventories	10	1,680,771,785	1,544,559,296	-	-
Trade and Other Receivables	11	4,575,929,336	3,933,326,303	176,187,120	116,826,379
Loans Due from Related Parties	12	-	-	519,271,564	268,621,260
Other Investments	9	67,694	67,694	48,642	48,642
Tax Recoverable		148,020,028	116,532,983	-	4,436,091
Amounts Due from Related Parties	13	-	-	130,726,193	214,091,394
Short Term Cash Investments	22	2,025,096,612	1,258,993,053	210,023	50,141,052
Cash and Cash Equivalents	22	1,133,279,596	392,885,938	23,678,870	27,994,605
		9,563,165,051	7,246,365,267	850,122,412	682,159,423
Total Assets		19,215,873,874	16,066,931,043	7,128,921,863	6,821,738,180
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	14	1,468,425,034	1,369,222,534	1,468,425,034	1,369,222,534
Reserves	15	1,045,977,220	805,982,557	257,032,425	257,032,425
Retained Earnings		6,359,602,547	5,516,910,931	4,077,851,368	4,096,385,205
Shareholders' Funds		8,874,004,801	7,692,116,022	5,803,308,827	5,722,640,164
Minority Interests		1,701,634,732	1,488,104,391	-	-
Total Shareholders' Funds and Minority Interests		10,575,639,533	9,180,220,413	5,803,308,827	5,722,640,164
Non-Current Liabilities					
Other Borrowings	16	10,242,872	8,790,222	-	-
Interest Bearing Loans and Borrowings	17	1,700,040,360	1,231,529,708	686,502,490	425,709,598
Deferred Tax Liabilities	18	123,609,201	145,146,554	42,021,818	60,197,984
Retirement Benefit Liability	19	230,298,404	184,963,092	18,675,791	17,025,408
		2,064,190,837	1,570,429,576	747,200,099	502,932,990
Current Liabilities					
Trade and Other Payables	20	4,091,885,147	3,286,857,966	40,140,391	41,390,249
Dividends Payable		12,797,877	4,204,888	1,931,630	1,563,715
Income Tax Liabilities		89,890,069	69,044,426	13,384,601	7,807,835
Amounts Due to Related Parties	21	-	-	167,811,718	116,941,470
Other Borrowings	16	1,207,000	1,207,000	-	-
Interest Bearing Loans and Borrowings	17	2,380,263,411	1,954,966,774	355,144,597	428,461,757
		6,576,043,504	5,316,281,054	578,412,937	596,165,026
Total Shareholders' Funds, Minority Interests and Liabilities		19,215,873,874	16,066,931,043	7,128,921,863	6,821,738,180

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


Malinga Arsakularatne
 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,


Husein Esufally
 Chief Executive Officer


Lalith De Mel
 Chairman

The Accounting Policies and Notes on pages 65 through 99 form an integral part of these financial statements.

Colombo
 May 26, 2011

Income Statement

Year ended 31st March	Note	Group		Company	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Revenue	23	18,067,489,191	14,997,404,705	304,850,770	343,212,995
Cost of Sales		(12,228,702,138)	(9,894,199,801)	-	-
Gross Profit		5,838,787,053	5,103,204,904	304,850,770	343,212,995
Dividend Income	24	780,523	93,014	303,383,357	156,045,665
Change in Fair Value of Investment Properties		24,405,050	82,700,000	(20,444,950)	58,700,000
Other Income and Gains	25	108,830,408	44,527,535	5,574,591	1,699,527
Gain/ (Loss) on Disposal of Investments	26	3,316,950	(1,600,000)	233,909	1,241,081,268
Selling and Distribution Costs		(1,443,188,719)	(1,305,185,673)	-	-
Administrative Expenses		(2,792,087,364)	(2,480,575,088)	(241,135,848)	(215,934,394)
Finance Cost	27	(297,736,772)	(449,375,718)	(52,135,653)	(125,368,362)
Finance Income	27	126,237,483	100,929,714	47,362,725	30,298,791
Profit Before Tax	28	1,569,344,612	1,094,718,688	347,688,901	1,489,735,490
Income Tax Expenses	29	(214,153,945)	(160,074,742)	(9,369,303)	(34,627,608)
Profit for the Year		1,355,190,667	934,643,946	338,319,598	1,455,107,882
Attributable to:					
Equity Holders of the Parent		1,210,158,582	901,730,007	338,319,598	1,455,107,882
Minority Interests		145,032,085	32,913,939	-	-
		1,355,190,667	934,643,946	338,319,598	1,455,107,882
Earnings Per Share	30	2.36	1.76		
Dividends Per Share	31	0.70	0.36		

The Accounting Policies and Notes on pages 65 through 99 form an integral part of these financial statements.

Statement of Changes in Equity

Group	Attributable to Equity Holders of the Parent					Total Equity Rs.	
	Stated Capital Rs.	Exchange Reserve Rs.	Revaluation and Other Capital Reserve Rs.	Retained Earnings Rs.	Total Rs.		Minority Interests Rs.
As at 31 March 2009	1,369,222,534	(76,923,588)	914,598,431	4,821,392,989	7,028,290,366	837,062,062	7,865,352,428
Profit for the Year	-	-	-	901,730,007	901,730,007	32,913,939	934,643,946
Redemption of Preference Shares of Joint Venture Company	-	-	-	(15,686,667)	(15,686,667)	-	(15,686,667)
Dividends Paid	-	-	-	-	-	-	-
- Ordinary Shares (2009)	-	-	-	(165,172,161)	(165,172,161)	(6,825,936)	(171,998,097)
- Preference Shares of Joint Venture Company	-	-	-	(2,303,361)	(2,303,361)	(767,787)	(3,071,148)
Transfer to/from during the Year	-	-	-	-	-	-	-
- Overhaul, Heat Rate and Lube Oil Reserves	-	-	(48,742,570)	48,742,570	-	-	-
- Revaluation Reserve	-	-	(1,384,237)	1,384,237	-	-	-
Shares Issued to Minority Shareholders	-	-	-	-	-	643,892,692	643,892,692
Adjustment in respect of changes in Group Holding	-	4,235,328	(29,349,131)	(73,176,683)	(98,290,486)	(18,370,355)	(116,660,841)
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	-	-	-	-
- Deferred Income Tax	-	-	830,613	-	830,613	199,776	1,030,389
- Exchange Reserve	-	42,717,711	-	-	42,717,711	-	42,717,711
As at 31 March 2010	1,369,222,534	(29,970,549)	835,953,106	5,516,910,931	7,692,116,022	1,488,104,391	9,180,220,413
Profit for the Year	-	-	-	1,210,158,582	1,210,158,582	145,032,085	1,355,190,667
Issue of ordinary shares under Employee Share Options Scheme	99,202,500	-	-	-	99,202,500	-	99,202,500
Issue of Preference shares	-	-	101,250,000	-	101,250,000	33,750,000	135,000,000
Redemption of Preference Shares of Joint Venture Company	-	-	-	(15,686,667)	(15,686,667)	-	(15,686,667)
Dividends Paid	-	-	-	-	-	-	-
- Ordinary Shares (2010)	-	-	-	(356,853,435)	(356,853,435)	(44,322,176)	(401,175,611)
- Preference Shares	-	-	-	(4,183,028)	(4,183,028)	(1,394,343)	(5,577,371)
Transfer to/from during the Year	-	-	-	-	-	-	-
- Overhaul Reserve, Heat Rate and Lube Oil	-	-	42,140,353	(42,140,353)	-	-	-
- Revaluation Reserve	-	-	(51,396,517)	51,396,517	-	-	-
Surplus on revaluation	-	-	109,133,027	-	109,133,027	11,318,357	120,451,384
Shares Issued to Minority Shareholders	-	-	-	-	-	15,204,132	15,204,132
Adjustment in respect of changes in Group Holding	-	-	-	-	-	53,716,667	53,716,667
Net Gain/(Loss) Recognised Directly in Equity	-	-	-	-	-	-	-
- Deferred Income Tax	-	-	10,075,886	-	10,075,886	225,619	10,301,505
- Exchange Reserve	-	28,791,914	-	-	28,791,914	-	28,791,914
As at 31 March 2011	1,468,425,034	(1,178,635)	1,047,155,855	6,359,602,547	8,874,004,801	1,701,634,732	10,575,639,533

The Accounting Policies and Notes on pages 65 through 99 form an integral part of these financial statements.

Statement of Changes in Equity

	Stated Capital Rs.	Capital & Revenue Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company				
As at 31 March 2009	1,369,222,534	368,073,839	2,695,408,070	4,432,704,444
Profit for the Year	-	-	1,455,107,882	1,455,107,882
Final Dividends Paid - 2008/2009	-	-	(165,172,161)	(165,172,162)
Net Gain/ (Loss) directly recognised in Equity				
- Acquisition, Disposal and changes in Investments	-	(111,041,414)	111,041,414	-
As at 31 March 2010	1,369,222,534	257,032,425	4,096,385,205	5,722,640,164
Profit for the Year	-	-	338,319,598	338,319,598
Final Dividends Paid - 2009/2010	-	-	(229,405,780)	(229,405,780)
Interim Dividends Paid - 2010/2011			(127,447,655)	(127,447,655)
Issue of ordinary shares under Employee Share Option Scheme	99,202,500	-	-	99,202,500
As at 31 March 2011	1,468,425,034	257,032,425	4,077,851,368	5,803,308,827

The Accounting Policies and Notes on pages 65 through 99 form an integral part of these financial statements.

Cash Flow Statement

Year ended 31st March	Note	Group		Company	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Operating Activities					
Profit Before Taxation		1,569,344,612	1,094,718,688	347,688,901	1,489,735,490
Adjustments for Non Cash items					
Depreciation	3	619,975,894	522,605,675	17,459,807	18,012,703
Profit on Disposal of Property, Plant and Equipment		(30,651,218)	4,828,403	(3,560,177)	(79,716)
Retirement Benefit Plan	19	65,553,839	64,771,707	3,523,133	4,624,701
Finance Cost	27	297,736,772	449,375,718	52,135,653	125,368,362
Investment Income	24	(780,523)	(93,014)	(303,383,357)	(156,045,665)
Change in Fair Value of Investment Properties		(24,405,050)	(82,700,000)	20,444,950	(58,700,000)
(Profit)/ Loss on Sale of Investments		(3,494,978)	1,600,000	(233,909)	(1,241,081,268)
Exchange (Gain)/Loss on USD Loan	17	18,655,896	36,969,430	-	-
Amortisation/Impairment of Intangibles	5	10,119,432	9,160,937	-	-
Amortisation of Leasehold Property	6	3,065,717	3,065,716	-	-
Amortisation of Other Long Term Receivables		-	360,000	-	-
Working Capital Adjustments					
(Increase)/Decrease in Trade and Other Receivables		(642,603,033)	(355,629,889)	(59,360,741)	40,217,620
(Increase)/Decrease in Inventories		(136,212,489)	(235,764,189)	-	-
(Increase)/Decrease in Amounts Due from Related Parties		-	-	83,365,201	18,691,310
Increase/(Decrease) in Amounts Due to Related Parties		-	-	50,870,248	55,467,965
Increase/(Decrease) in Trade and Other Payables		805,027,181	510,073,378	(881,946)	(3,531,013)
Finance Cost Paid	29	(297,736,772)	(449,375,718)	(52,135,653)	(125,368,362)
Income Tax Paid		(238,714,881)	(145,416,246)	(17,532,612)	(9,140,014)
Gratuity Paid	19	(20,218,527)	(20,565,499)	(1,872,750)	(6,707,421)
Net Cash from/(Used in) Operating Activities		1,994,661,872	1,407,985,097	136,526,748	151,464,692
Investing Activities					
Purchase of Property, Plant and Equipment	3	(1,095,345,810)	(434,087,867)	(71,467,835)	(12,808,057)
Acquisitions and Disposals of Subsidiaries		-	(268,791,801)	(121,220,383)	(1,805,748,920)
Investment in Intangible Assets	5	(940,769)	-	-	-
Other Investments		(369,402,682)	-	-	(25,000,000)
Proceeds from Disposal of Property, Plant and Equipment		178,336,482	53,718,573	11,945,551	2,022,397
Proceeds from Disposal of Investments		57,451,672	14,400,000	473,936	2,330,535,000
Redemption of Preference Shares of Joint Venture Company		(15,686,667)	(15,686,667)	-	-
Investment Income Received	24	780,523	93,014	303,383,357	156,045,665
Net Cash from/(Used in) Investing Activities		(1,244,807,251)	(650,354,748)	123,114,626	645,046,085
Financing Activities					
Interest Bearing Loans and Borrowings (Net)					
- Rupee Loan		259,073,525	(129,224,924)	(88,188,543)	(577,640,300)
- USD Loan		228,837,362	(373,118,293)	-	-
Proceeds from Issue of Preference Shares		135,000,000	-	-	-
Proceeds from Issue of Ordinary shares under ESOS		99,202,500	-	99,202,500	-
Proceeds from Minority Shareholders		15,204,132	655,478,626	-	-
Dividends Paid					
- Ordinary Shares		(393,976,965)	(170,928,413)	(356,853,435)	(164,098,474)
- Preference Shares		(4,183,028)	(3,071,148)	-	-
Net Cash from/(Used in) Financing Activities		339,157,526	(20,864,152)	(345,839,478)	(741,738,774)
Net Increase/(Decrease) in Cash and Cash Equivalents		1,089,012,147	736,766,197	(86,198,104)	54,772,003
Exchange loss		(1,903,112)	-	-	-
Cash and Cash Equivalents at the beginning of the Year	22	682,269,858	(54,496,339)	76,582,400	21,810,397
Cash and Cash Equivalents at the end of the Year	22	1,769,378,893	682,269,858	(9,615,704)	76,582,400

The Accounting Policies and Notes on pages 65 through 99 form an integral part of these financial statements.

Notes to the Financial Statements

1 CORPORATE INFORMATION

1.1 GENERAL

Hemas Holdings PLC is a public limited liability company listed on Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office and the principal place of business are situated at No. 36, Bristol Street, Colombo 01.

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 2011 comprise the Hemas Holdings PLC (the 'Company') and all its Subsidiaries and Joint Ventures whose accounts 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 management and administration services to other Companies in the group and the principal activities of the Subsidiaries and Joint Ventures are disclosed in Note 37 to the financial statements.

1.4 DATE OF AUTHORISATION FOR ISSUE

The Consolidated financial statements of Hemas Holdings PLC for the year ended 31 March 2011 were authorised for issue, in accordance with a resolution of the Board of Directors on 26 May 2011.

2 GENERAL POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention basis unless stated otherwise. The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

2.1.1 STATEMENT OF COMPLIANCE

The financial statements of the Group have been prepared in compliance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No.7 of 2007.

