FIT TO WIN

HEMAS HOLDINGS PLC | ANNUAL REPORT 2020/21

FIT TO WIN

At Hemas, we focus on enriching lives across the diverse communities that we serve. As we experienced uncertainty and challenges in the background of a pandemic, we at Hemas stepped forward to support our nation and its people. We remained resilient, whilst encouraging innovative thinking and inspiring agile solutions. We leveraged our collaborative efforts to enable Sri Lankans from every corner of our island to thrive together as one nation.

This report pays tribute to our passionate and dedicated teams, and all that we have accomplished over the past year to transition into a new way of life as we take on the challenges of tomorrow, together. As we cultivate diverse values and perspectives, Hemas is fit to win through the power of agility, innovation and efficiency— the core strengths that have enabled us to journey with our valued stakeholders; who are at the heart of all we do.

Today as we continue to serve the diverse communities across our nation, Hemas is fit to win the hearts of the people, both now and in the years ahead.

CONTENTS

About Us 4

About this Report 5

Performance Highlights
- Financial Highlights 8
- Non-Financial Highlights 10

Chairman's Message 12

CEO's Message 15

Board of Directors 19

COG 22

Strategic Report
- Creating Value 25
- A Resilient Business Model 26
- Engaging with Stakeholders 28
- Operating Environment 30
- Our Economic Impact 34
- Group Strategy 36

Hemas Group Supports the Nation to Fight the COVID-19 Pandemic 38

Integrating Sustainability 40

The Capitals Report
- Financial Capital 45
- Manufactured Capital 52
- Intellectual Capital 55
- Human Capital 62
- Natural Capital 68
- Social and Relationship Capital 75

Sector Integrated Review
- Consumer Brands 83
- Healthcare 87
- Mobility 91

Corporate Governance 95

Risk Management 118

Annual Report of the Directors on the Affairs of the Company and the Group 128

Report of the Audit Committee 136

Report of the Human Resources and Remuneration Committee 139

Report of the Nomination and Governance Committee 141

Report of the Related Party Transactions Review Committee 143

Statement of Directors' Responsibilities 146

Independent Auditors' Report 147

Statement of Profit or Loss 150

Statement of Comprehensive Income 151

Statement of Financial Position 152

Statement of Changes In Equity 153

Statement of Cash Flows 155

Notes to the Consolidated Financial Statements 156

Ten Year Summary 244

Shareholder Information	245
Independent Assurance Report	249
Glossary	250
GRI Content Index	252
Notice of Meeting	259
Notes	260
Form of Proxy	261
Corporate Information	IBC

12 Chairman's Message

15 CEO's Message

19 Board of Directors

45 Financial Capital

83 Sector Integrated Review

95 Corporate Governance

ABOUT US

Hemas started by wanting to uplift communities by bringing them healthful ways of life and enriching them with consumer products that bring delight. Over seven decades, we have sought to touch the lives of families across the nation, be it through a personal hygiene product that keeps your family safe, a better notebook for your child, quality medicines or affordable healthcare.

At Hemas we believe that every Sri Lankan deserves to live well, to be included, to have a life filled with daily moments of joy and most importantly, an opportunity to thrive and grow. In our onward journey, we will continue to invest in diverse and passionate teams, create meaningful offerings, and champion a more inclusive world to widen the impact our Group has on all our stakeholders.

VALUES

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

PURPOSE

Make Healthful Living Happen

ABOUT THIS REPORT

This is the 3rd Integrated Annual Report of Hemas Holdings PLC prepared with the aim of providing a balanced, comprehensive and concise assessment of the Group's performance during the financial year ended 31st March 2021. It also seeks to improve on the Group's previous Annual Report for the financial year ended 31st March 2020, continuing the journey to adopt international best practice in corporate reporting.

Scope And Boundary

The financial reporting boundary covers 45 legal entities including the parent company, collectively referred to as "the Group".

The sustainability reporting boundary of the report covers 27 legal entities. Geographically, the non-financial information included in this report has been limited to operations of the Group within Sri Lanka.

Please refer page 240 to 243

For a list of entities included in sustainability information

Regulatory Frameworks

The report complies with the reporting requirements of the following regulatory frameworks:

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

Please refer page 147

Assurance on financial statements has been provided by Ernst & Young

Voluntary Frameworks

The following voluntary frameworks have been adopted in preparing the report:

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.
- <IR> Framework 2021 issued by the Integrated Reporting Council.
- This report has been prepared in accordance with the GRI Standards: Core Option.

Please refer page 249

Assurance on sustainability information has been provided by Ernst & Young

ABOUT THIS REPORT

SUSTAINABILITY INFORMATION

The report content is determined by the Sustainability Management Framework established at the Group. This Framework provides guidance on the processes for determining materiality, data collection, target setting and monitoring impacts of the operations of the Group on the people and the planet, including stated sustainability initiatives, promoting integrated thinking and reporting.

Reporting Principles

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

<IR> Framework

SIGNIFICANT CHANGES DURING THE YEAR

The Group divested its equity stake of 55.6% in Serendib Hotels PLC and its subsidiaries, subsequent to which the Group classified the results of Serendib Hotels PLC and its subsidiaries as a "discontinued operation" with effect from December 2020. The financial information relating to this entity is only included up to December 2020, and non-financial information up to September 2020. However, information related to Travel and Aviation cluster, which was divested in March 2020 is included in the comparative information up to the date of divestment. The impact of these changes is clearly identified and restated in the subsequent sections of this report as applicable.

FORWARD-LOOKING STATEMENTS

Forward-looking statements have been included in this report, particularly in assessing risk and opportunities, and discussion of the future plans of the Group, which are based on perceptions, opinions and views of external and internal information available at present as the Group believe these support the assessment of its future performance. These statements, assessments and estimates have varying degrees of uncertainty associated with them which the Group will know only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond the control of the Group. The Group believe the COVID-19 pandemic impacts significantly elevate the uncertainties above normal levels and advise users of this report to make their own judgements as the forecasts regarding the same remain extremely fluid and volatile even as at the reporting date. This information is provided without recourse or any liability whatsoever to the Board or other prepares of the Annual Report due to the relatively high levels of uncertainty regarding the same.

ACKNOWLEDGEMENT

All information contained in this report has been reviewed internally by the Senior Management of the Group, and also verified independently, in accordance with the policies and methodologies carried in the 'Corporate Governance' section of this report.

The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that the Integrated Annual Report of Hemas Holdings PLC for the financial year ending 31st March 2021 is presented in accordance with the <IR> Framework 2021.

FEEDBACK AND INQUIRIES

Your feedback is valued and will be used in improving the Annual Report in the year that has commenced.

For inquiries regarding the Annual Report please contact:

Hemas Corporate Services (Pvt) Ltd,
Hemas House, No 75, Braybrooke Place, Colombo 2.
Tel: 114731731 Ext - 1106

FOCUS AREAS

CONSUMER BRANDS

- Home and Personal Care
- Learning Segment
- Over the Counter Consumer Products

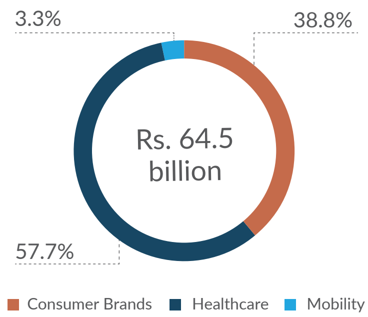
HEALTHCARE

- Hospitals
- Pharmaceutical Distribution
- Pharmaceutical Manufacturing

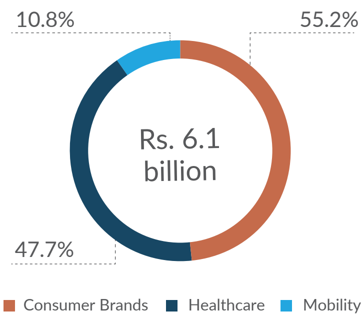
MOBILITY

- Logistics
- Maritime
- Aviation

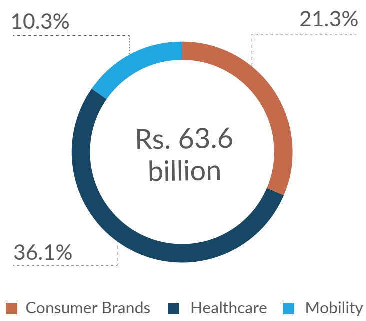
Group Revenue



Group EBIT



Group Assets



Carbon Footprint

16,758 MT

Water Footprint

253,675 m^3

Piyawara Pre-schools

58

* *Focus Areas is excluding the Other Sector*

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

Rs. 64,501 million
(2019/20: Rs. 60,043 million)
REVENUE

Rs. 19,417 million
(2019/20: Rs. 19,147 million)
GROSS PROFIT

Rs. 7,928 million
(2019/20: Rs. 5,435 million)
EBITDA

Rs. 6,061 million
(2019/20: Rs. 3,532 million)
EBIT

Rs. 391 million
(2019/20: Rs. 691 million)
NET FINANCE EXPENSE

Rs. 5,670 million
(2019/20: Rs. 2,841 million)
PROFIT BEFORE TAX

Rs. 3,342 million
(2019/20: Rs. 1,363 million)
PROFIT AFTER TAX

Rs. 3,253 million
(2019/20: Rs. 1,236 million)
EARNINGS

Rs. 238 million
(2019/20: Rs. 864 million)
DIVIDENDS PAID

30.1%
(2019/20: 31.9%)
GROSS PROFIT MARGIN

9.4%
(2019/20: 5.9%)
EBIT MARGIN

9.5 times
(2019/20: 3.7 times)
INTEREST COVER

FINANCIAL POSITION

Rs. 63,594 million
(2019/20: Rs. 64,380 million)
TOTAL ASSETS

Rs. 33,438 million
(2019/20: Rs. 31,474 million)
TOTAL EQUITY

Rs. 30,156 million
(2019/20: Rs. 32,906 million)
TOTAL LIABILITIES

Rs. (1,499) million
(2019/20: Rs. 3,880 million)
NET DEBT

1.56 times
(2019/20: 1.54 times)
CURRENT RATIO

0.92 times
(2019/20: 0.95 times)
QUICK RATIO

17.2%
(2019/20: 23.2%)
GEARING

20.8%
(2019/20: 30.2%)
DEBT/EQUITY

14.9%
(2019/20: 8.8%)
ROCE

MARKET AND SHAREHOLDER INFORMATION

Rs. 49,752 million
(2019/20: Rs. 33,498 million)
MARKET CAPITALISATION

Rs. 83.40
(2019/20: Rs. 56.20)
MARKET PRICE

596,546,025
(2019/20: 596,043,425)
NO OF SHARES IN ISSUE

15.3 times
(2019/20: 27.1 times)
PRICE EARNINGS RATIO

Rs. 53.47
(2019/20: Rs. 46.83)
NET ASSET VALUE PER SHARE

Rs. 5.46
(2019/20: Rs. 2.07)
BASIC EARNINGS PER SHARE

Rs. 0.40
(2019/20: Rs. 1.45)
DIVIDEND PER SHARE

13.6 times
(2019/20: 1.4 times)
DIVIDEND COVER

0.5%
(2019/20: 2.6%)
DIVIDEND YIELD RATIO

PERFORMANCE HIGHLIGHTS

NON-FINANCIAL HIGHLIGHTS

INVESTING FOR GROWTH

Rs. 17,540 million
(2019/20: Rs. 20,033 million)
PROPERTY PLANT EQUIPMENT (PPE)

Rs. 1,219 million
(2019/20: Rs. 1,271 million)
DEPRECIATION

Rs. 1,820 million
(2019/20: Rs. 3,042 million)
INVESTMENTS IN PPE

Rs. 3,656 million
(2019/20: Rs. 2,784 million)
WORK-IN-PROGRESS

ENERGISED BY OUR PEOPLE

5,621
(2019/20: 6,895)
WORKFORCE

26,120
(2019/20: 58,168)
TRAINING AND DEVELOPMENT HOURS

998
(2019/20: 1,292)
TOTAL NEW HIRES

0.67%
(2019/20: 1.4%)
TOTAL WORK RELATED INJURY RATE (PER 100 EMPLOYEES)

REDUCING THE ENVIRONMENTAL IMPACT

16,758
(2019/20: 18,944)
TOTAL CARBON FOOTPRINT (MT)

709,967
(2019/20: 1,227,594)
TOTAL WASTE DISPOSED (KG)

Direct (Scope 1)
3,620
(2019/20: 3,789)
Indirect (Scope 2)
13,138
(2019/20: 15,154)
GREENHOUSE GAS EMISSION (MT)

NONE
(2019/20: None)
SIGNIFICANT SPILLS (NUMBER)

253,675
(2019/20: 312,514)
TOTAL VOLUME OF WATER WITHDRAWN (M3)

CREATING AN INCLUSIVE WORLD

2
(2019/20: 5)
PIYAWARA PRE-SCHOOLS ADDED

6,752
(2019/20: 5,311)
CHILDREN WITH DISABILITIES REGISTERED AT AYATI

NONE
(2019/20: None)
VALUES OF FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL ECONOMIC AREA

INTANGIBLE ASSETS GENERATING VALUE

645
(2019/20: 597)
TRADEMARKS OWNED BY GROUP COMPANIES

28
(2019/20: 23)
INDUSTRIAL DESIGNS HELD BY GROUP COMPANIES

ERP

100%
(2019/20: 100)
GROUP COMPANIES WITH SIGNIFICANT OPERATIONS USING ENTERPRISE RESOURCE PLANNING (ERP) OR SIMILAR SOFTWARE

116,218
(2019/20: 128,931)
ENERGY CONSUMPTION (GJ)

NONE
(2019/20: None)
MONETARY VALUE OF SIGNIFICANT ENVIRONMENTAL FINES (RS.)

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report that Hemas Holdings PLC delivered a commendable performance in what proved to be a challenging year. The COVID-19 pandemic had an adverse impact on most business units in the first quarter, with a mixed performance thereafter.

It is also pertinent to note that a year-on-year comparison of performance should take into account the negative impact to business in the aftermath of the 2019 Easter Sunday terror attacks which adversely impacted our financial year 2019/20 results.

Sri Lanka went into a nationwide lockdown in mid-March 2020, which gradually eased in May. Initially, the spread of COVID-19 was well managed until a large cluster emerged in October 2020. Over the last few months, we noted improvements in the situation. However, at the time of writing, there has been a rapid worsening of the crisis with caseloads at record highs and the health system under severe pressure.

During the initial stages of the pandemic, there was a heightened demand for pharmaceutical and hygiene products. The Group reacted fast by innovating supply chain solutions, fast-tracking new product categories and driving cost efficiencies across our operations. Hemas also worked with several Government agencies to help the nation fight the pandemic.

The health and safety of our employees remained a priority, and strict protocols were established across all workplaces using expert advice and assistance. The leadership and all teams remained alert, agile and flexible as we adapted at a previously unimaginable pace to create and implement business solutions, many of which we would look to institutionalise and embed going forward.

ECONOMIC CONTEXT

The economic impact of the pandemic necessitated an easing of monetary policy by the Government. Moratoriums were introduced for businesses that were adversely impacted and a low interest rate prevailed as rates sharply declined by nearly 350 bps during the financial year. Sri Lanka's economy contracted by 3.6% in 2020, as the impact of the lockdowns and business interruptions took a toll on economic activity. Whilst this generally affected private consumption, certain sectors including Pharmaceuticals and Home and Personal Care (HPC) were positively impacted.

Concerns regarding Sri Lanka's ability to service its debt obligations heightened in the wake of lower foreign exchange earnings, which led the Government to undertake a series of measures including import controls, to preserve reserves and ease pressure on the currency, which depreciated by 5.5% in the year under review.

We are aware of the personal sacrifices that were made, the ingenuity displayed and the selfless commitment of all our staff, which was a real testament to the power of the Hemas spirit.

On the political front, the Sri Lanka Podujana Peramuna (SLPP) was elected to power with a two-third's majority at the general election held in August 2020. This followed the appointment of His Excellency Gotabaya Rajapakse as President in November 2019, conferring the administration with wide ranging powers to effect reforms. The passage of the 20th Amendment in October 2020 further strengthened the office of the President.

PERFORMANCE

The Hemas Group recorded revenue of Rs. 64.5 billion, a growth of 7.4% over the previous year. Operating profit of Rs. 6.1 billion and earnings of Rs. 3.3 billion were reported, reflecting a strong year-on-year growth of 71.6% and 163.3% respectively. The Group was able to deliver a resilient performance, through a continuous focus on working capital efficiencies, portfolio rationalisation and cost optimisation. Our dual strategy identified an opportunity in the increase in consumer consciousness regarding health and hygiene which, along with an aggressive focus on cost management and cash conservation, drove an improved performance.

A more detailed account of our performance is provided by the CEO in her review, from pages 15. to 18

OUR PEOPLE

On behalf of the Board, I extend our sincere thanks to our people across our businesses who responded in the most amazing ways to make sure we played our part in helping the nation and serving our customers in their time of need. We are aware of the personal sacrifices that were made, the ingenuity displayed and the selfless commitment of all our staff, which was a real testament to the power of the Hemas spirit. I also make special mention of our staff on the frontlines and across supply chains, who worked tirelessly under trying circumstances.

In October 2020, Ms. Kasturi Chellaraja Wilson took over the reins as Chief Executive Officer, after a career of eighteen years across multiple roles at Hemas. Along with the management team, Kasturi has led from the front to steer the Group through these uncertain times. We will be looking to them for leadership going forward, as we navigate these turbulent times and strive to increase our footprint across the Consumer and Healthcare industries in Sri Lanka and overseas.

GOVERNANCE

As soon as the scale of the pandemic became clear, the Board crafted a strategy to transform its role. These measures included more frequent engagement by the Board, a heightened focus on employee safety and morale and oversight on cost savings and cash conservation. Meetings were moved to a virtual format with special meetings scheduled for urgent matters.

Mr. Ramabadran Gopalakrishnan retired at the end of the financial year and we thank him for his valuable service over his nine-year tenure. His knowledge and wisdom will be missed by the Board and myself.

Mr. Murtaza Esufally retired as Managing Director from Morison on 31st March 2021 and will continue his involvement on the Board as a Non-Executive Director.

Special thanks to our outgoing CEO Mr. Steven Enderby who left us after a tenure of seven years. Amongst his many contributions, Steven helped the Group to sharpen our strategic focus through several acquisitions and divestments.

Our commitment towards governance was valued and recognised by Transparency International Sri Lanka, and I am pleased to announce that the Group is amongst the top three most transparent listed entities in the country.

SUSTAINABILITY

The Group made progress in its journey to achieve the Group environmental goals which mandate a reduction in energy and water consumption and zero waste to landfill by 2025. Businesses continued to work towards reducing their environmental impact and those with significant operations will move towards a greater utilisation of renewable sources of energy, amongst other initiatives.

The Group also continued its support in investing towards a more inclusive society through the Hemas Outreach Foundation. A notable initiative was the launch of '*Eka Se Salakamu*' (Treat All Alike), a social movement that empowers children with Down Syndrome and their families by creating a platform to recognise their rights and promote inclusivity.

CHAIRMAN'S MESSAGE

> **Hemas has always stepped forward in times of national need and we have an essential role to play through our businesses in the Healthcare and Consumer spaces.**

OUTLOOK

The global community has gone through an extremely turbulent year but despite the sadness and strife, we must look to the future with hope and optimism. Sri Lanka too has had its own share of challenges and the road ahead will not be easy. Whilst we look to the Government to govern wisely, all of us have a responsibility to do our bit.

Hemas has always stepped forward in times of national need and we have an essential role to play through our businesses in the Healthcare and Consumer spaces. Since Sri Lanka's vaccination programme is off to a slow start, we have to be aware that the COVID-19 virus will continue to cause disruptions in the operating environment. Over the past year, we have learnt valuable lessons about flexibility, agility and innovation and going forward, we will build on these to create a 'future ready' organisation that can adapt at speed to win with customers.

While we seek to win market share and improve margins within our existing business verticals, equal emphasis will be placed on entering new segments and on increasing our footprint in overseas markets, especially those where we are already present.

APPRECIATION

My sincere thanks to our customers for their continued patronage of our products and services, and our business partners for their support during a very volatile year. It has been a baptism of fire for our incoming CEO and I would like to thank her and the Leadership Team for their commitment and never-say-die attitude, which saw Hemas posting a stellar performance.

This would also not have been possible without the dedication and support of our 5,500+ colleagues across the Hemas family and my thanks again to each and every one of you.

Thank you to my colleagues on the Board for your wisdom and guidance which helped us navigate this past year with a steady hand.

Finally, my thanks to our loyal shareholders for reposing your faith in us. You can rest assured that you have a purpose-driven team who are wholly committed to ensuring that Hemas continues to go from strength to strength.

Husein Esufally
Chairman

May 21, 2021

CEO'S MESSAGE

I am pleased to introduce the Hemas Holdings PLC 2020/21 Annual Report, following my appointment as the Chief Executive Officer in October 2020. I look forward to taking the Group forward as we head towards the next level of growth in the years ahead.

Financial year 2020/21 was extremely challenging for businesses and communities in Sri Lanka and across the world due to the COVID-19 pandemic, the impacts of which continue to be felt this year.

My heart goes out to all those who have suffered from this global pandemic, and I am extremely grateful to all the frontline workers, specially the team at Hemas who risked their lives to keep the community safe.

Notwithstanding these challenges, initiatives on cost optimisation to maximise value, high focus on volume led growth and agile management of teams drove the Group to deliver a solid performance in the year under review. Cumulative underlying earnings of Rs. 3.8 billion reported for the financial year surpassed the results of both financial year 2019/20 and 2018/19, which is the most recent year of operations in a normal business landscape.

RISING UP TO BE A PART OF THE SOLUTION

In mid-March 2020 along with the rest of the world, Sri Lankans faced the unprecedented challenges of the COVID-19 pandemic. There was widespread business uncertainty with island-wide and localised lockdowns leading to panic buying, while the closure of borders disrupted manufacturing, production and supply chain operations.

As a Healthcare and Consumer Brands business with a presence in the Mobility Sector representing Maritime and Logistics, we focused on fulfilling our purpose. We ensured that the communities across the nation had access to essential medicines and hygiene products and our Hospitals provided continuous care for patients whilst adhering to the highest safety standards.

Across the Group, we mobilised teams and resources to provide multiple interventions island-wide. Serendib Hotels PLC was one of the first hotel operators to offer one of its properties, Club Hotel Dolphin in Negombo as a quarantine facility for frontline workers, free of charge. Learning Segment, Atlas developed and gifted seven Automated Guided Vehicle robots to COVID-19 treatment facilities, to help medical professionals care for their patients remotely. Atlas also converted its school bag manufacturing plant to produce face masks for the Sri Lanka Army. PCR machines were also donated to the National Hospital of Sri Lanka and the Lady Ridgeway Hospital to help improve patient care.

CEO'S MESSAGE

I am privileged to lead a truly Sri Lankan company and I am humbled in our ability to make a difference in the lives of Sri Lankans at a time of uncertainty for the country and the world.

During the year, we actively collaborated with all stakeholders to guarantee access to essential medicine and hygiene products, ensuring that no community was left unserved during this time of crisis.

OUR WINNING STRATEGY

Building on the experience and knowledge we acquired while navigating the business complexities of 2019, we went into 2020/21 with an ambitious plan to drive growth across our key sectors by extracting more from the core and opening up new opportunities within our core businesses. Strategic priorities were identified, including the need to win back market share, to be more experimental and to understand our consumers better in order to create new areas of growth, while improving our margins through digital technologies and efficient processes. As a result, the Group's agility and relevance was very evident last year when we launched several key products in our Home and Personal Care (HPC), Atlas and Morison business units.

Hemas manages several customer-centric digital technologies including Hemas e-store, *Beheth 2.0*-a digital app for pharmacies and *hemashealth.com*, a telemedicine and hospital e-channelling solution, supported by advanced value additions which proved effective in ensuring that our consumers had continuous access to personal hygiene products and essential medicines.

Our efforts to build on cross-functional synergies also yielded results. HPC Sri Lanka commenced distribution for *Nivea, L'Oréal and Garnier* after successfully transitioning this business from Morison, while Morison's own brand distribution shifted to Pharmaceutical Distribution, and Spectra Logistics became the logistics provider for our core businesses. This restructuring exercise enabled Morison to focus on manufacturing excellence, Pharmaceutical Distribution to focus on distribution excellence, HPC Sri Lanka to focus on becoming the consumer's choice in premium and masstige products and Spectra to excel in logistic solutions.

The divestment of Serendib Hotels PLC in December 2020 enabled us to sharpen focus and grow our core businesses. We also prioritised cash conservation and margin improvements through focused lean projects, cost rationalisation and the rightsizing of operations at all levels.

EMERGING FROM A CRISIS

The Group performed well in the year under review, achieving consolidated revenue and operating profits of Rs. 64.5 billion and Rs. 6.1 billion respectively, demonstrating strong growth over the preceding year in spite of an uncertain operating environment. This robust performance was achieved while maintaining defensive operating cash flows and a strong balance sheet. As a result the Group's national long term rating of 'AAA (lka)' Stable Outlook, affirmed by Fitch Rating for the second consecutive year.

I am pleased that Hemas Holdings was ranked amongst the top three most transperent listed entities in the county by Transparency International, Sri Lanka.

CONSUMER BRANDS

The Consumer Brands Sector reported topline growth of 5.3%, as revenue reached Rs. 25.1 billion and operating profits rose to Rs. 3.3 billion, driven by a surge in consumer demand for personal hygiene and laundry care products, resulting in both double-digit volume growth and increased market share. In line with the Group strategy towards agile innovation and to respond to evolving market needs, Home and Personal Care (HPC) Sri Lanka launched *Clogard* Natural Salt toothpaste, *Shield* Hand Sanitizer and Hand Wash, *Diva* Power Germ Guard Detergentin liquid and powder form, a herbal soap range by *Baby Cheramy* and *Kumarika* hair thinning control oil.

Revenue from the Learning Segment, which manufactures and markets school supplies, was adversely impacted by the extended closure of schools due to the pandemic. However, lean manufacturing and established cost saving practices minimised the impact of such challenges to business profitability. Atlas was able to capture shelf space and positioned itself to gain market share during the year, introducing several innovative products including a range of anti-bacterial books and pens, the Sunflower Triangular pencil and binder glue in a mess-free bottle.

The Consumer Brands in Bangladesh, managed to maintain market share despite intense competition, through a successful relaunch of *Kumarika* hair oil with enhanced product properties and by improving the distribution network and diversifying the portfolio. *Actisef* Soap which offers protection against disease-causing germs at an affordable price, was also launched in Bangladesh in the year under review.

HEALTHCARE

In the year under review, the sector recorded a healthy growth in revenue of 18.5% to Rs 37.2 billion, with quarter-on-quarter growth throughout the year and cumulative operating profits of Rs. 2.9 billion. The Pharmaceutical Distribution and Manufacturing businesses safeguarded continuity in the supply of essential medicines across the island, despite the lockdowns.

The country's largest EU-GMP certified pharmaceutical manufacturing and research facility was opened in October 2020 by Morison. Commercial operations are expected to commence in the second quarter of financial year 2021/22. Morison also enhanced its product portfolio, introducing *Empamor* (*Empagliflozin*) to its range of diabetes treatments and *Lacto Hydra Intense* to the *Lacto Calamine* range.

Hospitals were adversely affected by the sharp decline in patient footfall and by cost increases on account of the stringent health and safety protocols relating to COVID-19. Yet, lean initiatives that were already in place at Hemas Hospitals, coupled with additional revenue streams primarily from mobile lab services and home care services contributed towards reducing this negative impact.

Despite having a negative impact on overall profitability from Myanmar operation and start-up ventures, we continued to encourage investments in innovation and regional expansions.

MOBILITY

In the year under review, the sector achieved a revenue of Rs. 2.2 billion, a decline of 20.6% over the previous year. Operating profits were recorded at Rs. 654.0 million, while quarter-on-quarter performance showed fluctuation. The Maritime segment faced challenges due to congestion in global ports because many vessels opted to by pass the port of Colombo in order to recover their schedules, resulting in a drop in throughput of 6.1%.

Spectra Logistics drove the sector's earnings growth with improvements in occupancy and handling volumes. The Aviation Business remained profitable, mostly on account of higher cargo volumes and the operation of repatriation flights, although there was a drop in passenger revenue stemming from restrictions in air travel.

A TEAM WE CAN COUNT ON

Hemas has always prioritised the health and safety of our employees, increasing focus after the onset of the pandemic. Health and safety protocols were implemented Group-wide under the guidance of an infectious disease expert in order to minimise risk at the workplace. The Group also implemented additional precautionary measures in line with World Health Organisation (WHO) and Ministry of Health (MOH) guidelines.

I am very proud of how our bold, competent and agile team worked together and quickly adapted to the 'new normal'. The outstanding performance recorded in this report is the result of their collaborative effort to go beyond the call of duty and prove that they have what it takes to thrive in uncertainty.

Hemas continues to be a great place to work, where our teams are led by purpose, inspired to innovate and empowered to lead. The Group offers opportunities for career growth, a health-conscious working environment and an emphasis on work-life balance, combined with progressive workforce policies to create an open and supportive culture.

LIVING OUR PURPOSE

At Hemas, our purpose focuses on enriching the lives of our communities as we champion robust health across the nation, bring daily moments of joy and create a more inclusive world where no child is left behind.

I am pleased to see that our purpose is an integral part of our business strategy. HPC launched *Fems Aya*, a value engineered sanitary napkin. This is an important step in executing the brand's purpose of increasing women's awareness and access to better menstrual health and hygiene.

As part of creating a platform for action, HPC brought together four partners who will use their networks and expertise educate women on menstrual health, empowering them to take charge of their own health and wellbeing.

Through the Hemas Outreach Foundation, the Group continued its investment in its flagship project *Piyawara*, which focuses on Early Childhood Care and Development. Two new pre-schools were added to the national network and there are now 58 *Piyawara* pre-schools across the country, serving over 4,000 children. *Ayati*, which is the first national center for children with disabilities, celebrated one year of operations, with over 6,000 children registered to date. The Hemas Outreach Foundation partnered with *Ayati* to launch '*Eka Se Salakamu*' (Treat All Alike), coinciding with the World Down Syndrome Day celebrated on the 21st of March, to create a movement that empowers children with Down Syndrome and their families, to fight the stigma associated with it and helping to provide supported employment for these children to become productive members of society.

During the year, the Group continued to focus on our environmental goals which mandate reductions in the consumption of energy and water and a goal to achieve zero waste to landfill by 2025. Our progress has been encouraging, with all businesses working together to introduce appropriate initiatives to their operations in support of the Group's vision of sustainability.

A key component of this vision has been environmental protection, including our efforts to increase forest cover in Sri Lanka. In light of this, the Group reforested 2 acres on the banks of the Hulunganga in the Knuckles mountain range. Hemas also collaborated with Rainforest Protectors Sri Lanka to reforest 15 acres of land in Balangoda,

CEO'S MESSAGE

> "The Group will invest in building a business with a strong, sustainable portfolio of Consumer Brands and Healthcare products and services."

planting 15,000 trees. We also partnered the Wildlife and Nature Protection Society (WNPS) to help restore the mangrove ecosystem by reforesting 9.8 acres at the Anawilundawa wetlands, one of six wetlands designated by the Ramsar Convention on Wetlands.

During the financial year 2021/22, the Group will continue to champion sustainable practices across our operations and in the community. We want to educate and empower consumers to play an active part in creating a healthier, greener and more environmentally conscious Sri Lanka. We will also focus on initiatives that promote environmental consciousness and ensure responsible manufacturing across our operations.

THE WAY FORWARD

Sri Lanka is currently experiencing a rise in the number of cases of COVID-19. As we seek to move beyond the negative impacts of the pandemic and assist in rebuilding our nation, our corporate purpose has become more relevant than ever. We understand our responsibility towards our community, and we will continue to work with our stakeholders to deliver value and keep moving forward.

We are an organisation whose destiny is intertwined with that of the thousands of people we serve. We may be a small nation climbing slowly up the income ladder but we believe in the will of the people who wish to live well, to enjoy high quality everyday products and have access to affordable healthcare services, while creating sustainable ways of living that will serve future generations well, in the years that lie ahead.

We will work to realise these aspirations whilst keeping shareholder value creation at the heart of our decision making. The Group will invest in building a business with a strong, sustainable portfolio of Consumer Brands and Healthcare products and services. We will also focus on re-energised innovation and internationalisation, where we develop and design products for local and international markets while investing in future-oriented adjacencies that leverage our core strengths in Consumer Brands and Healthcare.

APPRECIATION

I thank the Board for their vision and guidance through an extraordinary year. I also thank our investors and shareholders for their confidence in the Group as we continue our journey to unlock greater value.

I extend my sincere appreciation to the team at Hemas, for their support and commitment in going beyond the call of duty to deliver a strong recovery for the Group. I also wish to thank our customers for their enduring loyalty, which inspires us to reach higher. Special thanks go to Steven Enderby, my predecessor, for a smooth transition and mentoring over the years.

I am privileged to lead a truly Sri Lankan company and I am humbled in our ability to make a difference in the lives of Sri Lankans at a time of uncertainty for the country and the world. In my view, Hemas represents the best that Sri Lanka has to offer- resilience, innovation and boldness. I also know that together, we will overcome COVID-19 to rebuild our nation to be better and stronger, and that we will do it with dignity and compassion to fulfil the hopes and dreams of the 21 million people on this beautiful island that we all call home.

Kasturi Chellaraja Wilson
Group Chief Executive Officer

May 21, 2021

BOARD OF DIRECTORS

Husein Esufally

Chairman
Non-Executive Director

Appointed: October 1997

Member - Human Resources and Remuneration Committee

Skills and Experience

Husein Esufally commenced his career with the Group's Fast-Moving Consumer Goods (FMCG) business, where he steered the Company for a period of 19 years, during which, the business established a strong consumer franchise. Thereafter, he served for 13 years as the Chief Executive Officer of the Hemas Group until he relinquished his position in March 2014.

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

Other Current Appointments

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

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

Kasturi Chellaraja Wilson

Chief Executive Director (CEO)
Executive Director

Appointed: July 2020

Member – Related Party Transactions Review Committee

Skills and Experience

Kasturi Wilson joined Hemas in 2002, where she held many senior management positions, including Chief Process Officer and Managing Director of the Hemas Transportation Sector. In 2016, she took over as Managing Director of Hemas Pharmaceuticals and, Surgicals and Diagnostics, where she was responsible for driving the company's local and regional expansion. She also functioned as the Managing Director of Hemas Mobility Sector prior to being appointed as Group CEO in October 2020.