2.1.2 GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 BASIS OF CONSOLIDATION

The financial statements of the Group represent the

consolidation of the financial statements of Hemas Holdings PLC and all its Subsidiaries and Joint Ventures as at 31 March 2011.

The financial statements of the Subsidiaries are prepared for the same reporting period as the parent company and in compliance with the Group's accounting policies unless specifically stated.

All intra-group balances, income and expenses and unrealised gains/losses resulting from intra-group transactions, are eliminated in full.

(a) Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of voting rights or otherwise has a controlling interest.

Diethelm Travel The Maldives (Pvt) Ltd has been consolidated as a subsidiary based on the power to govern the financial and operating policies by the parent.

The following Subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Reporting Currency
Hemas Consumer Brands (Pvt) Ltd	Bangladesh	Taka (BDT)
Diethelm Travel The Maldives (Pvt) Ltd	Republic of Maldives	US Dollar (USD)

Minority Interests represent the portion of profit or loss and net assets that is not held by the group and are presented separately in the Consolidated Income Statement and within equity in the consolidated Balance Sheet, separately from parent shareholders' equity.

(b) Joint Ventures

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognises its interest in the joint venture using proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint

Notes to the Financial Statements

ventures are prepared for the same reporting year as the parent company except for Hellman Worldwide Logistics (Pvt) Ltd. and HIF Logistics (Pvt) Ltd., where the financial statements are prepared for the year ended 31 December 2010. All the material transactions are adjusted for the 3 months period ended 31 March 2011. Accounting policies of the joint ventures are consistent with the parent company.

The following Joint Venture has been incorporated outside Sri Lanka.

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

(c) Business Combination and Goodwill

Business Combinations are accounted for using the purchase method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.1.4 COMPARATIVE INFORMATION

Previous year's figures and phrases have been re-arranged wherever necessary, to confirm to the current year's presentation.

2.2 CHANGES IN ACCOUNTING POLICIES

The Accounting Policies adopted are consistent with those used in the previous year.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

2.3.1 JUDGEMENTS

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of Goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

Fair Value of Unquoted Equity Investments

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

2.3.2 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

Defined Benefit Plans

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, futures salary increases mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 FOREIGN CURRENCY TRANSLATION AND HEDGING

(a) Foreign currency transaction and balances

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

(b) Foreign Operations

The Balance sheet and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lankan rupees at the rate of exchange prevailing as at the balance sheet date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognised in the income statement.

2.4.2 TAXATION

(a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

(b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet 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;

- 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
- 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:

- 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet 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.

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 Balance Sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity.

The movement in the deferred tax assets and liabilities due to change in applicable rate have been charged to the income statements in the current year or to the equity when item is recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Tax on dividend income

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement.

2.4.3 BORROWING COSTS

Borrowing costs are recognised as an expense in the period 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 takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

2.4.4 INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the

Notes to the Financial Statements

date of acquisition. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life 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 each financial year end. 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

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

Intangible assets that are not yet available for sale are tested for impairments at each financial year end, even if there is no indication that the asset is impaired.

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 Income Statement when the asset is derecognised.

Research and Development Costs

Research costs are expensed as incurred. Intangible assets arising from development expenditure on an individual project is recognised only when the company 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 sales. During the period of which the asset is not yet in use it is tested for impairment annually.

2.4.5 INVENTORIES

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Raw Materials	- At actual cost on first-in-first out/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.

2.4.6 TRADE AND OTHER RECEIVABLES

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowance for bad and doubtful receivables.

2.4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.4.8 PROPERTY, PLANT AND EQUIPMENT

(a) Cost and Valuation

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the Balance Sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation and less accumulated impairment in value.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

(b) Restoration Costs

Expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated on a straight line method over the useful life of all Property, Plant and Equipment other than freehold land.

The principal annual rates used by the companies in the Group are as follows:

Freehold Buildings	1.5% - 10%
Plant and Machinery	6% - 25%
Power Plant	Over 180 months
Furniture and Fittings	7% - 25%
Office and Factory Equipments	10% - 33.33%
Computer Hardware and Software	25% - 33.33 %

Motor Vehicles	16.66% - 25%
Crockery and Cutlery	50% - 100%
Soil Erosion Prevention	5% - 10%
Buildings on Leasehold Land	Over the remaining lease period

(d) Derecognition

An item of Property, Plant and Equipment 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 Income Statement in the year the asset is derecognised.

2.4.9 LEASED PROPERTY

Leasehold property comprising of land use rights obtained on a long term basis, is stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 – Leases in line with Ruling of the Urgent Issues Task Force of The Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter.

2.4.10 LEASES

(a) Finance Leases

Property, Plant and Equipment on finance leases, which effectively transfer to the Group substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of leased property or, if lower, at the present value of minimum lease payments. Capitalised leased assets are disclosed as Finance Leases under Property, Plant and Equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor together with interest payable over the period of lease is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to Income Statement over the period of lease.

(b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases.

Lease rentals paid under operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

Notes to the Financial Statements

2.4.11 INVESTMENTS

Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the Balance Sheet.

Measurement

(a) Current Investments

Current investments are stated at lower of cost and market value determined on an aggregate portfolio basis. The cost of an investment is the cost of acquisition inclusive of brokerage fees and stamp duty.

Unrealised gains and losses on current investments carried at market value i.e. reduction to market value and reversals of such reductions required to reflect current investments at the lower of cost and market value, are credited or charged to Income Statement.

(b) Long Term Investments

Quoted and unquoted investments in shares held on a long term basis are stated at cost.

The cost of the investment is the cost of acquisition inclusive of brokerage fees, stamp duties and bank fees.

The carrying amount of long term investments is reduced to recognise a decline other than temporary in the value of investments, determined on an individual investment basis.

In the Companies financial statements, investments in subsidiaries were accounted for in the equity method until 31 March 2006. With effect from 1 April 2006 in accordance with the revised SLAS 26 the investment in Subsidiaries are accounted at the carrying value as that date and any investment made after 1 April 2006 are carried at cost, net of any provision for other than temporary diminution in value.

In the Company's financial statements, investments in subsidiaries were carried at fair value and associates were carried at cost, net of any provision for other than temporary diminution in value.

(c) Other Investments

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus relevant proportion of the discounts or premiums.

(d) Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognised as income or expense. Any revaluation surplus related to disposed investments are transferred to retained earnings.

2.4.12 INVESTMENT PROPERTY

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the Balance Sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

When the property occupied by the Group as an owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use.

2.4.13 IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by

valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued and investment accounted for in the equity method, where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods.

2.4.14 PROVISIONS

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, where 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.4.15 RETIREMENT BENEFIT LIABILITY

(a) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. Actuarial gains and losses are recognised as income or expenses over the expected average remaining working lives of the participants of the plan.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

(b) 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 Company 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 group contributes 12% of gross emoluments of employees.

2.4.16 INCOME STATEMENT

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, value added taxes, and other sales taxes and after eliminating intra-group sales.

The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Rendering of Services

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

(c) Energy Supplied

Revenue from energy supplied is recognised, upon delivery of energy to Ceylon Electricity Board and will be adjusted for capacity charge for Minimum Guaranteed Energy Amount (MGEA) at the end of the

Notes to the Financial Statements

calendar year if there has been a curtailment. (Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Power Purchase Agreement (PPA) is received at the metering point.)

(d) Apartment and Food and Beverages Sales

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

(e) Interest

Interest Income is recognised on an accrual basis.

(f) Dividends

Dividend income is recognised on a cash basis (net of dividend tax).

(g) Rental Income

Rental income is recognised on an accrual basis. Rental income arising on investment properties is accounted for on a straight line basis over the lease terms.

(h) Others

Other income is recognised on an accrual basis.

2.5 BUSINESS SEGMENT REPORTING

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated financial statements of the Group. Inter Segment transfers are based on fair market prices.

2.6 EMPLOYEES SHARE OPTION PLAN (ESOP)/SHARE OPTION SCHEME (ESOS)

The Employee Share Option Plans (ESOP) were approved by the shareholders of the Company in the years 2003 and 2006, whereby the Company issued a total of 4,468,699 Ordinary Shares to the senior management and employees based on performance. The options were required to be exercised between the period 01 April 2004 and 31 March 2009. The two schemes have however since lapsed .

In the year 2008, the Board recommended a further 3,000,000 shares by way of an Employee Share Ownership Scheme (ESOS). The new scheme was approved by the Members and came into effect on 9 December 2008.

The 1 tranche of 650,000 shares were issued to the Trustees on 6 February 2009 at Rs. 62/- per share, to key Senior Management. These shares will be held in trust

for the eligible employees unit such time as the shares are transferred to them in terms of the ESOS Trust – 2008. These shares increased to 3,250,000 by way of a sub division of shares carried out by Hemas on 2nd July 2010.

The 2nd tranche of 2,250,000 shares were issued to the trustees on 27 December 2010 at Rs. 44.09 per share, to the senior executives of the group. These shares will also be held in trust for the eligible employees until such time as the shares are transferred to them in terms of the ESOS Trust -2008.

2.7 EFFECT OF SRI LANKA ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE:

The following Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka to be effective for the financial periods beginning on or after 1 January 2012.

- Sri Lanka Accounting Standard – SLAS 44 on 'Financial Instruments; Presentation'
- Sri Lanka Accounting Standard – SLAS 45 on 'Financial Instruments; Recognition and Measurement'
- Sri Lanka Accounting Standard - SLAS 46 on 'Financial Instruments; Disclosures'
- Sri Lanka Accounting Standard - SLAS 39 on 'Share-based Payment'

Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, all existing Sri Lanka Accounting Standards will be prefixed as SLFRS or LKAS which refer to Sri Lanka Accounting Standards corresponding to IFRS or IAS, respectively. The Council of the Institute of Chartered Accountants of Sri Lanka has mandated all specified business enterprises to adopt these new Accounting Standards effective for financial periods beginning on or after 1 January 2012.

The effect of application of these new Accounting Standards will be substantially different to the effect of application of existing Accounting Standards.

	Balance As at 01.04.2010 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2011 Rs.
3 PROPERTY, PLANT AND EQUIPMENT				
3.1 Group				
Gross Carrying Amount				
At Cost/ Cost incurred since last Revaluation				
Freehold Land	184,353,107	10,082,534	-	194,435,641
Freehold Buildings	2,190,443,163	481,796,443	(501,244,215)	2,170,995,391
Buildings on Leasehold Land	100,677,295	3,892,599	-	104,569,894
Plant and Machinery	3,713,987,615	99,366,210	(29,588,500)	3,783,765,325
Furniture and Fittings	398,031,061	119,515,964	(13,032,732)	504,514,293
Office and Factory Equipment	744,322,144	55,465,839	(3,943,144)	795,844,839
Computer Hardware and Software	378,071,544	37,332,742	(9,873,676)	405,530,610
Motor Vehicles	421,440,714	91,187,679	(37,624,934)	475,003,459
Revertment	19,108,922	-	-	19,108,922
	8,150,435,565	898,640,010	(595,307,201)	8,453,768,374
At Valuation				
Freehold Land	434,266,370	74,687,600	(35,272,571)	473,681,399
Freehold Buildings	641,412,150	440,084,860	(90,389,499)	991,107,511
Buildings on Leasehold Land	239,629,015	698,000	-	240,327,015
	1,315,307,535	515,470,460	(125,662,070)	1,705,115,925
Assets on Finance Lease				
Motor Vehicles	14,411,743	-	(351,550)	14,060,193
	14,411,743	-	(351,550)	14,060,193
Total Value of Assets	9,480,154,843	1,414,110,470	(721,320,821)	10,172,944,492
Capital Work-In-Progress				
At Cost	45,675,372	672,966,292	(476,343,668)	242,297,996
At Valuation	17,500,000	18,612,400	-	36,112,400
	63,175,372	691,578,692	(476,343,668)	278,410,396
	Balance As at 01.04.2010 Rs.	Charge for the year Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2011 Rs.
Depreciation				
At Cost				
Freehold Buildings	94,040,784	63,709,580	(34,791)	157,715,573
Plant and Machinery	1,361,108,076	278,535,449	(7,520,946)	1,632,122,579
Furniture and Fittings	204,169,581	55,023,870	(11,887,751)	247,305,700
Office and Factory Equipment	172,594,755	89,479,778	(2,737,179)	259,337,354
Computer Hardware and Software	317,693,131	37,924,515	(9,310,082)	346,307,564
Motor Vehicles	216,053,454	65,031,597	(27,000,051)	254,085,000
Revertment	11,330,110	847,110	-	12,177,220
	2,376,989,891	590,551,899	(58,490,800)	2,909,050,990
At Valuation				
Freehold Buildings	76,934,503	18,684,415	(77,185,712)	18,433,206
Buildings on Leasehold Land	45,181,610	9,047,379	90,803	54,319,792
	122,116,113	27,731,794	(77,094,909)	72,752,998
Assets on Finance Lease				
Motor Vehicles	10,608,755	1,692,201	(351,550)	11,949,406
	10,608,755	1,692,201	(351,550)	11,949,406
Total Depreciation	2,509,714,759	619,975,894	(135,937,259)	2,993,753,394

Notes to the Financial Statements

	2011 Rs.	2010 Rs.
Net Book Values		
At Cost	5,787,015,380	5,819,121,046
At Valuation	1,668,475,327	1,210,691,422
Assets on Finance Lease	2,110,787	3,802,988
Total Carrying Amount	7,457,601,494	7,033,615,456

3.1.1 Following companies have stated their Land and Building at revalued amounts. The surplus arising from the revaluation was transferred to revaluation reserve.

Company	Valuer	Valuation Basis
2010/2011		
Mowbray Hotels Ltd.	Mr. K.Arthur Perera (A.M.I.V)	Open market value for existing use basis
Dolphin Hotels PLC	Mr. A.R.Ajith Fernando	Profit basis
Miami Beach Hotels Ltd.	Mr. A.R.Ajith Fernando	Profit basis
2009/2010		
Hemas Manufacturing (Pvt) Ltd.	Mr. K.Arthur Perera (A.M.I.V)	Open market value for existing use basis
2008/2009		
Serendib Hotels PLC	Mr. A.R.Ajith Fernando	Open market value for existing use basis
Hotel Sigiriya PLC	Mr. A.R.Ajith Fernando	Open market value for existing use basis
2006/2007		
Peace Haven Resorts Ltd.	Mr. K.Arthur Perera (A.M.I.V)	Open market value for existing use basis

3.1.2 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.1,095,345,810/- (2010 - Rs.462,645,330/-) of which Rs.1,095,345,810/- (2010 - Rs.434,087,866/-) were paid in cash.

	Balance As At 01.04.2010 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposal/ Transfers Rs.	Balance As at 31.03.2011 Rs.
3.2 Company				
At Cost				
Roadways	6,975,688	-	-	6,975,688
Furniture and Fittings	17,181,394	69,500	(57,846)	17,193,048
Office Equipment	11,398,081	165,005	(513,507)	11,049,579
Computer Hardware and Software	81,735,786	5,963,914	(3,485,814)	84,213,886
Motor Vehicles	44,477,782	65,269,416	(17,975,000)	91,772,198
Total Value of Assets	161,768,731	71,467,835	(22,032,167)	211,204,399
	Balance As at 01.04.2010 Rs.	Charge For the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2011 Rs.
Depreciation				
At Cost				
Furniture and Fittings	5,321,144	2,104,814	(28,923)	7,397,035
Office Equipment	7,797,401	718,317	(466,104)	8,049,614
Computer Hardware and Software	72,280,294	5,918,188	(3,432,925)	74,765,557
Motor Vehicles	16,687,110	8,718,488	(9,718,844)	15,686,754
Total Depreciation	102,085,949	17,459,807	(13,646,796)	105,898,960
			2011 Rs.	2010 Rs.
Net Book Values				
At Cost			105,305,439	59,682,782

3.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.71,467,835 /- (2010 - Rs. 12,808,057/-) by means of cash.

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
4 INVESTMENT PROPERTIES				
Fair Value at the Beginning of the Year	1,261,409,950	1,178,709,950	330,409,950	271,709,950
Change in Fair Value during the Year	48,555,050	82,700,000	(20,444,950)	58,700,000
Fair Value at the End of the Year	1,309,965,000	1,261,409,950	309,965,000	330,409,950

The fair value of the investment property of Hemas Holdings PLC as at 31 March 2011 is ascertained by an independent valuation carried out by Mr. K.Arthur Perera (A.M.I.V), an independent valuer on an open market value for existing use basis.

In determining the fair value of the investment property of Hemas Developments (Pvt) Ltd., the capitalisation of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions including future rental income, anticipated maintenance costs, appropriate discount rate and make reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

Investment Property was appraised in accordance with SLAS 40 and the resulting surplus/deficit in fair values is included in the Income Statement.

The significant assumptions used by the valuer are as follows:

Growth in future rentals	: 12% in 3rd & 5th year
Anticipated maintenance cost	: 40% of rentals
Discount rate	: 11% p.a.

	Group	
	2011 Rs.	2010 Rs.
5 INTANGIBLE ASSETS		
5.1 Non Current		
Goodwill	201,194,204	201,194,204
Brands	119,863,991	126,657,895
Development Expenses	2,836,629	5,221,388
	323,894,824	333,073,487
5.1.1 Goodwill		
Balance at the Beginning of the Year	201,194,204	50,174,272
Acquired during the Year	-	151,019,932
Impairment during the Year	-	-
Balance at the End of the Year	201,194,204	201,194,204
5.1.2 Brands		
Balance at the Beginning of the Year	126,657,895	132,521,739
Impairment/Written Off during the Year	(6,793,904)	(5,863,844)
Balance at the End of the Year	119,863,991	126,657,895
5.1.3 Development Expenses		
Balance at the Beginning of the Year	5,221,388	8,518,482
Acquired during the Year	940,769	-
Amortisation during the Year	(3,325,528)	(3,297,094)
Balance at the End of the Year	2,836,629	5,221,388

Hemas Group and its Subsidiaries annually carry out an impairment test on all its intangible assets. Impairment tests are carried out as follows:

Goodwill	- The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.
Brands	- Brands are valued based on the earnings growth method, and assumptions applied are reviewed each year.
Development Expenses	- These include all expenditure attributable to the intangible asset during its development stage. The technical feasibility of completing the project/ product and the business case for future economic benefits are reassessed each year.

Notes to the Financial Statements

	Group	
	2011 Rs.	2010 Rs.
6 LEASEHOLD PROPERTY		
Cost/Valuation		
Balance at the Beginning of the Year	76,838,370	76,838,370
Balance at the End of the Year	76,838,370	76,838,370
Amortisation		
Balance at the Beginning of the Year	14,993,517	11,927,801
Amortised during the Year	3,065,717	3,065,716
Balance at the End of the Year	18,059,234	14,993,517
Carrying Value at the End of the Year	58,779,136	61,844,853

Serendib Hotels PLC has obtained leasehold rights to two lots of land situated in Bentota from The Sri Lanka Tourist Board by the agreement dated 19/02/1969 and 28/02/1973 respectively (the lease expires on 01/02/2019 and 28/02/2033 respectively) and Hotel Sigiriya PLC has obtained leasehold rights to land situated at Sigiriya from The Sri Lanka Tourist Board by the agreement dated 25/07/1974. Based on the Ruling 11 of Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, it was stated at revalued amounts. As a result of a revision to said ruling, the Company now carries such leasehold rights to land, at the values recorded in the Balance Sheet as at the effective date of SLAS 19 - Leases.

The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs.42,542,432/- and Rs.3,148,141/- in Serendib Hotels PLC and Hotel Sigiriya PLC respectively is remaining in equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

Hemas Manufacturing (Pvt) Ltd. has acquired a leasehold right of a land on operating lease from "Nimesha Enterprises" with regard to the "Nimex" operations. This will be amortised over the lease term which is 21 years.

	Group Holding		Company Holding		Company	
	2011 %	2010 %	2011 %	2010 %	2011 Rs.	2010 Rs.
7 INVESTMENT IN SUBSIDIARIES						
7.1 Non-Quoted Investments						
Hemas Corporate Services (Pvt) Ltd.	100	100	100	100	39,890,699	39,890,699
Hemas Developments (Pvt) Ltd.	100	100	73	73	632,316,443	632,316,443
Hemas Manufacturing (Pvt) Ltd.	100	100	100	100	509,904,546	509,904,546
Hemas Marketing (Pvt) Ltd.	100	100	100	100	192,599,742	192,599,742
Hemas Trading (Pvt) Ltd.	100	100	100	100	24,845,575	24,845,575
Hemas Pharmaceuticals (Pvt) Ltd.	100	100	100	100	213,330,657	213,330,657
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100	100	100	100	23,956,545	23,956,545
Hemas Travels (Pvt) Ltd.	100	100	100	100	91,358,852	91,358,852
Hemas Air Services (Pvt) Ltd.	100	100	100	100	64,687,574	64,687,574
Forbes Air Services (Pvt) Ltd.	100	100	100	100	62,452,297	62,452,297
Discover the World Marketing (Pvt) Ltd.	100	100	100	100	4,665,732	4,665,732
Hemas Aviation (Pvt) Ltd.	100	100	100	100	1,909,963	1,909,963
Exchange & Finance Investment (Pvt) Ltd.	100	100	100	100	9,411,793	9,411,793
Hemtours (Pvt) Ltd.	100	100	100	100	209,911,882	209,911,882
Leisure Asia Investments Ltd.	100	100	100	100	257,559,015	257,559,015
Peace Haven Resorts Ltd.	95	95	95	95	336,454,612	336,454,612
Hemas Transportation (Pvt) Ltd.	100	100	100	100	300,000	300,000
ACX International (Pvt) Ltd.	100	100	100	100	21,788,300	21,788,300
Mowbray Hotels Ltd.	89	89	89	89	46,201,442	46,201,442
Far Shipping Lanka (Pvt) Ltd.	100	100	100	100	3,000,000	3,000,000
Hemas Hospitals (Pvt) Ltd.	81	70	74	63	877,563,828	756,343,445
Vishwa BPO (Pvt) Ltd.	100	100	100	100	10,000,000	10,000,000
					3,634,109,497	3,512,889,114
7.2 Quoted Investments						
Serendib Hotels PLC	51	51	22	22	120,755,299	120,755,299
Hemas Power PLC	75	75	75	75	1,941,136,581	1,941,136,581
					5,696,001,377	5,574,780,994

	Group Holding		Company Holding		Company	
	2011	2010	2011	2010	2011	2010
	%	%	%	%	Rs.	Rs.
8 INVESTMENT IN JOINT VENTURES						
Hellmann Worldwide Logistics (Pvt) Ltd.	49	49	49	49	8,474,920	8,474,920
HIF Logistics (Pvt) Ltd.	49	49	49	49	30,044,344	30,044,344
					38,519,264	38,519,264

8.1 PROPORTIONATE INTEREST IN JOINT VENTURES

Aggregate amounts of Group's proportionate share of Heladhanavi Ltd. (47%), HIF Logistics (Pvt) Ltd. (49%), Skynet Worldwide Express (Pvt) Ltd. (49%) and Hellmann Worldwide Logistics (Pvt) Ltd. (49%) included in the Group financial statements are as follows:

	Group	
	2011	2010
	Rs.	Rs.
(a) Balance Sheet		
Current Assets	1,247,403,244	1,089,104,363
Non Current Assets	1,578,191,501	1,761,995,084
Current Liabilities	1,325,816,391	1,335,687,895
Non Current Liabilities	360,758,623	59,462,126
(b) Income Statement		
Revenue	3,238,913,824	2,849,185,913
Net Profit	244,925,233	186,015,068

	Group		Company	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.
9 OTHER INVESTMENTS				
Non-current				
Investments in Equity Securities (Note: 9.1/9.2)	384,112,547	64,498,596	114,008,371	114,248,398
Investment In Treasury Bonds	49,548,704	-	-	-
	433,661,251	64,498,596	114,008,371	114,248,398
Current				
Investment in Equity Securities (Note: 9.1.2/9.2.1)	67,694	67,694	48,642	48,642
	433,728,945	64,566,290	114,057,013	114,297,040

	No. of Shares		Carrying Value		Market Value	
	2011	2010	2011	2011	2010	2010
			Rs.	Rs.	Rs.	Rs.

9.1 Group

9.1.1 Investments in Equity Securities - Non-current

(a) Quoted

Overseas Realty (Ceylon) PLC	1,000	1,000	10,000	15,750	10,000	15,750
Eden Hotels Lanka PLC	127	127	861	4,286	861	4,286
Galadari Hotels PLC	2,000	2,000	18,750	44,000	18,750	44,000
Blue Diamond Jewellers PLC	1,300	1,300	3,900	2,470	3,900	2,470
Royal Palm Beach Hotels PLC	85	85	676	5,525	676	5,525
Kotmale Holdings PLC	40,000	40,000	400,000	990,000	400,000	990,000
Mercantile Shipping PLC	424,323	426,223	53,603,271	48,797,145	53,843,298	49,015,645
			54,037,458	49,859,176	54,277,485	50,077,676

Notes to the Financial Statements

	Carrying Value 2011 Rs.	Directors' Value 2011 Rs.	Carrying Value 2010 Rs.	Directors' Value 2010 Rs.
(b) Non-quoted				
Rainforest Ecology (Pvt) Ltd.	10,000,000	10,000,000	10,020,000	10,020,000
SLFFA Cargo Services Ltd.	201,119	201,119	201,111	201,111
Jada Resorts and Spa (Pvt) Ltd	319,873,970	319,873,970	-	-
	330,075,089	330,075,089	10,221,111	10,221,111
Total Equity Investments (Group - Non Current)	384,112,547		64,498,596	

	No. of Shares 2011	No. of Shares 2010	Carrying Value 2011 Rs.	Market Value 2011 Rs.	Carrying Value 2010 Rs.	Market Value 2010 Rs.
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9.1.2 Investments in Equity Securities - Current

(a) Quoted	No. of Shares 2011	No. of Shares 2010	Carrying Value 2011 Rs.	Market Value 2011 Rs.	Carrying Value 2010 Rs.	Market Value 2010 Rs.
John Keells Holdings PLC	726	726	48,642	207,346	48,642	133,584
Ceylon Theatres PLC	-	143	-	-	24,000	7,714
Lankem Ceylon PLC	1,500	1,500	14,500	602,250	14,500	97,500
			63,142	809,596	87,142	238,798
Less: Provision for fall in Value			-	-	(30,823)	-
			63,142	809,596	56,319	238,798

(b) Non-quoted	No. of Shares 2011	No. of Shares 2010	Carrying Value 2011 Rs.	Directors' Value 2011 Rs.	Carrying Value 2010 Rs.	Directors' Value 2010 Rs.
Coca Cola Beverages Sri Lanka Ltd.	100	100	5,275	5,275	5,275	5,275
Glaxo Ceylon Ltd.	150	150	4,500	4,500	4,500	4,500
Carsons Marketing Ltd.	100	100	1,600	1,600	1,600	1,600
Millers Ltd.	500	-	24,000	24,000	-	-
Less: Provision for fall in Value			(30,823)	(30,823)	-	-
			4,552	4,552	11,375	11,375
Total Equity Investments (Group- Current)			67,694		67,694	

	No. of Shares 2011	No. of Shares 2010	Carrying Value 2011 Rs.	Market Value 2011 Rs.	Carrying Value 2010 Rs.	Market Value 2010 Rs.
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9.2 Company

9.2.1 Investment in Equity Securities - Non Current

(a) Quoted	No. of Shares 2011	No. of Shares 2010	Carrying Value 2011 Rs.	Market Value 2011 Rs.	Carrying Value 2010 Rs.	Market Value 2010 Rs.
Overseas Realty (Ceylon) PLC	500	500	5,000	7,500	5,000	7,875
Kotmale Holdings PLC	40,000	40,000	400,000	2,140,000	400,000	990,000
Mercantile Shipping PLC	424,323	426,223	53,603,271	80,621,370	53,843,298	49,015,645
			54,008,271	82,768,870	54,248,298	50,013,520

	No. of Shares		Carrying	Directors'	Carrying	Directors'
	2011	2010	Value	Value	Value	Value
			2011	2011	2010	2010
			Rs.	Rs.	Rs.	Rs.
(b) Non-quoted						
Giddawa Hydro Power (Pvt) Ltd.	600,001	600,001	60,000,100	60,000,100	60,000,100	60,000,100
			60,000,100	60,000,100	60,000,100	60,000,100
Total Equity Investment (Company-Non Current)			114,008,371		114,248,398	

	No. of Shares		Carrying	Market	Carrying	Market
	2011	2010	Value	Value	Value	Value
			2011	2011	2010	2010
			Rs.	Rs.	Rs.	Rs.

9.2.2 Investment in Equity Securities - Current

Company						
Quoted						
	No. of Shares		Carrying	Market	Carrying	Market
	2011	2010	Value	Value	Value	Value
			2011	2011	2010	2010
			Rs.	Rs.	Rs.	Rs.
John Keells Holdings PLC	726	726	48,642	207,346	48,642	133,584
Total Equity Investment (Company-Current)			48,642	207,346	48,642	133,584

The market value of the Company's investment portfolio has been obtained from the official price list as at 31 March published by the Colombo Stock Exchange. Provision has not been made for temporary fluctuations in market prices of long term investments.