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

She was recognised as one of the twelve Top Women Change-Makers in the country in 2019, by the Parliament of Sri Lanka. She also represented Sri Lanka as a member of the National Netball and Basketball Teams.

Other Current Appointments

Kasturi Wilson serves on the Board of Capital Alliance Limited as a Non-Executive Director, along with several other Hemas subsidiaries in the healthcare and consumer industries.

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

Abbas Esufally

Non-Executive Director

Appointed: May 1991

Member - Nominations and Governance Committee

Skills and Experience

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

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

Other Current Appointments

He serves as Chairman of Diethelm Travel Sri Lanka (Pvt) Ltd, Sri Lanka's premier destination management company.

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

He also acts as the Deputy Chairperson for *Ayati* Trust, Sri Lanka, which is a center of excellence for children with disabilities.

BOARD OF DIRECTORS

Murtaza Esufally

Non-Executive Director

Appointed: September 1998

Skills and Experience

Murtaza Esufally counts more than 30 years of experience in senior management.

He holds a Master's Degree in Business Administration from the Melbourne Business School of the University of Melbourne. He is a Barrister of the Lincoln's Inn and holds a Bachelor of Law Degree from the University of Essex, UK. He is an Attorney-at-Law of the Supreme Court of Sri Lanka.

Other Current Appointments

Murtaza Esufally is the Chairman of Hemas Hospitals (Pvt) Ltd, Hemas Pharmaceuticals (Pvt) Ltd and Morison Limited.

He also serves on the Boards of several other subsidiaries of Hemas Holdings PLC.

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

Imtiaz Esufally

Non-Executive Director

Appointed: May 1991

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

Skills and Experience

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

He has earned an Honours Degree in Accounting and Economics from the University of Kent UK and is an executive education alumnus of the International Institute for Management Development (IMD) in Switzerland.

Other Current Appointments

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

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

Previous Appointments

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

Shaktha Amaratunga

Independent Non-Executive Director

Appointed: January 2016

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

Member - Human Resources and Remuneration Committee

Skills and Experience

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

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

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

Other Current Appointments

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

Jyotindra Trivedi

Independent Non-Executive Director

Appointed: August 2017

Member - Audit and Risk Committee

Member - Nominations and Governance Committee

Skills and Experience

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

He joined CDC, a UK based development finance institution, in 1997 to set up its Mumbai office. He was one the founding partners when Actis LLP was spun out of CDC in 2004. He took over leadership of Actis South Asia in 2007. He retired from Actis in 2017, by which time Actis had raised more than US$ 12 billion since it was formed in 2004. As a member of global investment committee of Actis he had an overview of the investment activity of Actis across its key markets such as China, South Asia, Africa and Latin America and its key sectors such as Consumer, Healthcare, Financial Services and Industrial.

Jyotindra Trivedi graduated as a chemical engineer from the Indian Institute of Technology, Bombay and holds a Diploma in Finance from the Institute of Chartered Financial Analysts of India

Other Current Appointments

Jyotindra Trivedi currently serves on the Board of Spring Energy Private Limited which is building a clean energy platform with Wind and Solar assets of more than 1000mw capacity in India and a limited partner of Disha Counsellors LLP.

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

Anura Ekanayake

Independent Non-Executive Director

Appointed: October 2013

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

Skills and Experience

Anura Ekanayake has had an illustrious career in public service, serving as a Senior Economist of the Mahaweli Authority, Director on the Boards of the State Plantations Corporation and JEDB, Director of Planning to the Ministry of Plantation Industries and Director General of the Ministry of Public Administration. He has held directorships in all 23 regional plantation companies and also served on the Tea Research Board, Postgraduate Institute of Agriculture and Plantation Housing and Social Welfare Development Trust.

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

He, holds a B.A. (Hons) and MSc (Agriculture) from the University of Peradeniya and a Ph.D. in Economics from the Australian National University. He is also a Fellow Member of the Institute of Certified Professional Managers.

Other Current Appointments

Anura Ekanayake serves on a number of boards of listed companies and non-listed companies.

Previous Appointments

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

Sriyan de Silva Wijeyeratne

Executive Director

Appointed: October 2020

Skills and Experience

Sriyan de Silva Wijeyeratne counts more than 25 years of very diverse experience in senior management. He was awarded the CIMA Business Manager of the Year and he is also involved in many Chambers and local and global charities.

He holds a First Class Bachelor's Degree in Business Administration from the University of Sri Jayawardenapura, a Master's degree from the University of Sri Jayawardenapura, and received Executive education at many global institutions including INSEAD and CCL.

He is a Fellow member of CIMA, UK, and is also a CGMA.

During his tenure as Managing Director / CEO of Teejay Lanka PLC, which is one of the S&P Top 20 Companies, was recognized as a Winner of Forbes "Asia's 200 Best under a Billion Dollar Company" and won the World Textile Awards "Firm of the Year".

Sriyan de Silva Wijeyeratne was, for several years, on the International Board of Youth Business International, which is one of Prince Charles' Charities based out of UK, and has served on several local Boards.

He is a frequent speaker at leading forums locally and Internationally. He was also listed on the CIMA Top 50 Business Icons in 2021.

Other Current Appointments

He is the Chairman of the Employees Trust Fund Board, and the President of the Wildlife and Nature Protection Society.

Previous Appointments

He is a former Managing Director / CEO of Teejay Lanka PLC, Group CEO of Abans, Country Manager of Microsoft, Director Marketing & Sales of Suntel and the Brand Manager at Nestle.

Lakith Peiris

Managing Director – Hemas Hospitals (Private) Limited

Lakith Peiris is a well-known leader in the healthcare industry. During his tenure as the CEO of Lanka Hospitals for over seven years, he played a key role in turning around and leading it to become one of the most successful hospitals in the country. Lakith Peiris is the Managing Director of the Hemas Hospitals and Laboratory chain. Since his take over in 2015, Dr. Peiris has transformed Hemas Hospitals from a secondary care hospital chain serving an underserved population living outside Colombo to a fully-fledged tertiary facility respected by all stakeholders. Under his leadership Hemas Hospitals and Labs has become Sri Lanka's most innovative, accredited and awarded hospitals and laboratory chains winning many national and international awards and accolades for its achievements and contribution to the healthcare industry.

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

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

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

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

Lakith Peiris is the President of the Association of Private Hospitals and Nursing Homes (APHNH).

Asitha Samaraweera

Managing Director – Atlas Axillia Company (Private) Limited

Asitha Samaraweera currently is the Managing Director of Atlas Axillia Co. (Pvt) Ltd. a leading company in school and office stationery.

Before his current role he counts over 12 years' experience in leading FMCG businesses both in Sri Lanka and overseas. Asitha Samaraweera was the CEO of CBL Cocos (Pvt) Ltd., and CBL Global Foods, both subsidiaries of Ceylon Biscuits Limited, before joining.

Prior to his role at CBL, Asitha headed IFFCO (Frozen Foods) and GFI – leading Dubai-based FMCG companies for six years.

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

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

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

Zalmi Fazeel

Group Chief Financial Officer - Hemas Holdings PLC

Zalmi Fazeel has served as an Executive Vice President heading the finance, legal and IT operations of Saudi Cable Company, Saudi Arabia between 2013 and 2017. He served at the Savola Group, Saudi Arabia, between 2000 and 2013 in various roles, including that of Executive Director-Group Treasury, Chief Financial Officer of Edible Oil Subsidiaries, Head of Finance and IT at the United Sugar Company, and Head of Finance Shared Services.

He started his career at Pfizer Sri Lanka, currently known as Astron Limited, in 1984. He was appointed to the Board of Pfizer Sri Lanka in 1992 and subsequently Astron in 1993, which position he held until he moved to Saudi Arabia in January 2000. He was an independent Board member and Chaired the Audit committee of Hemas Hospitals (Pvt) Limited, from March 2017 to July 2018. At present he serves on the Boards of a number of HHL's subsidiaries, whilst heading the Group Finance, Treasury, and IT divisions of HHL. He is a Fellow of the Chartered Institute of Management Accountants (UK).

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

Ruwani Hettiarachchi

Chief Growth Officer - Hemas Holdings PLC

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

She is on the Board of Healthnet (Pvt) Ltd. and has a particular interest in universally accessible, affordable healthcare. She previously served on the Board of Colombo Academy of Hospitality Management at SLIIT. Ruwani has an MA in Economics from the University of Edinburgh.

Dinesh Athapaththu

Managing Director – Morison Limited

Dinesh Athapaththu is the Managing Director of Morison Limited. He is a Fellow member of the Chartered Institute of Management Accountants (UK) and has Bachelor of Science degree from the University of Kelaniya. He also completed his MBA from the same university.

He joined Morison Limited in 2016 as Director Finance and Commercial and appointed as the Chief Operating Officer in 2019.

He started his career at Brandix as a cost executive and progressed up to be the Finance Controller at Brandix Textile Ltd. He held positions of Financial Controller and Regional Financial Controller for Indonesian-based plantations of Good Hope Asia Holdings from 2010 to 2016.

Jude Fernando

Managing Director- Hemas Pharmaceuticals (Private) Limited

Jude Fernando joined Hemas Pharmaceuticals in August 2020. Prior to re-joining Hemas he served as the Director/ Chief Executive Officer of Janashakthi Insurance PLC since 2014.

He brings with him over 26 years of experience in senior positions across the fields of finance, supply chain management, sales and marketing, and international marketing, including the roles of Director/CEO of Janashakthi Insurance PLC, Director/CEO, Kotmale Holdings PLC and Executive Director – Sales & Distribution for Cargills Manufacturing Brands. He has served on the Boards of Dunamis Capital PLC, Kelsey Homes, and First Capital Holdings PLC. Jude held the position of Director Supply Chain of Hemas Manufacturing prior taking up the role of Director/CEO at Kotmale PLC in 2008.

An Accountant by profession, Jude holds an MBA from the University of Wales and is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Chartered Global Management Accountant (UK), a Fellow Member of the Association of Certified Chartered Accountants (UK) and a Member of the Chartered Institute of Marketing (UK). He also has completed the Executive Leadership Development programmes at the Stanford Graduate School of Business and at INSEAD.

This section of the report provides insights into how key elements of the Group combines to create value to its stakeholders. During the reporting year, the importance of understanding stakeholder priorities and the operating environment was underscored as the COVID-19 pandemic changed business dynamics and priorities across the Group's portfolio, creating opportunities for its businesses.

Hemas's presence in essential or near essential industries supports the resilience of the Group's continued ability to create value.

The resilient business model of the Hemas Group results in creating sustained value for its stakeholders. The launch of the Group's purpose further aligned its business as it began a transformation journey that focused on consolidating and strengthening its core businesses.

GROUP CAPITALS

FINANCIAL CAPITAL

- Significant financial resources
- Strong balance sheet
- Strategic and timely investment
- Prudent cash flow management

MANUFACTURED CAPITAL

- Modern property, plant and equipment
- Largest pharmaceutical manufacturing plant in Sri Lanka
- Largest notebook and stationery manufacturer

INTELLECTUAL CAPITAL

- Brands and trademarks that create competitive advantage
- Industrial designs
- Systems and processes
- Governance structures
- Tacit knowledge of employees

HUMAN CAPITAL

- A diverse workforce of 5,621 which includes 4,804 employees
- Strong leadership with decades of experience
- A team with a passion to win

NATURAL CAPITAL

- Responsible consumption of natural resources in the manufacture of products and provision of services

SOCIAL AND RELATIONSHIP CAPITAL

- Long standing suppliers
- Valued principals
- Extensive network of distributors and retailers
- Building customer loyalty
- Community enrichment

PRINCIPAL ACTIVITIES

Hemas Holdings PLC is a Group that invests in businesses which fulfill or support its purpose. These businesses are classified into 3 key sectors.

CONSUMER BRANDS

Creates well-loved local brands close to the hearts and minds of the people.

HEALTHCARE

Ensures continuous availability of high quality products and services at affordable prices to meet medical and diagnostic needs of the nation, and brings in the technical know-how and capabilities related to pharmaceutical manufacturing to make Sri Lanka self sufficient.

MOBILITY

Supports the Group's core activities and enhances its supply chain. Primary activities of the sector include representation of international shipping agencies and freight forwarding whilst also providing a full spectrum of logistics solutions along with passenger and air cargo services.

VALUE CREATED, OUTPUTS AND IMPACTS

Shareholders/Investors/Financiers

- Business operations in accordance to corporate governance
- Significant market share in the sectors of the business
- Profitablity, return on investment, dividends and value to providers of funds
- Responsible investment for future growth

Consumers

- Home and Personal Care brands with an emphasis on wellbeing
- Innovative products at competitive price points
- Back to school brands to make learning fun
- Quality healthcare services at affordable pricing.
- Community based expert healthcare with multi-specialty hospitals
- Ongoing initiatives and innovation to enable responsible consumption and disposal

Employees

- Remuneration and benefits with an environment of a great place to work
- An empowered and diverse workforce with oppurtunities for growth
- A health consious workplace on a journey to be the healthiest worforce in Sri Lanka
- Continuous training based and transparent performance appraisal mechanism
- Ability to contribute as volunteers to the Group's CSR effort

Principals

- Access to markets
- Highliy compliant and ethical representation
- Growth focus
- Partnership oriented
- Shared growth

Business Partners

- Market development for retailers
- Shared growth
- Availability of high quality brands.
- Fair business terms
- Business support for responsible and ethical operations of their business
- Supporting a network for the growth and livelihood of small and medium enterprenuers
- Social support

Environment

- Emissions of 16,758 MT CO^2 equivalents
- 24+ acres commited for reforesting
- 709,967 Kg of waste disposed responsibly
- 36% waste recycled, reused or recovered

Government

- One of the largest distribution networks in the country supporting job creation
- Direct and indirect taxes
- Supporting the health needs of a nation
- Partnerships for social welfare
- Saving foreign exchange
- Facilitating global trade through Mobility sector

Communities

- Pre-school education programme
- Inclusive training and therapy for children with disabilities
- Scholarship programme
- Growing secondary retail channel supporting livelihoods of micro-entrepreneurs
- Engaging with our communities on needs and impacts of the environments

Businesses need the goodwill of stakeholders throughout its supply chain to drive sustainable growth. The Hemas Group takes a structured approach to stakeholder engagement to identify their motivations and concerns, enabling alignment to their aspirations in developing strategy. The segments provides a description of our key stakeholders and their concerns identified through this process. Key stakeholders are stakeholders that have a significant influence over the Group, or who would be significantly impacted by Group operations.

Consumers

People and entities that use the products and services of the Group.

Business Partners

Business partners of the Group range from principals who are typically multinationals to suppliers, distributors, retailers and agents located in Sri Lanka and overseas.

Community

The Group engages with the community at a national level through the *Ayati* and *Piyawara* initiatives. The Group works with the Ministry of Women and Child Affairs for *Piyawara* and the Medical Faculty of University of Kelaniya for *Ayati*. The Group also engages with the communities in the vicinity of its operations.

Government

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

Investors

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

Employees

Employees drive the performance and growth of the Group. Their passion is key to unlocking the Group potential.

	Consumers	Employees	Business Partners
Key Concerns	• Quality of products, and efficient and effective services • Affordability and accessibility • Environmental and social responsibility	• Fair remuneration • Opportunities for growth • Concern for employees • Safety and dignity/respect • Engagement, feedback and grievance mechanisms	• Shared growth • Technical assistance and knowledge transfer • Domain knowledge, skills and expertise • Long term partnerships
Group Response	• Growing portfolio of affordable products and services to enrich the lives of communities • Efficient distribution networks to reach consumers	• Strategic management of HR processes with Board oversight • Healthy workforce initiatives	• Timely payments • Fair play and transparent processes • Initiatives to share knowledge and build capacity

ACROSS ALL STAKEHOLDERS

- Meetings
- Press Releases
- Websites
- Social Media
- Correspondence Industry Exhibitions
- Road Shows

SPECIALISED MECHANISMS

Consumers

- Satisfaction Survey (ongoing)
- Annual Engagement Survey
- Customer Hotlines

Employees

- Annual Engagement Survey
- Performance Reviews
- Joint Consultative Committees

SPECIALISED MECHANISMS

Business Partners

- Annual Supplier Registration

Investors

- Annual and Quarterly Reports
- Notices to CSE (need basis)

Government

- Regulatory Reports (as specified)

	Investors	Government	Community
Key Concerns	• Sustainable growth and returns • Good governance and transparency • Risk management • Timely communications	• Compliance with regulatory requirements • Partner socioeconomic development of the country	• Environmental and social responsibility • Opportunities for shared growth • Support for community needs
Group Response	• Regular dividends. • Continuous enhancement of earning capacity • Maintaining strong governance and risk management processes	• Established processes to ensure compliance with regulatory requirements • Investments in growth sectors of the economy • Timely payment of regulatory dues	• Established two independently managed trusts for engaging in projects at national level • Engagement with local communities by SBUs • Maximise inputs from SMEs where possible

Global economic performance for 2020 was impacted adversely by the COVID-19 pandemic, leading to a contraction in world output by 3.3% compared to 2.3% growth recorded in 2019. The current dynamics in the global economy evolved as a reflection of the responsive measures executed by the countries to negate the pandemic. Although the extent of the impact experienced was variable depending on the strength of each economy, the challenges were common. Primarily challenges faced by businesses around the globe surfaced around health and safety of people, changing consumption patterns and consumer behaviour, operational and supply chain disruptions coupled with uncertainty and volatility in market risks factors. The world's third largest export category, tourism (followed by fuel and chemicals) declined by approximately USD 1.2 trillion in 2020, whereas telecommunications and e-commerce witnessed an unprecedented growth amidst the COVID-19 crisis.

Consequently, the Sri Lankan economy also contracted by 3.6% in real terms in 2020, recording the deepest recession since independence. The Central Bank of Sri Lanka (CBSL) implemented various measures including the reduction in policy rates while introducing a debt moratorium scheme to businesses directly impacted by the pandemic with a view to boost liquidity in the system. Emergence of new waves and new strains continue to cause concern despite the roll out of vaccines from January 2021. The economic performance of 2021 will be highly sensitive to extensive policy support at national and international levels and the successful rollout of the COVID-19 vaccination programme.

COVID-19 RELIEF MEASURES

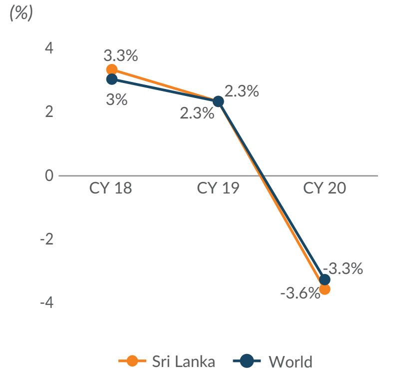
Despite the increasing budget deficit and Central Government debt, the Sri Lankan Government continued to introduce relief measures to the individuals and corporates adversely effected by the pandemic. This improved the household income of the public despite the multiple challenges faced by the economy.

- Interest free advance of Rs. 10,000 to all low-income households (Samurdhi beneficiaries and Samurdhi card holders) and vulnerable families, registered senior citizens, disabled persons, etc. during the initial lockdown in March 2020.
- An allowance of Rs. 5,000 each to those who have lost their incomes due to curfews in particular districts due to the COVID-19 pandemic during the second wave in October 2020.
- Debt moratorium until 30th of May on personal loans granted to all private sector non-executive employees.
- Three-month debt moratorium for all personal loans and leasing rentals of value less than LKR 1.0 million.
- The working capital purpose loan facility granted to eligible performing and non-performing borrowers subject to conditions.
- Licensed Commercial Banks and Licensed Special Banks were advised to reduce the penal interest rates charged on all loans and advances.
- The Monetary Board issued an order on the maximum interest rates applicable on pre-arranged temporary overdrafts to reduced rates.
- CBSL imposed caps on interest rates on some loan products and penal charges as a relief for retail customers.
- The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank were reduced multiple times. The bank rate was lowered to 8.5%.

GROSS DOMESTIC PRODUCT

- Sri Lanka's GDP contracted by 3.6% during the year compared to 2019, with all economic sub-sectors; Agriculture, Industrial and Services reporting a decline of 2.4%, 6.9% and 1.5% respectively.
- The decline was driven by the combined impact of supply chain disruptions caused by COVID-19 related lockdowns and subdued demand from key export markets attributed to the pandemic.
- The decline continued in to the second quarter of 2020 at a steeper rate recording a 15.8% quarter-on-quarter decline in real GDP.

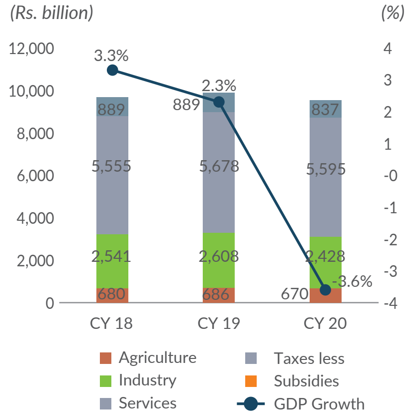
GDP Growth World vs Sri Lanka



*CY – Calendar Year

- Real GDP of the third and fourth quarters of 2020 were at pre-COVID levels supported by easing of monetary policy by CBSL.

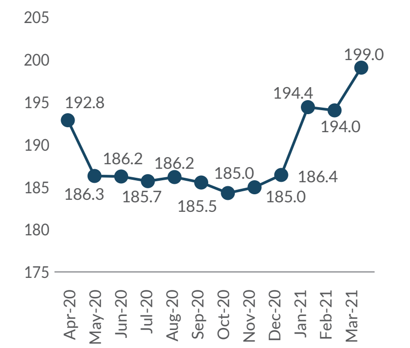
Sectorial Analysis of GDP



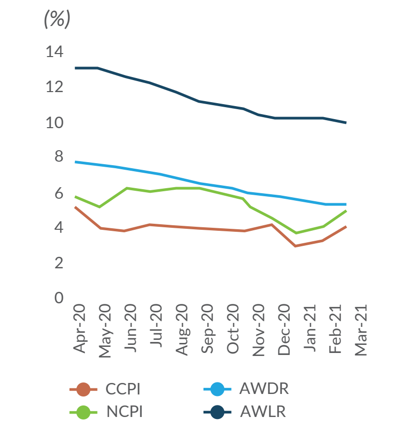
EXCHANGE RATE

- The rupee demonstrated greater stability in 2020, except for a sharp depreciation in the immediate aftermath of the pandemic in March-April 2020.
- However, the rupee depreciated by 5.5% year-on-year during the financial year 2020/21. An extreme volatility of 6.8% depreciation against the USD been experienced in the first quarter of 2021.
- CBSL's intervention in the domestic foreign exchange market along with import controls and restrictions on forward contract currency agreements helped the economy to stabilise the exchange rate to a great extent.

USD/Sri Lankan Rupee Exchange Rate



Inflation and Interest Rates

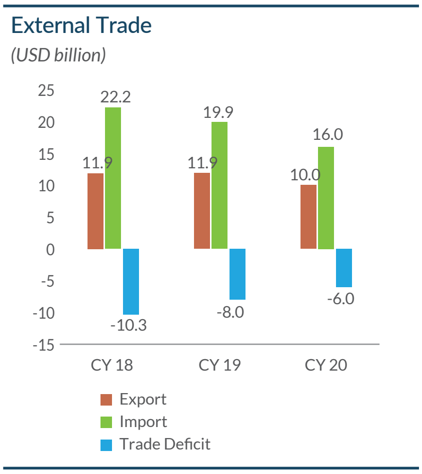


INFLATION AND INTEREST RATES

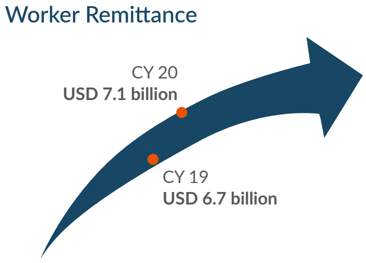
- Inflation as measured by NCPI was 5.1% year-on-year as of end March 2021, remaining within the target range of 4-6% while both food and non-food inflation were increased by 8.8% and 2.0% respectively.
- Private consumption increased by 1.0% in 2020 compared to 2019.
- During 2020, consumption of essential items such as fuel, food and non-alcoholic beverages, health and education increased while consumption of other non-essentials witnessed a decline.
- In support of its expansionary monetary policy, rates were reduced by 250 bps during the year 2020 resulting in an overall drop in Average Weighted Prime Lending Rates (AWPLR) 5.7% to April 2021.

EXTERNAL TRADE

- Sri Lanka's external sector recovered in 2020 to achieve a deficit of $ 6.0 billion, the lowest since 2010.
- Government imposed restrictions on non- essential imports, regulatory restrictions and comparatively low global oil prices contributed to the improved trade deficit.
- Further, exports also made a remarkable recovery after a sharp decline in the second quarter of 2020 with December 2020 exports a mere 3.6% below December 2019. Despite the recovery, overall export earnings declined by 15.9% to USD 10 billion accounting for 12.4% of GDP compared to 14.2% in 2019.

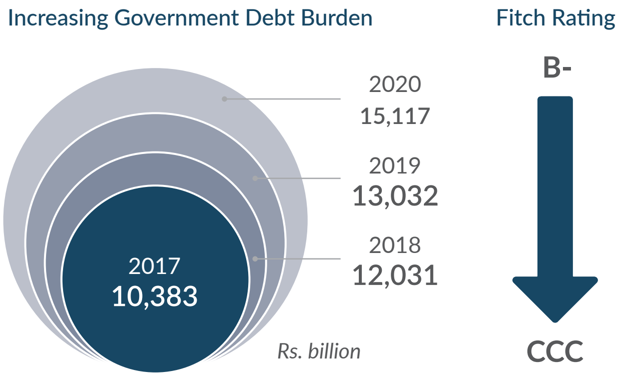


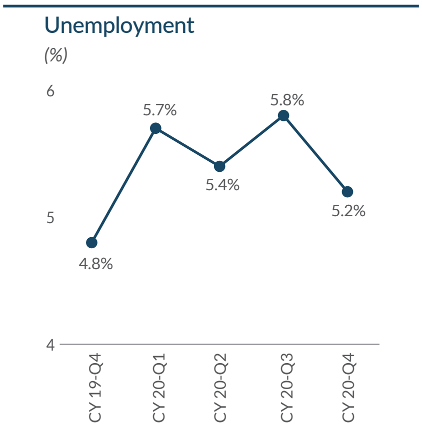
- Meanwhile, workers' remittances continued to record a notable growth in 2020 by 6.0 % to USD 7.1 billion.
- Expatriate Sri Lankans remitted more money into Sri Lanka, as they were restricted in spending in the resident countries due to COVID-19 restrictions, which curtailed travel, entertainment and shopping.



GOVERNMENT DEBT

- Similar to many emerging economies Sri Lanka too struggled to fight the increasing burden of government debt with the pandemic.
- Sri Lanka's sovereign rating was downgraded in 2020 by many key rating agencies.





UNEMPLOYMENT

- Unemployment rate rose to 5.5% from 4.8% recorded in 2019 mainly island-wide and localized lockdown imposed by the Government with a view of controlling the spread of the COVID-19.
- Adverse impact on tourism and related dependent industries and challenges faced by SMEs resulted in higher than normal unemployment in the economy.

OPERATING ENVIRONMENT - IMPACT ON THE GROUP

Indicator	Impact on Performance 2020/21
GDP Growth	The pandemic and the economic contraction changed consumer behaviour with an increasing focus on essential items. The Group is positioned in defensive sectors of Consumer and Healthcare which supported performance during the year although Atlas and Hospitals were impacted by the closure of schools and declining footfall at medical facilities due to COVID-19 pandemic.
Inflation	As inflation was contained within the target range and the focus was mainly on essentials, the impact on the Group across Sectors was subdued.
Exchange Rate	This is a key sensitivity for the Manufacturing and Distribution Businesses of the Group. The deprecation of the Sri Lankan ruppee in the fourth quarter was a concern, particularly as businesses are highly dependent on imports.
Interest Rate	The decrease in interest rates supported overall profitability through reduced borrowing cost.
Increased focus on health and hygiene	This has supported performance of the Home and Personal Care, Pharmaceutical Distribution and Pharmaceutical Manufacturing Businesses and also underpinned the launch of many innovations during the year.
Shift to digital and virtual	Internet connections grew by 30.7% during 2020, which supported the shift to working from home, online learning and shopping. The Group launched a number of initiatives to engage consumers and business partners virtually including e-commerce platforms.
Trade Flows	Import and export volumes declined by 11.6% and 9.5% in 2020 reflecting the subdued demand in key export markets and import restrictions in the country which had an adverse impact on the Mobility Sector business volumes.
Demographics	An ageing population with a high prevalence of non-communicable diseases indicates an increasing demand for healthcare services and long term therapies and medications amongst the population which provides opportunities for the Healthcare Sector.

Sources: Central Bank of Sri Lanka, World Bank Roport 2020, World Tourism Organisation, United Nations Conference on Trade and Development, PWC Sri Lanka

As a leading corporate with focused interest in Consumer Brands, Healthcare and Mobility Sectors in Sri Lanka, operations of the Hemas Group contribute to the socioeconomic progress of the country in many ways.

CONSUMER BRANDS

- Best in class products to support the wellbeing of Sri Lankans
- Direct and indirect employment generation
- Export to over 15 countries

HEALTHCARE

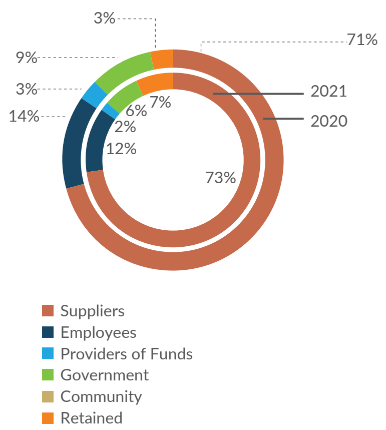
- Largest capacity tablet manufacturing plant in the country
- Focus on affordable healthcare for Sri Lankans.
- 174 beds in 2 hospitals in Western Province and 40 laboratories island-wide

MOBILITY

- Handles over 636,338 twenty foot-equivalent units facilitating trade
- Supports connectivity of the country to global supply chains

Economic Value Added Statement			
Rs.million	FY 21	FY 20	%
Value Generated			
Revenue	64,501	60,043	7.4%
Share of Result of JVs/ Associates	(333)	(120)	-177.9%
Loss from Discontinuing Operations	(805)	(121)	-563.4%
Other Investment Income	249	269	-7.7%
Profit on Sale of Assets and Other Income	618	623	-0.8%
Valuation Gain on Investment Properties	63	-	
	64,293	60,694	5.9%
Value Distributed			
Operating Overheads	45,845	43,046	6.5%
Employee Wages and Benefits	7,493	8,231	-9.0%
Payments to Providers of Funds	1,038	1,943	-46.6%
Payments to Government	5,495	5,544	-0.9%
Community Investments	34	54	-37.0%
	59,905	58,818	1.8%
Value Retained for Expansion and Growth			
Depreciation	1,219	1,271	-4.1%
Amortisation	378	387	-2.3%
Profit After Dividends	2,791	218	1,180.3%
	4,388	1,876	133.9%

Distibution of Value to Stakeholders



Value generated increased by 5.9% despite the social and business disruptions stemming from the COVID-19 pandemic as the Group responded to the healthcare challenges with relevant solutions for households and businesses. Divestment of the Leisure sector and business disruptions limiting overtime opportunities resulted in a decrease in value distributed to employees. Payments to providers of funds decreased as interest rates declined sharply and borrowings decreased due to prudent working capital management. Value retained for expansion and growth increased due to the need to maintain liquidityin the business to further strengthen financial resources due to prevailing levels of uncertainty and volatility in the business landscape.

AFFORDABLE AND QUALITY HEALTHCARE FOR SRI LANKANS

The Hemas Group plays a key role in the healthcare infrastructure of the country, supporting access to innovations in healthcare through globally reputed principals who conduct cutting edge research and development. As the parent company of the largest pharmaceutical distributor and the largest pharmaceutical manufacturer in the country, the Group facilitates access to new therapies and technology, enhancing the range of solutions available to healthcare professionals. Local manufacture of pharmaceuticals and an island-wide network of franchised laboratories supported by Hemas Hospitals support access and affordability to healthcare. Accessibility to quality healthcare is supported through our Hospitals facilities located in busy suburbs and an island-wide network of distributors for our pharmaceutical products. The Group continues to support thought leadership in the Healthcare Sector through initiatives such as the Centre of Excellence for Diabetes and knowledge sharing on key healthcare concerns of national importance.

INDIRECT EMPLOYMENT/SUPPORTING LIVELIHOODS

An island-wide supply chain supports livelihoods of distributors, franchisees, suppliers, and service providers supporting job creation and livelihoods.

CONSUMER BRANDS >	136 Distributors	3,565 Local Suppliers
HEALTHCARE >	526 Distributors	662 Local Suppliers
MOBILITY >	661 Local Suppliers	

GROUP STRATEGY

CONSUMER BRANDS

Creating a portfolio of purposeful brands that meet the emerging needs of the consumers

Plans

- Consolidate and create market leading positions in Home and Personal Care and in the Learning Segment
- Create brands that are close to consumer hearts and minds
- Deepen consumer connect
- Execute digitial roadmap
- Focus on effieciencies through lean process and business models

Progress

- Product extensions of the *Shield* brand and *Diva* brand
- Reinforced brands with new variants and relaunches - *Clogard, Kumarika Oil and Baby Cheramy*
- Defending and growing market share in a challenging environment
- Driving margin improvements
- Acceleration of the innovation pipeline
- Launch of Hemas e-store

Challenges this year

- Interruptions to supply chains due to COVID-19
- Decline in disposable income
- Extended closure of schools
- External pressure on the Sri Lankan Rupee
- Increase in global commodity prices

QUALITY MEDICINES AND THERAPIES

Access to medicines and therapies of premium quality at affordable prices to our communities

Plans

- Improve value proposition of OTC and nutraceutical offerings
- Focus on channel excellence
- Introducing pioneering drugs to the market
- Expand digital footprint
- Ensure on continuous availability of products
- Excellence in pharmaceutical manufacturing and self-sufficiency in core therapies

Progress

- Growth of nutraceutical portfolio
- Opening of Morison new pharmaceutical manufacturing and research facility
- Onboarding of innovative drugs for better healthcare outcomes
- Unlocking of Group synergies to enhance focus
- Expanding of *Beheth 2.0* and Healthnet delivery platform

Challenges this year

- Disturbances to production and distribution due to COVID-19
- Continued absence of a pricing mechanism to determine pricing
- Increased regulation of the Health Sector and price regulation of essential medicines
- Volatility in exchange rate

GROUP STRATEGY

BEST IN CLASS HEALTHCARE SOLUTIONS

Multi-specialty hospital and laboratory chain providing accessibility to best in class healthcare solutions

Plans

- Strengthing the value propostion to the patients
- Integrate digital healthcare to the service offering
- Investing into specialities
- Continued focus on health and safety of employees

Progress

- Hemas Hospitals becoming the first to adapt Electronic Health Records (EHR)
- Showcasing an innovative approach to adaptability to the 'new normal' by adding an online pharmacy and homecare

Challenges this year

- Patient footfall impacted by COVID-19
- Decline in household income

CONNECTING MARKETS

Serving the region's logistics and route to market needs

Plans

- Providing tailor made cargo solution during challenging times
- Increase focus on process automation

Progress

- Consolidating the Logistics Sector through a right sizing exercise
- Emirates Sky Cargo segment has managed to perform well even during challenging times
- Digitalisation drive continued

Challenges this year

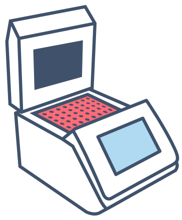
- Border closure as a result of COVID-19
- Low transshipment volumes
- Congestions and disruption in the Colombo Port
- Decline in global trade

HEMAS GROUP SUPPORTS THE NATION TO FIGHT THE COVID-19 PANDEMIC

Hemas Group rallied to support the country in fighting the COVID-19 pandemic by mobilising teams and resources to provide multiple solutions. Through the Consumer Brands, Healthcare and Mobility Sectors the Group supplied lifesaving medicines, medical equipment and personal care items across the island, ensured critical supplies entered the country and offered the Group Hospital services around the clock.

Donation of Club Hotel Dolphin as a quarantine facility to the Government to house the frontline workers fighting against the COVID-19 pandemic

Built outdoor COVID-19 screening centre at the Colombo North Teaching Hospital in Ragama and the Panadura Base Hospital



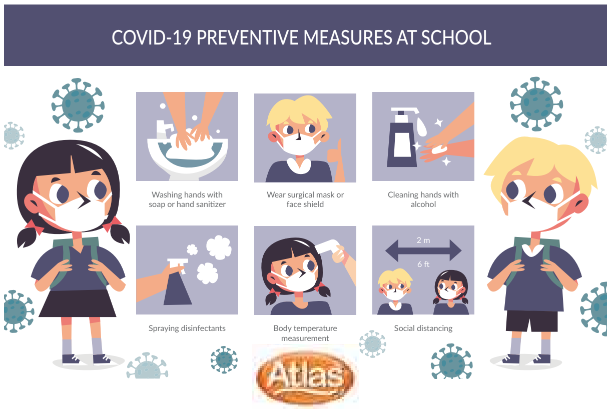
Donation of PCR machine to the National Hospital of Sri Lanka and Lady Ridgeway Hospital

IPTC

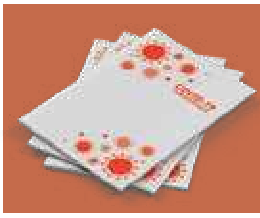
Hemas Hospitals developed a proprietary Infectious Patient Transportation Chamber (IPTC); a sealed, easily manoeuv cubicle with wheels to transport suspected or positive COVID-19 patients

AGV ROBOTS

Atlas developed seven Automated Guided Vehicle (AGV) robots and gifted them to Ministry of Health and Indigenous Medicine during the initial outbreak of COVID-19. AGVs were the first robots to be introduced in the fight against COVID-19 in Sri Lanka



Atlas sponsored the educational commercial produced by the Ministry of Education to educate children returning to schools on necessary COVID-19 related health and safety guidelines



COVID-19 HEALTH AND SAFETY BOOKLET

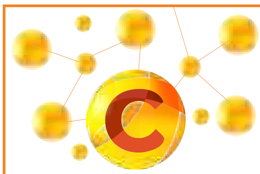
Developed 450,000 COVID-19 health and safety awareness booklets for school children with the Ministry of Education which were distributed to schools island-wide

DONATED 500,000 FACE MASKS TO THE SRI LANKA ARMY

Atlas converted its school bag manufacturing plant to produce reusable face masks and donated 500,000 face masks to the Sri Lanka Army

Donation of dry rations to communities around areas of operation

PRIORITISED MANUFACTURE OF MEDICINES REQUIRED BY THE GOVERNMENT OF SRI LANKA



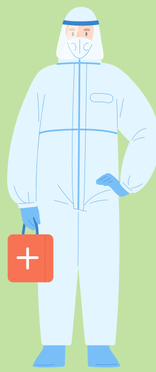
Donation of medicine to the Sri Lanka Navy and Ascorbic acid (Vitamin C) for Police stations and PHIs in the communities around Morison factory and office

Pharmacy

Partnered with the All Island Private Pharmacy Owners Association (AIPPOA) to donate a fully- fledged Centrifuge Device to the Ratnapura Teaching Hospital

Donation of Personal Protective Equipment to the students of Faculty of Medicine, University of Ruhuna, five main Police stations, and several Government organisations

DEVELOPED A B2B APP FOR FMCG RETAILERS TO PLACE ORDERS WITHOUT DISRUPTION



Deployed voluntary staff under strict health guidance from leading doctors to deliver drugs to patients, doorsteps in collaboration with industry efforts and chemists

DEVELOPED A MOBILE APPLICATION TO PROVIDE NEEDED MEDICINE TO PATIENTS

Developed the COVID-19 treatment ward of the Dankotuwa Base Hospital

PROVIDED ESSENTIAL HYGIENIC PRODUCTS TO THE COVID-19 WARDS OF THE IRANAVILA NATIONAL COVID-19 TREATMENT CENTRE

HANDWASHING UNITS AT MOUNT LAVINIA POLICE STATION, KALUTARA BODIYA, NATIONAL MEDICINES REGULATORY AUTHORITY (NMRA) AND BELLANWILA TEMPLE

Donated over 10,000 assorted bars of *Shield* soap, and other personal care products to the Sri Lanka Army towards the comfort of the individuals in the quarantine centres located across the country

INTEGRATING SUSTAINABILITY

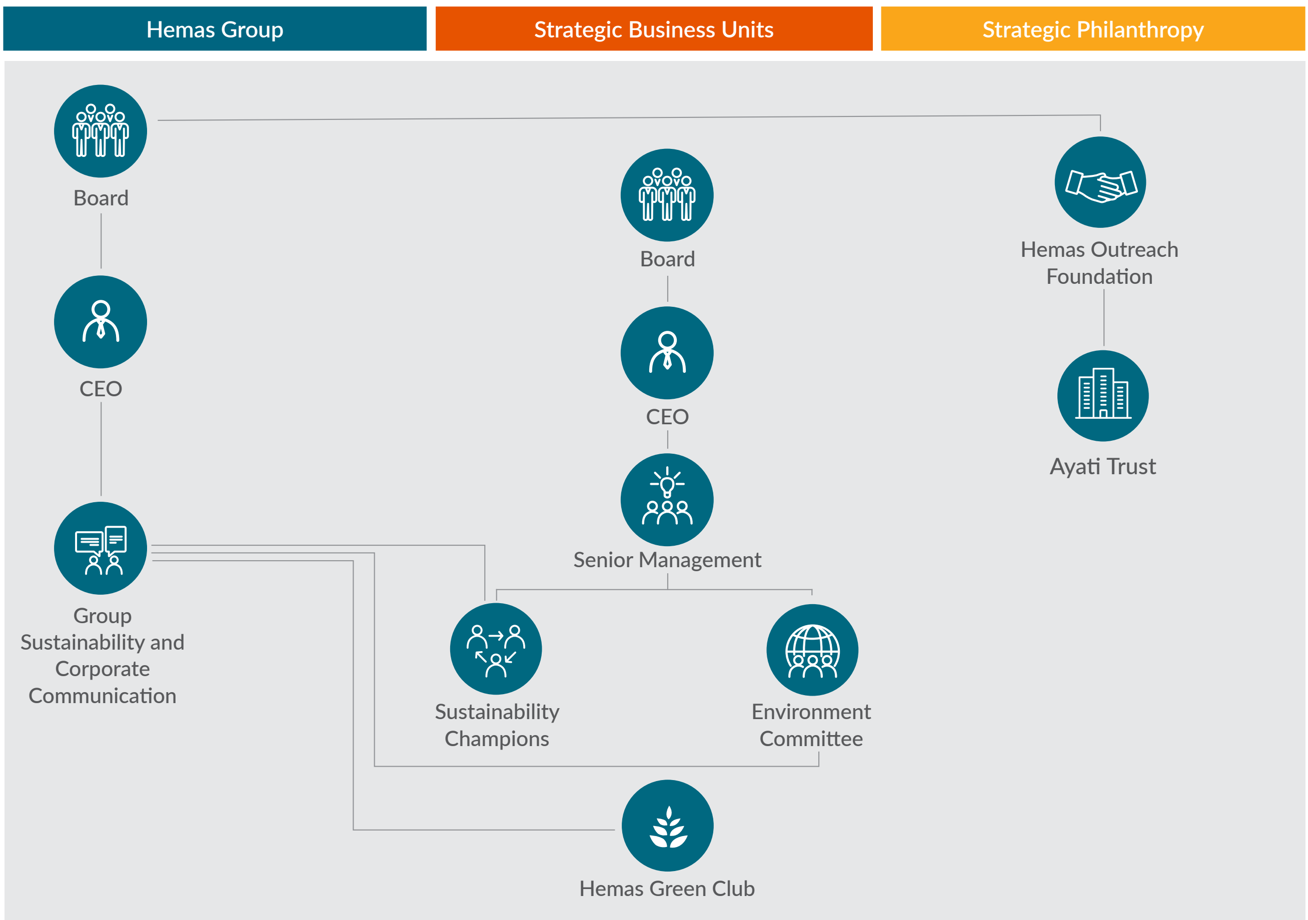
An Integrated Sustainability Framework

Recognising the need for a holistic approach in integrating relevant environmental and social factors, the Group, in 2015 developed its sustainability management framework. Thereafter, in 2018, the framework was reviewed and strengthened. This continues to evolve in line with the Group's operating environment, stakeholder expectations and the organisational transformations. The framework articulates the Group's commitment to move beyond regulatory compliance to set its aspirational goals on key social and environmental aspects which impact the Group's strategy and reputation. The Group strives to create economic value addition, whilst ensuring environmental stewardship and maintaining its 'social license' to operate. The goal is to realise strategic differentiation through holistic integration of the triple bottom line throughout the Group.

SUSTAINABILITY GOVERNANCE

The Board of Directors of the Group drives sustainability integration through the CEO who reports the progress to the Board. The Group Sustainability and Corporate Communications (GSCC) team, together with its external consultants undertake periodic assessments of the Group's material topics, updates the sustainability standard operating procedures in line with changes in operating environment, and undertakes quarterly data capture and analysis of sustainability performance based on established Key Sustainability Performance Indicators (KSPI) via an automated performance monitoring system. In addition, the team tracks the performance and progress of the Group Environmental Goals and reports its performance to the COG and CEO, and facilitates internal audits of the Group's key operational facilities. The GSCC is also responsible for formulating Group level environmental and CSR initiatives, while sector specific initiatives are undertaken by the sustainability and brand champions of each sector. The Sustainability Champions meet regularly to share best practices and knowledge, facilitating a common understanding of sustainability across the Group. In addition, the Environment Committee comprising of Chief Engineers of the SBUs meets with GSCC bi-monthly to discuss progress on agreed initiatives and share knowledge.

Sustainability Governance Structure



Strategic philanthropy activities of the Group are carried out by the Hemas Outreach Foundation, an independent trust established under Hemas Holdings PLC. A percentage of Group profits is allocated to the Foundation annually depending on the requirements and the projects, and the Board monitors the utilisation of funds on a regular basis. The seven-member Board of Trustees of the Hemas Outreach Foundation comprises of 3 Executive Board members of Hemas Holdings PLC, which includes the CEO of the Group. The General Manager of GSCC acts as the Executive Director. The Hemas Green Club comprises of staff volunteers who strive to make a positive difference in the environment. Activities of the club are funded by Hemas and a steady income stream consisting of 70% of the income made from video productions made by the GSCC. The work of the Foundation is detailed on page 81 to 82 of the Social and Relationship Capital Report and the activities of the Hemas Green Club are set out on page 74 of the Natural Capital Report.

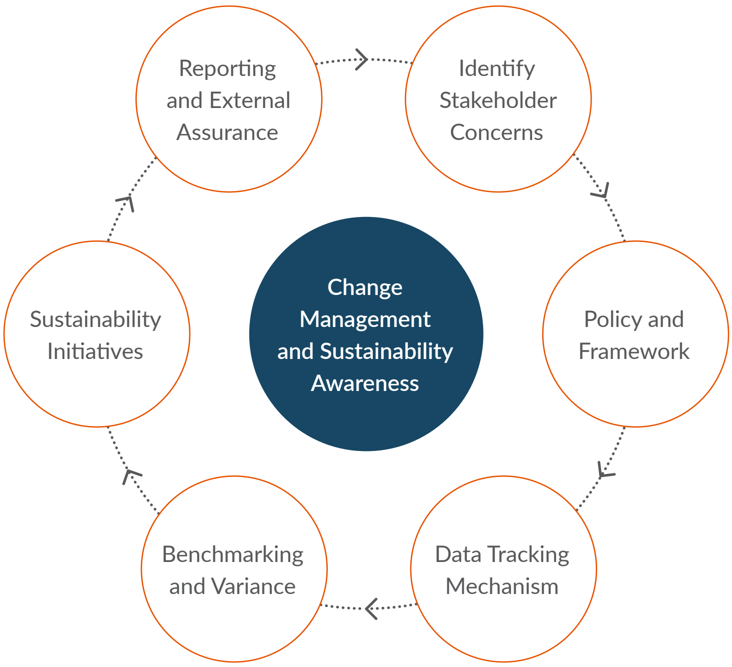
SUSTAINABILITY POLICY FRAMEWORK

The Hemas Sustainability Policy outlines the management approach to sustainability, its priorities, and processes. It also defines the reporting boundaries for identified material topics and has provisions for reviewing and updating the policy, ensuring that it is relevant. It is based on the Sustainability Standards issued by the Global Reporting Initiative. Sustainability priorities determined from the extensive stakeholder engagement undertaken in 2015 which are addressed in the Group's Sustainability Policy are summarised below in Material Topics of Hemas Group. It also embeds the Precautionary Principle wherein the Group commits to take preventative action in the face of uncertainty to prevent potential risk/impacts to our stakeholders and environment.

The Management approach to the material topics is summarised in the relevant capital reports from page 45 to 82. The full text of the Management approach is hosted on the Group website.

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

INTEGRATING SUSTAINABILITY



SUSTAINABILITY PROCESSES

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

- Begins with stakeholder engagement to identify the Group's material sustainability topics.
- Establishes Group-wide desired behaviour for each material topic.
- KPIs for each material topic is measured quarterly to ensure performance against targets, and provide an early warning system of frontier risks.
- Is a key consideration in all decisions made by the Group and is a part of its strategy formulation and identification of sustainability related initiatives to ensure a triple bottom line return on investment.
- Is demonstrated in all actions of the Group from strategy formulation to sustainability initiatives and external disclosures

The sustainability processes are complemented by quality, environmental, health and safety management systems currently utilised by the Group, and the Group's risk management, internal audit, compliance, and social responsibility processes. SBUs are aligned to the Group's sustainability agenda through the policy framework and targets.

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

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

Sustainability Performance Report

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

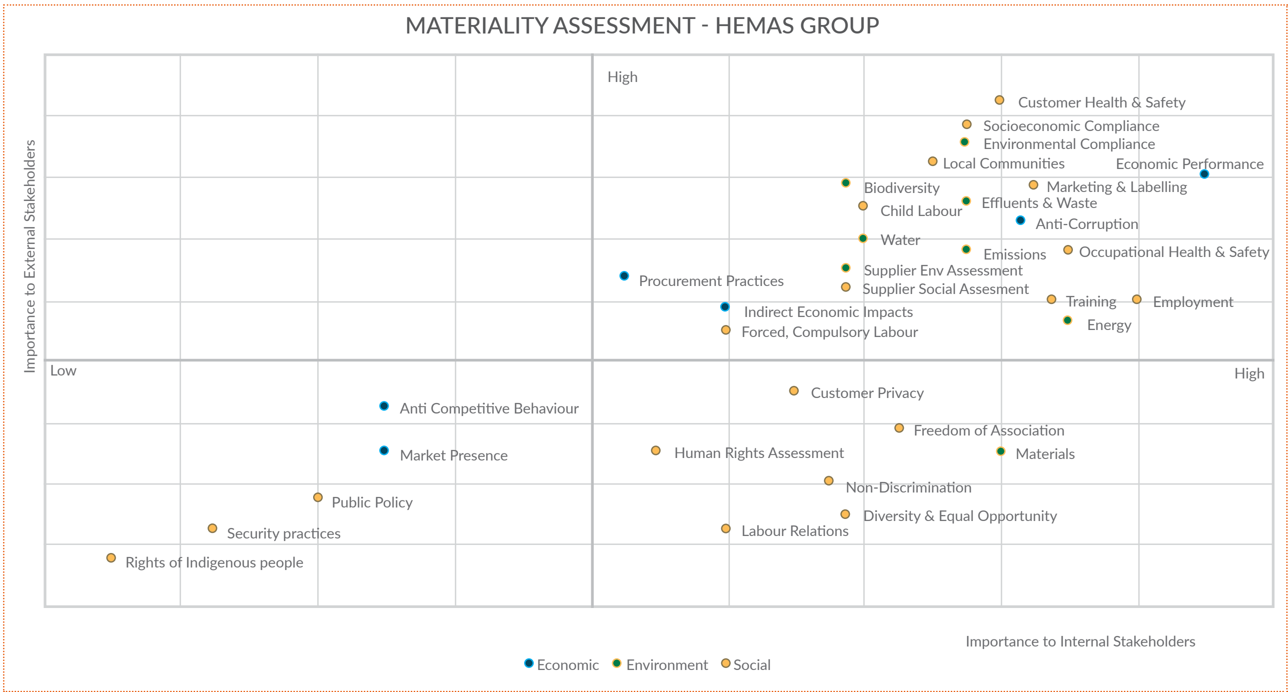
Environment Committee Progress Report

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

Reports to Board and other Group Committees

- Prepared by GSCC on a need basis

MATERIAL TOPICS OF HEMAS GROUP



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

There has been no new material topics to those identified in the Hemas Holdings Annual Report 2019/20. However, given the COVID-19 pandemic, the Group has increased its intensity of response to material topics pertaining to occupational health and safety, community upliftment and investing in a more inclusive society especially during the lockdown period, and provision of work from home facilities for applicable staff with a view to reducing the likelihood of the spread of COVID-19 within the community at large.

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

INTEGRATING SUSTAINABILITY

Material Topics	Disclosure of Management Approach	Management of Capitals
Waste GRI 306-1: Waste Generation and significant waste related impacts. GRI 306-2 : Management of significant waste related impacts. GRI 306-3: Waste generated Bio Diversity GRI 304-1: Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas.		
Employment GRI 401-1: New Employee Hire and Employee Turnover. Training GRI 404-1: Average Hours of Training Per Year Per Employee. GRI 404-3: Percentage of employees receiving regular performance and career development reviews. Occupational Health and Safety GRI 403-9: Work related injuries.	Labour Practices and Decent Work	Management of Intellectual and Human Capital
Prevention of Child Labour, Prevention of Forced and Compulsory Labour GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining might be at risk. GRI 408-1: Operations and suppliers at significant risk for incidence of child labour. GRI 409-1: Operations and suppliers at significant risks for incidents of forced or compulsory labour. Local Communities GRI 413-1: Operations with local community engagement, impact assessments, and development programmes.	Society	Management of Social and Relationship Capital
Socio – Economic Compliance GRI 419-1: Non-Compliance with laws and regulations in the social and economic area. Customer Health and Safety GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services.	Product and Service Responsibility	
Marketing and Labelling GRI 417-2: Incidents of non-compliance concerning product and service information and labelling.	Supply Chain	

THE CAPITALS REPORT

FINANCIAL CAPITAL

PERFORMANCE HIGHLIGHTS 2020/21

Rs. **64,501** million
GROUP REVENUE

Rs. **6,061** million
GROUP EBIT

Rs. **11,158** million
NET WORKING CAPITAL

Rs. **30,156** million
TOTAL LIABILITIES

Rs. **3,253** million
GROUP EARNINGS

CAPITAL RESOURCES

Rs. **63,594** million
TOTAL ASSETS

Rs. **33,438** million
EQUITY

15%
ROCE

21%
DEBT TO EQUITY

FINANCIAL PERFORMANCE

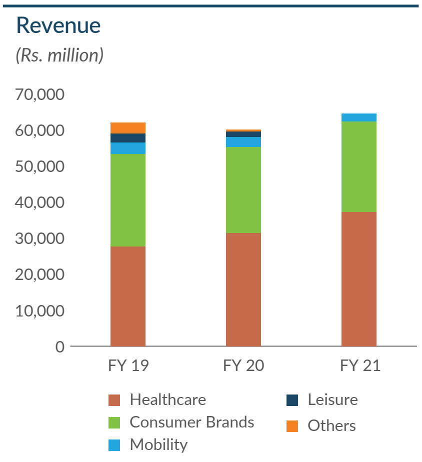
Revenue

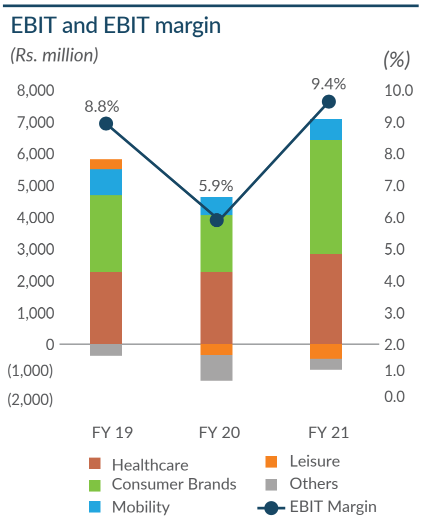
The Group generated a consolidated revenue of Rs. 64.5 billion during the period under review, with a year-on year growth of 7.4%. The growth was led by Healthcare and Consumer Brands which together contributed 12.8% growth over the last year. The underlying revenue witnessed a growth of 11.3% over last year considering the divestment of Serendib Hotels PLC (SHOT), Travel and Aviation segment and N-*able*. Three-year underlying revenue Compound Annual Growth Rate (CAGR) stood at 15.2%.

The core businesses were steadily recovering from the aftermath of the 2019 Easter Sunday terrorist attacks when the country experienced the first COVID-19 outbreak in March, 2020. Widespread national lockdowns saw large parts of our HPC and the Learning Segment, Atlas, being hit by sudden and sharp drops in volumes, and disruptions to factory production while our Healthcare Businesses were impacted by declined footfall at the hospitals and distribution disruptions (i.e. pharmaceuticals) We also saw slowdowns in port operations which adversely affected our Mobility Sector. As a result, the revenue growth momentum was derailed during the first quarter of the financial year 2020/21.

Healthcare and Consumer Brands Sectors were able to recover faster, given the nature of the products and service offerings. Quarter-on-quarter growth in revenue is seen across the sectors with strong volume-led recovery except in Hospitals and the Learning Segment.

The revenue breakdown across the different sectors of the Group is shown below;

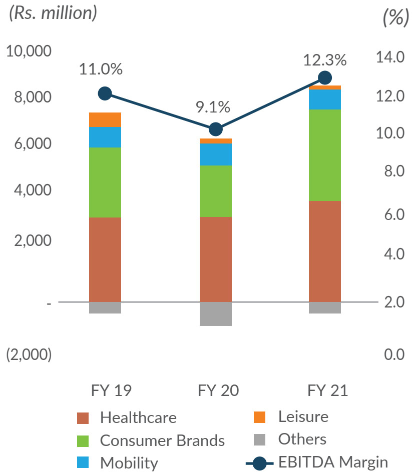




Extract from Consolidated Income Statement

Year Ended 31 March	2021 Rs. million	2020 Rs. million
Continuing Operations		
Revenue	64,501	60,043
Gross Profit	19,417	19,148
Other Operating Income	681	623
Share of Results of Equity Accounted Investees (Net of Tax)	(333)	(120)
Operating Profit	**6,061**	**3,532**
Finance Cost	(639)	(960)
Finance Income	249	269
Profit Before Tax	**5,670**	**2,841**
Income Tax Expenses	(1,523)	(1,357)
Profit from Continuing Operations	**4,147**	**1,484**
Loss after Tax from Discontinued Operations	**(805)**	**(121)**
Profit for the Year	**3,342**	**1,363**
Attributable to:		
Equity Holders of the Parent	3,253	1,236
Non-Controlling Interests	89	127
Earnings Per Share (Rs.)		
Basic Earnings Per Share	5.46	2.07
Diluted Earnings Per Share	5.45	2.07
Dividend Per Share (Rs.)	0.40	1.45

EBITDA and EBITDA margins



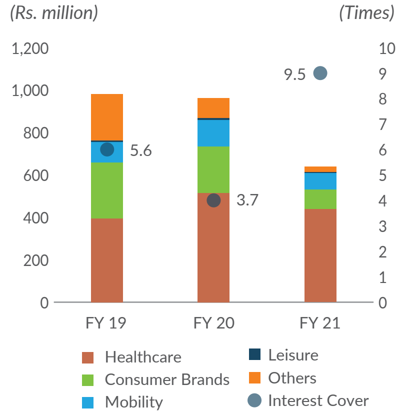
The Group's performance strengthened during the year, reflecting an EBITDA growth of 45.9% to record Rs. 7.9 billion over Rs. 5.4 billion reported last year. EBITDA growth was led by Healthcare and Consumer Brands Sectors which contributed over 37.7%, stemming from revenue and margin improvement. The underlying EBITDA of Rs. 7.7 billion excluding the impact of the disposals increased by 27.2% during the period under review. Three-year underlying CAGR for EBITDA was 15.5%. Group recorded an EBIT of Rs. 6.1 billion, an increase of 71.6% from the previous year. Underlying EBIT growth stood at 43.4% compared to the prior year. EBITDA margin for the Group stood at 12.3% against 9.1% recorded last year whilst EBIT margin was at 9.4% against a 5.9% reported financial year 2019/20. Given the unprecedented challenges and operating conditions arising from the COVID-19 pandemic, the Group implemented cost conservation initiatives by freezing all non-essential expenditure with stringent expense control measures. As a result, the Group maintained its overhead costs at Rs. 13.7 billion during the year, which is a 15.0% reduction in comparison to last year. Administrative expenses, a significant portion of overheads, declined by 17.1% during the year, while the Sales and distribution expenses reduced by 11.9%. Amongst the administrative expense savings over last year, 79.0% was owing to the divestment of a major part of operations of the Leisure segment and disposal of N-*able*. Further, several key sectors including the Learning Segment and Hospitals have generated cost savings arising from the implementation of lean management initiatives in recent years. Exchange rate impact was stable during the first three quarters enabling lower than expected fluctuations in raw material prices. However, the steep deprecation of the rupee in Q4 impacted the profit margins during the latter part of the year. Myanmar operations continued to face challenges during the quarter due to political uncertainty and exchange losses, resulting in deteriorating profitability of the Healthcare Sector.

Considering the Human Capital, Group has made a gratuity provision of Rs. 208.5 million. Employee Provident Fund (EPF)/ Mercantile Service Provident Society (MSPS) and Employee Trust Fund (ETF) contributions have been made for all employees in a timely manner complying with the statutory requirements. Despite the challenges faced, the Group paid a bonus of Rs. 710.9 million to the staff during the year. The response by the Group to ensure the highest levels of safety and care of the employees resulted in additional costs during the year.

The Group engaged in multiple CSR initiatives to enhance its Social Capital. Donating PCR machines, building of outdoor COVID-19 screening centres, converting manufacturing plants to produce reusable face masks, developing COVID-19 awareness booklets to be distributed, developing COVID-19 treatment wards, donating medicine, personal protective equipment, essential hygienic products to schools, hospitals and Government related institutions were some of the key initiatives that were undertaken during the period under review. Hemas Outreach Foundation along with *Ayati* (a centre of excellence for children with disabilities) launched a programme named '*Eka Se Salakamu*' which was aimed at empowering children with Down Syndrome.

Finance Expense

Finance Expense and Interest Cover



Finance expense for financial year 2020/21 was Rs. 639.5 million, a decline of 33.4% year against Rs. 960.4 million reported last year. Key reasons for the decline were;

- Repayment of Group debt through cash generated from improved operating results and better working capital management. This reduced borrowings during the year resulted in Group Debt position droping to Rs. 7.0 billion.
- Lower interest rate regime which prevailed throughout the year.
- Capitalisation of borrowing cost for Morison's new facility in accordance with the Group accounting policy, and as per accounting standard IAS-23.

The finance income during the year was Rs. 248.7 million, a decrease of 7.7% against the previous year. The reduced deposit rates from 10-12% in financial year 2019/20 to 5%-7% in financial year 2020/21 was seen as a key reason for the decrease in finance income. Further, the deposits in Morison were utilised to finance the construction of the facility in Homagama which resulted in a lower finance income for the period under review.

THE CAPITALS REPORT

FINANCIAL CAPITAL

Taxation

The Group recorded tax expense of Rs. 1.5 billion, an increase of 12.3% compared to last year. This is an increase of Rs. 166 million against last year's tax expense on account of the overall Profit Before Tax increase of 99.6% from Rs. 2.8 billion to Rs. 5.7 billion in financial year 2020/21. Effective tax rate for the Group during financial year 2020/21 was 27% compared to 48% last year. Improved profitability of segments under the Consumer Brands and Healthcare Sectors which is taxed at a relatively higher rate was the key reason for the increase in the expenditure during the year. In financial year 2019/20, the Group fell under two tax brackets, where the first nine months was charged at 28% whilst the tax regime changed to 24% after January 2020.

Profit After Tax Attributable to Equity Holders of the Parent (Earnings)

Earnings for the year increased by 163.3% to Rs. 3.3 billion during the year led by commendable performance of the Consumer Brands and Healthcare Sectors. Underlying net profit attributable to equity holders increased by 92.7% from Rs. 2.0 billion to Rs. 3.8 billion during the period under review. Similarly, the underlying net profit margin of the Group increased to 6.3% from 3.7% recorded last year.

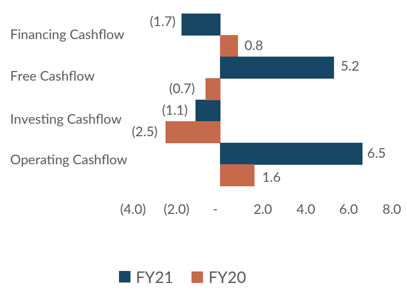
Non-Controlling Interests (NCI)

The allocation of Profit After Tax (PAT) attributable to NCI declined from Rs. 127.0 million to Rs. 88.6 million, a reduction of 30.2%. The decrease was primarily stemming from the increased losses attributable to SHOT. Further, changes in the shareholding structures within the Group in the Maritime Sector and delisting of Morison also contributed to the lower NCI.

Cashflow

Cashflow Analysis

(Rs. billion)



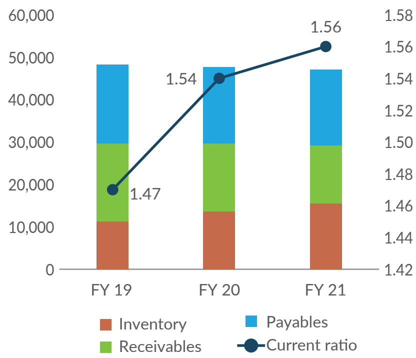
The Group's cash inflow from operating activities increased from Rs. 1.6 billion in financial year 2019/20 to Rs. 6.5 billion during the year. The significant increase was as a result of the strong growth of 99.6% increase seen in Profit Before Tax.

The improvement in the liquidity position during the year enabled the Group to strengthen its resilience amidst the pandemic. Focused attention on working capital management was also witnessed during the year where a decrease in trade and other receivables resulted in a cash inflow of Rs. 1.9 billion compared to a cash outflow of Rs. 2.1 billion in the prior year. The decline was a result of establishing efficient procedures for collection of debtors, primarily Government debtors in the Healthcare Sector.

Inventory recorded a cash outflow of Rs. 2.1 billion in comparison to Rs. 2.4 billion in financial year 2019/20. The cash outflow was due to building up of stocks of high priority products and raw materials in Consumer Brands and Healthcare Sectors to avoid interruptions in supply chains that could arise due to sudden lockdown situations. Further, seasonal changes seen in the Learning Segment due to the delay in reopening of schools also resulted in an increase in the inventory balances.

Working Capital

(Rs. million) *(Times)*

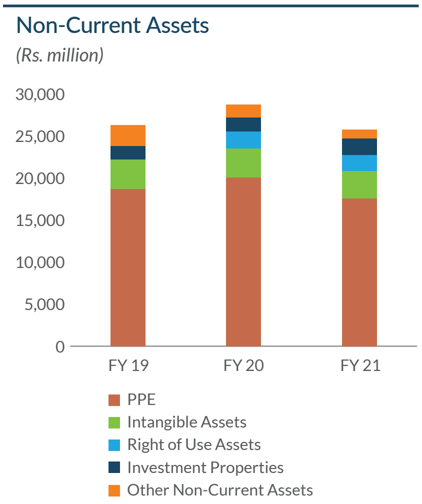


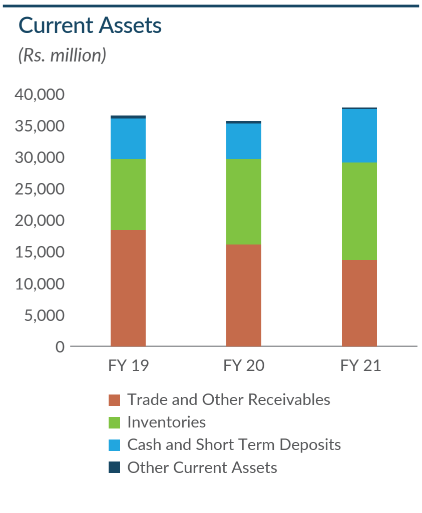
Trade and other payables reported a cash inflow of Rs. 504.9 million in comparison to Rs. 2.2 billion recorded last year. This was due to effective negotiations that took place for extended credit periods with suppliers.