	Group	
	2011	2010
	Rs.	Rs.
10 INVENTORIES		
Raw Materials	312,797,978	241,056,935
Work in Progress	37,800,829	38,129,326
Finished Goods and Other Stocks	1,406,401,412	1,304,823,798
Goods in Transit	-	5,652,847
	1,757,000,219	1,589,662,906
Less: Provision for Obsolete Stocks	(76,228,434)	(45,103,610)
	1,680,771,785	1,544,559,296

	Group		Company	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.

11 TRADE AND OTHER RECEIVABLES

Trade Debtors				
	Group		Company	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.
Related Parties (11.1)	-	-	81,784,640	59,025,697
Others	2,901,321,690	2,573,817,703	2,170,800	1,569,642
Ceylon Electricity Board	603,957,896	614,051,111	-	-
Less: Provision for Doubtful Debts	(50,448,799)	(39,871,579)	(500,000)	(2,300,000)
	3,454,830,787	3,147,997,235	83,455,440	58,295,339
Other Debtors				
Related Parties (11.2)	-	-	8,152,940	7,855,278
Others	805,758,809	490,525,305	65,912,369	32,335,482
Advances and Prepayments	299,868,746	261,031,736	11,475,540	10,614,195
Less: Provision for Doubtful Debts	(45,300,647)	(29,779,723)	-	-
	4,515,157,695	3,869,774,553	168,996,289	109,100,294
Loans to Company Officers (11.3)	60,771,641	63,551,750	7,190,831	7,726,085
	4,575,929,336	3,933,326,303	176,187,120	116,826,379

Notes to the Financial Statements

	Relationship	Company	
		2011 Rs.	2010 Rs.
11.1 Trade Dues from Related Parties			
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	19,567,275	12,901,122
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	465,972	35,970
HIF Logistics (Pvt) Ltd.	Joint Venture	-	150,927
Hemas Travels (Pvt) Ltd.	Subsidiary	1,577,954	398,520
Hemas Power PLC	Subsidiary	804,661	370,499
Hemas Air Services (Pvt) Ltd.	Subsidiary	466,575	668,879
Hemtours (Pvt) Ltd.	Subsidiary	26,636	26,638
Hemas Southern Hospitals (Pvt) Ltd.	Subsidiary	3,575,861	2,067,934
Hemas Hospitals (Pvt) Ltd.	Subsidiary	4,191,015	741,294
Hemas Aviation (Pvt) Ltd.	Subsidiary	43,772	44,236
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	7,282,782	3,032,916
Forbes Air Services (Pvt) Ltd.	Subsidiary	34,761,446	32,379,311
ACX International (Pvt) Ltd.	Subsidiary	67,930	740,770
Hemas Developments (Pvt) Ltd.	Subsidiary	90,000	61,946
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	385,978	444,806
Heladhanavi Ltd.	Joint Venture	90,399	1,741,385
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	3,257	3,406
Serendib Leisure Management Ltd.	Subsidiary	3,717,874	-
Serendib Hotels PLC	Subsidiary	87,815	-
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	113,766	-
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	877,698	1,792,753
N-able (Pvt) Ltd.	Subsidiary	3,533,285	1,325,780
Sky Net Worldwide Express (Pvt) Ltd.	Joint Venture	52,689	84,346
Okanda Power Grid (Pvt) Ltd.	Subsidiary	-	12,259
		81,784,640	59,025,697

	Relationship	Company	
		2011 Rs.	2010 Rs.
11.2 Other Dues from Related Parties			
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	971,510	924,651
Hemtours (Pvt) Ltd.	Subsidiary	992	992
HIF Logistics (Pvt) Ltd.	Joint Venture	-	26,594
Hemas Development (Pvt) Ltd.	Subsidiary	-	98,174
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	328,460	505,148
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	812,121	2,201,533
Forbes Air Services (Pvt) Ltd.	Subsidiary	511,257	86,128
Hemas Travels (Pvt) Ltd.	Subsidiary	1,035,050	515,286
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	-	342,994
Vishwa BPO (Pvt) Ltd.	Subsidiary	250,723	233,678
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	8,317	8,317
Hemas Hospitals (Pvt) Ltd.	Subsidiary	727,877	672,434
Hemas Power PLC	Subsidiary	745,245	243,820
N-able (Pvt) Ltd.	Subsidiary	2,761,388	921,388
ACX International (Pvt) Ltd.	Subsidiary	-	12,000
Hemas Air Services (Pvt) Ltd.	Subsidiary	-	341,654
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	-	720,487
		8,152,940	7,855,278

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
11.3 Loans to Company Officers:				
Balance at the Beginning of the Year	63,551,750	66,622,944	7,726,085	10,478,541
Loans Granted During the Year	47,688,794	36,185,503	6,362,944	2,749,403
Less: Repayments	(50,468,903)	(39,256,697)	(6,898,198)	(5,501,859)
	60,771,641	63,551,750	7,190,831	7,726,085

	Relationship	Company	
		2011 Rs.	2010 Rs.
12 LOANS DUE FROM RELATED PARTIES			
Non-Current			
Hemas Corporate Services (Pvt) Ltd .	Subsidiary	15,000,000	19,202,439
Mowbray Hotels Ltd.	Subsidiary	-	2,734,930
		15,000,000	21,937,369
Current			
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	98,716,260	153,716,260
Hemas Power PLC	Subsidiary	-	7,250,000
HIF Logistics (Pvt) Ltd.	Joint Venture	6,000,000	12,000,000
Hemas Surgical and Diagnostics (Pvt) Ltd.	Subsidiary	1,000,000	1,000,000
ACX International (Pvt) Ltd.	Subsidiary	-	2,600,000
Hemas Hospitals (Pvt) Ltd.	Subsidiary	237,895,000	-
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	-	2,296,235
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	-	2,055,000
Diethelm Travel Lanka (Pvt) Ltd	Subsidiary	10,000,000	-
Hemtours (Pvt) Ltd.	Subsidiary	65,000,000	50,000,000
N-able (Pvt) Ltd.	Subsidiary	47,000,000	40,000,000
Serendib Hotels PLC	Subsidiary	53,510,304	-
Leisure Asia Investments Ltd.	Subsidiary	150,000	-
Less: Provision for Doubtful Debts		-	(2,296,235)
		519,271,564	268,621,260

	Relationship	Company	
		2011 Rs.	2010 Rs.
13 AMOUNTS DUE FROM RELATED PARTIES			
Hemtours (Pvt) Ltd.	Subsidiary	16,852,337	16,630,546
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	74,564	-
HIF Logistics (Pvt) Ltd.	Joint Venture	40,939	74,942
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	794,777	85,573,192
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	20,107	39,734
Hemas Air Services (Pvt) Ltd.	Subsidiary	12,538,950	12,527,337
Hemas Travels (Pvt) Ltd.	Subsidiary	-	1,775,881
Hemas Power PLC	Subsidiary	-	3,619,631
Forbes Air Services (Pvt) Ltd.	Subsidiary	48,009,417	47,234,952
Vishwa BPO (Pvt) Ltd.	Subsidiary	-	4,549,427
Hellmann Worldwide Logistics (Pvt) Ltd.	Joint Venture	3,027	3,027
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	2,129,562	1,596,520
Hemas Clinical Research Services (Pvt) Ltd.	Subsidiary	3,496,235	1,200,000
Hemas Hospitals (Pvt) Ltd.	Subsidiary	42,532,152	40,000,000
Hemas Aviation (Pvt) Ltd.	Subsidiary	-	2,415
N-able (Pvt) Ltd.	Subsidiary	3,356,051	447,340
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	-	3,594
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	-	12,856
Mowbray Hotels Ltd.	Subsidiary	3,585,681	-
Serendib Hotels PLC	Subsidiary	788,629	-
Less: Provision for Doubtful Debts		(3,496,235)	(1,200,000)
		130,726,193	214,091,394

Notes to the Financial Statements

	2011 Number	2011 Rs.	2010 Number	2010 Rs.
14 STATED CAPITAL				
14.1 Fully Paid Ordinary Shares (14.1.1)	512,040,620	1,468,425,034	101,958,124	1,369,222,534
14.1.1 Fully Paid Ordinary Shares				
Balance at the Beginning of the Year	101,958,124	1,369,222,534	101,958,124	1,369,222,534
Sub division of Shares	407,832,496	-	-	-
Issue of Shares under Employee Shares Ownership Plan	2,250,000	99,202,500	-	-
Balance at the End of the Year	512,040,620	1,468,425,034	101,958,124	1,369,222,534

The company exercised a sub division of ordinary shares in the proportion of 5:1 on 2 July 2010.

14.2 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.

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
15 RESERVES				
(a) Revaluation and Other Capital Reserve				
Balance at the Beginning of the Year	835,953,106	914,598,431	257,032,425	368,073,839
Preference share issue/Adjustment on share transfers	101,250,000	-	-	(111,041,414)
Transferred during the Year	(9,256,164)	(79,475,938)	-	-
Net Gain/(Loss) recognised directly in Equity	119,208,913	830,613	-	-
Balance at the End of the Year	1,047,155,855	835,953,106	257,032,425	257,032,425
(b) Exchange Reserve				
Balance at the Beginning of the Year	(29,970,549)	(76,923,588)	-	-
Transfer from/(to) Retained Earnings	28,791,914	46,953,039	-	-
Balance at the End of the Year	(1,178,635)	(29,970,549)	-	-
Total Reserves	1,045,977,220	805,982,557	257,032,425	257,032,425

	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.
	16 OTHER BORROWINGS					
Group						
Rent Deposits/ Advances	-	10,242,872	10,242,872	-	8,790,222	8,790,222
Non Interest Bearing Loans	1,207,000	-	1,207,000	1,207,000	-	1,207,000
	1,207,000	10,242,872	11,449,872	1,207,000	8,790,222	9,997,222

	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.
17 INTEREST BEARING LOANS AND BORROWINGS						
17.1 Group						
Finance Leases	1,171,946	3,551,097	4,723,043	2,243,309	5,607,057	7,850,366
Bank Loans						
- Rupee Loans (17.1.1)	790,085,473	1,344,493,516	2,134,578,989	599,429,377	1,177,984,141	1,777,413,518
- USD Syndicate Loan (17.1.2)	-	-	-	287,267,682	47,938,510	335,206,192
- USD Term Loan (17.1.3)	200,008,677	351,995,747	552,004,424	-	-	-
Debentures (17.1.4)	-	-	-	6,417,273	-	6,417,273
Trust Receipt Loan						
- Standard Chartered Bank	-	-	-	90,000,000	-	90,000,000
Bank Overdrafts	1,388,997,315	-	1,388,997,315	969,609,133	-	969,609,133
	2,380,263,411	1,700,040,360	4,080,303,771	1,954,966,774	1,231,529,708	3,186,496,482

	As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2011 Rs.
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17.1.1 Rupee Loans

Bank Loans	1,777,413,518	1,550,513,484	(1,193,348,013)	2,134,578,989
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	As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange Gain/(Loss) Rs.	As at 31.03.2011 Rs.
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17.1.2 USD Syndicate Loan

Syndicate Loan	335,206,192	-	(330,704,820)	(4,501,372)	-
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The USD 39 Mn (Group Share - USD 18.35 Mn) syndicate loan facility was obtained from Hatton National Bank PLC, Commercial Bank of Ceylon PLC, Peoples' Bank, Bank of Ceylon, Seylan Bank PLC, Sampath Bank PLC, DFCC Bank PLC to finance the thermal power project of Heladhanavi Ltd. In September 2010, Heladhanavi Ltd., refinanced the total outstanding balance of this syndicated loan by USD term loans obtained from Hongkong & Shanghai Banking Corporation Limited (HSBC) and Standard Chartered Bank PLC (SCB).

	As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange Gain/(Loss) Rs.	As at 31.03.2011 Rs.
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17.1.3 USD Term Loan

Long Term USD Loan - HSBC	-	337,250,784	(55,795,592)	(4,215,321)	277,239,871
Long Term USD Loan - SCB	-	315,396,120	(37,309,130)	(3,322,437)	274,764,553
	-	652,646,904	(93,104,722)	(7,537,758)	552,004,424

HELADHANAVI LTD

Long Term USD Loan - HongKong & Shanghai Banking Corp. Ltd.

(a) **Rate of Interest**

1 Month LIBOR + 3% p.a.

(b) **Security**

Registered Undertaking to Mortgage over project Assets (Land, Building, Plant and Machinery) for USD 6,400,000.

(c) **Facility**

The USD 6.4 Mn Term Loan facility was obtained in order to settle the existing syndicate loan balance & to replace Rupee working capital loan by USD borrowings.

(d) **Terms of Repayments**

Term Loan to be repaid in 36 equal monthly instalments of USD 177,778.

Notes to the Financial Statements

Long Term USD Loan - Standard Chartered Bank PLC

(a) **Rate of Interest**

1 Month LIBOR + 3% p.a. re-priced quarterly.

(b) **Security**

Registered Undertaking to Mortgage over project Assets (Land, Building, Plant and Machinery) for USD 6,000,000.

(c) **Facility**

The USD 6 Mn Term Loan facility was obtained to settle the existing syndicate loan balance & to replace Rupee working capital loan by USD borrowings.

(d) **Terms of Repayments**

Term Loan to be repaid in 42 equal monthly instalments of USD 142,857.