Net cashflow used in investing activities was Rs. 1.1 billion compared to Rs. 2.5 billion in financial year 2019/20. This included a Capital expenditure (CAPEX) of Rs. 1.8 billion against Rs. 3.0 billion recorded last year. Optimisation of CAPEX was focused following re-phased investments to conserve cash and supply flexibility in light of the COVID-19 pandemic. Net cash outflow used in financing activities was Rs. 1.8 billion compared to the cash inflow of Rs. 833.6 million in the previous year. Loan repayments accounted for 63% of the total cash outflow from financing activities.

FINANCIAL POSITION

Group Assets





Total Group Assets at 31 March 2021 stood at Rs. 63.6 billion in comparison to Rs. 64.4 billion in the previous year. This is a decrease of Rs. 786.0 million owing to the disposal of subsidiaries that took place during the year. The divestment of SHOT accounted for 7.2% of the total asset base in financial year 2019/20, hence had an impact on the decline of the total asset base in financial year 2020/21. Group invested Rs. 1.8 billion as CAPEX during financial year 2020/21 majority of it for the completion of the construction of the Morison Pharmaceutical Manufacturing plant. No other major CAPEX investments were made apart from recurring CAPEX. Depreciation related to the plant will be charged from next financial year onwards.

Extracts from the Consolidated Statements of Financial Position

As at 31 March	2021 Rs. million	2020 Rs. million
TOTAL ASSETS		
Non-Current Assets	**25,700**	**28,727**
Property, Plant and Equipment (PPE)	17,540	20,033
Investment Properties	1,942	1,648
Right of Use Assets	1,879	2,028
Intangible Assets	3,290	3,439
Investment in Equity Accounted Investees	557	701
Lease Receivables	140	172
Other Non-Current Financial Assets	209	541
Deferred Tax Assets	144	164
Current Assets	**37,895**	**35,654**
Inventories	15,451	13,560
Trade and Other Receivables	13,655	16,094
Cash and Short term deposits	8,458	5,617
Equity And Liabilities		
TOTAL EQUITY and LIABILITIES		
Equity Attributable to Equity Holders of the Parent	**31,895**	**27,914**
Non-Controlling Interests	1,543	3,560
Total Equity	**33,438**	**31,474**
Stated Capital	7,776	7,734
Other Components of Equity	2,161	1,389
Retained Earnings	21,778	18,574
Non-Current Liabilities	**5,869**	**9,697**
Interest Bearing Loans and loans	3,196	4,738
Other Financial Liabilities	278	2,207
Current Liabilities	**24,287**	**23,209**
Trade and Other Payables	17,947	17,937
Interest Bearing Loans and Borrowings	3,260	3,363
Bank Overdraft	504	1,396

Group Debt and Capital Structure

		FY 21	FY 20
Short term debt	(Rs.million)	**3,764**	4,759
Long term debt	(Rs.million)	**3,196**	4,738
Gross debt	(Rs.million)	**6,960**	9,497
Net debt	(Rs.million)	**(1,498)**	3,880
Net debt / EBITDA	(times)	**(0.2)**	0.7
Gearing ratio	(%)	**17.2%**	23.2%

Group debt decreased by 26.7% to Rs. 7.0 billion in financial year 2020/21. The decrease was due to repayment of existing loans and reduced borrowing by entities in the Healthcare Sector. Group debt comprises of 54.1% of short term debt and 45.9% of long term. Stringent working capital initiatives implemented by the Group has resulted in decrease of short term debt from Rs. 4.8 billion to Rs. 3.8 billion in financial year 2020/21. Majority of the debt is stemming from the Healthcare Sector of which Rs. 2.5 billion is made on account of the Morison Pharmaceutical Manufacturing plant.

The Group was reaffirmed with a AAA (lka); outlook stable rating by Fitch Rating's Sri Lankan Agency which further increased the Group's capacity to borrow at favourable rates. This, together with substantial headroom in available and unutilised bank facilities, and a lower Net Debt to EBITDA ratio of (0.19) times in financial year 2020/21 indicates the Group's strong liqudity position.

Cash and Cash Equivalents

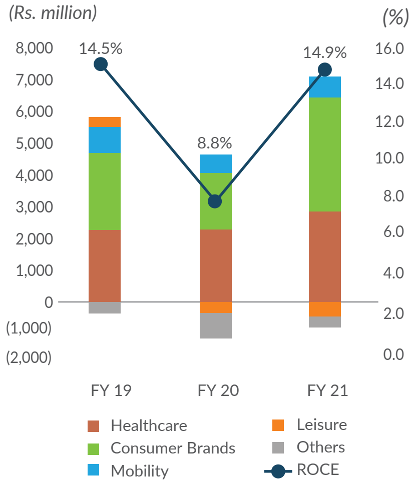
Cash and cash equivalents as at 31 March 2021 stood at Rs. 8.5 billion against Rs. 5.6 billion recorded as at 31 March 2020. The increase is due to the reasons outlined in the cashflow section. Cash and cash equivalents comprises of Rs. 5.6 billion of cash in hand and bank and Rs. 2.9 billion of deposits during the year.

Efficiency

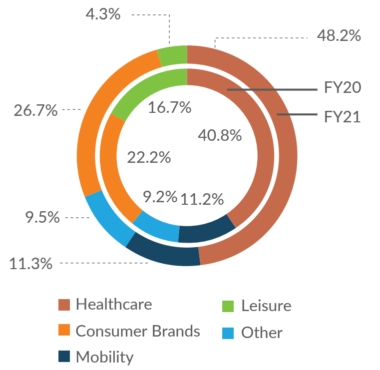
Group's Return on Capital Employed (ROCE) increased from 8.8% to 14.9% in financial year 2020/21. The increase is primarily due to the increase in EBIT and increased asset turnover recorded during the year. The Consumer Brands and Healthcare Sectors recorded increases in capital employed of 15.7% and 18.3% respectively in financial year 2020/21 compared to last year.

During the year the Group has enhanced its Manufactured Capital by investing Rs. 972.3 million in an EU-GMP compliant pharmaceutical manufacturing and research facility in Homagama.

Operating Profit and ROCE
(Rs. million)



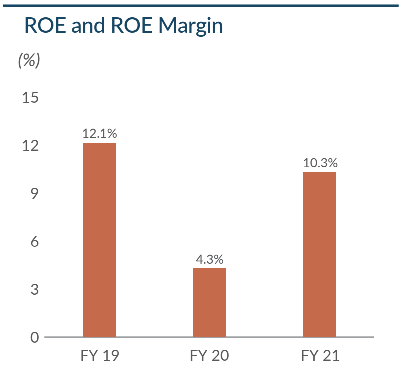
Capital Employed
(%)

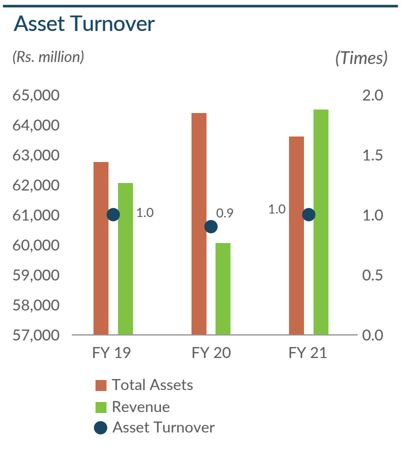


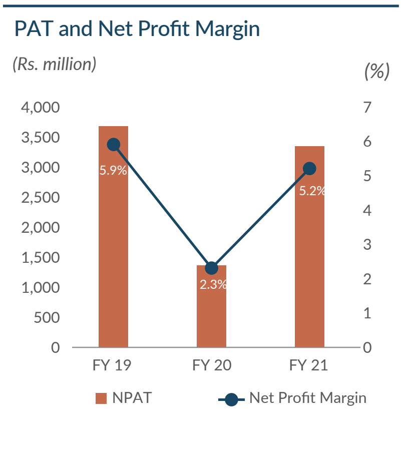
Return On Equity (ROE)

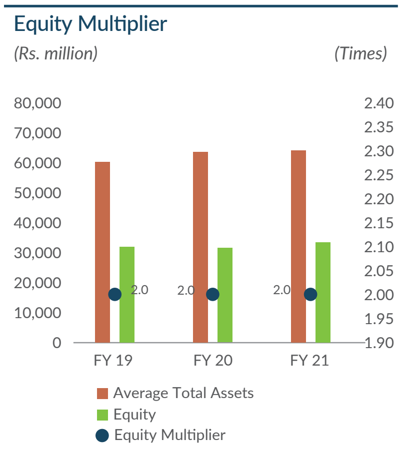
	Reported ROE (%)	=	Net Profit Margin (%)	X	Asset Turnover (Times)	X	Equity Multiplier (Times)
FY21	10.3%		5.18%		1.0		1.97
FY20	4.3%		2.27%		0.9		2.01
FY19	12.1%		5.93%		1.0		1.98

Group's return on equity (ROE) increased from 4.3% to 10.3% during the period under consideration.









MANUFACTURED CAPITAL

The Group's businesses involve significant investments in Manufactured Capital which comprises property, plant and equipment, right of use assets and investment properties.

Manufactured Capital accounts for 33.6% of total assets and amounts to Rs. 21.4 billion. Properties owned by the Group are also included as the buildings, plant and equipment are to a large extent indivisible from the land.

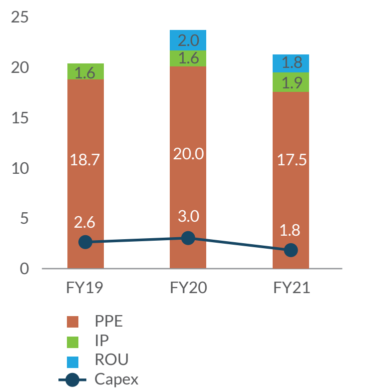
The Group continues to strengthen its earnings capacity through astute investments in its Manufactured Capital, facilitating timely adoption of new technologies, expansion of product portfolios, upscaling for growth and reducing the carbon footprint.

Investment in Manufactured Capital for the year

Rs. 1.8 billion

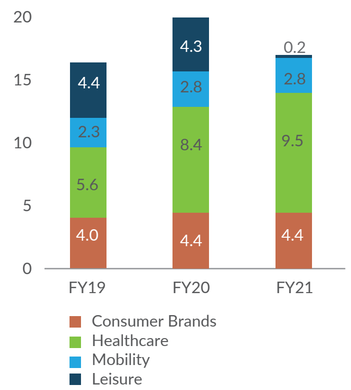
Manufactured Capital by Category

(Rs. billion)



Manufactured Capital by Sector

(Rs. billion)



OVERVIEW

Investments in capital expenditure amounted to Rs. 1.8 billion, largely attributable to the investment in the Morison pharmaceutical manufacturing plant. Right of Use Assets added Rs. 286.2 million to the Group balance sheet during the year Leases which required capitalisation of operating leases with the liability recognised in interest bearing borrowings. Related depreciation and amortisation charge for the year amounted to Rs. 1.5 billion.

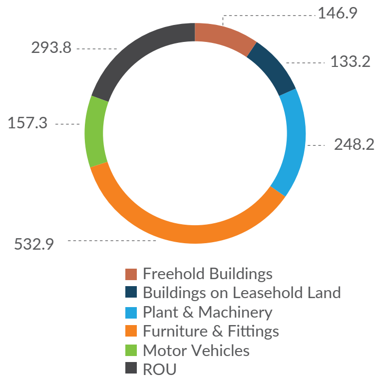
Prudential measures to preserve cash necessitated optimising total discretionary expenditure, including capital expenditure. However, the Group continued to invest in the construction of a EU-GMP complaint pharmaceutical research and manufacturing facility in Homagama, which was opened in October 2020.

Manufacturing and Research Facility in Homagama.

Modern integrated logistics park, Spectra

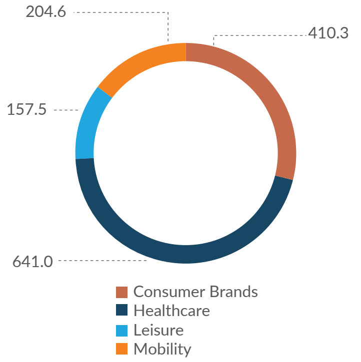
Depreciation & Amortisation By Type of Asset

(Rs. million)



Depreciation & Amortisation by Sector

(Rs. million)



Consumer Brands

Home and Personal Care Sri Lanka

The manufacturing facility of HPC Sri Lanka is located on 16 acres of land in Dankotuwa with capability to produce a range of products including soap, sanitary napkins, detergent, perfume and skin care lines and more recently, handwash and hand sanitiser. This complex is the strength underpinning the Home and Personal Care portfolio of well-loved Sri Lankan brands and includes an R&D and manufacturing facility. The warehouse is located on an acre of land in Welisara.

Learning Segment

The home of the country's much loved and largest stationery supplier is located at Peliyagoda and Welisara on 4 acres of land. These plants are honed to high levels of productivity and are renowned for excellence in engineering. The plant produces over 2 million items daily for a broad portfolio of product ranging from its first product, the pencil to colour products, office stationery, books, bags, bottles, lunch boxes and paper products.

Healthcare

Hemas Hospitals comprises two fully-fledged tertiary care facilities located in Wattala and Thalawathugoda. Fit-for-purpose buildings facilitating high levels of patient care, these hospitals are equipped with modern technology including MRI, CT and Ultra Sound scanners as well as X-ray, Ex ECG and Echo, and laboratories facilitating diagnosis and delivery of treatment and therapies for positive patient outcomes.

During the year, a primary care centre was also opened in Negombo on a rented property.

Hemas Hospital - Wattala

119 Beds

5 Theatres

Centres of Excellence

- In vitro fertilization unit (IVF)
- Gastrointestinal unit (GI)
- Orthopaedic unit
- Renal unit

Hemas Hospital - Thalawathugoda

55 Beds

3 Theatres

Centres of Excellence

- Cosmetics
- Renal unit

Pharmaceutical Manufacturing

Manufacturing and Research Facility in Homagama

This state-of-the-art pharmaceutical manufacturing and research facility is located at the Sri Lanka Institute of Nanotechnology (SLINTEC) Park, Pitipana, Homagama. It is the country's largest oral solid dosage manufacturing plant, and the first to comply with EU-GMP standards. Built on over 5 acres with a total investment of USD 18 million, the plant covers a 100,000 square feet with a capacity of 5 billion tablets per annum. This plant will commence commercial production in the second quarter of financial year 2021/22.

Factory in Mutwal

The present manufacturing facility is compliant with WHO-GMP standards and is a National Medicines Regulatory Authority (NMRA) approved facility. It manufactured 1.9 billion tablets and 366 kilo litres of medicine during the year. This facility is located in the heart of Colombo's commercial district alongside some of the country's oldest establishments and has significant commercial value.

Head Office

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

Mobility

Spectra

A modern integrated logistics park located on 15 acres in Muthurajawela with the capacity to meet the specialised requirements of pharmaceutical and Fast Moving Consumer Goods clients. A fleet of specialised vehicles support its position as a leading player in the logistics business in Sri Lanka. Designed to global standards with 5 chambers and 7 high racking systems, the park has a capacity of nearly 25,000 palette positions supported by automated material handling and proprietary software developed by GAC Global which is supported by global IT centres in Singapore and Dubai.

Leisure

Peace Haven Resorts

A luxury hotel sprawling over 19 acres of prime beach frontage property in Tangalle creates a unique ambience for the discerning guests.

Mowbray

Over 32 acres of land in the famed hill capital of the country, Kandy.

Sanctuary Wilpaththu

Over 43 acres of land at Wanathawillu adjacent to one of Sri Lanka's most popular nature reserves.

Head Office

This landmark building in the heart of Colombo's modern commercial district is the head office of the Group and several of its subsidiaries. Comprising 10 floors, it is a modern building that Houses Over 450 employees.

INTELLECTUAL CAPITAL

These intangible capitals of the Group are the critical success factors that shape performance and the differentiating competitive advantage. This section of the report explores these intangible resources which make Hemas unique in terms of its corporate identity.

HEMAS VALUES

HEMAS BRANDS

SOFTWARE, SYSTEMS and PROCESSES

TACIT KNOWLEDGE

CULTURE OF INNOVATION

PERFORMANCE EXCELLENCE

HEMAS VALUES

Hemas values run as a common thread connecting a diversified corporate to a unique set of values that serves as a compass for day to day operations.

Values

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

HEMAS BRANDS

A wide-ranging portfolio of brands that reach the consumers throughout the country is how Hemas becomes relevant to customers, fulfilling their everyday needs. These brands are synonymous with value for money, and many have earned the trust of Sri Lankan families as they have been in homes for more than seven decades.

Home and Personal Care

Ensuring the availability of affordable high quality products for everyday hygiene of the nation.

Atlas

Country's number one choice for school and office stationery, available island-wide, and used by Sri Lankans of all ages.

Morison

A range of world class tried and tested over the counter health products.

Spectra

The trusted brand for synergised logistics solutions in supply chain, freight and project and container services.

A CULTURE OF INNOVATION

Hemas has a culture of innovation within the Group which supports continuous product improvement and development of new products and categories driving disruption within its businesses.

Product Innovation

Innovation driven through the established processes of our business units

Continuous Process Improvement

Initiatives to save time and resources to build sustainable businesses

Adahas

Internal crowd sourcing effort to identify and implement ideas that are good for business engaging 7,000+ employees

Hemas Slingshot

A platform for entrepreneurs and inventors to pitch ideas and inventions which fall into the strategic areas of our operations

Ideathon

Group-wide call for the best and most interesting ideas to drive the next phase of growth at Hemas.

In addition to the health pandemic, the COVID-19 crisis has resulted in major business challenges, created significant dislocation and change in our markets and to our consumers and as a result has opened new opportunities where none previously existed.

New products launched in financial year 2020/21

Home and Personal Care

- *Shield* Handwash
- *Shield* Hand Sanitiser
- *Clogard* Natural Salt
- *Diva* Power Germ Guard Liquid and Powder
- *Kumarika* Thinning Control Hair Oil
- *Kumarika* Body Massage Oil
- *Kumarika* Hand Sanitizer
- *Baby Cheramy* Herbal range
- *Actisef Soap*

Atlas

- Anti-bacterial book range
- Anti-bacterial range of pens
- Sunflower Triangular Pencil
- Relaunch of Atlas Pastel
- Relaunch of Atlas Glue in mess free bottles

Morison

- *Empamor* (Empagliflozin) 10 mg
- *Lacto* Hydra Intense

Shield Hand Sanitizer and *Shield* Hand Wash were product extensions of the brand *Shield* developed to meet the growing need for sanitizers and hand wash products with anti-bacterial and germ-killing properties. HPC International also launched *Kumarika* Hand Sanitizer and *Actisef* soap products with similar active germ killing agents and anti-bacterial properties. HPC entered into the large family mint toothpaste space with *Clogard* Natural Salt. The products added to the *Diva* range focuses on premiumisation of this established brand with value added offerings. *Baby Cheramy* became the first brand in Sri Lanka in the baby category to obtain the coveted SLS (Sri Lankan Standards) quality accreditation reiterating our commitment to offer superior products. This much-loved brand was relaunched with a campaign focused on "inclusive-parenting". *Kumarika* range also welcomed its thinning control variant and the body massage oil within the year.

Recognising the increased focus on health, Atlas partnered with SLINTEC to create a book and pens anti-bacterial range, the first of its kind in the market, and raising the bar on consumer-centric innovation. The launch of the Sunflower triangular pencil supports owning the triangular proposition and communicating the higher order benefit to consumer. Atlas Pastel was relaunched with improved functionality in terms of brightness in colour and smoothness along with print tech based attractive packaging relaunch. Similarly, key glue SKUs were launched in mess-free bottle format with superior product functionality.

Morison launched *Empamor*, the first locally-manufactured Sodium Glucose Co Transporter 2 Inhibitor, an oral medication to treat type 2 diabetes. *Lacto* Hydra Intense was developed to as a specialist skincare solution for sensitive skin, widening the *Lacto* portfolio.

Continuous Process Improvement

Several projects were launched across the SBU's to drive process efficiencies, deliver competitive advantage and improve turnaround times.

Hospitals

- Optimise material usage in laboratories by reduction of waste and improving the methods in performing lab testing through innovation.
- Driving Hemas to become the fastest report delivering laboratory chain in the country by supporting faster diagnosis and better clinical outcomes.
- Pharmacy transformation project at Thalawathugoda to improve patient experience.
- Reducing non-value added activities of nursing staff using Patient Pack Model Project.
- Lean Initiatives across the sector
- Accelerating implementation of Electronic Health Records.

Pharmaceutical Distribution

- Setting up a data analytics platform across operational areas
- Launch of *Beheth 2.0* mobile application to connect to pharmacies.
- Automation of key processes.

Pharmaceutical Manufacturing

- Restructuring of generic pharmaceutical products by converting distributors to direct retailers.
- Establishing an EU-GMP compliant quality management system at Homagama plant in readiness for certification.
- Outsourcing of over the counter brands distribution to Pharmaceutical Distribution driving Group synergies and specialisations.
- Lean initiatives at Mutwal factory.

SOFTWARE, SYSTEMS AND PROCESSES

In an increasingly digital era, software, systems and processes combine to ensure due process and care in our value creation processes and effective internal controls. They also provide information for monitoring performance and decision making forming an integral part of how the Board receives information on performance and risks related to the Group's operations. Certifications provide assurance to the Board and external stakeholders on important aspects of the Group's processes.

Reliable processes empowering performance

Policy Framework | Software | Certifications

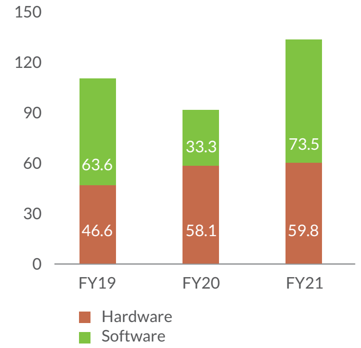
A sound policy framework approved by the Board encompassing, accounting, human resources, conduct and ethics and sustainability provides guidance on conduct, recording and reporting of financial and operational matters to the Senior Management and the Board.

The Group has invested in digitization of its processes enabling scalability in operations, improved turnaround times, enhanced security of information assets and cost efficiencies. This supports availability of the right information, in right form at the right time across multiple devices empowering employees and leaders to manage their own and the organisation's performance, enabling better decisions closer to action.

The Group has also obtained certifications for key processes of our businesses, benchmarking with international best practice and providing assurance to the Board and external stakeholders of its commitment to responsible manufacturing and sound management systems. This also supports access to markets for export businesses.

Capital Investments in IT

(Rs. million)



Consumer Brands	
Hemas Manufacturing • Dankotuwa Manufacturing Facility - ISO 14000 EMS (Environment Management System) • OHSAS 18001 SLS Certification for *Kumarika Hair Oil*	**Atlas Company** • ISO 9001:2015 • ISO 14001:2015 • ISO 18001:2007

Healthcare		
Hospitals • Australian Council on Healthcare Standards International Accreditation • Integrated Management Systems (IMS) accreditation with ISO 9001, ISO 45001 and ISO 14001 • OHSAS 18001 Certificate for Occupational Health and Safety • ISO 15189:2012 Accreditation for Clinical Laboratories – Wattala and Thalawathugoda	**Pharmaceutical Manufacturing** • GMP - Good Manufacturing Practices certification	**Pharmaceuticals Distribution** • ISO 9001-2015 Compliance Certification for the Department of Compliance, Quality, Health and Safety and Scientific Affairs • Hemas Pharmaceuticals becomes the first pharmaceutical company in Sri Lanka to be awarded the SLS 1672:2020 COVID -19 Safety Management System Certification from the Sri Lanka Standards Institution (SLSI)

Mobility	
Hemas Maritime (Private) Limited • AISO 9001:2015	**FAR Shipping Agency Lanka (Private) Limited** • ISO 9001:2015

TACIT KNOWLEDGE

Tacit knowledge is the knowledge that needs to be transferred through experience as it is difficult to transfer through verbalisation of written communication. This has been nurtured and reinforced over seven decades at Hemas through a nurturing and mentoring culture and shared stories and experiences passed down from older employees to new employees, forming a unique culture. The Group has also implemented initiatives such as Speed Mentoring and Knowledge Sharing sessions by senior leaders and Group Coaching to provide platforms for nurturing this valuable intangible. The appointment of the new CEO from within Hemas, well versed in Hemas lore, facilitates the nurturing of tacit knowledge within the Group.

Striving for Excellence

Hemas Group continues to set high bars for performance and has been rewarded with the following awards, which celebrate its excellence in various aspects of operations.

	Awards and Accolades
Consumer Brands	**Home and Personal Care**
	• National Quality Award 2019/20 by Sri Lanka Standards Institute - Gold Award
	• Keells Supplier Convention 2020/21 - Best Performing Supplier (Platinum Tier)
	• SLIM DIGI 2.0 by Sri Lanka Institute of Marketing *Dandex*: - Silver Award - Best Use of Technology in Marketing - Bronze Award – Beauty/Personal Care/OTC *Clogard* Fresh Blast: - Silver Award – Best Use of Branded Content
	Learning Segment
	• Global Performance Excellence Award 2020 by Asia Pacific Quality Organization - World Class Winner
	• International Best Practice Award 2020 by Asia Pacific Quality Organization - Gold Category Winner
	• Innovation Class Award (AIC) 2020 by Asia Pacific Quality Organization - Star Category Winner
	• National Convention on Quality and Productivity (NCQP) Awards 2019 by Sri Lanka Association for the Advancement of Quality and Productivity - Gold Awards – 25 - Silver Awards – 2 - Bronze Awards - 3
	• Migara Ratnatunge Trust Award 2020 by the Institution of Engineers Sri Lanka The Best Industrial Training Project - Mechanical and Manufacturing Engineering
	• All Island Health Innovation Award 2020 by Sri Lanka Medical Association
	• SLIM Brand Excellence 2020 by Sri Lanka Institute of Marketing - Bronze Award – CSR Brand of the Year
	• SLIM People's Awards 2021 by Sri Lanka Institute of Marketing - SLIM People's School Supply Brand of the Year

	Awards and Accolades
Healthcare	**Hemas Pharmaceuticals**
	• AstraZeneca Asia Area Frontier Markets Annual Conference - AstraZeneca Asia Area Frontier Markets – Country of the Year - AstraZeneca Asia Area Frontier Markets – Regulatory and Compliance Winner - AstraZeneca Asia Area Frontier Markets – Support and Compliance Tenders Winner
	Hemas Hospitals
	• National Convention on Quality and Productivity 2020 by Sri Lanka Association for the Advancement of Quality and Productivity - Gold Awards – 36 - Silver Awards – 12 - Bronze Awards – 2
Mobility	**Logistics**
	• ICS Customer Service Awards 2020– by Institute of Chartered Shipbrokers - Sri Lanka Branch - Outstanding Inland Container Depot – Import Category - Outstanding Inland Container Depot – Export Category

HUMAN CAPITAL

The Group's 5,621 strong workforce is one of its key strengths, pushing the Group forward with dedication, commitment and drive. Amidst the unprecedented challenges faced during the year, the Group continued to engage closely with its employees, supporting and motivating them with the highest health and safety standards and COVID-19 safety protocols.

Priorities	Actions	Impact
Employee engagement and dialogue	Open communication lines and multiple channels for engagement throughout lockdown period and beyond Ongoing awareness programmes to support employees through the pandemic	Greater employee engagement
Employee health and safety	Implementation of stringent health and safety protocols across all locations	Improved productivity
Nurture leadership from within and continued training opportunities	Shift to virtual training platforms and knowledge sharing /educational sessions	Motivated and empowered employees
Gender parity and diversity	Implement flexible work arrangements and also working from home (WFH) where applicable	Greater female participation in the workforce

HR GOVERNANCE

The Group has in place a strong governance structure, comprehensive HR Policy frameworks and robust systems and processes to nurture its Human Capital. Each of the Group subsidiaries has its own HR Department responsible for formulating and implementing HR procedures to suit the requirements of each business line. Corporate HR meanwhile ensures consistency in policies and procedures at Group level, is responsible for senior talent across subsidiaries and sets the tone for Group culture and values.

Hemas HR Policy Framework

Employment • Flexible Working Policy • General Guidelines and Working Conditions for Employees • Hemas Workplace Policy	**Remuneration** • Bonus Policy • Policies on short and long term incentive schemes	**Training and Education** • Group Training Policy
Diversity and Equal Opportunity • Guidelines for KidZone, MumZone and MedZone • Maternity, Paternity and Adoption leave Policy • Medical Leave Policy	**Non Discrimination** • Hemas Human Rights Policy • Policy to Prevent Sexual Harassment at the Workplace	**Security Practices** • Hemas House - Guidelines on Crisis Management
Employee Engagement • Grievance Policy • Whistle Blowing Policy	**Anti-Corruption** • Whistle Blowing Policy	

WORKFORCE PROFILE

Hemas is a strong proponent of diversity in the workplace and strives to ensure workforce diversity in terms of gender, age, ethnicity, educational and professional background. All religions and ethnicities are represented in the workforce and the Group encourages the employment of differently-abled individuals.

The Group predominantly employs full time employees, and there are no employees outside Sri Lanka in relation to the reporting boundary of this report.

As a responsible corporate entity, the Group ensures that all laws and regulations pertaining to child labour and forced/compulsory labour are strictly adhered to. No cases of child labour or forced labour were reported during the year. Meanwhile, strong policies ensure that no form of discrimination is tolerated. There were no reported incidents of discrimination during the year.

RECRUITMENT AND RETENTION

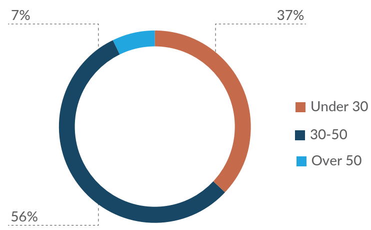
The Group provided employment opportunities to 889 new employees contributing to the gradual recovery of the economy affected by the COVID-19 pandemic.

All employees at the time of induction signs the Hemas Way document, which provides guidelines and relevant information on bribery and corruption. During the year, no significant risks were identified relating to corruption within internal business processes.

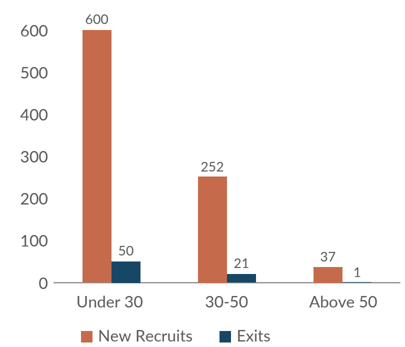
1,030 employees left the Group during the year resulting in a turnover rate of 21.4% [financial year 2019/20: 26.3%]. 40% of employees exits were women while 54% of exits were employees below the age of 30. The attrition rate among new hires amounted to 8.1% [financial year 2019/20: 9.3%].

	Female No.		Male No.
Workforce		**By Employment Contract**	
	1,246	Permanent	3,264
	98	Contract	196
	238	Outsourced	579
Employees		**By Sector**	
	223	Consumer	1,207
	1001	Healthcare	1,809
	58	Mobility	373
	62	Other	71
		By Grade	
	10	Directors	22
	40	Senior Management	131
	104	Middle Management	341
	295	Executives	626
	895	Non-Executives	2,340
		By Employment Type	
	1	Part Time	1

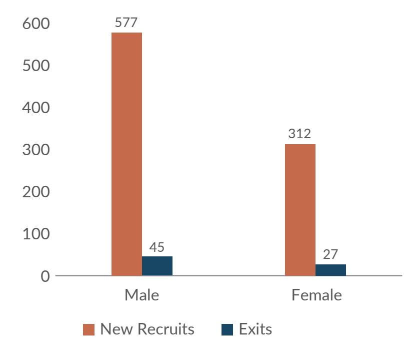
Employees by Age



New Recruits and Exits by Age



New Recruits and Exits by Gender



GENDER PARITY

Hemas is committed to increasing female participation in the workforce and strives to attract and retain female employees by having in place policies that encourage and empower women in the workplace.

Enablers

Key polices in place that promote gender parity include;

- Flexible Working Policy
- Hemas Workplace Policy
- Hemas Human Rights Policy
- Policy to Prevent Sexual Harassment at the Workplace
- Guidelines for KidZone, MumZone and MedZone
- Maternity, Paternity, and Adoption Leave Policy
- Medical Leave Policy

Parental Leave	Male	Female
Employees entitled to parental leave	2,168	1,348
Employees that took parental leave	36	66
Total number of employees that returned to work after parental leave ended	36	45

The Group also has created a female friendly work environment by providing a support system where women can fulfil their multiple roles to their maximum capacity. Key initiatives implemented include

KidZone - A Back-Up Care Arrangement

MumZone for Lactating Mothers

Flexible Work Solutions

Responsible Brand

SheWorks Partnership

The Hemas Group is a member of the SheWorks Partnership established by the International Finance Corporation (IFC). The initiative brings together leading organizations across industries to identify and implement 'gender-smart' solutions and is aimed at encouraging greater female participation in the workforce.

Voice of Women Initiatives

Hemas Voice of Women (VOW), a women's network was launched in 2017 as a forum for female employees across all business units and grades, to identify key challenges and constraints faced, and find workable solutions for these issues. The key objective of VOW is to create a more inclusive environment that attracts and retains more women into the workplace. During the year, several program including a session to create awareness on sexual harassment and a program on personal finance planning were conducted.

Fems Aya

Fems joined forces with the ARKA initiative, *Dilmah*'s Merrill J. Fernando Charitable Foundation, *Sarvodaya* Women's Movement and *Sarvodaya-Fusion* to educate a wider audience of Sri Lankan women on menstrual health and dispel long held myths and misconceptions.

COMPOSITION

Composition of Employees

% of Women	
Directors	31%
Senior Management	23%
Middle Management	23%
Executives	32%
Non-Executives	27%
Total	28%

EMPLOYEE ENGAGEMENT

A culture of open communication is key to maintaining high levels of engagement and the Group has in place multiple forums for employees to ask questions, voice their views and share suggestions. Employee satisfaction surveys are also conducted periodically to get a pulse of employee sentiments. A strong grievance handling mechanism which includes documented escalation procedures ensures that employees are able to voice their concerns without fear of reprisal. Meanwhile, the Group's Whistle Blowing Policy enables employees to communicate directly with Directors in the event of a perceived transgression.

All significant sectors have in place Joint Consultative Committees with employees and maintain constant dialogue between Management and employees through periodic direct management worker meeting. All employees of the Group have the ability to freely associate and Morison Limited has in place a formal collective bargaining agreement.

Employer engagement activities were critical for keeping employee moral high during the pandemic. In addition to keeping the lines of communication open through the use of virtual mediums, engagement activities were carried out throughout the year to support employees both at Group level as well as SBU level.

A sample of the engagement activities carried out during the year are shown below:

'I take responsibility. I take pride in safety' campaign Employees across the Group created videos and messages on how they can ensure their own safety. The campaign was a Group-wide initiative to encourage employees to take responsibility for their health and safety during the pandemic.	Hemas Pharmaceuticals conducted the *Prashansa* programme to acknowledge and recognise employee efforts to ensure business continuity amidst the pandemic.	Morison introduced 'Connect with MD' and 'Connect with COO' to provide employees the opportunity to engage with management virtually to discuss challenges and suggestions for improvement.
'February is not all about Valentines' was conducted by Morison as an employee appreciation programme where employees got the opportunity to appreciate their colleagues. Over 140 virtual appreciation notes were shared in this event.	Atlas conducted several religious festivities online including a virtual Christmas party.	Hemas Pharmaceuticals launched the '*Wenasak*' programme to encourage innovative thinking in driving the Group purpose.
Home and Personal Care conducted 'FMCG got Talent' virtually to encourage employees to showcase their talents.	Appreciation Week was carried out at Home and Personal Care to recognise and celebrate the contribution of associates through a week long series of activities.	'Hemas *Gee Miyasiya*' was organised by Hemas Hospitals.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to ensuring the highest health and safety standards across its operations and has in place a Group-wide Health and Safety Policy and specific management approaches for each of its locations to ensure adherence to the policy. The Health and Management System of the Group applies comprehensively to all manufacturing locations, and all locations are ISO45001 certified. Identification of health and safety risks and periodic audits are conducted to ensure compliance. Meanwhile, employee health and safety are closely monitored at both SBU and Group level with a special report on health and safety being submitted to the Human Resources and Remuneration Committee on a quarterly basis.

	Employees	Contract Personnel
High Consequence Injuries (No.) *Recovery time more than 6 months*	0	0
High Consequence Injury Rate *per 100 workers*	0	0
Recordable Injuries (No.) *Recovery time between 3 days and 6 months*	32	3
Recordable Injury Rate *per 100 workers*	0.67%	0.37%
Fatalities (No.)	0	0

All manufacturing locations prepare and maintain a Hazard Identification Risk Assessment (HIRA) document, which is reviewed periodically.

The Group continues to track and monitor workplace injuries as part of its efforts to identify hazardous areas and continuously improve working conditions. Officers responsible for ensuring health and safety carry out root cause analysis for all injuries and suggest process improvements to management. Health and safety trainings are also conducted for employees by health and safety officers.

Meanwhile, Hemas Wellness, the Group's dedicated wellness program for employees continued to conduct wellness initiatives across the Group despite the challenges of COVID-19. Key programmes conducted during the year include;

Hemas Wellness Initiatives

	No. of Programmes
Breast Cancer Awareness Programme (Webinar)	01
Cholesterol Campaign Health Screening: Lipid profile testing for Logistics and Home and Personal Care staff Awareness through digital platform (Webinar, WhatsApp groups)	02
Physical Activity/ Nutrition (Awareness programmes via digital platforms)	05
Mental Wellbeing (Awareness programmes via digital platforms)	06
Tobacco Cessation (Webinar and awareness through digital platform)	02

Heightened health concerns and mobility restrictions brought about by the COVID-19 pandemic required significant changes to the Group's working arrangements. The Group responded promptly, introducing tele-working guidelines, and implementing stringent health and safety protocols for essential workers. The table below highlights some of the specific measures taken at Group and subsidiary level to ensure business continuity, and the health and safety of all employees and their families.

Ensuring Employee Health and Safety During COVID-19

As the COVID-19 pandemic unfolded, the Group took immediate action and introduced stringent health and safety protocols and guidelines across its operations. An external consultant with extensive experience in handling infectious diseases was engaged at the onset to advice senior management on the best way to proceed. Several onsite audits and awareness programmes/trainings were conducted by the Consultant to assess the situation, after which protocols were put in place to carry on business safely and responsibly.

Group level Initiatives	• Establishment of a high level COVID-19 Management Committee under the leadership of Group CEO • Development of Group-wide health and safety guidelines document in line with the guidelines issued by the Ministry of Health and World Health Organisation • External health and safety audits by pandemic experts to obtain assistance in developing COVID-19 safety guidelines • Periodic safety audits by Group Risk Management to ensure adherence to health and safety guidelines • Establishment of a dedicated intermediary centre for Hemas staff testing positive for COVID-19 • Launch of 'I take responsibility, I take pride in safety, together we can stop the spread' campaign aimed at promoting employee responsibility in following safety protocols
SBU Level Initiatives	All SBUs' implemented COVID-19 safety protocols in line with the Group safety protocols. Meanwhile, specific programmes and processes were put in place to support employees through the pandemic and ensure the health and safety of employees and their families.

Pharmaceuticals	Hospitals	Morison	Logistics Park	Atlas	Home and Personal Care
• Daily Health and Safety Committee briefings with Managing Director • Ongoing awareness sessions for employees • Obtained SLS 1672 :2020 COVID-19 Safety Management System certification for all locations, including warehouse and office • Travel allowances for staff to avoid public transport	• All employees were provided PPE while family members were provided subsidised PPE packs • Awareness sessions for staff and family members • Introduction of batch rostering for hospital staff	• Formation of COVID-19 committees at Mutwal and Homagama • Provision of PPE for all staff • Need based transportation facilities • Weekly random PCRs' • COVID-19 awareness sessions for staff • Increased capacity in common areas • Batch rostering with accommodation facilities	• Weekly PCR test for 20% of the workforce	• Transportation for employees using public transport • Provision of PPE • Shifting all meetings to virtual platforms • Batch rostering for factory staff • Weekly awareness sessions • Immunity boosting drinks everyday • Facilitating weekly PHI visits • Weekly deep cleaning of factory premises • Daily safety audits	• Risk Assessments for workplace safety • Conducted Contractor COVID -19 safety programme

TRAINING AND DEVELOPMENT

Despite the disruptions caused by the pandemic, the Group continued its training and development activities by shifting to virtual platforms. During the year, a total of 26,120 [financial year 2019/20 : 58,168] training hours were provided to employees across the Group, with an average of 5.4 [financial year 2019/20 : 9.8] training hours per employee

Technical Skills	Leadership Development	COVID-19 Safety Awareness
Sales Management and Soft Skills	Lean Management	
Training Focus Areas		

Leadership Development

Structured mechanisms are in place to identify and develop key talent across the Group. Talent management sessions are conducted annually at SBU level to identify employees with leadership potential and then directed to specific leadership development programmes. Meanwhile, Human Resources and Remuneration Committee reviews the talent pool at Group level to identify high potential successors for critical roles.

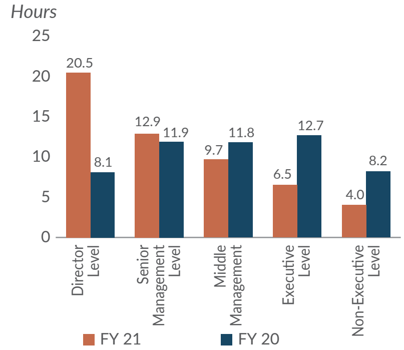
Performance Management

Performance management is part of the training and development process at Hemas and closely linked to career progression, incentives, remuneration and training needs identification. Goal setting is carried out at the beginning of the year and communicated to all executive and above level employees. Performance reviews based on set goals are conducted bi-annually for all executives and annually for all non-executives. The review process is a two-step process where the initial review is conducted by respective supervisors with opportunities for employees to discuss performance, understand areas of improvement and establish future goals. A bell curve of employee performance evaluations is then evaluated by a panel. Despite the challenges during the year performance reviews were conducted for all staff.

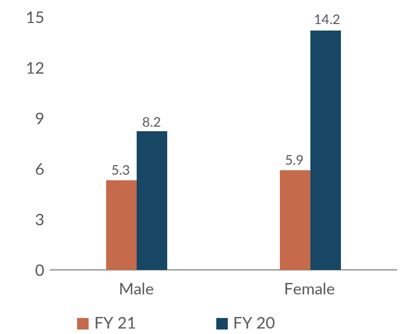
REMUNERATION AND BENEFITS

Remuneration comprises of a fixed pay component and an annual bonus which would either be a fixed amount or performance based variable amount depending on employee grade and SBU. All employees of the Group based in Sri Lanka are also eligible for the Mercantile Service Provident Society (MSPS)/ Employee Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions stipulated by law. The total contribution made by the Group to ETF for the reporting year was Rs. 93.2 million, while the contribution made to MSPS/EPF was Rs. 377.6 million. Employees are also entitled to gratuity and the total benefit liability as at 31st March 2021 was Rs. 1.0 billion. In addition to these statutory benefits, full time employees are also entitled to a range of benefits including medical insurance, staff loans, meals in certain businesses, transport facilities, travel allowances and many other benefits.

Average Training Hours (By Employment Category)



Average Training Hours (By Gender)



NATURAL CAPITAL

The Group's environmental agenda revolves around Responsible Consumption and Production (UNSDG 12) with a long term focus on Energy and Emission Management, Water and Effluent Management, and Waste Management. Meanwhile robust monitoring mechanisms are in place to ensure compliance with all regulatory requirements of the industries the Group operates in. The Group remains committed to environmental conservation and continues to promote sustainable forest management practices and biodiversity conservation.

	Environmental Priorities	Targets*	
	Energy Management	Energy Consumption	25% reduction by 2022 against 2017/18, and thereafter a 50% renewable energy target by 2025
	Water Management	Water Consumption	50% reduction by 2025
	Waste Management	Waste Generated	Zero waste to landfill by 2025

**Baseline for targets: FY 2017/18*

ENVIRONMENTAL GOVERNANCE

The Group Sustainability and Corporate Communications Division (GSCC) drives the Group's environmental agenda by identifying material topics, and developing relevant policies and targets in consultation with the Managing Directors of SBU's.

Operationalisation of the initiatives carried out to achieve environmental targets is driven by the Group's Environment Committee (GEC). The committee comprising of Chief Engineers from each business unit and members of the GSCC meet bi-monthly to discuss progress, address issues and share knowledge.

Standard Operating Procedures (SOPs) are in place to streamline processes while regular sustainability audits are carried out by the GSCC to ensure highest sustainability standards are met. Compliance with environmental laws and regulations is closely monitored at business unit level. There were no instances of environmental non-compliance during the period under review.

Sustainability Assurance Audits financial year 2020/21

- ✓ Morison Factory - Mutwal
- ✓ Morison Factory - Homagama
- ✓ Hemas Hospital - Thalawathugoda
- ✓ Hemas Pharmaceutical Warehouse Complex - Welisara

ENERGY MANAGEMENT

Resources Used

Energy Consumption

The reduction of energy consumption plays a vital role in the Group's environmental agenda, and it continues to work towards ensuring reduction of its carbon footprint with the efficient use of fossil fuel and electricity.

The Board of Directors along with the GSCC are responsible for the energy and carbon emission management of the Group.

The Group recognises climate change impacts as a moderate risk of business stemming from changing rainfall patterns and prolonged period of drought which could impact manufacturing capabilities in the future.

The Group has in place a target of reducing its energy consumption by 25% by 2022, and a renewable energy target of 50% by 2025. The GSCC together with the GEC works towards these targets and implements both energy reduction, energy efficiency and renewable energy initiatives.

Energy Consumption by Type (GJ)		FY 21	FY 20
Direct Energy		49,045	51,450
Fossil Fuel		48,635	51,331
	Diesel	31,635	34,076
	Petrol	2,401	3,034
	Furnace Oil	12,625	10,525
	LPG	1,974	3,696
Renewable Energy		410	119
	Solar Power	410	119
Indirect Energy		67,173	77,481
	Hydro and Renewable	32,915	37,966
	Thermal	34,258	39,515
Total Energy *		116,218	128,931

**The Energy consumption data includes Q1 and Q2 data for the Leisure sector of the Group.*

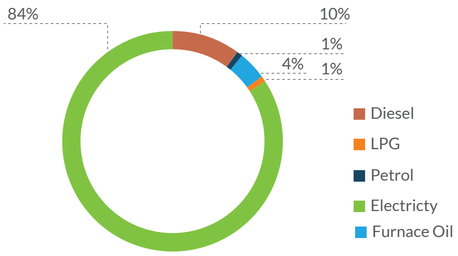
Impact

Carbon Footprint (MT)	FY 21	FY 20
Scope 1	3,620	3,789
Scope 2	13,138	15,154
Total Carbon Footprint	16,758	18,944

** Data includes Q1 and Q2 data for the Leisure sector of Group*

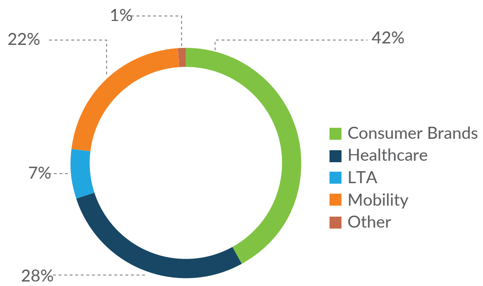
Source of Carbon Footprint

(%)



Carbon Footprint by Sector

(%)



Ensuring Responsible Consumption

Energy Saving

The Group continued to invest in energy saving technology whilst reviewing and improving processes to improve energy efficiency across its operation. Meanwhile, the Group remains focused on reducing its dependence on fossil fuels and continue to implement solarising projects across sectors.

Investment in Energy Saving Technology	Process Improvements to Increase Energy Efficiency	Conversion to Solar Energy
Conversion to LED lighting at Atlas factoy in Peliyagoda.	Implementation of KAIZEN improvements at Atlas factories in Peliyagoda and Welisara.	Invested in a solar daylight system at the Atlas factory in Peliyagoda.
Introduction of inverter technology for air compressors and air-conditioning at Atlas factory in Peliyagoda. Introduction of inverter technology to five paper offcut blowers in the book manufacturing plant at Atlas factory in Peliyagoda.	Modification of compress air system at the Home and Personal Care plant in Dankotuwa.	Invested in solar tubing and solar water heating at Hemas Hospitals in Wattala and Thalawatugoda.
Introduction of VFDs to blowers and cooling towers at Atlas factory in Welisara.	Removal of separate chiller used for Home and Personal Care products at the plant in Dankotuwa.	
Installation of 1000 kVAR capacitor bank at Morison pharmaceutical manufacturing plant in Homagama.	Carried layout changes and process improvements at the tablet manufacturing plant in Morison to bring about greater energy efficiency.	
Installation of power saving VFD-driven utility systems at Morison pharmaceutical manufacturing plant in Homagama.	Hemas Consumer Brands implemented a carbon footprint monitoring programme.	
Installation of cooling towers and VFD control at Hemas Hospitals in Wattala and Thalawathugoda.	Use of Arq environmental management platform to measure environmental quality at the Morison factory in Mutwal and establish a globally accepted baseline measure.	
Installation of AHU energy saving valves at Hemas Hospitals in Wattala and Thalawatugoda.		
Installation of chilled water pump VFD at Hemas Hospitals in Wattala and Thalawatugoda.		
Installation of kitchen exhaust fan smart VFD Control at Hemas Hospital Thalawathugoda.		
Installation of condenser water pump VFD Control at Hemas Hospital Wattala.		

WATER MANAGEMENT

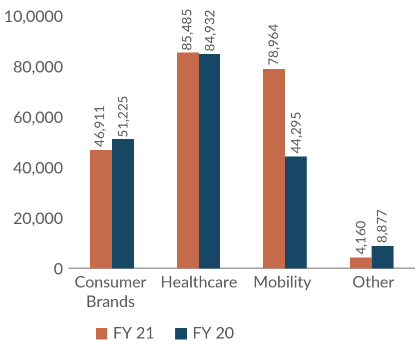
Resources Used

Water remains a critical resource considering the Group's many manufacturing interests. Water is extensively used in many of the production processes in the Consumer Brands and Healthcare Sectors and for sanitation purposes in all three sectors.

Total water withdrawal during the year amounted to 253,675 m^3 [financial year 2019/20: 312,154 m^3], which is a 19% reduction from the previous year. This includes water withdrawn by the recently-divested Leisure sector for the first two quarters of the financial year, which amounts to 38,155 m^3. 78% of water requirement is met through third party water sources (municipal water suppliers) and the rest through well water. 92% of the Group's water withdrawn is from non-water stressed areas where annual rainfall is over 1,500 mm/ year. All water used were freshwater.

Water Withdrawal

m3



Ensuring Responsible Consumption

Given the importance of water as a resource for the Group, water consumption and efficiency targets have been set at Group level, and the GEC continued to work towards achieving these targets by investing in water efficient technology, increasing water recycling through investments in effluent treatment and by creating awareness on water conservation.

Water Targets

Reduce water consumption by 50% by 2025

Increase water efficiency

Investment in Water Efficient Technology

- Installation of flow restrictors to canteen and washroom taps at Atlas plant in Peliyagoda
- Replacement of older cooling tower with more efficient 200 RT Cross flow cooling towers at Hemas Hospital Wattala
- Investment in 40kL capacity rainwater harvesting system at Morison pharmaceutical manufacturing plant in Homagama

Effluent Treatment

- Investment in a Reverse Osmosis Plant and Natural Water Catchment tanks at the Home and Personal Care plant in Dankotuwa Plant
- Use of ETP recycled water for cooling towers at Morison plant in Mutwal
- 100% recycling of product contaminated water at the Morison Pharmaceutical manufacturing plant in Homagama through Zero Discharge Effluent Treatment plant
- Treated water is re-used for gardening purposes at hospitals

Awareness on Water Conservation

- Water conservation awareness programmes for employees at Atlas plant in Peliyagoda
- Water audits are carried out periodically at Morison facilities in Mutwal and Kelaniya

WASTE MANAGEMENT

Solid Waste

Solid waste management is a material concern given that all the Group's key sectors generate significant amounts of solid waste as part of its production process or operations. During the year, a total of 709,967 kg of waste was generated, out of which 23% was hazardous waste generated mainly from the Healthcare Sector.

Given the Group's manufacturing operations, waste streams are generated from its sourcing, manufacturing as well at the point of end user consumption. These waste streams are mainly waste generated from packaging material, both sourcing and end user consumption points as well as solid waste and scheduled waste during the manufacturing process. The impacts of these waste streams are managed holistically, by adopting waste management, where global best practices in waste management is incorporated throughout the product life-cycle. Production technology and processes are continuously upgraded to ensure minimal wastage during production, stringent processes are in place to dispose of waste responsibility in line with conditions stipulated in respective EPLs and ongoing research is carried out to reduce waste in packaging materials, being cognizant of the Group target segment as well. Meanwhile, research and development teams within Consumer Brands Sector are also actively working with the Central Environmental Authority (CEA) to analyse consumption patterns and develop future action plans to reduce and better manage end user waste disposal.

Clinical waste generated in the Hospital Sector is subjected to stringent procedures pertaining to waste storage, management, handling, and disposal as stipulated by the Environmental Protection License and/or the Scheduled Waste Management License issued by the CEA.

Waste Management Processes of the Group

Healthcare

- All clinical waste and other waste generated in the hospitals are disposed of according to CEA regulations.
- Waste segregation is practiced at Hemas Pharmaceuticals and Morison, and is recycled by responsible third parties.

Consumer Brands

- Atlas continues to introduce new technology and process improvements to reduce paper and plastic wastage in production process.
- 4R concept was introduced at the Atlas factory to ensure responsible disposal of waste.
- Chemical sludge is disposed via Holcim cement kiln.
- Introduction of specific KPIs to reduce the percentage of operational waste at HPC.

The Group's waste management agenda extends beyond its own operations. During the year, the Group collaborated with corporates and ministries to promote responsible disposal of waste among wider communities.

- Hemas Consumer Brands teamed up with John Keells Group for its social entrepreneurship project 'Plasticcycle', a project that encourages responsible disposal of end user recyclable plastic waste.
- Atlas together with the Ministry of Environment embarked on a pen recycling project where 500 collection bins were placed at Government offices and schools to collect used pens.

The Group closely monitors waste generated from its operations and tracks by type, volume, disposal method and destination. While the Group is committed to reporting all waste by weight or volume to ensure consistency and comparability, it also places emphasis on overall reduction of waste and responsible disposal of the same.

Hazardous Waste		Disposal Method	Non-Hazardous Waste	
FY 20	FY 21		FY 21	FY 20
876	990	Reuse	35,601	117,241
1,099	200	Recycling	192,699	125,806
500		Composting	13,822	206,846
		Recovery	15,593	20,924
192,529	158,617	Incineration	87,130	286,797
		Deep Well Injection		
		Landfill	202,533	246,205
418	2,402	On-Site Storage		
205,422	162,209	Total	547,758	1,022,172

** Data includes Q1 and Q2 for the Leisure sector of the Group*

Effluents

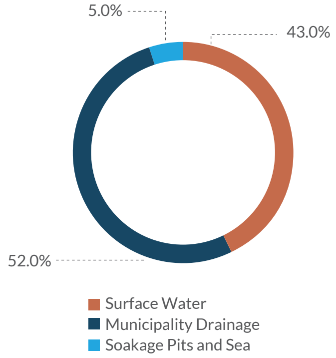
During the year the Group discharged 207,725 m^3 of waste water. Water discharged was through effluent treatment plants at sectors and as per the standards stipulated in respective EPLs. The Group discharged 95% of its water to areas that are considered as not water-stressed.

All production facilities have on-site Effluent Treatment Plants to ensure that wastewater released into the environment is treated and meets the stipulated standards mandated in the EPLs of the sectors. In accordance with respective EPLs, effluent quality in terms of BOD, COD, TSS, pH and oil and grease is monitored multiple times during the year. There were no recorded significant spills during the year and there were no instances of non-compliance with EPL terms during the year.

Striving to go over and above mandatory requirements, the new Morison factory in Homagama is designed as a zero-discharge facility where all treated waste water is reused for secondary operations such as in cooling towers, flushing mechanisms and gardening.

Water Discharage by Destination

(%)



THE CAPITALS REPORT

NATURAL CAPITAL

BIODIVERSITY CONSERVATION

With the divesture of Serendib Hotels, the extent to which the operations of the Group directly impacts biodiversity has reduced. However, the Group remains committed to promoting sustainable forest management practices within Sri Lanka and is actively involved in several biodiversity conservation projects around the country.

Reforestation of 15 acres of land in Balangoda

Hemas Consumer Brands partnered with Rainforest Protectors Sri Lanka to reforest 15 acres of land with 15,000 trees in Balangoda.

Mangrove Restoration Project

Hemas Consumer Brands entered into a three-year partnership with the Wildlife and Nature Protection Society (WNPS) to restore 9.8 acres of the mangrove ecosystem at the Anawilundawa wetlands. Anawilundawa wetlands which is located in close proximity to Hemas Manufacturing plant in Dankotuwa stretches across 1,397 hectares and is one of Sri Lanka's six designated wetlands by Ramsar convention.

Hemas Green Club Activities

The Hemas Green Club brings together staff volunteers interested in making a positive change in the environment. Activities of the club are funded by the Group and supported by funds generated through video productions made by the Group Sustainability and Corporate Communications Division.

Reforestation Project

320 saplings were planted across 3 acres in the Knuckles region.

Awareness Creation

Environmental conservation awareness workshops conducted by leading environmentalists.

- Turn the Tide Back by Dr. Terney Pradeep Kumar.
- Identify Common Snakes in Sri Lanka by Mr. Mendis Wickramasighe.

SOCIAL AND RELATIONSHIP CAPITAL

The Group's corporate purpose underpins all its interactions with customers, business partners, industry and the wider community, while contributing to several Sustainable Development Goals including Quality Education (UNSDG 4), and Partnerships for the Goals (UNSDG 17). Despite the challenging conditions, relationships with these stakeholders were strengthened during the year as the Group rallied around to respond to the COVID-19 pandemic in the country.

	Priorities	Actions	Impact
Customers	Strengthen customer value proposition in the new normal through innovation and quality consistency	Product and delivery innovation Strengthen digital platforms for engagement Increase community level engagement with key customer segments	Increased brand loyalty
Business Partners	Strengthen partnerships	Deepen engagement to identify synergies	Stronger and more efficient supply chains
Communities	Promote Group's purpose to the wider community	Engage in transformative CSR initiatives that bring about meaningful change to under-served communities and disadvantaged individuals	Creating more equitable communities

CUSTOMER RELATIONSHIPS

The unwavering commitment of the Group to fulfill customer needs amidst the pandemic further solidified customer relationships and strengthened brand connect. In response to the evolving needs of customers, several product innovations and process improvements were introduced to improve customer value propositions in the 'new normal'. (Refer Intellectual Capital for product and process innovations introduced during the year).

The 'new normal' post COVID-19 also brought about significant changes to customer dynamics, with online sales and digital platforms becoming increasingly important. Responding to these evolving dynamics, during the year the Group focused on strengthening digital channels of engagement and delivery.

<table>
<tr><th colspan="2">Digitisation of Customer Engagement Channels</th></tr>
<tr><th>Healthcare</th><th>Consumer Brands</th></tr>
<tr><td>• Introduction of a mobile app and a lab portal for patients to access laboratory reports and telemedicine, channelling, tele physio and wellness solutions.
• Implementation of Electronic Health Records (EHR).
• Introduction of Live track, an online solution to track the ongoing appointment number.
• Introduction of homecare services including mobile home laboratory sample collection and mobile treatment units.</td><td>• Each brand has a Facebook page through which consumers can interact and provide product feedback and reviews.
• Online submission of feedback through Company Website www.hemas.com, social media channels and e-mail.</td></tr>
<tr><th colspan="2">Mobility</th></tr>
<tr><td colspan="2">• Introduction of an on-time delivery performance monitoring system through GPS tracking.
• Introduction of an electronic container tracking system to reduce the number of unproductive moves and other leakages.</td></tr>
</table>

SBUs also continued to engage at community level with specific customer groups. These engagement activities continue to strengthen brand equity while driving the corporate purpose among existing and potential customers. Key engagement activities carried out during the year at SBU level are as follows;

	Key Engagement Activities:	
Atlas	*SipUdana* Facilitating learning through engagement with teachers, parents and students	• Online and offline teacher training programmes and webinars for over 3,500 teachers islandwide. • Online and offline parent awareness sessions for over 16,000 parents to support online teaching during the COVID-19 pandemic. • Atlas *Guru Garu* programme conducted a teacher appreciation event for 250 teachers from the Matara Education Zone in collaboration with the Southern Province Education Department.
	SipLowa Making learning fun and enjoyable through activity based learning and experiential learning	• Atlas skills factory experiential stall at the Colombo International Book Fair in September. • Online scholarship study sessions: 170 study videos were produced with the aim of supporting continued learning during lockdown. Part of the content was featured on *e-thaksala*, the official knowledge hub of the Ministry of Education. • 50 art and crafts videos were made available on the Atlas company website during lockdown period.
	SipSavi Creating equal learning opportunities for underprivileged children through scholarships and donations	• Atlas Annual *Ridi Viharaya* Outreach programme donated school requirements to 2,200 children in underprivilege families. • 10,000 underprivileged children identified by Regional Education Departments were gifted with school bags. • Over 4,000 students benefited from the renovation of the Aesthetic building of Embilipitiya Central College. • Atlas *SipSavi* Scholarship programme continued with the sponsorship of 200 under-privileged children.
Home and Personal Care	*Fems Aya* A multi-partner awareness campaign aimed at educating underserved girls and women on menstrual health and hygiene	• *Fems* joined forces with the ARKA initiative, *Dilmah's* Merrill J. Fernando Charitable Foundation, *Sarvodaya* Women's Movement and *Sarvodaya-Fusion* to educate a wider audience of Sri Lankan women on menstrual health and dispel long-held myths and misconceptions.
Pharmaceuticals	Pharmacy Personnel Skill Development Programme Training programmes for pharmacy personnel	• Hemas Pharmaceuticals together with the Pharmaceutical Society of Sri Lanka (PSSL) launched the 2nd batch of the pharmacy personnel Skill Development Training programme. A total of 150 pharmacists participated in this six month-long career development programme which was offered free of charge.

	Key Engagement Activities:	
Hemas Hospitals	*Suwadana* **Medical Camps** Free medical camps focusing of screening Non-Communicable Diseases (NCD)	• NCD screening facilities were provided for surrounding communities with medical advice on continuous treatment programmes. Over 3,200 individuals participated in these camps.
	Suwasisu **Health Educational Programmes** Health education programmes for school children	• Over 4,800 school children participated in first-aid training workshops conducted at selected schools.
	Mediucate Continuous medical education programmes for doctors	• Free medical educational programmes were conducted for General Practitioners. Over 800 doctors and medical professionals participated in these programmes.
	Suwanana **Health Education Programmes** Community health awareness programmes	• Over 4,000 individuals from the communities the SBU operate in participated in awareness workshops conducted to educate people on disease prevention and healthy lifestyles.
	Dengue Epa Dengue prevention and awareness campaign	• An audience of over 500,000 reached through the *Dengue Epa* social media campaign.

The Group is committed to ensuring that there are no adverse impacts from its products and services and that all its interactions with customers are fair and transparent. There were no instances of non-compliance relating to health and safety of products and services, product and service information and labelling, marketing communications or breaches in customer privacy during the year. Further, there were no instances of non-compliance with laws and regulations in the social and economic area.

BUSINESS PARTNER RELATIONSHIPS

The Group's business partners include a complex network of local and international principals, raw material suppliers, contract manufacturers, distributors, and agents. Supplier and business partners include large-scale as well as SME businesses across the country. The strong partnerships built over the years proved invaluable during the pandemic, enabling business lines to maintain efficient and reliable supply chains with minimal disruptions despite challenging operating conditions. These relationships were further strengthened as a result of collaborative efforts to find innovative solutions to the challenges faced during the year.

Building stronger and more efficient supply chains remains a strategic priority particularly in the context of an increasingly complex and uncertain operating environment. A comprehensive Supplier Code of Conduct ensures that all suppliers and business partners adhere to the prescribed code of ethics. Meanwhile, an internal policy of significant supplier engagement methodology was introduced during the year to further strengthen supplier engagement by prescribing a 5-point process of engagement and training on the new policy was provided to the relevant division personnel. Currently, all SBUs with significant operations are in the process of implementing the new Supplier Engagement Policy while the existing Supplier Code of Conduct and contractual terms and conditions are being strengthened as part of the Group's efforts to foster a sustainable supply chain for the future. There were no identified negative social or environmental impacts arising out of our supply chain during the year.

INDUSTRY RELATIONSHIPS

The Group's involvement in a wide range of Industry and Business Associations has enabled it to be a thought-leader and change-maker in the industries it operates in. Key associations the Group is a part of are listed below;

General Business /Trade	Ceylon Chamber of Commerce Ceylon National Chamber of Industries Sri Lanka-Malaysia Business Council Sri Lanka-China Business Council Indo-Sri Lanka Business Council Cosmetic Manufacturers Association in Sri Lanka Employers' Federation of Ceylon
Pharmaceuticals	Sri Lanka Chamber of the Pharmaceutical Industry (SLCPI) Sri Lanka Devices Chamber Pharma Promoters Association
Hospitals and Laboratories	Corporate Member of International Federation of Clinical Chemistry (IFCC) 2018 for Laboratories Clinical Laboratory Standards Institute (CLSI)- Associate Membership 2018 for Laboratories American Association for Clinical Chemistry (AACC) Membership for Laboratories Private Health Services Regulatory Council Association of Private Hospitals and Nursing Homes
Shipping Aviation and Logistics	Sri Lanka Association of NVOCC Agents (SLANA) Sri Lanka Association of Vessel Operators (SLAVO) Ceylon Association of Ship Agents (CASA) Association of Container Depot Operations in Sri Lanka (ACDO) Association of Container Transporters (ACT) Sri Lanka Association of Airline Representatives
Other	National Committee on Early Childhood Care and Development at Ministry of Women and Child Affairs Biodiversity Sri Lanka

COMMUNITY RELATIONSHIPS

The Group is committed to promoting Quality Education (UNSDG 4) and Partnership for the Goals (UNSDG 17) in order to create enriching and inclusive communities where no child is left behind. This is done through transformative CSR initiatives that bring about meaningful change to under-served communities and disadvantaged individuals.

A Culture of Caring

Social consciousness is embedded into the Hemas culture by providing meaningful opportunities for employees to be a part of a larger cause. Hemas *Abhimana* and the Be an Angel Initiative are two such Group-wide initiatives.

Hemas *Abhimana*

Launched in 2014, Hemas *Abhimana* is a Group-wide initiative aimed at creating awareness on social issues and inspiring employees and other stakeholders to drive positive change in their communities through their own actions. Initiatives under *Abhimana* are spearheaded by *Abhimana* Champions, representatives appointed at SBU level together with the support of their respective teams and the management.

Each year efforts made by SBUs to champion socially responsible businesses are recognised with the Annual *Abhimana* Award. This year's winner was '*Atlas Sip Savi*' a programme aimed at providing financial assistance to support the most vulnerable children who are at the risk of dropping out of school due to deprived economic situations.

Be an Angel Initiative

Now in its 9th consecutive year the initiative strives to make a difference in the lives of extremely poverty stricken children of our country. Each year with the assistance of the Sri Lanka Army, the programme identifies a deserving area in the country and the gifts donated by Hemas employees and other well-wishers are distributed.

This year the gifts were distributed in the remote villages of Puttlam in Karuwalagaswewa and Kalladi areas in the North Western Province.

Responsible CSR

In order to ensure greater transparency and accountability, two separate trusts have been formed to drive the key CSR initiatives of the Group. The Hemas Outreach Foundation in partnership with the Ministry of Women and Child Affairs focuses on educating and empowering under-privileged children of Sri Lanka, while *Ayati* Trust Sri Lanka is a charitable trust incorporated between the University of Kelaniya and Hemas Holdings with the vision of enabling children with disabilities reach their unique potential. A percentage of Group profits is allocated annually to the trusts, and both trusts are audited independently by Ernst and Young.

Description	*Piyawara* The project was initiated in 2002 as a Public-Private Partnership between the The Hemas Outreach Foundation and the Children's Secretariat of the Ministry of Women and Child Affairs.	*Ayati* Initiated in 2016, *Ayati* Trust is a long term initiative to improve the quality of life and independence of children with disabilities in Sri Lanka.
Objective	To nurture young children with good care in order to provide a solid foundation for a life long journey through the establishment of child friendly pre-schools in some of the most underserved areas in Sri Lanka.	• To establish the first national centre of excellence for children with disabilities • To eradicate stigma related to disabilities in Sri Lanka • To establish centres in rural Sri Lanka
Activities in financial year 2020/21	Two new pre-schools were constructed in Uhana in Ampara and Sewanagala in Monaragala.	• Over 6,500 children have registered at the *Ayati* Centre since its opening in January 2020 • Launch of *Eka Se Salakamu* (Treat All Alike) Movement • Provision of tele-health facilities during the COVID-19 pandemic through the *Ayati* Centre • Training programmes for caregivers/ teachers

Eka Se Salakamu Movement

A social movement to empower children and families with Down Syndrome to live a dignified life.