	As at 01.04.2010 Rs.	New Issues Rs.	Redemption Rs.	As at 31.03.2011 Rs.
17.14 Debentures				
15.75% Unsecured Subordinated Redeemable Fixed Rate Debenture	6,409,091	-	(6,409,091)	-

	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.
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17.2 Company

Loans due to Related Parties (17.2.1)	321,640,000	686,502,490	1,008,142,490	426,908,500	425,709,598	852,618,098
Bank Overdrafts	33,504,597	-	33,504,597	1,553,257	-	1,553,257
	355,144,597	686,502,490	1,041,647,087	428,461,757	425,709,598	854,171,355

	As at 01.04.2010 Rs.	Loans Obtained Rs.	Repayment/ Transfer Rs.	As at 31.03.2011 Rs.
17.2.1 Loans due to Related Parties				
Hemas Air Services (Pvt) Ltd.	85,168,597	-	(8,000,000)	77,168,597
Hemas Developments (Pvt) Ltd.	130,967,548	59,300,000	(58,100,000)	132,167,548
Hemas Manufacturing (Pvt) Ltd.	70,000,000	92,000,000	(16,725,608)	145,274,392
Peace Haven Resorts Ltd.	220,194,998	-	(6,000,000)	214,194,998
Vishwa BPO (Pvt) Ltd.	18,000,000	-	(10,000,000)	8,000,000
Forbes Air Services (Pvt) Ltd.	197,666,960	345,595,100	(242,545,100)	300,716,960
Hemtours (Pvt) Ltd.	130,619,995	-	-	130,619,995
	852,618,098	496,895,100	(98,825,608)	1,008,142,490

Terms and Conditions

(a) Treasury Loans (Current)

Security - Unsecured

Repayment - Within 3 months

Interest - Based on market rates

(b) Other Loans (Non Current)

Security - Unsecured

Repayments - Grace Period of 4 Years (29/04/2008 - 30/04/2012) and thereafter repayable over 3 years

Interest - Grace Period of 4 Years (29/04/2008 - 30/04/2012) and thereafter interest chargeable based on Market Rates

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
18 DEFERRED INCOME TAX				
18.1 DEFERRED TAX ASSETS				
Balance as at Beginning of the Year	22,805,294	21,832,128	-	-
Income/(Expense) arising during the Year	2,683,684	973,166	-	-
Balance at the End of the Year	25,488,978	22,805,294	-	-
18.2 DEFERRED TAX LIABILITIES				
Balance as at Beginning of the Year	145,146,554	136,307,726	60,197,984	38,979,758
Provision/(Release) - Directly to Income Statement	(11,235,849)	9,419,558	(18,176,166)	21,218,226
- Directly to Equity	(10,301,504)	(580,730)	-	-
Balance at the End of the Year	123,609,201	145,146,554	42,021,818	60,197,984

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
19 RETIREMENT BENEFIT LIABILITY				
Retirement Benefit Obligation - Gratuity				
Balance as at Beginning of the Year	184,963,092	140,756,884	17,025,408	19,108,128
Interest cost	18,683,895	14,353,377	1,872,795	2,292,975
Current service cost	31,210,352	20,828,580	1,586,339	1,575,041
Benefits paid	(20,218,527)	(20,565,499)	(1,872,750)	(6,707,421)
Actuarial (Gain) \Loss	15,659,592	29,589,750	63,999	756,685
Balance as at the End of the Year	230,298,404	184,963,092	18,675,791	17,025,408

19.1 Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31/03/2011. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used for Group and Company are as follows:

	2011	2010
Discount rate assumed (%)	10%	11%
Further salary increase (%)	9%	10%
Retirement Age	50 - 60 Years	50 - 60 Years

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
20 TRADE AND OTHER PAYABLES				
Trade Payables				
Related Parties (20.1)	-	-	-	108,650
Others	2,815,496,147	2,475,713,016	584,604	346,613
Other Payables				
Related Parties (20.2)	-	-	5,464,604	4,057,419
Others	557,389,312	276,617,217	10,507,481	11,466,067
Sundry Creditors including Accrued Expenses	718,999,688	534,527,733	23,583,702	25,411,500
	4,091,885,147	3,286,857,966	40,140,391	41,390,249

Notes to the Financial Statements

	Relationship	Company	
		2011 Rs.	2010 Rs.
20.1 Trade Dues to Related Parties			
Hemas Travels (Pvt) Ltd.	Subsidiary	-	56,900
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	-	51,750
		-	108,650
20.2 Non Trade Dues to Related Parties			
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	458,112	692,250
Forbes Air Services (Pvt) Ltd.	Subsidiary	70,000	70,000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	2,806,239	2,812,500
ACX International (Pvt) Ltd.	Subsidiary	-	162
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	-	3,000
Hemtours (Pvt) Ltd.	Subsidiary	104,328	71,928
Vishwa BPO (Pvt) Ltd.	Subsidiary	44,785	-
Diethelm Travel Lanka (Pvt) Ltd.	Subsidiary	167,023	65,729
N-Able (Pvt) Ltd.	Subsidiary	1,354,814	-
HIF Logistics (Pvt) Ltd.	Joint Venture	38,743	-
Hemas Travels (Pvt) Ltd.	Subsidiary	420,560	341,850
		5,464,604	4,057,419

	Relationship	Company	
		2011 Rs.	2010 Rs.
21 AMOUNTS DUE TO RELATED PARTIES			
Peace Haven Resorts Ltd.	Subsidiary	-	458,489
Hemas Power PLC	Subsidiary	9,602,000	13,175,400
Vishwa BPO (Pvt) Ltd.	Subsidiary	14,680,298	5,221,073
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	-	831,736
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	25,110,604	-
Hemtours (Pvt) Ltd.	Subsidiary	14,225,000	10,985,000
Hemas Aviation (Pvt) Ltd.	Subsidiary	5,397,585	5,400,001
Exchange & Finance Investment (Pvt) Ltd.	Subsidiary	3,751,724	3,755,318
Discover the World Marketing (Pvt) Ltd.	Subsidiary	3,320,001	3,320,001
Hemas Air Services (Pvt) Ltd.	Subsidiary	50,453,502	49,924,034
Hemas Travels (Pvt) Ltd.	Subsidiary	7,840,000	1,775,881
Forbes Air Services (Pvt) Ltd.	Subsidiary	-	13,046,706
Hemas Developments (Pvt) Ltd.	Subsidiary	22,670,865	1,074,986
ACX International (Pvt) Ltd.	Subsidiary	5,160,139	7,972,845
Far Shipping Lanka (Pvt) Ltd.	Subsidiary	5,600,000	-
		167,811,718	116,941,470

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
22 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT				
Components of Cash and Cash Equivalents				
22.1 Favourable Cash and Cash Equivalent Balances				
Cash & Bank Balances	1,133,279,596	392,885,938	23,678,870	27,994,605
Fixed Deposits, Treasury Bills and Repo Investments	2,025,096,612	1,258,993,053	210,023	50,141,052
	3,158,376,208	1,651,878,991	23,888,893	78,135,657
22.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,388,997,315)	(969,609,133)	(33,504,597)	(1,553,257)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	1,769,378,893	682,269,858	(9,615,704)	76,582,400

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
23 REVENUE				
Sales of Goods	11,444,147,421	9,794,718,534	-	-
Rendering of Services	6,623,341,770	5,202,686,171	304,850,770	343,212,995
	18,067,489,191	14,997,404,705	304,850,770	343,212,995

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

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
24 DIVIDEND INCOME				
Income from Investments - Related Parties	-	-	303,296,875	155,962,343
- Others	780,523	93,014	86,482	83,322
	780,523	93,014	303,383,357	156,045,665

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
25 OTHER INCOME AND GAINS				
Gain on Disposal and Acquisition	30,651,219	2,451,226	3,560,177	-
Rental Income	9,369,508	1,252,018	1,390,000	1,100,000
Commission Income	9,306,683	7,232,511	-	-
Exchange Gain	30,750,276	17,163,064	-	-
Sundry Income	28,752,722	16,428,716	624,414	599,527
	108,830,408	44,527,535	5,574,591	1,699,527

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
26 GAIN/ (LOSS) ON DISPOSAL OF INVESTMENTS				
Gain on Share Buy Back	-	-	-	1,242,681,268
Profit/(Loss) on Disposal of Investment	3,316,950	(1,600,000)	233,909	(1,600,000)
	3,316,950	(1,600,000)	233,909	1,241,081,268

In the year 2009/10 the Boards of Hemas Manufacturing (Pvt) Ltd., Hemas Marketing (Pvt) Ltd., Hemas Pharmaceuticals (Pvt) Ltd., Forbes Air Services (Pvt) Ltd. and Hemas Travels (Pvt) Ltd. offered to repurchase its own shares held by Hemas Holdings PLC. A gain of Rs. 1,242,681,268/- was made by Hemas Holdings PLC by accepting this offer.

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
27 FINANCE COST AND INCOME				
27.1 Finance Cost				
Interest Expense on Overdrafts	64,756,693	130,159,200	242,662	296,565
Interest Expense on Loans and Borrowings - Rupee	219,093,180	266,296,311	51,892,991	125,071,797
- USD	13,461,432	51,142,616	-	-
Debenture Interest	393,379	1,715,355	-	-
Finance Charges on Lease Liabilities	32,088	62,236	-	-
	297,736,772	449,375,718	52,135,653	125,368,362
27.2 Finance Income				
Interest Income - Related Parties	-	-	43,936,742	28,735,369
- Others	126,237,483	100,929,714	3,425,983	1,563,422
	126,237,483	100,929,714	47,362,725	30,298,791

Notes to the Financial Statements

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
28 PROFIT BEFORE TAX				
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation	335,425,221	193,300,165	-	-
Provision for obsolete stock	31,124,824	14,518,634	-	-
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Cost - Gratuity	65,553,839	64,771,707	3,523,133	4,624,701
Defined Contribution Plan Cost - MSPS/EPF/ETF	107,778,506	97,282,366	8,202,133	7,479,555
Depreciation	284,550,674	329,305,510	17,459,807	18,012,703
Exchange Loss	22,967,722	48,287,966	-	-
Amortisation/ Impairment of Intangibles	10,119,432	9,160,937	-	-
Profit/ (Loss) on Disposal of Property, Plant and Equipment	-	4,828,403	-	(79,716)
Auditors' Fees and Expenses	7,759,620	7,330,870	980,300	1,091,396
Legal Fees	1,491,142	697,341	8,500	59,000
Donations	9,665,268	1,544,983	116,947	11,200
Bad Debts Written - off	321,603	6,833,185	-	-
Provision for Doubtful Debts	26,098,144	33,788,971	(1,645,643)	5,796,235
Included in Selling & Distribution Cost				
Transport Cost	75,354,824	35,650,293	-	-
Advertising Cost	299,967,035	318,156,095	144,032	-

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
29 INCOME TAX EXPENSE				
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (29.1)	200,411,275	145,294,975	27,545,469	13,409,382
Under/(Over) Provision of Current Taxes in respect of prior years	6,151,976	(4,319,542)	-	-
Tax on Dividends	21,510,222	10,135,366	-	-
Deferred Income Tax				
Deferred Tax Expense/(Income) arising due to				
- Origination and Reversal of Timing Differences	(13,919,528)	8,963,943	(18,176,166)	21,218,226
	214,153,945	160,074,742	9,369,303	34,627,608

29.1 Reconciliation between Income Tax Expenses and the Accounting Profit

Accounting Profit Before Tax	1,569,344,612	1,094,718,688	347,688,901	1,489,735,490
Intra Group Adjustment/Share of Profits of Subsidiaries	910,603,952	397,573,200	-	(1,241,081,268)
Income not subject to Income Tax	(943,205,642)	(494,717,251)	(283,172,316)	(213,062,343)
Exempt profit	(794,363,896)	(658,714,584)	-	-
Aggregate Disallowed Expenses	257,741,391	293,452,409	35,381,698	39,577,153
Aggregate Allowable Expenses	(251,782,820)	(383,591,394)	(17,942,296)	(16,813,091)
Aggregate Disallowable income	85,662,661	66,716,761	-	-
Adjustment for tax losses	(5,290,396)	34,552,409	(4,651,629)	(20,424,579)
Taxable Profit	828,709,862	349,990,238	77,304,358	37,931,362
Income tax at 35%	164,738,517	119,186,235	27,138,394	13,211,214
Income tax at 15%	26,380,686	22,477,313	-	-
Income Tax at other rates	6,431,017	1,478,596	-	-
	197,550,220	143,142,144	27,138,394	13,211,214
Social Responsibility levy	2,861,055	2,152,831	407,076	198,168
Current Income Tax Expense	200,411,275	145,294,975	27,545,469	13,409,382

29.2 Applicable Tax Rates

As per the Inland Revenue Act No. 10 of 2006, all resident companies are liable to effective Income Tax of 35% (2009 - 35%), with the exception of the companies stated below:

Hemas Developments (Pvt) Ltd., has obtained BOI approval under Section 17 and it enjoys a tax rate of 2% on Revenue.

Pursuant to the agreement dated 28 August 2003, entered into with BOI under Section 17 of the Board of Investment Law, Heladhanavi Ltd., is exempt from Income Tax for a period of 10 years from the year in which the Company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the enterprise, whichever is earlier.

As per the Section 23 of Inland Revenue Act No.10 of 2006, Hemas Power PLC is classified as a venture capital Company. Accordingly the company enjoyed a 5 year tax holiday period. After expiration of aforesaid tax exemption period in terms of Section 48 of Inland Revenue (Amendment) Act No 09 of 2008, the Company is liable for tax for the first 3 years at 5%, 10% & 15% respectively. However, expiration of above 3 years concessionary tax period, the company is liable for income tax at the rate of 20% as per the part 'A' of the second schedule of the Inland Revenue Act No. 10 of 2006. Accordingly, the Company is liable for income tax at 15% for 2010/2011.

Pursuant to the agreement entered with BOI, Okanda Power Grid (Pvt) Ltd 's profit is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the Company, which ever is earlier. After the expiration of aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of 2 years immediately succeeding the last date of the tax exemption period and 20% thereafter.

Pursuant to the agreement entered with BOI, Upper Agra Oya Hydro Power (Pvt) Ltd 's profit is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the Company, which ever is earlier. After the expiration of aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of 2 years immediately succeeding the last date of the tax exemption period and 20% thereafter.

Pursuant to the agreement entered with BOI, profit of Giddawa Hydro Power (Pvt) Ltd is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the Company, which ever is earlier. After the expiration of the aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of 2 years immediately succeeding the last date of the tax exemption period and 20%, thereafter.

As per the Section 17 of Inland Revenue Act No.10 of 2006, N-able (Pvt) Ltd is exempt from income tax for a period of 3 years. After the expiration of the aforesaid tax exemption period, profits of the Company shall be charged at 5% for the first year, 10% in the second year and 15% thereafter.

Pursuant to the agreement entered into with BOI under Section 17 of the Board of Investment Law, Hemas Hospitals (Pvt) Ltd and Hemas Southern Hospitals (Pvt) Ltd are exempt from Income Tax for a period of 5 years, reckoned from the year of assessment, in which the companies commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the companies, whichever is earlier. After the expiration of the aforesaid tax exemption period, profits are charged at 10% for the next 2 years and 20% thereafter.

Pursuant to the agreement entered into with BOI under Section 17 of the Board of Investment Law, Vishwa BPO (Pvt) Ltd is exempt from Income Tax for a period of 3 years reckoned from the year of assessment, in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the Company, whichever is earlier. After the expiration of the aforesaid tax exemption period, profits are charged at 10% for the next 2 years and 20% thereafter.

Pursuant to the agreement entered into with BOI under Section 17 of the Board of Investment Law, for the business of 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 relating to the imposition, payment and recovery of income tax shall not apply for a period of 5 years from the year in which the Company commences commercial operations at the relocated factory. After the expiration of aforesaid tax exemption period, the profits are charged at 10% for a period of 2 years and 20% thereafter.

Notes to the Financial Statements

Trading income of Serendib Hotels PLC, Hotel Sigiriya PLC, Dolphin Hotels PLC, Miami Beach Hotels Ltd., Serendib Leisure Management (Pvt) Ltd., Hemas Travels (Pvt) Ltd. Far Shipping Lanka (Pvt) Ltd and Hemtours (Pvt) Ltd. is taxed at 15%.