The Hemas Outreach Foundation, together with *Ayati* – Sri Lanka's first national centre for children with disabilities – launched '*Eka Se Salakamu*' (Treat All Alike) to coincide with the World Down Syndrome Day celebrated on the 21st of March.

The movement serves as a platform for families and children with Down Syndrome to express their views, share their experiences and showcase their talents in order to eradicate the stigma attached to differently abled children and create a more inclusive society that leaves no child behind.

For more information on this initiative please visit http://facebook.com/ekasesalakamu

"The '*Eka Se Salakamu*' movement is our effort to tackle stigma associated with Down Syndrome. Children with Down Syndrome are one of the most stigmatised groups in society. As a corporate that focuses on enriching the lives of our communities, we look forward to creating a more inclusive world by establishing a platform for families to air their views and get much-needed support from the community."

Shiromi Masakorala
Executive Director - Hemas Outreach Foundation/*Ayati* Trust Sri Lanka - March 2021

SECTOR INTEGRATED REVIEW

CONSUMER BRANDS

OVERVIEW OF SECTOR

Hemas Consumer Brands Sector represents some of Sri Lanka's most trusted brands in personal care, home care and school and office stationery. The Sector's expanding portfolio caters to the evolving needs of our consumers while advancing our purpose through an improved value proposition, reach and accessibility.

The COVID-19 pandemic has focused more attention on the importance of home and personal hygiene. Thus, the Group's purpose became even more relevant during the year.

Contribution to Group

GROUP REVENUE	38.8%
EBITDA	47.5%
WORKFORCE	36.9%
CAPITAL EMPLOYED	26.2%
CARBON FOOTPRINT	42.9%

> *The Sector continued to expand its portfolio with innovative product launches to meet emerging consumer needs.*

Home and Personal Care (HPC) Sri Lanka	Home and Personal Care (HPC) International	Learning Segment - Atlas
Being a leading player in the fast Moving Consumer Goods market, HPC is present in many need spaces including hair care, skin care, baby care, oral care, laundry, feminine hygiene and fragrance.	HPC sector has an established presence in Bangladesh and West Bengal with a portfolio predominently focused on Hair Oil category under the *Kumarika* brand.	Atlas is the leader in School and Office Stationery in Sri Lanka with an islandwide market presence.

PERFORMANCE

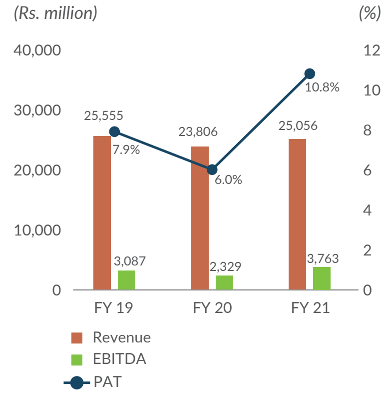
The Consumer Brands Sector achieved a strong recovery commencing in the second quarter of the financial year 2020/21, following a relatively slow performance during the first quarter of the year. This was mainly attributable to the various production and distribution disruptions coupled with school closures experienced as a result of the lockdowns due to the COVID-19 pandemic.

The improved performance was primarily driven by the HPC Sri Lanka Sector which enjoyed volume growth in most categories, with even stronger growth in several personal hygiene and home care product categories. The surge in demand for these products occurred amidst heightened health and safety concerns, enabling the sector to end the year on a strong note. Despite the challenges of COVID-19 that were faced in both Bangladesh and West Bengal, HPC International also delivered a resilient performance during the year, with an innovative pipeline and stable market share.

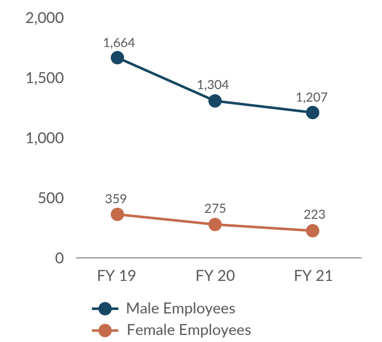
The Learning Segment, Atlas, which was negatively impacted by the prolonged closure of schools, experienced an increase in demand towards the latter part of the fourth quarter in tandem with the reopening of schools.

A continued focus on rigorous cost re-engineering and containment initiatives that were conducted throughout the year, supported by the realisation of supply chain and process efficiencies, resulted in the Sector recording an operating profit of Rs. 3.3 billion during the year, a 75.8% increase compared to financial year 2019/20.

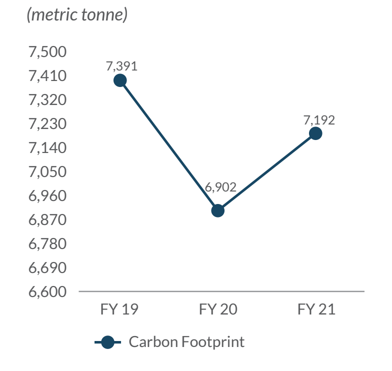
Profitability



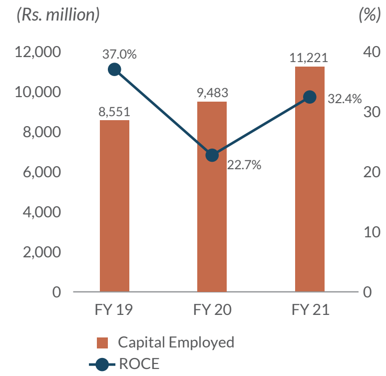
Male vs Female Employees



Carbon Footprint



Efficiency



Adapting to the New Normal

- Expanded the core product portfolio with an enhanced value proposition, to address emerging consumer needs.
- Strengthened omni-channel distribution to ensure availability and convenience for consumers.
- Improved agility through a continuous focus on driving operational efficiencies and digital initiatives.
- Maintained a continuous focus on cost management and lean manufacturing to secure margins.
- Created a flexible organisational structure that empowered teams to respond swiftly.

Opportunities

+ Heightened health concerns will continue to boost demand for personal hygiene and home care products.
+ Investing in channel excellence to ensure convenience and accessibility to consumers.
+ Increased demand for locally manufactured products due to the import restrictions that are now in place.
+ Explore avenues to further expand exports by HPC, which currently exports to several countries.

Risks

- The rise in e-learning precipitated by the COVID-19 lockdowns may present a medium to long term threat to sales of school stationery.
- Supply chain disruptions will continue to be a concern due to re-emerging waves of the pandemic across the globe.
- Margins will continue to be impacted by rising raw material prices due to supply chain disruptions coupled with volatile exchange rate.

HOME AND PERSONAL CARE SRI LANKA

- HPC Sri Lanka delivered a strong performance during the year, reflecting its resilience and agility in responding to disruptions in the external environment.
- Business experienced volume growth across all major categories, with improved revenue from both general and modern trade channels.
- Hemas e-store was launched as a response to the increased demand for contactless purchases, further strengthening the Sector's e-commerce presence.
- Reiterating its commitment to superior product quality, *Baby Cheramy* became the first brand in the baby category in Sri Lanka to obtain SLS (Sri Lankan Standards) quality accreditation.
- Despite the exchange rate volatility observed in the second half of the year, cost savings and efficiency improvements across all aspects of the business, along with volume growth, drove the sector performance.
- As part of the Group's efforts to leverage cross functional synergies, Morison OTC brands *L'Oreal*, *Nivea* and *Garnier* were taken into the HPC portfolio.

Product launches in financial year 2020/21
Shield Hand Sanitizer
Shield Hand Wash
Clogard Natural Salt toothpaste
Diva Power Germ Guard in liquid and powder form
Kumarika Thinning Control Hair Oil
Baby Cheramy Herbal Range

HOME AND PERSONAL CARE INTERNATIONAL

- The HPC international segment has presence in Bangladesh and West Bengal with a primary focus on the value-added hair oils (VAHO).
- The segment has gradually strengthened its position in these markets through multiple re-launches of the hair oil product, with innovative new formulations.
- The sector gained market share and improved margins with initiatives relating to cost management and by unlocking distribution efficiencies.
- HPC International launched *Actisef* Soap which offers protection against germs, at an affordable price, to meet emerging market needs.
- As the business stabilises in the new normal the health and safety of the employees has been prioritised.

Product launches in financial year 2020/21
Actisef Healthcare Soap-Bangladesh
Kumarika Hand Sanitizer-West Bengal
Kumarika Body oil-West Bengal

LEARNING SEGMENT

- Stationery sales were impacted by prolonged school closures throughout most of the year, with a recovery seen during the fourth quarter with the resumption of economic activities.
- Despite these challenging market conditions, Atlas improved market share significantly and retained its market leadership.
- Ongoing lean manufacturing practices yielded significant cost savings and helped offset the impact of the subdued demand conditions on sector profitability.
- Process automation remained a key focus with collaborations and partnerships being established with leading universities and technical institutes, to lead the "lean journey".
- Meanwhile, changing consumer preferences towards sustainable product value propositions as well as Government policy on plastic consumption have prompted the company to explore ways through which it can promote a circular economy through the responsible consumption of resources.

Product launches in financial year 2020/21
Anti-bacterial stationery range
Sunflower Triangular pencil
Improved Glue product range
Re-launch of *Atlas* Pastel Colour range

OUTLOOK

Core categories in the HPC and Learning Segments are expected to continue to perform well in the financial year 2021/22, due to the resilient nature of the portfolio, while value-for-money brands are expected to see a greater demand in the wake of contracting disposable income levels in the short term. The continuous expansion of the product portfolio, with a focus on creating 'purpose-led brands', will be key to growth and the strengthening of our market position.

While volatility and unpredictability is expected to continue amidst emerging waves of the pandemic; supply chain disruptions, margin pressure and constraints on operations will continue to be concerns going into financial year 2021/22. Strong internal processes that ensure safety, agility and creativity will be critical in navigating these, as the Sector focuses on innovation to capitalise on evolving consumer needs.

HEALTHCARE

OVERVIEW OF SECTOR

Hemas is one of Sri Lanka's largest private healthcare providers with a strong presence across the healthcare value chain including Pharmaceutical Manufacturing, Pharmaceutical Distribution and Hospitals. The sector collaborates closely with principals, regulators and medical professionals to ensure the health and wellbeing of all Sri Lankans through access to reliable, high quality global healthcare treatments, therapies and technology.

Contribution to Group

GROUP REVENUE	57.7%
EBITDA	44.9%
WORKFORCE	52.8%
CAPITAL EMPLOYED	47.3%
CARBON FOOTPRINT	27.6%

> *"Sector capacity expanded with the construction of Morison's new Pharmaceutical manufacturing facility."*

Pharmaceutical Distribution	Pharmaceutical Manufacturing - Morison	Hemas Hospitals
The largest pharmaceutical distribution operation in the country representing over 50 global brands through its well-established distribution network.	The largest private pharmaceutical manufacturer in the country with Sri Lanka's first oral solid dosage manufacturing facility compliant with EU-GMP standards.	Two multi-specialty hospitals accredited by the Australian Council on Healthcare Standards International for the 4th cycle and ISO Standard 15189:2012 for medical laboratories.

PERFORMANCE

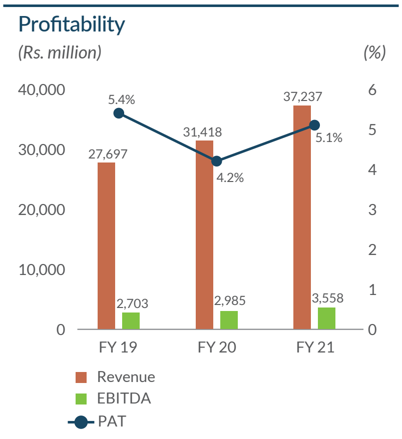
Hemas Healthcare sector was at the forefront of the nation's COVID-19 response, ensuring the reliable supply of life saving and essential medicines. The sector witnessed a strong revenue growth of 18.5% and earnings growth of 40.6% compared to last year despite cost escalations and logistical challenges caused by the pandemic.

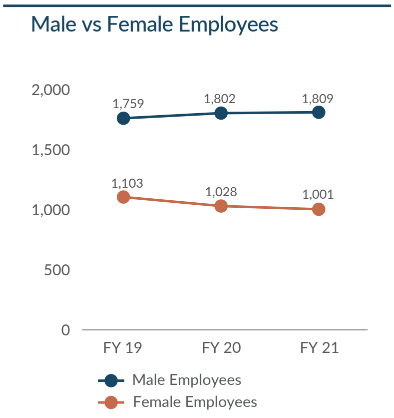
Pharmaceutical Manufacturing and Distribution segments experienced steady year on year performance across most of the key therapeutic segments supported by the Government's call to ensure uninterrupted supply of essential pharmaceuticals.

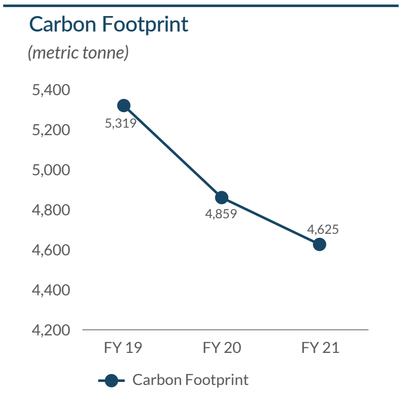
Performance of Hospitals too, which was impacted by the sharp decline in footfall and occupancy during the first half of the year, recovered towards the fourth quarter with improved occupancy and theatre utilisation. Hospitals recorded an overall occupancy of 48.0% over 60.2% recorded last year.

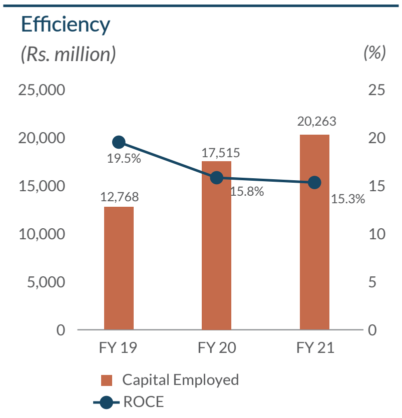
Commitment to innovation and digitisation resulted in new revenue sources, further strengthening the Sector's position as one of the key technology-driven players in the Sri Lankan health sector.

Meanwhile, total investments of the Sector increased with the commissioning of the first EU-GMP certified pharmaceutical manufacturing facility and increased inventory levels in response to the higher levels of uncertainty and longer lead times.









Adapting to the New Normal

- Increased inventory levels across both the Pharmaceutical Businesses to ensure uninterrupted supply of essential medicines.
- Prioritised Government requirements in manufacture of medicines to ensure availability of essential pharmaceutical products.
- Introduced online and mobile solutions including *Beheth 2.0* and e-pharmacy, Healthnet by Pharmaceutical Distribution and Homecare services by Hospitals in response to emerging needs of the customers.

Opportunities

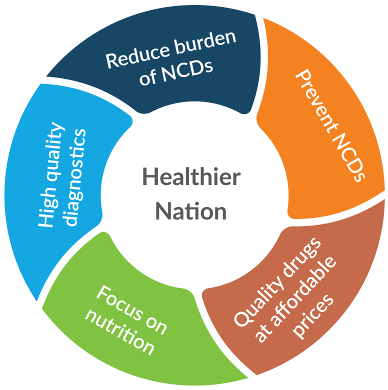
+ Growth in demand for telemedicine and e-pharmacy amidst increased demand for digital healthcare solutions.
+ Strong impetus for local manufacture of medicines due to supportive Government policies.
+ Increased demand for private healthcare with an ageing population and increased awareness of Non-Communicable Diseases.

Risks

- Pressure on margins for both Manufacturing and Distribution Segments caused by volatility in exchange rate.
- Price controls over a growing number of medications.
- Impact to healthcare workers due to exhaustion created by long hours of continuous work amidst the pandemic.
- Unstable political situation impacting Myanmar operations.

PHARMACEUTICAL DISTRIBUTION

- A diversified portfolio across therapeutic categories and channels enabled the cluster to record a resilient performance.
- Margins however were impacted by cost escalations due to exchange rate fluctuations and by global supply chain bottlenecks caused by mobility restrictions.
- Digital capabilities continued to be leveraged to drive operational efficiencies with the launch of the *Beheth 2.0* portal for pharmacies, a portal to assist pharmacists serve patients better.
- The segment took over the distribution of Morison's OTC brands (*Lacto* and *Valmelix*) as part of its efforts to drive channel excellence by leveraging cross functional synergies of the Group.
- Political instability and supply chain disruptions impacted performance of the Myanmar distribution operation.



HOSPITALS

- Although a decline in patient footfall and elective surgeries during the lockdown impacted performance during the first quarter, activity levels normalised thereafter with patients opting for previously postponed elective surgeries and a gradual increase in patient footfall.
- The cluster continued to strengthen its customer value proposition by launching mobile sample collection, homecare services and telemedicine aimed at improving customer convenience.
- Meanwhile digitisation of healthcare services continued with the launch of the online pharmacy-*hemashealth.com*, introduction of online channelling with real time and hospital navigation and the implementation of Electronic Health Records (EHR).
- Digital initiatives supported the revenue growth whilst lean initiatives and resultant cost savings contributed towards the profitability of the Hospitals Business.
- With the anticipated growth in demand for voluntary testing, Hemas Hospitals was approved by the Ministry of Health for PCR sample extraction in February 2021.

Addressing the needs of the Nation

- Provision of Kaya Wellness Resort as Intermediate Care Centre to treat COVID-19 positive patients.
- Providing PCR laboratory facilities to carry out RT-PCR tests in Wattala.

MORISON

- Morison recorded improved performance supported by increased demand of pharmaceutical distribution for private generics and diagnostics.
- Although the Mutwal factory was unable to run at optimal capacity due to periodic Government-imposed mobility restrictions, productivity enhancements enabled the factory to achieve its highest-ever production output during the year.
- Meanwhile stringent cost containment measures and operational restructuring implemented during the year contributed to cluster profitability.
- The Segment underwent a distribution restructure of Morison Over-The-Counter (OTC) brands aimed at driving greater efficiencies by leveraging group synergies. Accordingly, OTC owned brands such as *Lacto* and *Valmelix* were outsourced to Hemas Pharmaceutical distribution in December 2020.
- Meanwhile, *L'Oreal*, *Nivea* and *Garnier* were discontinued, and the distributorship was assigned to HPC Sri Lanka.
- A significant milestone during the year was the opening of the first European Union-Good Manufacturing Practice (EU-GMP) compliant oral solid dosage manufacturing plant in the country. The plant is scheduled to commence commercial production by the second quarter of the financial year 2021/22.
- Morison completed its voluntary delisting from the Colombo Stock Exchange during the second quarter, increasing the Group's majority stake to 95.5 % from previously held 90.6 %.

Gearing for Growth

- Introduced *Lacto Hydra Intense* cream, a specialised solution for sensitive skin.
- *Empamor*, the first SGLT 2 product manufactured by a local pharmaceutical manufacturer, was introduced during the year.
- In discussions with globally reputed brands to obtain manufacturing contracts.
- Exploring opportunities for exports.

OUTLOOK

The outlook remains positive for the sector due to strong demand factors and a conducive policy environment for local manufacture of medicines. Margin pressure brought about by exchange rate volatility and further exacerbated by lack of a pricing mechanism for pharmaceuticals will remain a challenge going into the financial year 2021/22.

The Sector however is well prepared to seize the opportunities presented. Manufacturing capacity of Morison is expected to expand by the second quarter of financial year 2021/22 with the gradual ramping up of Morison's new plant operations, supporting growth. The facility has the capacity to produce five billion tablets per annum on a double shift basis. Meanwhile, strong new product pipelines and innovative distribution channels support the continued growth and relevance of the two pharmaceutical businesses. The Hospitals business too is geared to increase its surgical capabilities whilst enhancing revenue opportunities around primary care. Meanwhile, Hemas will continue to monitor the viability of the Myanmar operation in response to the evolving operating conditions in the country.



MOBILITY

OVERVIEW OF SECTOR

Hemas offers a full spectrum of end-to-end solutions with a significant presence in the Maritime, Aviation and Logistics Sectors, representing several international shipping agencies and a leading airline. The Sector played a pivotal role in ensuring the supply and efficient distribution of essential items including medical supplies and consumer goods, whilst supporting the Government in its efforts to repatriate stranded Sri Lankans from around the world. Strong partnerships and links with global partners enabled the Sector to provide agile and innovative solutions to a multitude of clients across Sri Lanka.

Contribution to Group

GROUP REVENUE	3.3%
EBITDA	10.4%
WORKFORCE	7.7%
CAPITAL EMPLOYED	11.1%
CARBON FOOTPRINT	21.7%

"Integrated transport solutions provider offering end-to-end solutions across air, land and sea."

Maritime	Logistics	Aviation
The Maritime vertical represents Evergreen Line and Far Shipping Line and offers a range of services including husbandry services, spare parts logistics and offshore support services.	Spectra Logistics offers an integrated portfolio of logistics solutions, including container haulage, yard operations, warehousing and distribution.	General Sales Agent for Emirates, the largest international airline operating in Sri Lanka.

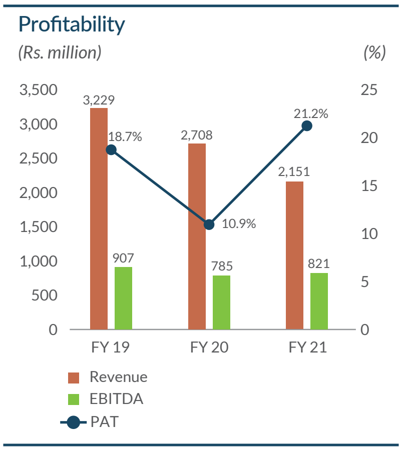
PERFORMANCE

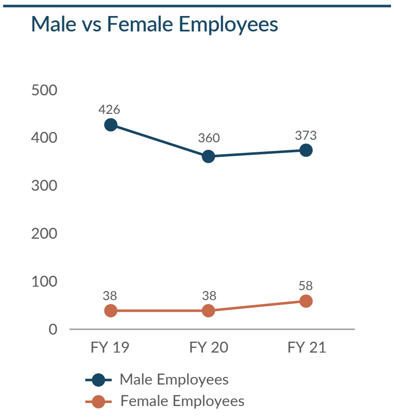
The lockdowns and dampening of global trade as a result of the pandemic created a highly-volatile environment for the sector.

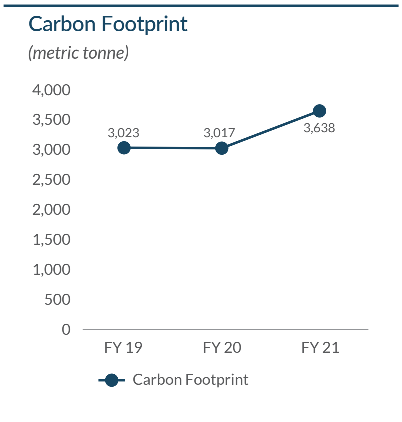
The Maritime business was impacted by a general downturn in global trade during the year, as well as congestion in the Colombo Port following the outbreak of the second wave in October 2020. However, the industry proved its resilience in the Transhipment business which made a quick recovery in volumes and only recorded a 4.8% drop, despite a 6.1% reduction in total throughput. The Aviation Segment was also adversely impacted by the restrictions to passenger movement while the Logistics Business saw growing demand for value-added distribution services.

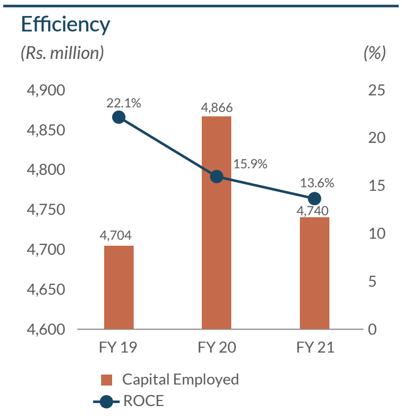
Sector operating profits recorded a 24.2% growth over last year to Rs. 654 million, driven by an improved performance by the Logistics Segment. An increased demand in the domestic logistic space due to manufacturers showing greater interest in third-party distribution solutions, coupled with efforts to consolidate the sector through a rightsizing exercise resulted in the sector recording a favourable performance during the year.

Despite challenges, the Aviation business also continued to remain profitable, buoyed by the continued demand for air cargo, despite the drop in passenger traffic.









Adapting to the New Normal

- Increased focus on offering integrated logistics solutions.
- Continued efforts to adopt digitisation and process automation at the Distribution Centre and the Container Depot to drive operational efficiencies and resilience.
- Implementation of an electronic delivery order platform for Evergreen, as part of the Segment's digitisation drive.
- Increased cargo-carrying capacity by operating mini-freighters and cabin loading in passenger aircrafts.

Opportunities

+ The increased demand for integrated logistics solutions that bring greater cost and efficiency benefits to customers.
+ Mobility restrictions and disruptions to supply chains increased interest in third-party logistics and distribution solutions which in turn drove demand in the domestic Logistics Segment.
+ Increased demand from end customers for value added services.
+ Stronger prospects for air cargo operations due to the increased demand for general and perishable cargo transportation.
+ The resilience and quick recovery of the Maritime Sector, despite the initial challenges brought on by the pandemic, cemented confidence among shipping lines to continue their transhipment operations in the Port of Colombo.

Risks

- The ripple effects of port congestion locally and globally, negatively impacted vessel schedules and turnaround times, impacting sector profitability.
- Lower import volumes resulting from import restrictions by the Government impacted all three segments.
- Sharp decline in aviation passenger traffic due to ongoing travel restrictions.
- The emergence of low-cost carriers and stiff competition in the aviation domain.

LOGISTICS

- Both Container Depot and Distribution Centre verticals witnessed close to 100% occupancy and increased handling volumes despite the challenges of COVID-19.
- Spectra continued to operate throughout the lockdown period, distributing essential goods including medicines and consumer items whilst supporting the country to uphold its export economy by facilitating the uninterrupted flow of goods.
- Several process automations including vehicle movement management, workforce management and customer system integrations were implemented to improve efficiency and minimise exposure to COVID-19.
- The Sector harnessed the capabilities of its four logistics verticals (Distribution Centre, Container Depot, Transport and Customs Brokerage) to offer customers integrated logistics solutions which positioned Spectra as a one-stop shop for logistics solutions.

Spectra Logistics

Operates one of Sri Lanka's largest integrated logistics parks, 'Spectra'

Winner of the 'Best Container Depot for Imports and Exports' at the annual awards ceremony organised by the Institute of Chartered Shipbrokers and the Association of Container Terminal and Depot Operators

MARITIME

- Lower trade and the drop in transhipment volumes at the Colombo Port impacted shipping agency volumes while Government restrictions on crew logistics impacted ancillary service volumes.
- Project Logistics segment was also impacted by pandemic induced delays in projects.
- Amidst subdued operating conditions, the cluster focused on consolidating its operation to drive profitability. As a result, the shareholding of Far Shipping Agency Lanka was restructured in April 2020.
- A cadre rightsizing exercise was successfully concluded during the year.
- Digitisation efforts continued with the implementation of an electronic delivery order platform for Evergreen Shipping.

Represents the leading feeder operator to the East Coast of India and the Bay of Bengal, with the second largest throughput handled at the Port of Colombo

SECTION INTEGRATED REVIEW

AVIATION

- The impact of the sharp decline in passenger traffic was offset by a record performance by Emirates Sky Cargo, which witnessed an increased demand for general and perishable cargo transportation.
- Emirates Sky Cargo rapidly responded to this increased demand by becoming one of the first in the network to operate mini freighters and aircrafts with cabin loading, which increased its cargo-carrying capacity.
- Despite the Passenger segment being impacted by a temporary suspension of operations from March 2020, the segment successfully resumed the daily operation of flights by the end of 2020 and accounted for over 45% of the total number of passengers repatriated to the country.
- The operation rapidly transitioned to being lean and agile, implementing remote working and more streamlined processes to ensure the safety of its employees, while providing an uninterrupted service to customers.
- Stringent cost management and rightsizing efforts enabled greater cost efficiencies in a challenging year.

OUTLOOK

The increased demand for third-party logistics services by manufacturers, distributors and retailers seeking to focus on core operations bodes well for the Logistics Segment. A promising recovery of the global Maritime Segment is also expected in the financial year 2021/22 as global supply chains adjust to demand and supply dynamics. Although ongoing travel restrictions are expected to negatively impact aviation passenger traffic, the increasing demand for cargo transportation including vaccine transportation is expected to drive demand in the Aviation Segment

In the medium to long term, the Government's efforts to develop Sri Lanka as a maritime hub and the resulting development of the related infrastructure to build capacity, will act as a catalyst to increase volumes and activity. The proposed increase in deep draft terminal capacity with the development of the East Container and West Container Terminals is expected to stimulate increased maritime activity at the Colombo Port, while the operationalisation of the Hambantota tank farm has the potential to position Sri Lanka as a bunkering hub, further increasing shipping traffic.These national infrastructural developments will enable the Maritime Segment to provide enhanced integrated maritime services, boosting its growth potential.

CORPORATE GOVERNANCE

The discipline of good governance becomes even more valuable during periods of great stress and uncertainty. Far from slowing things down, it ensures that work happens faster and more efficiently, and that outcomes are significantly better.

01.

OUR APPROACH TO GOVERNANCE

We believe that the way we approach governance and leadership in our business supports our overall value creation process and organisational growth. Good governance is central to our business conduct, shapes our organisational culture and earns us the continued trust of our stakeholders. Appropriate governance structures and processes ensure that our business is well-managed and controlled.

02.

GOVERNANCE FRAMEWORK

The challenges presented by COVID-19 underscored the importance of a robust framework. Our Board-approved governance framework is fit for purpose and is designed to provide clear direction for responsive decision-making and support responsible behaviour. Embedded practices ensured that Hemas maintained its commitment to achieving high standards of corporate governance, through transparency, good performance, effective controls, integrity and a sound ethical culture across the Group's operations.

03.

DELIVERING STAKEHOLDER VALUE

Our rigorous and inclusive strategy review process considers the risks and opportunities connected to the broader context in which we operate. A long term view drives integrated thinking at Board level as we deliberate strategy to create value, both for the Group and its key stakeholders. Looking beyond the financial bottom line we embrace Environmental, Social and Governance (ESG) perspectives into our policy and strategy, driving responsible and sustainable growth. Feedback from stakeholder engagement mechanisms forms a key input in strategy formulation.

04.

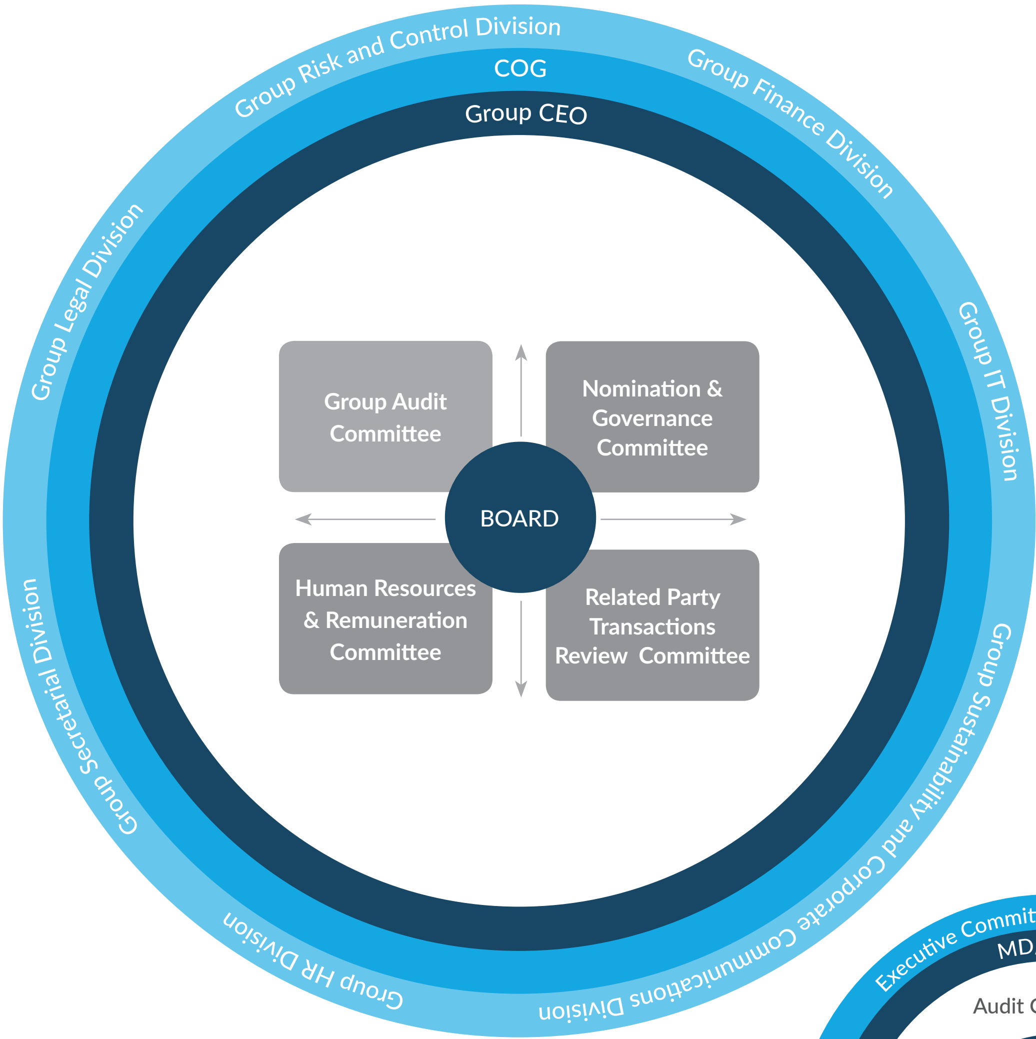
LEADING THROUGH THE PANDEMIC

Over the past year, the Board has been mindful of ensuring the long term resilience and strength of the business, identify the risks to the Group and the stakeholders and ensure appropriate action is taken, and position the Group to capitalise on opportunities emerging from the turmoil of the COVID-19 pandemic. The Board has spent a considerable amount of time assessing the impact and risks to the Group and its stakeholders and evaluated proposed business plans under multiple scenarios. Key actions enabling effective oversight are highlighted in Governance in Times of COVID-19 on page 98. The Board satisfies itself that all decisions taken were grounded in a broader evaluation of value preservation and long term sustainability and were guided by Hemas purpose and values.