As per SRO No 172-Law / Income Tax/ 2009 dated 30 June 2009 Hemas Consumer Brands Private Ltd is entitled to pay tax at reduce rate on income. As the Company incurred a loss during the period, maximum tax of Taka 5,000 has been made as a provision for Income Tax in line with the provisions of the ITO-1984.

30 EARNINGS PER SHARE

30.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

30.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	Group	
	2011 Rs.	2010 Rs.
Amount Used as the Numerator:		
Profit for the Year	1,210,158,582	901,730,007
Less: Preference Dividends	(4,183,028)	(2,303,361)
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,205,975,554	899,426,646
	2011 Number	2010 Number
Number of Ordinary Shares Used as Denominator:		
Number of shares at the beginning of the year	101,958,124	101,958,124
Sub division of shares	407,832,496	407,832,496
	509,790,620	509,790,620
Effect of Issue of shares under ESOS	562,500	-
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	510,353,120	509,790,620

30.3 There were no potentially dilutive ordinary shares outstanding at any time during the year.

31 DIVIDENDS PER SHARE

	Company	
	2011 Rs.	2010 Rs.
31.1 Dividends Paid		
Final out of 2009/2010 (2010-2008/2009) profits		
Net Dividends paid to ordinary shareholders	216,703,055	165,172,161
WHT deducted at source from Dividends out of Profits	12,702,724	
Gross Ordinary Dividend paid	229,405,779	165,172,161
Interim out of 2010/2011 profits		
Net Dividends paid to ordinary shareholders	127,447,655	-
	356,853,434	165,172,161
WHT deducted at source from Dividends out of Dividends received	25,536,244	18,352,462
Dividend paid to Ordinary share holders	382,389,678	183,524,623
31.2 Dividends Per Share		
Final out of 2008/2009 profits (Adjusted for subdivision of shares)	-	0.36
Final out of 2009/2010 profits	0.45	-
Interim out of 2010/2011 profits	0.25	-

31.3 The Final Dividends for 2009/2010 has been paid on 28 July 2010 and Interim Dividends for 2010/2011 on 22 November 2010.

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors of the company has proposed a Final Dividend of Rs.0.25 per share for the financial year ended 31 March 2010 as required by Section 56(2) of the Companies Act No 07 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the said act, the company has obtained a certificate from the Auditors, prior to declaring the Final Dividend which is to be paid on 11 July 2011.

In accordance with the Sri Lanka Accounting Standard 12 (Revised 2005) - Events after the Balance Sheet date, the proposed Final Dividend has not been recognised as a liability in the financial statements as at 31 March 2011.

33 COMMITMENTS & CONTINGENCIES

33.1 CAPITAL COMMITMENTS

	Group	
	2011 Rs.	2010 Rs.
SERENDIB HOTELS PLC		
Contracted but not provided for	-	34,428,166
Authorised by the Board, but not contracted for	650,000,000	469,800,000
	650,000,000	504,228,166

33.2 CONTINGENCIES

(a) HEMAS HOLDINGS PLC

The contingent liability as at 31 March 2011 on Guarantees given by Hemas Holdings PLC, to banks on behalf of Subsidiaries & Joint Ventures relating to facilities obtained, are as follows:

	2011 Rs.	2010 Rs.
Hemas Pharmaceuticals (Pvt) Ltd.	-	88,750,000
Hemas Travels (Pvt) Ltd.	22,000,000	22,000,000
Hemas Corporate Services (Pvt) Ltd.	5,000,000	5,000,000
Hemas Southern Hospitals (Pvt) Ltd.	110,000,000	110,000,000
Exchange & Finance Investment (Pvt) Ltd.	2,500,000	2,500,000
Hemas Manufacturing (Pvt) Ltd.	85,000,000	85,000,000
Heladhanavi Ltd.	300,000,000	300,000,000
Hemas Power PLC	10,000,000	10,000,000
Forbes Air Services (Pvt) Ltd.	150,000,000	150,000,000
Hemas Hospitals (Pvt) Ltd.	200,000,000	200,000,000
Serendib Hotels PLC	200,000,000	-
	1,084,500,000	973,250,000

(b) HEMAS MANUFACTURING (PVT) LTD.

A Civil Case has been filed against the Company by Colgate Palmolive Company, seeking a declaration that the Company's Registered Trade Mark No. 74941 is null and void and of no force of effect in law from the date of registration of the said mark. Both parties have filed written submissions as per the Supreme Court rules and the Supreme Court Registry will notify the date of hearing in due course.

(c) HEMAS MARKETING (PVT) LTD.

The Company has given Guarantees to Banks on behalf of Hemas Manufacturing (Pvt) Ltd amounting to Rs. 150,000,000/-.

(d) HEMAS TRAVELS (PVT) LTD.

- 1 The Company has obtained Guarantees from Standard Chartered Bank PLC favouring foreign tours and hotel suppliers amounting to EURO 10,000 and USD 40,000.
- 2 The Company has obtained Guarantees from Standard Chartered Bank PLC favouring Airline Operators amounting to Rs.147,800,000/- and USD 10,000.
- 3 The Company has obtained a guarantee from Standard Chartered Bank PLC favouring The Commissioner General of Inland Revenue amounting to Rs.1,476,406/-.

Notes to the Financial Statements

(e) HEMAS AIR SERVICES (PVT) LTD.

- The Company has obtained Guarantees from Standard Chartered Bank PLC favouring Heavyweight Air Express and Malaysian Airlines amounting to USD 15,000 and USD 610,000 respectively.
- The Company has obtained Guarantees from Standard Chartered Bank PLC favouring Airport & Aviation Services (Pvt) Ltd and Director General of Civil Aviation amounting to Rs.5,201,450/- and Rs. 1,134,000/-.
- The Company has obtained Guarantees from Standard Chartered Bank PLC on behalf of Hemas Aviation (Pvt) Ltd., favouring Sri Lankan Airline Ltd, Drukair Corporation Ltd and Discover Momentum LLC., amounting to USD 30,000, USD 20,000 and USD 50,000 respectively.

(f) FORBES AIR SERVICES (PVT) LTD.

- The Company has obtained Guarantee from Standard Chartered Bank PLC favouring Emirates - Dubai amounting to Rs. 906,300,000/-.
- The Company has obtained a Guarantee from Standard Chartered Bank PLC favouring The Commissioner General of Inland Revenue amounting to Rs.2,205,100/-.

(g) EXCHANGE & FINANCE INVESTMENTS (PVT) LTD.

- The Company has obtained Guarantees from Nations Trust Bank PLC favouring Kenya Airways amounting to Rs.4,000,000/-.
- Mr. K.T.D Samarasinghe has filed a case against the Company claiming damages for Rs. 5,000,000/- and the trial is still being continued.

(h) DISCOVER THE WORLD MARKETING (PVT) LTD.

The Company has given a Guarantee amounting to USD 50,000 to its principal "Discover Momentum" in relation to the credit facilities obtained by the principal.

The Company has given a Guarantee through Hemas Air Services (Pvt) Ltd in favor of Director General of Civil Aviation and amounting to Rs.1,134,000/-.

33.3 LEASE COMMITMENTS

HEMAS HOSPITALS (PVT) LTD.

Operating Lease Commitments - Company as Lessee

The Company has entered into an operating lease agreement to lease a land from Nihila Garments (Pvt) Ltd with a lease period of 30 years with no renewal option. There are no restrictions placed upon the lessee when entering into this lease agreement.

	2011 Rs.	2010 Rs.
Future minimum rentals payable		
Within 1 Year	18,750,000	18,750,000
After 1 Year but not more than 5 Years	84,750,000	84,750,000
More than 5 Years	502,494,000	524,244,000
	605,994,000	627,744,000

33.4 COMMITMENTS AND CONTINGENCIES OF THE JOINTLY CONTROLLED ENTITIES

The Group has its Proportionate Share of following:

(a) HELADHANAVI LTD.

1 Operations and Maintenance Agreement with Lakdhanavi Ltd.

According to this agreement, the fixed fee payable after the final completion date is USD 625,000 per annum paid in equal monthly installments.

Heladhanavi Ltd. is liable to pay Lakdhanavi Ltd. an additional sum of USD 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement.

2 Fuel Transport Agreement with LTL Projects (Pvt) Ltd.

Heladhanavi Ltd. has entered into a contract during the period with LTL Projects (Pvt) Ltd., for the transportation of fuel. According to the arrangement the company needs to pay a fixed charge of USD 10,500 per month from the date of commencement of power generation in the plant.

3 Fuel Supply Agreement with Ceylon Petroleum Corporation

If the company is unable to accept fuel under supply schedule (subject to change) and/or comply with its obligations under this agreement and costs, expenses, damages & losses incurred as a direct and exclusive result of such failure or inability should be paid by the company within 30 days. However, company's liability under this agreement is limited to a maximum of USD 500,000 per annum.

According to the clause 3.5 (C) of fuel supply agreement, company has established a Letter of Credit at Hatton National Bank PLC in favour of Ceylon Petroleum Corporation to the value of Rs. 280,000,000/-.

4 Power Purchase Agreement with Ceylon Electricity Board

If the company fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kwh per year, the Company would be liable for liquidated damages.

Shortfall	Amount of liquidated damages for each kwh of shortfall
Exceeding 10% of MGEA up to 25% of MGEA	15% of capacity charges
Exceeding 25% of MGEA	25% of capacity charges

5 Eligibility to apply for a Generation Licence

As per the Sri Lanka Electricity Act No.20 of 2009, for a company to be eligible to obtain the generation license for generation capacity over and above 25MW, the company must be incorporated under the Companies Act No. 7 of 2007, in which the government, a public corporation, a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury with the concurrence of the Minister in charge of the subject of Finance.

However no such determination of shares was made by the Secretary to the Treasury at the point of application of the generation license. It was revealed that the Government of Sri Lanka is in the process of amending the Electricity Act to exempt the existing independent power procedures (including the Company) from this requirement. The Company is currently supplying power to the Ceylon Electricity Board based on a generation license validly obtained on 26 September 2003.

A legal opinion was sought by the Company in this regard which states that in the absence of the determination of the fixed number of shares by the secretary to the treasury as required under section 9 (1) (c) of the Sri Lanka Electricity Act No 20 of 2009, the company is entitled to apply for a generation license.

(b) HIF LOGISTICS (PVT) LTD.

The Company has obtained Guarantees from Standard Chartered Bank PLC favouring Sri Lankan Airlines Ltd., Green Lanka Shipping Ltd., Atiken Spence Aviation (Pvt) Ltd. and MAC Holdings (Pvt) Ltd. amounting to Rs.2,000,000/-, Rs.4,000,000/- Rs.2,000,000/- and Rs.1,000,000/- respectively.

(c) HELLMAN WORLDWIDE LOGISTICS (PVT) LTD.

The Company has obtained corporate guarantees from Hellman Worldwide Logistics Ltd (Hong Kong) for Hong Kong Dollars equivalent to Rs.31,900,000/-.

Notes to the Financial Statements

34. ASSETS PLEDGED

The following assets have been pledged as security for liabilities as at the Balance Sheet date.

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2011 Rs.	2010 Rs.	
Hemas Manufacturing (Pvt) Ltd.	Inventories and Trade Receivables	Concurrent Mortgage to the extent of bank facility obtained from HNB and HSBC	22,500,000	22,500,000	Inventories and Trade Receivable
	Land & Building of Dankotuwa state, existing Machinery, proposed Plant & Machinery, Equipment and Furniture & Fittings of Dankotuwa state.	Primary Mortgage for the Bank loan obtained from NDB	788,280,121	788,280,121	Property , Plant and Equipment
Heladhanavi Ltd. (The Group has its proportionate share of the assets pledged)	Immovable Assets	USD 4,000,000 & USD 12,600,000 (Term Loan Facility)	10,884,270	10,884,270	Property , Plant and Equipment
	Mortgage of all movable assets and assignment of book debts of the company.		-	7,377,091,249	Property, Plant and Equipment
	Share certificates of the Company.	USD 35,000,000 (Syndicated Loan Facility)	-	1,200,000,070	Stated Capital
	Assignment of project documents.				
	Immovable Assets.	Rs. 30,769,230 (Rupee Loan Facility)	-	10,884,270	Property , Plant and Equipment
	Mortgage of all movable assets and assignment of book debts of the company.	Rs. 269,230,769 (Rupee Loan Facility)	-	7,377,091,249	Property , Plant and Equipment
	Share certificates of the company.	Rs. 400,000,000 (Working Capital Loan)	-	1,200,000,070	Stated Capital
Assignment of project documents.					
Hemas Hospitals (Pvt) Ltd.	Leasehold right to the Leasehold Land	Primary Mortgage up to the value of Rs.750,000,000 to DFCC Bank PLC	1,364,269,325	1,453,727,473	Property, Plant and Equipment
Hemas Southern Hospitals (Pvt) Ltd.	Land and Building	Concurrent Mortgage to the extent of Bank facility obtained from Sampath Bank PLC	353,200,000	354,400,000	Property, Plant and Equipment

Name of The Company	Nature of Assets	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2011 Rs.	2010 Rs.	
Serendib Hotels PLC	Leasehold Land and Buildings	Primary Mortgage up to the value of Rs.48,000,000 to Seylan Bank PLC Secondary Mortgage up to the value of Rs.20,000,000 to Seylan Bank PLC Corporate Guarantee from Hemas Holdings PLC for Rs.200,000,000 & Indemnity of the Company, in favour of Hatton National Bank PLC	205,513,217	214,851,556	Leasehold Property Property, Plant & Equipment
Dolphin Hotels PLC	Freehold Land and Buildings	Primary Mortgage upto the value of Rs. 126,300,000 to Commercial Bank of Ceylon (EIB Loan) Primary Mortgage up to the value of Rs. 20,000,000 to Commercial Bank of Ceylon PLC (Overdraft Facility of Rs.20 Mn)	565,125,901	412,513,870	Property, Plant and Equipment
	Plant, Machinery and Equipment	Primary Mortgage over existing movable items up to the value of Rs.5,000,000 to DFCC Bank PLC	-	34,962,409	Property , Plant and Equipment
Miami Beach . Hotels Ltd	Freehold Land and Buildings	Primary Mortgage up to the value of Rs.65,000,000 to Seylan Bank PLC Secondary Mortgage up to value of Rs.15,000,000 to DFCC Bank PLC	464,775,856	165,304,509	Property, Plant and Equipment
	Plant, Machinery and Equipment	Primary Mortgage over existing movable items up to the value of Rs. 5,000,000 to DFCC Bank PLC	-	17,092,261	Property, Plant and Equipment
Hotel Sigiriya PLC	Leasehold Land and Buildings	Primary Mortgage up to the value of Rs.30,000,000 to Commercial Bank of Ceylon PLC	110,894,935	108,958,795	Property , Plant and Equipment
	Plant, Machinery and Equipment	Primary Mortgage up to the value of Rs. 1,750,000 to Commercial Bank of Ceylon PLC	2,925,770	3,159,832	Property, Plant and Equipment

Notes to the Financial Statements

35. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

35.1 Transaction with related entities

Nature of Transaction	Subsidiaries		Others		Total	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Consultancy Fees Receivable	229,222,198	278,981,844	-	-	229,222,198	278,981,844
Bank Guarantee Fees Receivable	2,291,632	2,382,156	(1,505,456)	773,190	786,176	3,155,346
IT Charges Receivable	64,904,181	54,416,815	87,768	493,526	64,991,949	54,910,341
Rent Receivable	1,152,266	1,134,012	-	-	1,152,266	1,134,012
Loan Interest Income Receivable	42,854,253	27,898,277	1,082,489	192,708	43,936,742	28,090,985
Dividend Income	303,296,876	155,962,343	-	-	303,296,876	155,962,343
Treasury Loans Granted	(605,153,852)	(635,895,906)	-	-	(605,153,852)	(635,895,906)
Loan Interest Expense Payable	(49,112,854)	(124,971,287)	-	-	(49,112,854)	(124,971,287)
Receipt of Services	(5,696,128)	(2,617,135)	-	-	(5,696,128)	(2,617,135)
Shared Service Fee Payable	(9,031,320)	(4,011,740)	-	-	(9,031,320)	(4,011,740)
Purchase of Air Tickets/ Foreign Currency	(7,711,295)	(6,777,037)	-	-	(7,711,295)	(6,777,037)
Treasury Loans Obtained	496,995,600	523,959,583	-	-	496,995,600	523,959,583
Repayment of Loans (Net)	15,328,575	465,047,610	-	-	15,328,575	465,047,610
	479,340,132	735,509,536	(335,200)	1,459,424	479,004,933	736,968,960

Off Balance Sheet items

Guarantees given by the Company to banks on behalf of related parties are disclosed in Note 33.2 to these financial statements.