HIGHLIGHTS -2020/21

- Continued to regularly review the impact and risks to the organisation arising from the COVID-19 pandemic.
- Recalibrated strategy in line with the Group's medium-term Vision and Purpose, considering the impact of the pandemic, and integrated environment, social and governance aspects.
- Provided direction and monitored acceleration of the digital transformation strategy.
- Strengthened the policy framework. Refreshed the whistle blowing policy.
- Resignation of Mr. Steven Enderby (CEO) w.e.f. September 30, 2020. Appointment of Ms. Kasturi C. Wilson as the new CEO w.e.f. October 01, 2020.
- Retirement of Prof. Nilanthi De Silva and Mr. Ramabadran Gopalakrishnan as Independent Non-Executive Directors w.e.f. August 28, 2020 and March 31,2021 respectively.
- Appointment of Mr. Sriyan de Silva Wijeyeratne as an Executive Director w.e.f. October 01, 2020.

CORPORATE GOVERNANCE



Business Sectors

THE BOARD
Takes overall responsibility for the performance and affairs of the Group

BOARD SUB-COMMITTEES
Ensures in-depth focus on delegated matters

GROUP CEO
Leads the Executive Management team. Responsible for strategy development, implementation and Group performance

COG
Consists of the senior leadership team of 8 members - MDs of our 5 major businesses and 3 leaders from Corporate Office. Responsible for formulation and implementation of Group strategic plan. The COG, as in a gearbox in a vehicle, ensures that the Group works in a collaborative and high-performance manner not-withstanding the circumstances and challenges the Group faces.

Compliance Summary

Regulation / Code	Adoption	Adherence	Disclosure Table
The Companies Act No.7 of 2007 (Companies Act)	Mandatory provisions	Compliant	Page 110
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions	Compliant	Page 111 to 114
Securities and Exchange Commission Act No.36 of 1987, including directives and circulars	Mandatory provisions	Compliant	Page 114
Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions	Compliant	Page 114

NAVIGATING THE REPORT

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

1. Our Approach to Governance .... Pg 96
2 Governance Framework .... Pg 97
3. Delivering Stakeholder Value .... Pg 108
4. Leading Through the Pandemic .... Pg 98
5. Governance Structure .... Pg 97
6. An Effective Board .... Pg 98
7. Responsible and Fair Remuneration .... Pg 105
8. Gender Parity .... Pg 106
9. Board Accountability .... Pg 106
10. Relations with Shareholders .... Pg 108
11. Innovation .... Pg 108
12. Digital Oversight and Cyber Security .... Pg 108
13. Sustainability Governance .... Pg 109
14. Business Continuity Planning .... Pg 110

05.

GOVERNANCE STRUCTURE

The Hemas Holdings PLC Board provides direction and leadership to the Group and assumes collective responsibility for the overall governance, performance, strategy and affairs of the Group. The Board has delegated functions warranting greater attention, to four Board Sub-Committees in line with its mandate as set out in the Corporate Governance Charter. Daily management of the Company and implementation of the Company's strategic plan has been delegated to the CEO. Structures of delegation provide for the assignment of authority while enabling the Board to retain effective control. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common-law fiduciary duties. Regular reporting on key matters aids effective oversight.

Board's Primary Governance Roles and Responsibilities

Steers and Sets Strategic Direction.
Approves strategy. Focuses on high enviromental, social and governance standards

Approves Policy and Capital Planning.
Gives effect to strategy. Sets direction, resource allocation and risk appetite.

Oversees and Monitors
implementation by Management

Ensures Accountability
for organisational performance through reporting, disclosure and engagement

CORPORATE GOVERNANCE

GOVERNANCE IN TIMES OF

COVID-19

The COVID-19 pandemic has created unprecedented change, requiring agility and adaptation across the Group to face the wealth of challenges to employees and business.

- From the onset of the pandemic in March 2020, the Group CEO communicated regularly with the Board to provide clarity and reassurance about the business while prioritising employees' safety and well-being, business continuity, supporting clients through a period of uncertainty and fear, ensuring financial resilience and helping local communities.
- The Board supported the Management in establishing a COVID-19 Operational Task Force responsible for monitoring the impact of the pandemic across the Group to ensure the business is responding to the pandemic in an effective and timely manner and to ensure the safety of all stakeholders. The committee meets weekly and reports to the Board. A dashboard of relevant operational metrics is presented to the Board periodically.
- Vigilance and oversight by the Board increased significantly, as the Board provided leadership to recalibrate Group's medium-term strategy in line with the long term vision and purpose. Key areas of focus, included:
  - Business continuity and resilience of mitigation and adaptation strategies
  - Managing risks (particularly cyber security, fraud, theft, credit and internal control) and opportunities with due regard to our critical dependencies and impacts
  - Governing financial metrics, capital structure and liquidity
  - Reassessing aspects of our strategy with due consideration for the medium and long term effects of the pandemic on value preservation and creation
  - Balancing flexibility with monitoring and control
  - Ensuring active stakeholder engagement
- Provided direction and monitored acceleration of the digital strategy in adapting to the new normal. Considered Hemas cyber security as well as new technologies, information management, digital intervention and related IT controls.
- The Board met more frequently to address these challenges and opportunities and ensure continued effective Board oversight. Nine Board meetings were held during the year, as the Board seamlessly transitioned to a hybrid model of onsite and video conferencing.

The Board continues to monitor and review the evolving business landscape and progress made against measures implemented by the Company and the Group to sustain business.

06.
AN EFFECTIVE BOARD

Our commitment to the highest standards of corporate governance begins at Board level.

The ensuing sections from 6.1 Board Composition to 6.11 Succession Planning, highlights the good governance practices adopted by the Hemas Board in ensuring the role of the Board is effective and ethical.

06.1.
Board Composition

The Board comprises nine members, 77% of whom are Non-Executive Directors. The collective background of the Board of Directors provides a balanced mix of skills and experience to enable the Board to fulfill its roles and responsibilities objectively and effectively. Independent Directors are eminent professionals in their respective fields and bring invaluable insights and varied perspectives to Board deliberations. All Directors exercise independent judgement in the effective discharge of duties, engaging in constructive Board deliberations and objective evaluation of matters set before them.

The Board, through the Nomination and Governance Committee reviews the composition on an ongoing basis. The Board appreciates the important contribution to varied perspectives that gender diversity offers, and aims to have greater female representation on the Board and will make appointments in line with this commitment as we continue the search for suitable Board candidates.

Directors possess financial acumen and knowledge gained through experience from leading large enterprises and professional backgrounds. Four Directors including the Chairman of the Board Audit Committee, are finance professionals ensuring sufficient financial acumen within the Board.

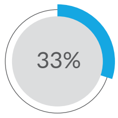
The profiles of the Board of Directors are set out on pages 19 to 21 of the Annual Report.

A well balanced and diverse Board.

Board Composition

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

Independence



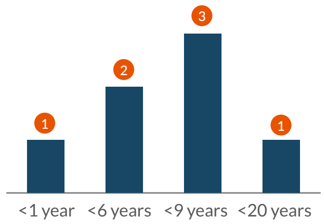
of the Board is independent

Gender

89%: 11%

NED Tenure

Sound blend of continuity and fresh perspectives



Board Size

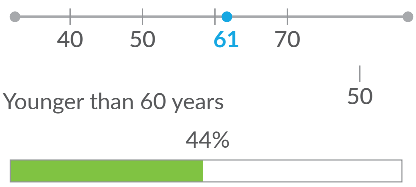
9

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

Age Diversity

Balanced in experience and new expertise.

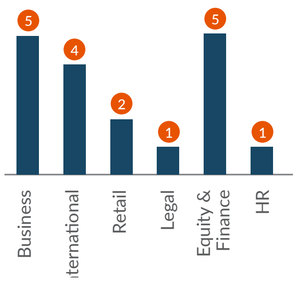
Average Age



Expertise

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

Expertise /Directors



Directors

The range and depth of skills and expertise on our Board has been invaluable as we navigate the COVID-19 related challenges and opportunities.

06.2

Directors Independence

All the Independent Non-Executive Directors of the Company met the criteria for independence as defined below.

DEFINITION	ASSESSMENT	OUTCOME
Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the CA Code 2017.	Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors.	The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review.

06.3

Clear roles and responsibilities

At Hemas, roles and responsibilities are clearly defined by mandates (Board Charter) and job descriptions, and by which means authority is delegated and accountability established. The role of the Chairman is distinct and separate from that of the CEO. The separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers, and that appropriate balances of power and authority exists on the Board.

Roles and Responsibilities

Board

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risks to be assessed and managed.

- Provide strategic direction.
- Monitor implementation of strategy.
- Set corporate values and promote ethical behaviours.
- Establish systems of risk management, internal control and compliance.
- Be responsive to the needs of society.
- Meet shareholders, employees' and other stakeholders obligations, balancing their interests in a fair manner.
- Present a balanced and understandable assessment of the Company's position and prospects.
- Safeguard assets and ensure legitimate use.
- Ensure succession planning and the continued ability of the Group to operate without any disruption.

Chairman

Chairman leads the Board, preserving good corporate governance and ensuring that it works ethically and effectively, acting in the best interest of the Group.

- Setting the ethical tone for the Board and Group.
- Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary.
- Building and maintaining stakeholder trust and confidence.
- Mentoring and overseeing the CEO
- Ensuring effective participation of all Board members during Board meetings.
- Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non-Executive Directors.
- Monitoring the effectiveness of the Board.

Group Chief Executive Officer (CEO)

The CEO is an Executive Director appointed by the Board and is accountable for implementation of the Group's strategic plan and driving performance.

- Developing Hemas' strategy for consideration and approval by the Board.
- Developing and recommending to the Board budgets supporting Hemas' long term strategy.
- Monitoring and reporting to the Board on the performance of Hemas and its compliance with applicable laws and Corporate Governance principles.
- Establishing an organizational structure for the Group which is appropriate for the execution of strategy.
- Ensuring a culture that is based on Hemas' values.
- Appointing and ensuring proper succession planning of the corporate management team and assessing their performance.
- Ensuring that the Company and the Group operate within the approved risk appetite.

	Roles and Responsibilities
Company Secretaries • Secretarial services to the Board are provided by Hemas Corporate Services (Private) Limited. • All Directors have access to their advice and services as necessary. • The Secretaries and Management keep the Board informed of new laws and revisions, regulations and requirements which are relevant to the individual Directors and collectively to the Board. • Secretaries maintain minutes of Board meetings, which are open for inspection by any Director at any time. • Appointment and removal of the Company Secretaries is a matter for the Board as a whole.	The COG • The COG, led by the CEO, meets monthly, and provides the Group with executive leadership. • The Committee implements the strategies and policies determined by the Board, contributes to portfolio decisions and prioritizes the allocation of the capital, technical and human resources. • These Key Management Personnel (KMP) are empowered to take decisions within the defined framework and have access to resources to implement their decisions. KMP are competent and have the requisite skills knowledge and experience to carry out their duties. • Strategically aligned Key Performance Indicators (KPI) drive performance and the achievement of objectives.

06.4

Board Sub-Committees

The Board has delegated certain responsibilities requiring greater attention to four Board Sub-Committees with oversight responsibility for same. This enables the Board to allocate sufficient time to matters reserved for its decision making, particularly execution of strategy and forward-looking agenda items, while ensuring delegated matters receive in-depth focus. Committee Chairmen are accountable for the effective functioning of the Committees and report regularly to the Board on Committee activities. Committee mandates are reviewed regularly.

Board Sub-Committees			
Audit Committee	• Financial Reporting • Internal Controls and Risk Management • Internal Audit • External Audit	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Group Audit Committee is found on page 136
Nomination and Governance Committee	• Appointment of Key Management Personnel/ Directors • Effectiveness of the Board and its Committees	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Nomination and Governance Committee is found on page 141
Human Resource and Remuneration Committee	• Remuneration policy for Key Management Personnel • Remuneration structure • Performance evaluation • Succession Planning	Comprises two Independent Directors (including the Chairman of the Committee) and one Non-Executive Director	Report of the Human Resource and Remuneration Committee is found on page 139
Related Party Transactions Review Committee	• Review of related party transactions	Comprises one Independent Director who is the Chairman of the Committee, One Non-Executive Director and the Chief Executive Officer	Report of the Related Party Transactions Review Committee is found on page 143

06.5

Board Composition

The Board is refreshed periodically through new appointments, retirement, resignation, and re-election. Board refreshment has allowed for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.

Appointment

Ms. Kasturi C. Wilson as Executive Director w.e.f. July 01, 2020/ CEO w.e.f. October 01, 2020.

Mr. Sriyan De Silva Wijeyeratne as an Executive Director w.e.f. October 01, 2020.

Re-election /Re-appointment

Mr. Husein N Esufally, Dr. S.A.B. Ekanayake and Mr. Imtiaz A. H. Esufally will offer themselves for re-election at the AGM to be held on June 30, 2021.

Mr. Sriyan De Silva Wijeyeratne will offer himself for re-appointment at the AGM to be held on June 30, 2021.

Resignation

Mr. Steven Enderby as Executive Director / CEO with effect from September 30, 2020.

Prof. Nilanthi De Silva and Mr. Ramabadan Gopalakrishnan as Independent Non-Executive Directors w.e.f. August 28, 2020 and March 31, 2021 respectively.

Appointment

- Directors are appointed by the shareholders at the Annual General Meeting, following a formal and transparent process and based on recommendations made by the Board of Directors.
- The Nominations and Governance Committee (NAGC) makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Group's strategic plans and any gaps thereof.
- Appointments are communicated to the CSE and shareholders through press releases and include a brief resume of the Director.

Re-election/Re-appointment

- Pursuant to the Articles of Association of the Company, 1/3 of the Non-Executive Directors will retire from office at each Annual General Meeting.
- These Directors are eligible to stand for re-election by the shareholders at the Annual General Meeting.
- The NAGC reviews the participation, engagement and contribution of each Director prior to recommendation for re-election.
- A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM.

Resignation

- Resignations or removal, if any, of Directors and the reasons are promptly informed to the CSE.

06.6

Meetings and attendance

Board and Sub-committee meetings are held on a quarterly basis, with the flexibility to arrange ad-hoc meetings to supplement these when required. Due to the outbreak of Covid-19 pandemic, most Board meetings were held virtually.

98%

Board attendance, demonstrating active engagement.

Meeting of Non- Executive Directors

In furthering the good governance practices adopted by the Group to strengthen the independence and effectiveness of the Board, the Chairman met with the Non-Executive Directors without the presence of the Executive Directors, twice during the year to discuss performance of the Executive Directors and other governance related matters. Feedback was provided by the Chairman to the Executive Directors.

Similarly, Independent Directors meet annually led by the Chairman of the NAGC, strengthening the independence and effectiveness of the Board further.

Board Meeting Planning

The meeting calender is prepared annually in advance and communicated to all Board members

The Chairman sets the Board agenda, assisted by the Company Secretaries. The agenda is prioritised and timed to ensure all items are discussed.

Agenda and Board papers for meetings are sent 7 days before the meeting, allowing Board members sufficient time to review the same. Urgent Board papers are included on an exceptional basis.

Meeting Attendance						
Name of Director	Director Status	Board	Group Audit Committee	Human Resources and Remuneration Committee	Nomination and Governance Committee	Related Party Transaction Review Committee
Mr. H N Esufally	NED	C - 9/9		6/6		
Mr. A N Esufally	NED	9/9			3/3	
Mr. I A H Esufally	NED	9/9	5/5			4/5
Dr. S A B Ekanayake	INED	8/9		C – 6/6	C - 3/3	
Mr. A S Amaratunga	INED	9/9	C-5/5	6/6		C-5/5
Mr. J M Trivedi	INED	9/9	5/5		0/0	
Mr. M A H Esufally	NED	9/9				
Ms. K C Wilson *(appointed w.e.f. 01.07.2020)*	ED	5/5				4/4
Mr. S de S Wijeyeratne *(appointed w.e.f. 01.10.2010)*	ED	2/3				

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

Dr. S A B Ekanayake was appointed the Chairman of the Nomination and Governance Committee w.e.f. April 01, 2021

Mr. J M Trivedi was appointed to the Nomination and Governance Committee w.e.f. April 01, 2021

Strategy and Business

- Approval of the Corporate Strategic Plan.
- Continued review of strategic plan, considering impact of pandemic on business operations.

Risk and Oversight

- Review of impacts from operating environment.
- Performance review of the Group.
- Risk Review.
- Balance sheet and liquidity management .

Governance

- Board appraisal 2020/21 and action plan to implement recommendations.
- Review of policy frameworks.
- Succession planning.

Stakeholder Engagement

- Review of stakeholder communications and engagement initiatives, in setting strategy and building brand.
- Approval of dividend payment.

Financial Performance

- Financial impact from adverse operating conditions.
- Approval of 2020/21 Financial Statements and Annual Report.
- Approval of 2021/22 budget.

KEY BOARD FOCUS AREAS –2020/21

Resolutions by Circulation

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

Board Minutes

- Board minutes are circulated to Board members in a timely manner.
- Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.

Follow up Action tracked

- Board/ Director action items are circulated shortly after the meeting, to enable follow up.
- Action is tracked and a formal update compiled and included in the board pack for the next meeting.

06.7

Directors Interests, Related Party Transactions and Conflicts of Interest

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

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

The Related Party Transactions Review Committee (RPTRC) considers all transactions that require approval, in compliance with relevant rules and regulations. Whenever a non-current transaction occurs, the Committee convenes to review the transaction and make necessary recommendations, for prior approval of the Board, ensuring the transaction is reasonable and at arm's length basis. Related party transactions are disclosed in Note 35 to the Financial Statements.

The total number of Board seats (excluding directorship in the Company) held by each Director as at 31st March 2021 is given below.

Name of Director	Directorship Status in HHL	No of Board seats held in Listed Companies		No of Board seats held in unlisted Companies	
		Executive Capacity	Non - Executive Capacity	Executive Capacity	Non - Executive Capacity
Mr. H N Esufally	NED				7
Mr. A N Esufally	NED		2		12
Mr. I A H Esufally	NED				13
Mr. M A H Esufally	NED				6
Ms. K C Wilson	ED				24
Dr. S A B Ekanayake	INED		4		2
Mr. A S Amaratunga	INED		1		
Mr. J M Trivedi	INED				1
Mr. S De S Wijeyeratne	ED			4	1

06.8

Informed decision making

Good decision-making requires possessing the right knowledge. Hemas reporting and information systems ensures the Board receives relevant and objective information, in a timely manner.

06.9

Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. CEO briefs the Board on the business operations, financial performance, industry trends and ensures that the Board is apprised of developments impacting the Group. Key Management Personnel (KMP) are invited to attend Board meetings to discuss relevant areas of business. Management is open and transparent with the Board and brings to attention any matters of concern in a timely manner.

06.10

Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors are entitled to seek independent professional advice, co-ordinated through the Company Secretary, at Group's expense. Copies of such advice obtained are circulated to Directors who request for it.

06.11

Induction and training

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

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

06.12

Board and Sub-Committee appraisal

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

Areas Covered

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

06.13

Appraisal of CEO

The Chairman assesses the performance of the CEO bi-annually, and shares same with the Board along with measures that are being taken to support the CEO in discharging her responsibilities. Chairman agrees the goals and objectives with the CEO at the commencement of the financial year, and shares same with the Board for observations, and revisions are made where required.

Following the year end evaluation, the CEO shares the performance against the goals that have been set at the commencement of the year and recommends to HR and Remuneration Committee (HR and REMCO) the compensation.

06.14

Succession Planning

Despite the disruptions caused by the pandemic, building a strong succession pipeline, to attract and retain the right talent for core and critical roles in the Group remained a Board priority. The Board is assisted by the Nominations and Governance Committee, developing succession plans for Board members and CEO, to ensure continuity of leadership and that the Board has the relevant mix of skills and experience that support delivery of the Group's strategic plan.

07.

RESPONSIBLE AND FAIR REMUNERATION

Hemas Compensation Policy

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

07.1

Remuneration Policy

The Board strives to ensure that remuneration is fair and responsible, and HR and REMCO is responsible for making recommendations to the Board regarding the remuneration of Executive Directors within agreed terms of reference and in accordance with the requisite skills and experience. Refer page 139 for the Report of the HR and REMCO. Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with the strategy and is based on clear performance targets that have adequate stretch and benchmarked to local market rates.

Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017. Compensation comprises of fixed (base) payments, short term incentives and long term incentives in the form of employee share options (ESOS) of Hemas Holdings PLC. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

07.2

Level and Make Up of Remuneration

Remuneration is structured based on the market and reviews are conducted periodically. As a routine, adjustments are made to remuneration based on performance. Compensation comprises of fixed (base) payments, short term incentives and long term incentives in the form of employee share options (ESOS) of Hemas Holdings PLC.

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

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

The aggregate remuneration paid to Directors of the Group in Financial Year 2020/21 is LKR 374.7 million.

08.

GENDER PARITY

The Board endeavours to make it a more balanced Board forging gender parity and is committed to make Board appointments with greater gender diversity.

Our policies seek to harness the full potential of all our employees by providing equal opportunity and a safe environment, in the workplace.

- Equality and Diversity Policy.
- Employee Recognition and Rewards Policy.
- Anti-Harassment Policy.
- Grievance Handling Policy.
- Management and Resolution of Complaints Policy.
- Human Rights Policy.
- Health and Safety Policy.
- Code of Conduct and Ethics.

Policies and practices

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. Hemas has in place polices that promote equal opportunity, a safe workplace and flexible working arrangements and has implemented flexible, family friendly practices, disclosed on page 61, Human Capital that support female employees to fulfill their career aspirations. Board representation is currently 11% as explained on page 99, Board Composition

Female Representation	
Board	11%
Leadership Team	31%
Senior Management	23%
Workforce	28%

Responsible branding

In marketing, advertising and other communications of its consumer products or Group branding, Hemas is conscious of ensuring positive and progressive gender portrayals. The Group is aware gender-stereotyped portrayals limit the aspirations, expectations, interests and participation of girls and women in society, contributing to negative outcomes in health and well-being.

09.

BOARD ACCOUNTABILITY

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

09.1

Compliance

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

09.2

Code of Conduct and Ethics

Hemas is committed to conducting its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders.

The Board is bound by the Code of Conduct and Ethics for Directors while employees are bound by the Group's Code of Conduct - the Hemas Way. The Group's Code provides guidance on Hemas' ethical standards and culture, and cover a range of topics, highlighted alongside. The Hemas Way is available on the intranet for information of all employees and is reinforced at all levels through structured communication.

The Board is not aware of any material violations of any of the provisions of the Codes by any Director or employee of Hemas.

Hemas Way – Topics Addressed Include the Following;

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

09.3

Whistle Blowing

Hemas Whistle Blowing Policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. All complaints are received for review by the Whistle Blowing Committee consisting of one Independent Director and one Non-Executive Director. Information on accessibility, anonymity, processes, and the policy relating to the whistle-blowing service is available on the intranet and communicated to all employees.

09.4

Risk Management and Internal Control

We take a holistic, forward-looking view of the risks the Group faces, assessing the threats and opportunities in our operating environment. Our well-developed framework, as described under Risk Review page 118 - supports a consistent approach to risk and capital management throughout the Group. The Board increased the rigour of oversight functions in managing risks as the environment continued to be uncertain and challenging.

Our governance of risk is underpinned by a strong control environment and is defined in our risk governance and management standards and policies. These systems and controls cover all functions including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board.

The Group Internal Audit Division supports the Group Audit Committee (AC), reviewing the adequacy and effectiveness of Group's risk management and internal control systems and reporting to the AC on a regular basis. The Board is satisfied with the soundness of the internal controls and systems and risk management practices in place, in ensuring the integrity of financial information and in safeguarding shareholder interests and assets of the Group.

09.5

Financial and Business Reporting

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

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

- The Directors' Report on pages 128 to 135.
- The Statement of Directors' Responsibility on page 146.
- Report of the Auditors on page 147.

09.6

External Auditor

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

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

CORPORATE GOVERNANCE

09.7
Governance of Group Companies

Good governance practices are integrated across the Hemas Group. Boards are well balanced and ensure business is carried at the highest professional standards, integrity and ethics.

The Hemas Board has established a common standard of corporate governance across group subsidiaries ensuring alignment of governance practices and processes, to that of the parent. Consequently, many governance structures and processes adopted mirror those required of public listed companies such as the establishment of Board Sub-Committees in each company including private companies. Group Governance practices are reinforced by the appointment of Directors and/or KMP of the parent company to the Boards of subsidiaries.

10.
RELATIONS WITH SHAREHOLDERS

10.1
Communication with shareholders

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

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

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

10.2
Constructive use of Annual General Meeting (AGM)

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

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

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

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

Similar to the AGM held in 2020, our AGM to be held on June 30, 2021, will be held electronically to manage and reduce the health risk to all participants.

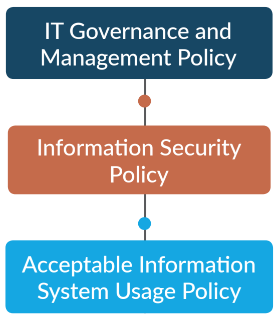
11.
INNOVATION

We believe in innovation to maximise value for our business and our stakeholders. A culture of learning and growth is nurtured within the Group to stimulate innovation and growth. Employees are empowered in their roles and responsibilities, encouraged out of the box thinking and recognised for their efforts.

During the pandemic, the Hemas Group led with innovative products and services, responding to national needs with speed and flexibility. Innovation of robots for delivery of medicine and food to hospitalised patients and conversion of the school bag factory to a mask producing factory are key highlights.

12.
DIGITAL OVERSIGHT AND CYBER SECURITY

The Board is cognizant of the benefits of agility, scalability, and innovation that digital platforms provide and ensures implementation of an effective and properly resourced technology strategy that delivers business value.



The Board is equally committed to safeguarding the Company's information assets and operational systems and invests extensively in cyber risk management systems.

With technology availability and innovation at the centre of the Group's accelerated strategy, post COVID-19, we manage the risks of digitisation through an in depth understanding of our digital process and a focus on business and operational resilience to keep our digital channels secure.

The ARC assists the Board in the discharge of its duties. Digital strategy and cyber security are standard agenda items of ARC meetings. Matters of concern are escalated to the Board.

Hemas Group IT Department is responsible for implementing the Group's digital strategy including adopting IT policies and safeguarding against cyber threats. The Group Head of IT functions as the CISO. Hemas has adopted a three-layered defence approach to managing cyber threats.

Network Perimeter Defence

1. Includes investing in an industry-leading next-generation family of firewalls by installing a 'Palo Alto' network security system to avoid a potential breach

Infrastructure Defence

1. Moving all business applications to 'cloud' infrastructure enabling a higher level of security including off-site Disaster Recovery Plans.
2. Subjecting the system to regular Vulnerability Assessment and Penetration Testing by launching simulated cyber attacks to identify potential flaws and weaknesses. The tests are conducted internally, and externally through third party professionals offering assurance certification.

End-user Defence

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

The Board is satisfied the Group has been able to offer a wide range of digital and in-person services (i.e. online meetings) throughout the pandemic, without experiencing any material cyberse security incidents or any significant failures in the Group's digital infrastructure.

13. SUSTAINABILITY GOVERNANCE

The Board places significant emphasis on sustainable development ensuring Hemas Group creates value, both for the organisation and its key stakeholders. The Board satisfies itself that Environmental, Social and Governance (ESG) metrics are incorporated into the business model and the creation of value as disclosed in the following sections of the Annual Report. Feedback obtained from our stakeholder engagement mechanisms continues to form a key input in strategy formulation. The annual report is approved by the Board, prior to publication.

ECONOMIC SUSTAINABILITY	ENVIRONMENT	LABOUR PRACTICES
FINANCIAL CAPITAL	NATURAL CAPITAL	HUMAN CAPITAL
Page 48	*Page 68*	*Page 62*
SOCIETY	**PRODUCT RESPONSIBILITY**	**SHAREHOLDER IDENTIFICATION, ENGAGEMENT AND EFFECTIVE COMMUNICATION**
SOCIAL AND RELATIONSHIP CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	INVESTOR RELATIONS
Page 75	*Page 75*	*Page 108*

14.

BUSINESS CONTINUITY PLANNING

The pandemic outbreak, other potential disasters and advances in technology have focused greater attention on the need for effective business continuity planning done at business level.

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof.	Yes	About Us	04
168 (1) (b)	Signed financial statements of the Group and the Company.	Yes	Financial Statements	150
168 (1) (c)	Auditors' Report on financial statements.	Yes	Independent Auditor's Report	147
168 (1) (d)	Accounting policies and any changes therein.	Yes	Note 1 to 3 the Financial Statements	156
168 (1) (e)	Particulars of the entries made in the Interests Register.	Yes	Annual Report of the Board of Directors	128
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company.	Yes	Note 35 to the Financial Statements	236
168 (1) (g)	Corporate donations made by the Company.	Yes	Note 07 to the Financial Statements	165
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Yes	Annual Report of the Board of Directors	128
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered.	Yes	Note 07 the Financial Statements	165
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries.	Yes	Report of the Group Audit Committee	136
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board.	Yes	Annual Report of the Board of Directors	128

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the entity.	Yes	Annual Report of the Directors	129
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Yes	Focus Areas	7
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held.	Yes	Shareholder Information	246
(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement.	Yes	Annual Report of the Directors	133
(v)	A statement of each Director's holding in shares of the entity at the beginning and end of each financial year.	Yes	Annual Report of the Directors	130
(vi)	Information pertaining to material foreseeable risk factors of the entity.	Yes	Risk Management	118
(vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Yes	Human Resources (HR) Report	62
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Yes	Note 12 and 13 to the Financial Statements	174 to 184
(ix)	Number of shares representing the entity's stated capital.	Yes	Note 22 to the Financial Statements	205
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Yes	Shareholder Information	245
(xi)	Financial ratios and market price information.	Yes	Ten year summary and Shareholder Information	244
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year.	Yes	Note 12 - Property plant and Equipment to the Financial Statements	174 to 181
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	Not Applicable		-
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes.	Yes	Shareholder Information	248
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules.	Yes	Corporate Governance Report	112
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower.	Not Applicable	Related Party Transactions Review Committee Report	143

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs.	Yes	Board Composition	129
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent.	Yes	Board Composition	129
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence.	Yes	Board Composition	130
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR).	Yes	Board Composition Board Profiles	130
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met.	Yes	Not Applicable	-
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise.	Yes	Board Profiles	19
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE.	Yes	Not Applicable	-
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director.	Yes	Board Composition	98
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee.	Yes	Human Resource and Remuneration Committee Report	139
7.10.5(a)	Composition of Remuneration Committee	RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors.	Yes	Human Resource and Remuneration Committee Report	139
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors.	Yes	Human Resource and Remuneration Committee Report	140
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report.	Yes	Human Resource and Remuneration Committee Report Note 35 to the Financial Statements	139 231 to 236
7.10.6	Audit Committee (AC)	The Company shall have an AC.	Yes	Group Audit Committee Report	136

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are independent.	Yes	Group Audit Committee Report	136
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	Yes		
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Yes		
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules.	Yes	Group Audit Committee Report	136
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee.	Yes	Group Audit Committee Report	136
		b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Yes		
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.	Yes		

Appendix IV- Statement of Compliance under Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
9.3.2	Related Party Transactions Review Committee	a). Details pertaining to Non-Recurrent Related Party Transactions.	Yes	Note 35 to the Financial Statements	231 to 236
		b). Details pertaining to Recurrent Related Party Transactions.	Yes	Note 35 to the Financial Statements	231 to 236
		c). Report of the Related Party Transactions Review Committee.	Yes	Report of the Related Party Transactions Review Committee	143
		d). Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise.	Yes	Annual Report of the Board of Directors	128

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

As requirements of the Code have been discussed in the Corporate Governance Report, we have provided the relevant references to the report.