Terms and Conditions:

- Sales and purchase of goods and/or services to related parties were made at on the basis of the price lists in force with non related parties , but subject to approved discounts. Fees relating to rendering of services were made at agreed prices. Settlement will take place in cash.
- Terms and Conditions on loans obtained from related parties are disclosed in Note 17 to these financial statements.

35.2 Transactions with Key Management Personnel

The key management personnel are the members of its Board of Directors of Hemas Holdings PLC.

	2011 Rs.	2010 Rs.
(a) Key Management Personnel Compensation		
Short Term Benefits	36,474,240	32,749,294
(b) Transactions, arrangements and agreements involving Key Management Personnel		
Purchase of Air Tickets	-	515,200
	-	515,200

No other significant transactions had taken place involving Key Management Personnel & their Close Family Members.

36. **SEGMENTAL INFORMATION**

Information based on the Primary Segments (Business Segment)

	FMCG						Healthcare			Leisure			Transportation			Power			Others			Group				
	2011		2010		2011		2010		2011		2010		2011		2010		2011		2010		2011		2010			
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.			
As at 31 March																										
Assets and Liabilities																										
Non Current Assets																										
Property, Plant and Equipment	960,597,656	1,119,998,075	1,926,872,678	1,998,487,174	1,716,171,917	1,135,807,242	43,863,147	48,713,637	2,469,577,177	2,430,280,989	353,339,895	313,149,301	7,470,422,470	7,046,436,418												
Investment Property	-	-	-	-	-	-	-	-	-	-	1,309,965,000	1,261,409,950	1,309,965,000	1,261,409,950												
Other Non Current Assets	346,265,143	166,760,250	568,976,757	505,648,842	628,312,542	182,050,958	67,164,456	64,714,417	1,311,288,104	1,126,739,400	6,239,891,740	6,006,127,933	9,161,898,742	8,052,041,800												
Segmental Non Current Assets	1,306,862,799	1,286,758,325	2,495,849,435	2,504,136,016	2,344,484,459	1,317,858,200	111,027,603	113,428,054	3,780,865,281	3,557,020,389	7,903,196,635	7,580,687,184	17,942,286,212	16,359,888,168												
Deferred Tax Assets													25,488,978	22,805,294												
Eliminations/Adjustments													(8,315,066,367)	(7,562,127,686)												
Total Non Current Assets													9,652,708,823	8,820,565,776												
Segmental Current Assets																										
Current Assets	2,484,255,581	2,229,996,795	2,707,256,359	2,199,531,881	950,320,163	524,242,156	1,949,600,071	1,734,145,359	2,423,237,111	1,560,689,915	1,382,771,729	1,037,996,455	11,897,441,014	9,286,602,561												
Tax Refunds	-	-	-	-	-	-	-	-	-	-	-	-	148,020,028	116,532,983												
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,482,295,991)	(2,156,770,277)												
Total Current Assets													9,563,165,051	7,246,365,267												
Total Assets													19,215,873,874	16,066,931,043												
Non Current Liabilities																										
Segmental Non Current Liabilities	199,936,704	327,804,169	1,210,827,457	1,034,130,696	501,291,348	59,522,668	44,230,644	39,568,886	489,619,568	51,844,226	743,156,903	476,673,714	3,189,062,624	1,989,544,359												
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	123,609,201	145,146,554												
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(1,248,480,988)	(564,261,337)												
Total Non Current Liabilities													2,064,190,837	1,570,429,576												
Current Liabilities																										
Segmental Current Liabilities	1,322,364,982	1,312,586,757	2,183,422,475	2,041,448,568	1,152,050,727	384,604,226	1,426,492,363	1,326,842,157	1,747,001,988	1,483,538,592	908,023,438	720,718,526	8,739,355,973	7,269,738,826												
Income Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	89,890,069	69,044,426												
Eliminations/Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,253,202,538)	(2,022,502,198)												
Total Current Liabilities													6,576,043,504	5,316,281,054												
Total Liabilities													8,640,234,341	6,886,710,630												
Total Segmental Assets	3,791,118,380	3,516,755,120	5,203,105,794	4,703,667,897	3,294,804,622	1,842,100,356	2,060,627,674	1,847,573,413	6,204,102,392	5,117,710,304	9,285,968,364	8,618,683,639	29,839,727,226	25,646,490,729												
Total Segmental Liabilities	1,522,301,686	1,640,390,926	3,394,249,932	3,075,579,264	1,653,342,075	444,126,894	1,470,723,007	1,366,411,043	2,236,621,556	1,535,382,818	1,651,180,341	1,197,392,240	11,928,418,597	9,259,283,185												
Other Segmental Information																										
Acquisition Cost of Property, Plant and Equipment	99,711,138	45,071,846	76,796,62	184,494,667	588,711,236	74,035,771	8,398,668	13,647,604	242,997,677	131,908,294	78,730,466	13,487,148	1,095,345,810	462,645,330												
Depreciation of Segmental assets	147,976,197	142,211,927	146,286,631	132,322,783	78,750,602	62,500,097	13,213,901	14,828,406	203,701,489	139,795,673	30,047,074	30,946,789	619,975,894	522,605,675												
Provision for Retiring Gratuity	16,980,668	27,036,184	20,439,834	17,716,476	10,478,536	2,482,932	8,671,927	7,752,987	1,070,405	1,074,676	7,912,469	8,708,452	65,553,839	64,771,707												
Amortisation/Impairment of Intangibles	6,793,904	5,863,844	-	-	3,325,528	3,297,093	-	-	-	-	-	-	10,119,432	9,160,937												

Notes to the Financial Statements

Information based on the Primary Segments (Business Segment)

For the year ended 31 March	FMCG		Healthcare		Leisure		Transportation		Power		Others		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue														
Segmental Revenue - Gross	5,799,255,473	5,247,238,975	6,572,180,421	5,092,165,215	1,035,088,638	752,334,540	734,279,331	664,230,384	3,370,395,079	2,843,809,089	1,081,208,806	904,819,346	18,592,407,748	15,504,597,549
Intra Segmental Revenue	-	-	(56,831,667)	(42,957,000)	-	-	-	-	-	-	(43,097,635)	(15,017,354)	(99,929,302)	(57,974,354)
Segmental Revenue	5,799,255,473	5,247,238,975	6,515,348,754	5,049,208,215	1,035,088,638	752,334,540	734,279,331	664,230,384	3,370,395,079	2,843,809,089	1,038,111,171	889,801,992	18,492,478,446	15,446,623,195
Inter-Segmental Revenue	-	-	(1,164,301)	-	-	-	-	-	-	-	(423,824,954)	(449,218,490)	(424,989,255)	(449,218,490)
Total Revenue	5,799,255,473	5,247,238,975	6,514,184,453	5,049,208,215	1,035,088,638	752,334,540	734,279,331	664,230,384	3,370,395,079	2,843,809,089	614,286,217	440,583,502	18,067,489,191	14,997,404,705
Results														
Segmental Results	507,705,090	652,139,047	471,625,260	332,028,122	181,106,851	60,063,889	248,519,581	189,858,991	457,192,480	385,092,279	(149,710,411)	(258,717,636)	1,716,438,851	1,360,464,692
Finance Cost	(33,790,702)	(65,243,178)	(131,231,372)	(177,125,432)	(35,485,314)	(19,803,660)	(11,449,461)	(7,990,929)	(81,374,958)	(175,421,888)	(4,404,965)	(3,790,631)	(297,736,772)	(449,375,718)
Finance Income	45,940,055	32,417,418	4,823,529	1,759,252	1,347,975	10,099,277	14,401,042	19,314,129	52,340,097	34,442,181	7,384,785	2,897,457	126,237,483	100,929,714
Change in Fair Value of Investment Properties	-	-	-	-	-	-	-	-	-	-	24,405,050	82,700,000	24,405,050	82,700,000
Profit/(Loss) before Tax	519,854,443	619,313,287	345,217,417	156,661,942	146,969,512	50,359,506	251,471,162	201,182,191	428,157,619	244,112,572	(122,325,541)	(176,910,810)	1,569,344,612	1,094,718,688
Income Tax	(659,949)	16,723,144	(112,829,288)	(88,154,551)	(25,350,416)	(16,891,392)	(27,562,128)	(20,301,748)	(2,516,170)	(42,615)	(45,235,994)	(51,407,580)	(214,153,945)	(160,074,742)
Profit/(Loss) for the Year	519,194,494	636,036,431	232,388,129	68,507,391	121,619,096	33,468,114	223,909,034	180,880,443	425,641,449	244,069,957	(167,561,535)	(228,318,390)	1,355,190,667	934,643,946
Attributable to:														
Equity Holders of the Parent	519,194,494	636,036,431	264,873,094	138,580,696	50,576,822	(6,405,452)	223,909,034	180,880,443	319,300,496	181,232,341	(167,695,358)	(228,594,452)	1,210,158,582	901,730,007
Minority Interests	-	-	(32,484,965)	(70,073,305)	71,042,274	39,873,566	-	-	106,340,953	62,837,616	133,823	276,062	145,032,085	32,913,939
	519,194,494	636,036,431	232,388,129	68,507,391	121,619,096	33,468,114	223,909,034	180,880,443	425,641,449	244,069,957	(167,561,535)	(228,318,390)	1,355,190,667	934,643,946

37 GROUP COMPANIES

	Proportion of				Principal Activities
	Ownership Interest	Voting Power	Ownership Interest	Voting Power	
	as at 31.03.2011	as at 31.03.2011	as at 31.03.2010	as at 31.03.2010	
Subsidiaries					
Hemas Manufacturing (Pvt) Ltd.	100%	100%	100%	100%	Manufacture of FMCG Products
Hemas Marketing (Pvt) Ltd.	100%	100%	100%	100%	Trading & Distribution of FMCG Products
Hemas Trading (Pvt) Ltd. (Formerly known as Hemas Foods (Pvt) Ltd.)	100%	100%	100%	100%	Import and sale of Food Products
Hemas Consumer Brands Private Ltd.	100%	100%	100%	100%	Trading of FMCG Products
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	100%	100%	Distribution of Pharmaceutical Products
Hemas Surgical & Diagnostics (Pvt) Ltd.	100%	100%	100%	100%	Distribution of Healthcare Products
Hemas Hospitals (Pvt) Ltd.	81%	81%	70%	70%	Hospital Services
Hemas Southern Hospitals (Pvt) Ltd.	81%	81%	70%	70%	Hospital Services
Hemas Clinical Research Services (Pvt) Ltd.	100%	100%	100%	100%	Support Services of Clinical Trials
Diethelm Travel Lanka (Pvt) Ltd.	80%	80%	80%	80%	Destination Management Services
Diethelm Travel The Maldives (Pvt) Ltd.	-	66%	-	-	Destination Management Services
Hemtours (Pvt) Ltd.	100%	100%	100%	100%	Destination Management Services
Conventions Asia (Pvt) Ltd.	100%	100%	100%	100%	Event Management
Mowbray Hotels Ltd.	89%	89%	89%	89%	Hotel Property
Forbes Air Services (Pvt) Ltd.	100%	100%	100%	100%	GSA Emirates Airline
Hemas Air Services (Pvt) Ltd.	100%	100%	100%	100%	GSA Malaysian Airline
Hemas Travels (Pvt) Ltd.	100%	100%	100%	100%	Travel Agent
Hemas Aviation (Pvt) Ltd.	100%	100%	100%	100%	Airline Presentation
Go Asia Air Lines (Pvt) Ltd.	100%	100%	100%	100%	Airline Presentation
Exchange & Finance Investment (Pvt) Ltd.	100%	100%	100%	100%	Airline Presentation
Discover the World Marketing (Pvt) Ltd	100%	100%	100%	100%	Airline Presentation
ACX International (Pvt) Ltd.	100%	100%	100%	100%	Courier Services
Far Shipping Lanka (Pvt) Ltd.	100%	100%	100%	100%	Shipping Agents
Hemas Transportation (Pvt) Ltd.	100%	100%	100%	100%	Shipping Agents
Solas Lanka (Pvt) Ltd.	100%	100%	100%	100%	Shipping Agents
Hemas Power PLC	75%	75%	100%	100%	Venture Capital Company
Giddawa Hydro Power (Pvt) Ltd.	75%	75%	100%	100%	Mini Hydro Power Plant
Okanda Power Grid (Pvt) Ltd.	75%	75%	100%	100%	Mini Hydro Power Plant (under constructions)
Upper Agra Oya Hydro Power (Pvt) Ltd	75%	75%	75%	75%	Mini Hydro Power Plant
Hemas Corporate Services (Pvt) Ltd.	100%	100%	100%	100%	Corporate Secretaries
Hemas Developments (Pvt) Ltd.	100%	100%	100%	100%	Property Development
Vishwa BPO (Pvt) Ltd.	100%	100%	100%	100%	Financial & Accounting BPO
Peace Haven Resorts Ltd.	95%	95%	95%	95%	Hotel Property
N-able (Pvt) Ltd.	100%	100%	100%	100%	Enabling Information & Technology Solutions
Leisure Asia Investments Ltd.	100%	100%	100%	100%	Investment Holding Company
Serendib Hotels PLC (Group)	51%	51%	51%	51%	Leisure Investments
Hotel Sigiriya PLC	62%	62%	76%	76%	Operating a Tourist Hotel
Dolphin Hotels PLC	65%	65%	65%	65%	Operating a Tourist Hotel
Miami Beach Hotels Ltd.	65%	65%	65%	65%	Operating a Tourist Hotel
Serendib Leisure Management Ltd.	100%	100%	100%	100%	Hotel Management Services
Jointly Controlled Entity					
Heladhanavi Ltd.	47%	50%	47%	50%	Thermal Power Plant
Hellman Worldwide Logistics (Pvt) Ltd.	49%	49%	49%	49%	Freight Forwarders
HIF Logistics (Pvt) Ltd. (Formerly known as Hemas International Freight (Pvt) Ltd.)	49%	49%	49%	49%	Freight Forwarders
Skynet Worldwide Express (Pvt) Ltd.	49%	49%	49%	49%	Courier Services

Share Information

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31-MAR-2011

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	4,433	2,238,383	0.44	24	14,080	0.00	4,457	2,252,463	0.44
1001 to 10,000 Shares	2,207	8,002,743	1.56	42	212,425	0.04	2,249	8,215,168	1.6
10,001 to 100,000 Shares	449	12,750,250	2.49	28	1,163,350	0.23	477	13,913,600	2.72
100,001 to 1000,000 Shares	72	20,076,410	3.92	10	3,628,100	0.71	82	23,704,510	4.63
Over 1,000,000 Shares	24	434,456,940	84.85	7	29,497,939	5.76	31	463,954,879	90.61
	7,185	477,524,726	93.26	111	34,515,894	6.74	7,296	512,040,620	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	6,910	52,846,141
Institutional	386	459,194,479
	7,296	512,040,620

COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March

	2011 No of shares	2010 No of shares
Over 10% holding		
SARAZ INVESTMENTS (PRIVATE) LIMITED	86,396,035	17,279,207
A Z HOLDINGS (PRIVATE) LIMITED	90,762,875	18,152,575
AMAGROUP (PRIVATE) LIMITED	85,780,665	17,156,133
BLUEBERRY INVESTMENTS (PRIVATE) LIMITED	85,781,250	17,156,250
Directors' shareholding		
MR. A. N. ESUFALLY	1,992,085	398,417
MR. H. N. ESUFALLY	5,795,205	1,159,041
MR. I. A. H. ESUFALLY	6,132,500	1,226,500
MR. M. A. H. ESUFALLY	5,655,000	1,131,000
MR J. C. L. DE MEL	87,500	17,500
MR D. BHATNAGAR	150	30
MR M. E. WICKREMESINGHE	11,250	2,250
	368,394,515	73,678,903
Issued share capital	512,040,620	101,958,124
Less : director' shareholding and shareholders over 10%	368,394,515	73,678,903
Public holding	143,646,105	28,279,221
Public holding as a % of issued share capital	28.05%	27.74%

SHARE TRADING

	2011		2010	
Market Price				
Highest (Rs.)	53.5	(23.09.10)	27	(20.01.10)
Lowest (Rs.)	23.6	(06.04.10) (07.04.10)	12	(23.09.09) (01.04.09)
As at year ended (Rs.)	46		24	
No. of Trades	38,097		2,705	
No. of Shares Traded	116,074,600		9,407,474	
Value of Shares Traded (Rs. Mn.)	5,973		1,114	
Market Capitalisation (Rs. Mn.)	23,554		12,235	

MAJOR SHAREHOLDERS

LIST OF 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH

	2011		2010	
	No of Shares	%	No of Shares	
1 A Z HOLDINGS (PRIVATE) LIMITED	90,762,875	17.73	18,152,575	
2 SARAZ INVESTMENTS (PRIVATE) LIMITED	86,396,035	16.87	17,279,207	
3 BLUEBERRY INVESTMENTS (PRIVATE) LIMITED	85,781,250	16.75	17,156,250	
4 AMAGROUP (PRIVATE) LIMITED	85,780,665	16.75	17,156,133	
5 EMPLOYEES PROVIDENT FUND	27,125,875	5.30	5,344,275	
6 HSBC INTL NOM LTD-SSBT-THE RBS AS DEP OF FS INDIA SUBCONTINENT FUND AS S/F OF FIRST STATE INVESTMENT	9,732,370	1.90	Nil	
7 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	6,635,700	1.30	3,008,800	
8 HSBC INTL NOM LTD-SSBT-THE RBS PLC AS DEP FOR FIRST STATE ASIA PACIFIC SUSTAINABILITY FUND S/F OF FS	6,272,899	1.23	Nil	
9 MR I.A.H. ESUFALLY	6,132,500	1.20	1,226,500	
10 HSBC INTL NOMINEES LTD-HSBC BANK PLC-CMG FIRST STATE GLOBAL UMBRELLA FUND PLC-CMG FIRST STATE INDIAN CMG FIRST STATE INDIAN- SUBCONTINENT	5,825,500	1.14	1,165,100	
11 MR H.N. ESUFALLY	5,795,205	1.13	1,159,041	
12 MR.M.A.H. ESUFALLY	5,655,000	1.10	1,131,000	
13 JACEY TRUST SERVICES (PRIVATE) LIMITED-ACCOUNT NO-02	5,500,000	1.07	650,000	
14 LEXINTON HOLDINGS (PVT) LIMITED	4,738,200	0.93	Nil	
15 JACEY TRUST SERVICES (PRIVATE)LIMITED	4,613,750	0.90	922,750	
16 HSBC INTL NOM LTD-JPMCB-PACIFIC ASSETS TRUST PLC	3,051,800	0.60	Nil	
17 COCOSHELL ACTIVATED CARBON COMPANY LIMITED	2,940,875	0.57	407,675	
18 ANVERALLY AND SONS (PVT) LTD A/C NO 01	2,646,200	0.52	751,200	
19 MR.M.M. UDESHI	2,150,825	0.42	Nil	
20 MR.A.N. ESUFALLY	1,992,085	0.39	398,417	
Total	449,529,609	87.80		

DIRECTORS' SHAREHOLDING

	31 March 2011	1 April 2010	31 March 2010
MR. A. N. ESUFALLY	1,992,085	398,417	398,417
MR. H. N. ESUFALLY	5,795,205	1,159,041	1,159,041
MR. I. A. H. ESUFALLY	6,132,500	1,226,500	1,226,500
MR. M. A. H. ESUFALLY	5,655,000	1,131,000	1,131,000
MR J. C. L. DE MEL	87,500	17,500	17,500
MR D. BHATNAGAR	150	30	30
MR M. E. WICKREMESINGHE	11,250	2,250	2,250
	368,394,515	73,678,903	73,678,903

Five Year Summary

Year Ended 31st March Rs '000	2011	2010	2009	2008	2007
Operating Results					
Group Revenue	18,067,489	14,997,405	15,169,509	14,163,805	11,778,136
Profit Before Taxation	1,569,345	1,094,719	856,932	1,259,455	1,407,185
Taxation	214,154	160,075	137,854	108,625	387,648
Profit After Taxation	1,355,191	934,644	719,078	1,150,830	1,019,537
Profit Attributable to Hemas Group	1,210,159	901,730	775,128	1,135,419	1,005,727
Equity & Liabilities					
Stated and Preference Shares	1,468,425	1,369,223	1,369,223	1,329,013	1,329,013
Reserves	1,045,977	805,983	837,675	856,452	693,777
Retained Earnings	6,359,603	5,516,910	4,821,392	4,248,232	3,251,349
Minority Interest	1,701,635	1,488,104	837,062	604,967	588,527
Non-Current Liabilities	2,064,191	1,570,430	2,000,989	1,155,771	1,597,455
Current Liabilities	6,576,044	5,316,281	4,969,471	4,936,190	3,935,734
	19,215,874	16,066,931	14,835,812	13,130,625	11,395,855
Assets					
Property, Plant & Equipment	7,457,601	7,033,615	7,180,680	5,182,389	4,704,921
Investment Property	1,309,965	1,261,410	1,178,710	1,178,710	963,710
Leasehold Property	58,779	61,845	64,911	67,976	71,042
Intangible Assets	323,895	333,074	191,214	173,622	155,563
Investments (Associate & Others)	476,979	107,817	124,177	278,559	66,751
Deferred Tax Assets	25,489	22,805	21,832	18,482	-
Current Assets	9,563,165	7,246,365	6,074,288	6,230,887	5,433,868
	19,215,874	16,066,931	14,835,812	13,130,625	11,395,855
Key Indicators					
Earnings Per Share (Rs.)*	2.36	1.76	1.51	2.23	1.98
Dividends Per Share (Rs.)*	0.70	0.36	0.25	0.25	0.50
Dividend Cover (No. of Times)	3.4	4.9	6.0	8.9	0.4
Interest Cover (No. of Times)	6.2	3.3	2.8	4.2	5.5
Net Asset Per Share (Rs.)*	17.3	15.1	13.8	12.7	10.5
Cash from Operating Activities (Rs.' 000)	1,994,662	1,407,985	1,458,434	929,277	176,992
Current Ratio (No. of Times)	1.5	1.4	1.2	1.3	1.4
Gearing (%)	27.8	25.8	32.9	31.4	33.0
ROE (%)	14.6	12.3	11.5	19.4	21.0

* Comparative figures adjusted for sub division of ordinary shares in the proportion of 5:1

Glossary

CAPITAL EMPLOYED

Total shareholders' funds plus debt and minority interest.

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 at the Balance Sheet date, the financial effect of which are to be determined by future events which may or may not occur.

DEBT

The sum of interest bearing long-term and short-term loans and overdrafts.

DEFERRED INCOME TAX

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDEND COVER

Net profit attributable to the ordinary shareholders divided by the total dividend paid and proposed.

EARNINGS

Profit after tax less minority interest.

EARNINGS PER SHARE

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION

Income tax over profit before tax.

EQUITY

Total shareholders' funds.

GEARING

Debt divided by the sum of equity, minority interest 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.

MINORITY INTEREST

Part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent.

NET ASSETS PER SHARE

Shareholders funds divided by the number of ordinary shares in issue as at the end of the year.

PRICE EARNINGS RATIO

Market price per share divided by the earnings per share.

RETURN ON EQUITY

Profit after tax, minority interest and extraordinary items divided by average shareholders' funds at the beginning and end of the year.

REVENUE RESERVES

Reserves set aside for future distributions and Investments.

RETURN ON CAPITAL EMPLOYED

Earnings before interest and tax divided by average capital employed.

SEGMENT

Constituent business units grouped in terms of similarity of operations and strategy.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Hemas Holdings PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2 on **Thursday the 30th day of June 2011 at 3.30 PM** for the following purpose:-

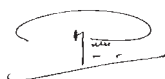
AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the year ended 31st March 2011, together with the Reports of the Directors and Auditors thereon.
2. To re-elect as Director, Mr. M.E. Wickremesinghe retiring in terms of the Articles of Association of the Company
3. To re-elect as Director, Mr. Divyaroop Bhatnagar retiring in terms of the Articles of Association of the Company
4. To pass the ordinary resolution set out below to re-appoint as a director Mr. J.C.L. De Mel who has reached the age of 74 years and vacates office as a director of the Company in terms of Section 210 (2) (a) of the Companies'Act-7 of 2007:-

"RESOLVED that Mr. J.C.L. De Mel who has reached the age of 74 years on 6th May 2011 be and is hereby re-appointed a director of the company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 07 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. J.C.L.De Mel."

5. To declare a final dividend of Rs.0.25 per Ordinary share as recommended by the Board.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
7. 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

3rd June 2011

Note:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his/her place.

A Proxy need not be a Member of the Company.

A Form of Proxy accompanies this Notice

Form of Proxy

I/We

of

being a Member/s of Hemas Holdings PLC do hereby appoint one of the following directors of the Company,

- | | |
|----------------------------|----------------|
| Mr. Lalith De Mel | or failing him |
| Mr. Husein.Esufally | or failing him |
| Mr. Abbas Esufally | or failing him |
| Mr. Imtiaz Esufally | or failing him |
| Mr. Divyaroop Bhatnagar | or failing him |
| Mr. Murtaza Esufally | or failing him |
| Mr. Maithri Wickremesinghe | or failing him |
| Mr. Pradipta Mohapatra | or failing him |

Mr./Mrs.

of

as my/our Proxy to speak and /to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of Hemas Holdings PLC to be held at 3.30 p.m. on Thursday 30th June 2011 at the Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 2 and at any adjournment thereof.

	For	Against
1. To receive and consider the Statements of Accounts of the Company and of the Group for the year ended 31.03.2011 together with the Reports of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director, Mr. M.E. Wickremesinghe. retiring by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as Director, Mr. Divyaroop Bhatnagar retiring by rotation in terms of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. J.C.L. De Mel as a Director of the Company in terms of Section 211 (1) of the Companies' Act-7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
5. To declare a final dividend of Rs.0.25 per share as recommended by the Board.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s Ernst & Young, Chartered Accountants, as auditors of the Company and to authorise the directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the directors to determine and make donations to Charity.	<input type="checkbox"/>	<input type="checkbox"/>

*The Proxy may vote as he/she thinks fit on any other resolution brought before this meeting

.....
Signature/s

Date:

Note:

1. Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. the completed Form of Proxy should be deposited at No. 36, Bristol Street, Colombo 1 not less than Forty Eight (48) hours before the time appointed for the meeting.

Corporate Information

Legal Form

Quoted Public Company with limited Liability listed on the Colombo Stock Exchange on 15th October 2003.

Date of Incorporation

10th December 1948

Date of Re-Registration

30th May 2007

New Registration Number

P Q 6

Accounting year end

31st March

Registered Office

Hemas Building
No. 36, Bristol Street,
Colombo 01.

Website:

www.hemas.com

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10.

Directors

Lalith De Mel (Chairman)
Husein Esufally (CEO)
Imtiaz Esufally
Murtaza Esufally
Abbas Esufally
Maithri Wickremesinghe
Praditpa Mohapatra
Divyaroop Bhatnagar

Secretaries & Registrars

Hemas Corporate Services (Pvt) Ltd
No. 36, Bristol Street,
Colombo 01
Telephone: 4 731731 (hunting)
Facsimile: 4 731777

Lawyers to the Company

D.L.& F De Saram
No. 47, Alexandra Place,
Colombo 07.

Bankers

Commercial Bank of Ceylon Ltd
Deutsche Bank AG
Hongkong & Shanghai Banking Corp. Ltd
Hatton National Bank Ltd
Standard Chartered Bank
Nations Trust Bank PLC
Peoples Bank
Bank of Ceylon
DFCC Bank PLC

HEXAS