VOLUNTARY PROVISIONS

Code Ref.	Requirement	Complied	Reference within the Report	Page
A	Directors			
A.1	An effective Board should direct, lead and control the company.			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis.	Yes	Meetings and Attendance	103
A.1.2	Role and Responsibilities of the Board.	Yes	Clear Roles and Responsibilities	100
A.1.3	Act in accordance with laws of the Country. Independent professional advice.	Yes	Compliance Informed Decision Making	104
A.1.4	Access to advice and services of the Company Secretary.	Yes	Clear Roles and Responsibilities - Company Secretary	101
A.1.5	Independent judgement.	Yes	Board Composition – Directors' Independence	99
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company.	Yes	Other business commitments	101
A.1.7	Calls for resolutions by at least 1/3rd of Directors.	Yes	Meetings and Attendance	104
A.1.8	Board induction and Training.	Yes	Induction and Training	105
A.2	Chairman and CEO.	Yes	Clear Roles and Responsibilities	100
A.3	Chairman's role in preserving good corporate governance.	Yes	Clear Roles and Responsibilities	100
A.4	Availability of financial acumen.	Yes	Board Composition	98
A.5	Board balance.	Yes	Board Composition	98

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.5.1	The Board should include sufficient number of NEDs.	Yes	Board Composition	98
A.5.2	If the Board includes only 3 NEDs, they should be independent.	N/A		
A.5.3	Independence of Directors.	Yes	Directors' independence	100
A.5.4	Annual declaration of independence by Directors.	Yes	Directors' independence	100
A.5.5	Annual determination of independence of NEDs.	Yes	Directors' independence	130
A.5.6	Alternate Directors.	Not Applicable		-
A.5.7 & A.5.8	Senior Independent Director (SID).	No		-
A.5.9	Annual meeting with NEDs.	Yes	NEDs have met twice and Independent Directors have met once, during the year to discuss governance related matters.	102
A.5.10	Recording of dissent in minutes.	Yes	Meetings and minutes	104
A.6	Supply of Information.	Yes	Informed Decision Making	104
A.7	Appointments to the Board and Re-election.	Yes	Board Refreshment	102
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference.	Yes	Nomination and Governance Committee Report	141
A.7.2	Annual assessment of Board composition.	Yes	Board Refreshment	102
A.7.3	Disclosures on appointment of new directors.	Yes	Board Refreshment	102
A.8	Directors to submit themselves for re-election.	Yes	Board Refreshment	102
A.9	Appraisal of Board and Sub-Committee Performances.	Yes	Board and Sub-Committee appraisal	105
A.10	Annual Report to disclose specified information regarding Directors.	Yes	Board Profiles Meetings and Attendance Other business interests	19 103 104
A.11	Appraisal of the CEO.	Yes	Appraisal of CEO	105
B.	**Directors Remuneration**			
B.1	Establish process for developing policy on executive and director remuneration.		Responsible and Fair Remuneration	139
B.2	Level and Make Up of Remuneration.	Yes	Responsible and Fair Remuneration	106
B.3	Disclosures related to remuneration in Annual Report. - Remuneration Policy statement. - Aggregate Board remuneration paid. - HRRC report.	Yes	Responsible and Fair Remuneration Human resources and Remuneration Committee Report	139 139

Code Ref.	Requirement	Complied	Reference within the Report	Page
C	Relations with Shareholders			
C.1	Constructive use of the AGM and Other General Meetings.	Yes	Constructive use of the Annual General Meeting (AGM)	108
C.2	Communication with shareholders.	Yes	Communication with Shareholders	108
C.3	Disclosure of major and material transactions.	Yes	There were no major or material transactions during the year, which materially affected the net asset base of Company.	-
D.	Accountability and Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects.	Yes	Financial and Business Reporting	48
D1.1	Balanced Annual Report.	Yes	Financial and Business Reporting	48
D.1.2	Balanced and understandable communication .	Yes	Financial and Business Reporting	48
D.1.3	CEO/CFO declaration.	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	152
D.1.4	Directors Report declarations.	Yes	Annual report of the Board of Directors on the Affairs of the Company	128
D.1.5	Financial reporting -statement on board responsibilities. Statement on internal control.	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	146 134
D.1.6	Management Discussion and Analysis.	Yes	Capital reports	48
D.1.7	Net Assets < 50%.	Yes	In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	-
D.1.8	Related Party Transactions	Yes	Other Business Interests	115
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Yes	Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control Risk Review	118 136 146 118

Code Ref.	Requirement	Complied	Reference within the Report	Page
D.3	Audit Committee.	Yes	Group Audit Committee Report	136
D.4	Related Party Transactions Review Committee.	Yes	Related Party Transactions Review Committee report	141
D.5	Code of Business Conduct and Ethics.	Yes	Code of Conduct and Ethics	106
D.6	Corporate Governance Disclosures.	Yes	Corporate Governance Report	90
E/F	Institutional and other investors			
	Institutional and other investors.	Yes	Relations with Shareholders	108
G	Internet of Things and Cybersecurity	Yes	Digital Oversight and Cyber Security	
H	Principals of Sustainability Reporting	Yes	Sustainability Governance	

RISK MANAGEMENT

01.

RISK ENVIRONMENT

"Making healthful living happen" is the core of our business. Thus, risk management is a vital and intrinsic part in the way we work. The uncertainty of the environment is inevitable, and it has changed the way businesses operate in the current context. Our customers trust us to make risk management integral to our products, services, and our culture. It is our responsibility to make it happen for them, as well as to investors, employees, and other stakeholders. Managing risks effectively is the responsibility of all employees. As a Group, we are accountable for allocating the required level of resources to manage risks successfully, with the intention of safeguarding company assets.

The financial year 2020/21 had been a very challenging year, due to CCOVID-19 outbreaks. However, we believe that we are mainly operating in the right industries where we can overcome these uncertainties and grow strongly with our core business. Additionally, being in a diversified industry makes us stronger in terms of managing risk and we secured a steady recovery from the economic recession and global downturn.

Hemas risk management is designed to ensure all business risks are prudently identified, analysed, and responded in accordance with the principles set out in Hemas Risk Management Framework. We are practicing an Enterprise Risk management Framework by adopting ISO 31000 - Risk Management, which was rolled out to all SBUs across the Group. This will facilitate a structured risk governance system and ensure better evaluation, identification, and mitigation of risks promptly while developing higher levels of risk awareness culture in every business unit. Our risk management is directed towards the following categories: Strategic, Operational, Compliance and Financial. The main risks are further described in page 122.

02.

RISK GOVERNANCE

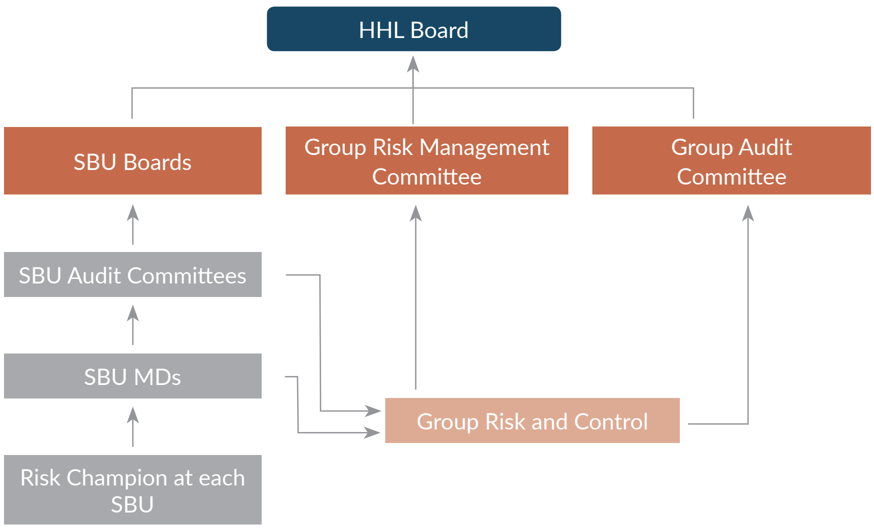
a. Risk governance structure

The Group's risk management structures are supported by Audit Committees at subsidiary level and the Group Risk Management Committee (GRMC) which evaluates the risk exposure on an ongoing basis.

The Board needs reasonable assurance that our risk management and reporting systems remain sound. Hence, we have developed a range of policies, processes, and tools to identify, assess and ensure that appropriate risk response strategies are taken to respond to the emerging risks. This collective effort helps us to achieve our business objectives while reducing the risk below our risk appetite level and minimize the risk as much as possible.

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

Risk Management Reporting Structure at Hemas



b. Description of roles and responsibilities of key committees

Board

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

The board engages in constructive discussions to decide on the responses taken for the identified risks. The status of the actions taken are continuously followed up on subsequent board meetings for the purpose of managing the risks.

Group Audit committee

Group audit committee oversees the process of risk management among its other responsibilities of monitoring internal controls, recommending financial statements for the approval of the board and engaging with internal and external auditors.

The key risks are presented at the Group Audit Committee by Group Chief Executive Officer with the assistance of Group Chief Risk & Control Officer. The Audit Committee reviews it to ensure that risk management process is adequate and responses are appropriate.

Group Risk Management Committee

GRMC assists the Board in providing oversight to the risk management activities performed by the various SBUs of the Group along with deciding on the risk plan established for the Group. The responsibilities include, but not limited to the following:

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

c. Policy framework

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

Risk register

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

Risk assessment

All risks are assessed based on the impact and likelihood using the matrix stipulated in the Hemas risk management framework. Also Risk and control team ensures that ratings are applied consistently throughout the group.

d. Risk Appetite

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

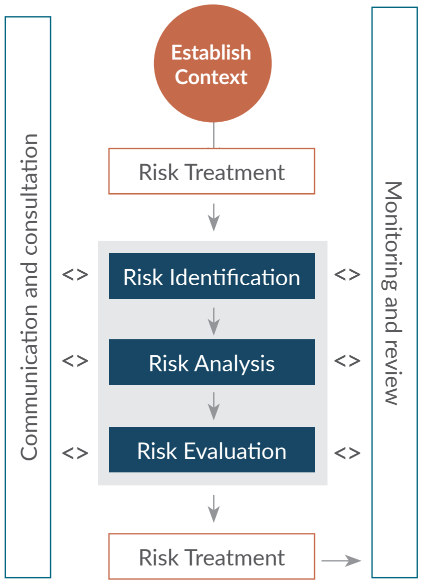
e. Risk Culture

The team risk and control with risk champions at each SBU works on embodying the risk management into the business culture by encouraging active discussions and compliance with agreeable terms with risk owners in risk identification, evaluation and mitigation. The risk team conducts risk workshops to facilitate this process.

03.

RISK MANAGEMENT PROCESS

a. Process of managing risk



The risk management process at Hemas involves; risk identification, analysis, evaluation, reporting and monitoring. Risk management at Hemas commence from the business divisional level. The head of each division in every business unit of the Group is expected to identify and record significant risks throughout its value chains. Risks that have a significant impact over the division's performance are discussed at the GRMC quarterly. The Board, senior management and GRMC with the help of Audit Committees manage risk across the Group to ensure that risks which are carried within tolerance are managed and/or mitigated.

Below is a brief description on the contents of the Risk Management Process,

1. Establish the Context

The risk management context consists of two parts: Internal and External. The context of the risk management process should be established from the understanding of the external and internal environment in which the organization operates and should reflect the specific environment of the activity to which the risk management process is to be applied.

RISK MANAGEMENT

Understanding the context is important because:

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

2. Risk identification

The purpose of risk identification is to find, recognize and describe risks that might help or prevent an organization achieving its objectives. Relevant, appropriate and up-to-date information is important in identifying risks. The organization can use a range of techniques for identifying uncertainties that may affect one or more objectives.

The following factors, and the relationship between these factors, should be considered:

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

The organization should identify risks, whether the sources are under its control or otherwise. Consideration should be given that there may be more than one type of outcome, which may result in a variety of tangible or intangible consequences.

3. Risk Analysis

The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk. Risk analysis involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. An event can have multiple causes and consequences and can affect multiple objectives. Risk analysis can be undertaken with varying degrees of detail and complexity, depending on the purpose of the analysis, the availability and reliability of information, and the resources available. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

4. Risk Evaluation

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

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

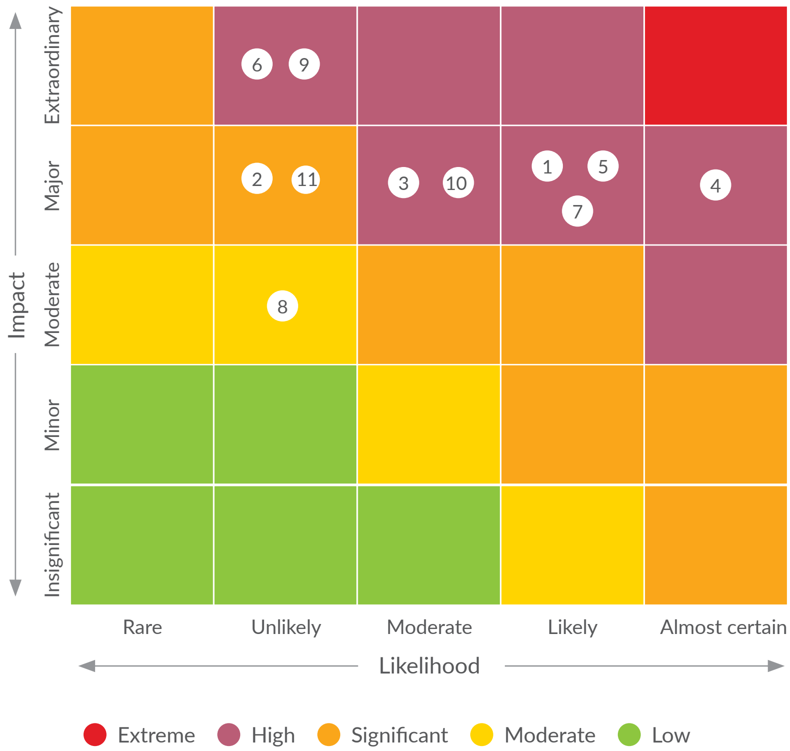
5. Risk Treatment

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

Risk treatment involves an iterative process of:

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

b. Risk Heat map



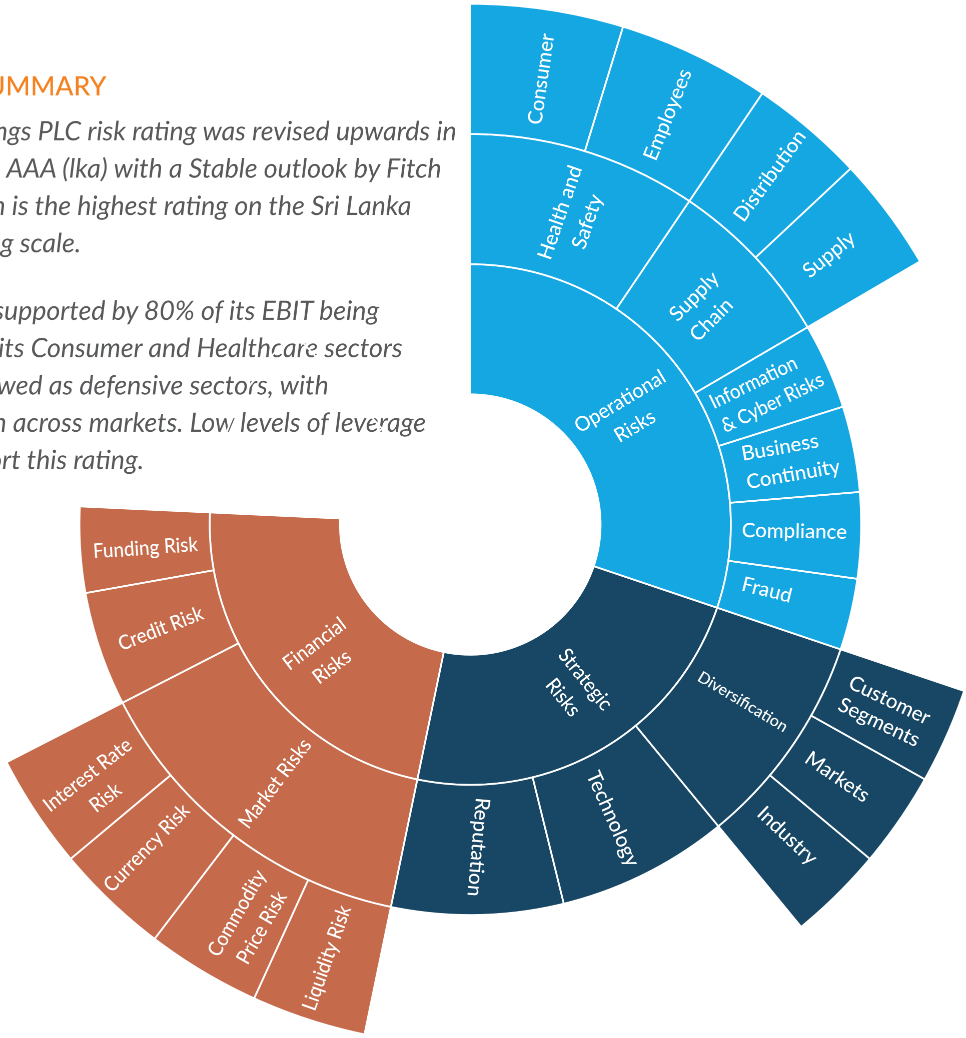
Risk rating	What it means
Extreme	• Board attention is required
High	• Immediate action by senior management with a detailed research and management of risk through appropriate responses
Significant	• Senior management attention required • Management responsibility specified • Risks should be treated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

RISK MANAGEMENT

KEY RISK SUMMARY

Hemas Holdings PLC risk rating was revised upwards in June 2020 to AAA (lka) with a Stable outlook by Fitch Ratings which is the highest rating on the Sri Lanka national rating scale.

The rating is supported by 80% of its EBIT being derived from its Consumer and Healthcare sectors which are viewed as defensive sectors, with diversification across markets. Low levels of leverage further support this rating.



Credit Risk

Government debtor represents the largest exposure in the debtor portfolio of the Group which has been disclosed below.

Description	Amount million
Receivable from private institutes and individuals	7,985
Receivable from the Government	2,149

Risk of recovering the amounts due from the Government is minimal, despite delays.

Currency and interest rate risk

As a Group, exposure to currency risk is significant and the sensitivity for major currencies are disclosed below.

Movement	Effect on PBT (000)	
	2021	
	Strengthening	Weakening
USD 5%	145,777	(145,777)
EURO 5%	641	(641)
GBP 5%	2,518	(2,518)
TAKA 5%	(37,439)	37,439

Divesting of leisure sector which contributed to revenue in foreign currency and negative impact of foreign investment has increased the Group's sensitivity to exchange rate fluctuations.

Exposure to interest rate risk is minimal and this has not been discussed except for the sensitivity disclosed below.

Movement	Effect on PBT (000) 2021
Increase (150 BP)	58,549
Decrease (150 BP)	(58,549)

Liquidity Risk

This risk has been managed by maintaining a balance between below mentioned funding sources.

Description	Less than one year	1-5 years	More than 5 years
Interest-Bearing Loans and Borrowings	3,013,675	2,075,397	-
Lease liability	317,351	1,110,511	1,137,633
Other Financial Liabilities	1,973,244	277,518	-
Trade and Other Payable	17,738,947	-	-
Bank Overdraft	504,070	-	-

COVID-19 Risk

The likelihood that an individual may be harmed or suffered adverse health effects if exposed to COVID-19. Further, interruption to the IT services can be occurred through third party malicious activities due to work from home arrangement.

Concentration risk

Majority of the businesses in the group are operating and serving the consumers in Sri Lanka. Hence, economic, and social factors effecting Sri Lankan market might have an impact to the Group revenue.

Business Interruption Risk

Interruptions to continuous operations due to damages to infrastructure because of fire or flood, or IT service breakdown, which can occur through malicious activities. Thus, there is a risk of failure to fulfil contractual obligations by the Group to the suppliers, customers, or service providers and continue the business operation.

2021 At A Glance

Risk Governance

- Reviewed the risk profile of the Group to monitor developments in risk factors and identify emerging risks.
- Key areas of risks identified included health and safety, credit risks and operational risks including cyber risks due to changes in operating environment and business continuity measures implemented.

Operational

- COVID-19 compliance frameworks and guidelines were designed to monitor and ensure health and safety of employees and customers.
- Business continuity plan has been developed to ensure the smooth operation of the businesses even at the time of disaster.
- Risk and control team focused on reviewing controls which were implemented to mitigate possible fraud risk due to work from home arrangements.
- Improved a visibility of the activities carried out by the staff by implementing next generation end point protection mechanisms.
- Adequate insurance covers have been obtained for all businesses to mitigate business interruption risk. IT DRP, BCP and crisis management guidelines are in place to address business interruption risk.

Strategic Risks

- Greater focus of the Group has changed to the essential services which resulted divesting seasonal industries such as leisure sector.
- Hospital group has become first hospital to obtain COVID-19 safety certificate from the SLSI.
- Production lines were rearranged to produce products related to health and safety such as shield hand sanitizer and antibacterial stationery range.

Financial Risks

- Group policy is to maintain gearing ratio below 40% which has been maintained over the period.
- Identifying a maximum for the Group Level exposure for government debtors and taking appropriate actions from SBU level if the state debt level exceeds the threshold.
- Centralized treasury management and continuous reviewing of business models and working capital management.

RISK MANAGEMENT

Risk and Risk Rating	Mitigation Strategies
01. Credit Risk	
COVID-19 outbreak resulted in loss of income for majority of the corporates as well as for individuals which increases the credit risk. Further, the outbreak significantly affected on the macro economic factors such as increase of cost-of-living reduction of disposable income. Hence, these factors have a negative impact for collecting dues from our customers. Assessment **Impact**: Major **Likelihood**: Likely	• Adherence to business specific credit policies. • Credit verification procedure and continuing to liaise with credit worthy customers. • Efficient debt follows up and collection practices. • Identifying a maximum for the Group Level exposure for government debtors and taking appropriate actions from SBU level if the state debt level exceeds the threshold.
02. Liquidity Risk	
The inability of the Group to meet contractual obligations due to insufficient cash and other liquid investments is defined as liquidity risks. This risk has been managed by maintaining a balance between bank overdrafts, bank loans, and inter-company borrowings. Assessment **Impact**: Major **Likelihood**: Unlikely	• Centralized treasury management. • Continuous reviewing of business models and working capital management. • Strong relationships with banks and unutilised funding lines. • Consistent monitoring of asset and liability maturity mismatches. • The Group has managed to maintain strong current and quick asset ratio based on the constructive treasury management framework. • Hemas Holdings PLC risk rating was revised rated as AAA (lka) with a Stable outlook by Fitch Ratings. • Group policy is to maintain gearing ratio below 40% which has been maintained over the period.
03. Risk of intensive government intervention on private healthcare industry	
Government intervening on the private healthcare industry by imposing price ceilings, price controls and other regulations are adversely affecting both pharmaceutical businesses and Hospitals. Assessment **Impact**: Major **Likelihood**: Moderate	• Price regulations have been halted due to legal actions taken by industry chamber. • SLCPI is considering further action under fair trade protection regulations. • Negotiations with NMRA through chamber for reasonable price formula. • Continuous negotiations with existing Principals to pass the incremental costs to them. • Assess the products that are likely to be subject to the food labelling regulations and prepare for submission of Dossiers.

Risk and Risk Rating	Mitigation Strategies
04. Overseas Market Risk	
With the globalization and increasing opportunities in international markets, Group has focused on expanding its business horizon and exploring the foreign markets. This resulted in Group investing in overseas opportunities in Bangladesh and Myanmar. Currently the foreign investments are facing challenges due to COVID-19 pandemic which has affected globally, and the unstable political environment in Myanmar. Assessment **Impact**: Major **Likelihood**: Almost Certain	• Businesses are closely monitoring overall operations in overseas markets. • Effectiveness of the investments and assists businesses in taking decisions related to foreign operations such as its continuity, investment and divestments by the Group strategic team.
05. Currency Risk	
Potential losses because of adverse movement in the exchange rates. Rupee witnessed a sharp depreciation against the foreign currencies and the CBSL has imposed preventive measures to control currency depreciation. Assessment **Impact**: Major **Likelihood**: Likely	• Centralized treasury advisory. • Establishment of a FOREX committee. • Managing exchange rates through appropriate financial risk management techniques such as hedging. • Consistent monitoring of FOREX rates and outlook by the Treasury Unit. • A Group wide FOREX policy has been designed and implemented.
06. Reputational Risk	
Potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a company's reputation, thereby affecting its revenue. Possible quality failures in products or healthcare service would impact the safety of patient and reputation. Assessment **Impact**: Extraordinary **Likelihood**: Unlikely	• Adequate business specific quality control divisions to assure the quality throughout the processes and continuous quality governance meeting to enhance product quality. • Continuous training, quality management and assurance programs to strengthen the product quality. • Internal and external quality inspection. • Standardized manufacturing processes. • Ongoing investment and improvement initiatives in manufacturing facilities and hospital. • Obtaining certifications from external governing bodies. • Hospitals are ACHSI accredited and have industry specific clinical governance policies and procedures in place.

RISK MANAGEMENT

<table>
<tr><th>Risk and Risk Rating</th><th>Mitigation Strategies</th></tr>
<tr><td colspan="2">07. COVID-19 Risk</td></tr>
<tr><td>The likelihood that an individual may be harmed or suffers adverse health effects if exposed to COVID-19.

Further, work from home arrangement introduced for most of the back-office functions. Hence, there is risk in connectivity to the systems and other essential functions to conduct allocated work. Moreover, there is risk of malware and other cyber-attacks since most of the employees are using VPN connectivity.

<table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>Major</td></tr><tr><td>Likelihood</td><td>Likely</td></tr></table></td><td>Operations and plants are designed considering employee health and safety.
Health and Safety related policies and procedures have been implemented across the Group.
Such policies are subject to rigorous review and audits for their implementations.
Any exception to the policies or newly arising health and safety risks are reviewed and responded at the highest management level.
Staff are continuously trained on conducting operations by adhering to quality protocols.
Hospital group has become first hospital to obtain COVID-19 safety certificate from the SLSI.
Production lines were rearranged to produce products related to health and safety such as shield hand sanitizer.
Recognizing the increased focus on health, Atlas partnered with SLINTEC to create a book and pens antibacterial range, the first of its kind in the market, and raising the bar on consumer-centric innovation.
Work from home guidelines were introduced and continuous awareness sessions were conducted to enhance knowledge of the employees.
Group IT has also improved a visibility of the activities carried out by the users by implementing next generation end point protection mechanisms.</td></tr>
</table>

Risk and Risk Rating	Mitigation Strategies
08. People Risk	
Talent attraction, developing talents and retaining the best talent can be defined as people risk. Workforce diversity and digital talent has become important than ever due to digital transformation in current business context. Assessment **Impact**: Moderate **Likelihood**: Unlikely	• Restructuring and re-alignment of our workforce to drive the digital transformation. • Continuously train and develop skills of our employees on new technologies, tools and global practices. • Performance culture is adopted and continuously promoted.
09. Business Interruption Risk	
Interruptions to continuous operations due to damages to infrastructure because of fire or flood, or IT service breakdown, which can occur through malicious activities. Thus, there is risk of failure to fulfil contractual obligations by the company to the suppliers, customers, or service providers and continue the business operation. Assessment **Impact**: Extraordinary **Likelihood**: Unlikely	• Fire risk management practices are in place as per the Hemas framework. • Adequate insurance covers have been obtained for all businesses to mitigate business interruption risk. IT DRP, BCP and crisis management guidelines are in place to address this risk. • IT DRP is in place. • Business continuity plans to ensure the smooth operation of the business ever at the time of disaster.
10. Cyber Security Risk	
A cyber-attack or data centre failure resulting in business disruption or breach of corporate or personal data confidentiality. Assessment **Impact**: Major **Likelihood**: Moderate	• Crisis management plan on how to act in case of a cyber-attack has been developed. • Obtaining a cyber security insurance policy is in progress. • Safeguard critical IT and operational assets by strict IT protocols, firewalls and business continuity plan. • Foster a positive culture of cyber-security through various awareness to detect, respond, recover from cyber incidents and attack.
11. Concentration Risk	
Majority of the businesses in the Group is operating and serving the consumers in Sri Lanka. Hence, economic and social factors effecting the Sri Lankan markets might have an impact to the Group revenue. Assessment **Impact**: Major **Likelihood**: Unlikely	• Diversification across industries, sectors and geography.

For a detailed understanding on the finance risk, please refer page no. 227 under the Notes to the Consolidated Financial Statements

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

GENERAL

The Directors have pleasure in presenting their Report and the Audited Financial Statements of the Company and the Group for the year ended March 31, 2021 and the Auditors' Report on the Consolidated Financial Statements.

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

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

The Registered Office of the Company is situated at 'Hemas House' No. 75, Braybrooke Place, Colombo 02.

This Report provides the information as required by the Companies Act, the Listing Rules of the Colombo Stock Exchange (Listing Rules) and recommended best practices on Corporate Governance.

This Report was approved by the Board of Directors on May 21, 2021.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The measures taken by the Company to manage its risks are detailed in the report titled 'Risk Management' on pages 118 to 127 of the Annual Report.

2. FUTURE DEVELOPMENTS

The Group intends to continue to pursue a strategy of focusing on enhancing the performance of its core businesses of Consumer, Wellness and Healthcare segments.

Further information on future developments is provided in the Chief Executive Officer's Review and Sector Integrated Reviews of the Annual Report.

3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

The Financial Statements of both the Company and the Group, duly certified by the Chief Financial Officer and approved by two Directors in compliance with Sections 152, 153 and 168 of the Companies Act are given from pages 150 to 243 of the Annual Report.

4. AUDITORS' REPORT

The Group's External Auditors, Messrs. Ernst & Young, performed the audit on the Financial Statements for the year ended 31 March 2021. The Auditors' Report on the Financial Statements is given on pages 147 to 149 of the Annual Report as required by Section 168 (1) (c) of the Companies Act.

5. ACCOUNTING POLICIES

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 156 to 161 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

There have been no changes in the accounting policies adopted by the Group during the year under review. Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) which have materially converged with the International Financial Reporting Standard (IFRS) as Issued by the International Accounting Standards Board (IASB).

6. RESULTS AND DIVIDENDS

6.1 Gross Revenue

The Total Revenue of the Group for the year ended March 31, 2021 was Rs, 64.5 billion (2020 - Rs. 60.0 billion). An analysis of the income is given in Note 04 to the Financial Statements on page 163 of this Annual Report.

6.2 Profit and Appropriations

The Profit Before Tax of the Group for the year ended March 31, 2021 was Rs. 5.7 billion (2020 - Rs. 2.8 billion) and the Profit After Tax for the year ended March 31, 2021 was Rs. 3.3 billiom (2020 - Rs. 1.4 billion). Whilst the Group profit attributable to equity holders of the parent was Rs. 3.3 billion (2020 - Rs. 1.2 billion).

The details of Profit relating to the Group are given on pages 150 to 151 of the Annual Report.

6.3 Dividend on Ordinary Shares

6.3.1 The Directors declare and paid an Interim Dividend of Rs. 0.40 per Ordinary Share on November 25, 2020.

6.3.2 Final Dividend

The Directors recommend a Final Dividend for the year of Rs. 1.45 per Ordinary Share which will be payable on July 22, 2021 to Shareholders registered as at July 01, 2021. The Total Dividend for the year under review will then amount to Rs. 1.85 per Ordinary Share (2019/20 - Nil).

Prior to recommending the Final Dividend and in accordance with Section 56 (2) and (3) of the Companies Act, the Board of Directors signed a Certificate stating that, in their opinion and based on available information, the Company will satisfy the Solvency Test immediately after the distribution is made and have obtained a Certificate from the Auditors in terms of Section 57 of the Companies Act. Shareholder approval will be sought on the day of the Annual General Meeting, to declare and pay the Final Dividend.

7. PROVISION FOR TAXATION

Income Tax on taxable income arising from the operations of the Group has been calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and any amendments thereto. The deferred tax on all known temporary differences using the liability method have been calculated and disclosed in accordance with the Sri Lanka Accounting Standard LKAS 12 – Income Taxes.

Disclosures on Income Tax Expenses and Deferred Taxes are given in Note 8 to the Financial Statements on pages 166 to 171 of the Annual Report.

8. RESERVES

The Group's total Reserves as at March 31, 2021 amounted to Rs. 24.1 billion (2020 - Rs. 20.2 billion).

The movement of the Reserves are given on page 153 under Statement of Changes in Equity and in the Notes to the Financial Statements of the Annual Report.

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

The details of Property, Plant and Equipment, Investment Properties, Right of Use Assets and Intangible Assets are given in the Notes 12 to 15 to the Financial Statements found on pages 174 to 185 of the Annual Report.

10. MARKET VALUE OF THE PROPERTIES

The Land and Buildings of the Group classified as property, Plant and Equipment and Investment Properties are revalued by professionally qualified independent valuers and carried at revalued amounts as at 31 March 2021. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of freehold properties owned by the Group are given in Notes 12 and 13 to the Financial Statements from pages 174 to 185 of the Annual Report.

11. INVESTMENTS AND ACQUISITIONS

The Group Investments and Acquisitions are detailed in Note 29 to the Financial Statements found on pages 218 to 220 of the Annual Report.

12. DIVESTMENTS AND DISPOSALS

Concept Ventures (Pvt) Ltd, a subsidiary of Hemas Holdings PLC, divested 80.1% stake in Digital Healthcare Solutions (Pvt) Ltd on June 19, 2020.

Hemas Holdings PLC disposed of its 55.6% equity stake in Serendib Hotels PLC on December 15, 2020.

13. AMALGAMATION OF SUBSIDIARIES

During the year under review, there were no amalgamation of subsidiaries within the Group.

14. CREDITOR PAYMENT

For all trade creditors/suppliers, it is the Group policy to:

- Agree and confirm the terms of payment at the commencement of business with such suppliers;
- Pay in accordance with any contract agreed with the supplier or as required by law
- Continually review payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining good working relationships.

15. DIRECTORS

15.1 Change in the Directorate

The Board of Directors of the Company as at the date of this Report comprises Nine (9) Directors with extensive financial, governance and commercial knowledge and experience. The profiles of the Directors are set out in the 'Board of Directors' section from pages 19 to 21 of the Annual Report.

The names of the persons who held office as Directors of the Company as at March 31, 2021 are given below:

Non-Executive Directors

Mr. H. N. Esufally – *Chairman*

Mr. A. N. Esufally

Mr. I. A. H. Esufally

Mr. M. A. H. Esufally

During the year under review, Mr. M. A. H. Esufally held office as an Executive Director, and w.e.f. April 01, 2021 he has changed his capacity on the Board of Directors as a Non-Executive Director.

Executive Directors

Ms. K. A. C. Wilson - *Chief Executive Officer*

Mr. S. J. de Silva Wijeyeratne

During the year under review, Mr. S. M. Enderby held office as an Executive Director and the Chief Executive Officer until his retirement w.e.f. September 30, 2020.

Ms. K.A.C. Wilson was appointed to the Board of Directors w.e.f. July 01, 2020. She was appointed the Chief Executive Director w.e.f. October 01, 2020.

Mr. S. J. de Silva Wijeyeratne was appointed to the Board of Directors w.e.f. October 01, 2020.

Independent Non-Executive Directors

Dr. S. A. B. Ekanayake

Mr. A. S. Amaratunga

Mr. J.M. Trivedi

During the year under review, Mr R. Gopalakrishnan held office as Independent Non-Executive Director and retired w.e.f. March 31, 2021.

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

Prof N R De Silva held office as an Independent Non-Executive Director and resigned from the Board of Directors w.e.f. August 28, 2020.

15.2 Independence of the Directors

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

15.3 Re-election of Directors

In accordance with the Articles of Association of the Company and the Corporate Governance Code, one third of the Directors will retire at the Annual General Meeting on June 30, 2021 and being eligible, will offer themselves for re-election.

15.3.1 Recommendation for re-election/ re-appointment

In terms of Article 84 of the Articles of Association, Dr. S. A. B. Ekanayake, Mr. H. N. Esufally and Mr. I. A. H. Esufally retire by rotation and being eligible, offer themselves for re-election, with the unanimous consent of the Board of Directors.

In terms of Article 72 of the Company's Articles of Association, Mr. Siyan de Silva Wijeyeratne retires and being eligible, offers himself for re-election, with the unanimous consent of the Board of Directors.

15.3.2 Board Sub-committees and COG

Information on Board Sub-committees is given under 'Corporate Governance" and the related Sub-committee reports are given on pages 96 to 144 of this Annual Report.

In addition to the mandatory Board Sub-committees in operation, the COG has been devolved with the responsibility of reviewing Group performance and providing oversight of Group's affairs.

The profiles of the Members of the COG are set out on pages 22 to 24 of the Annual Report.

15.4 Disclosures of Directors Dealing in Shares

Directors' Interest in Ordinary Shares of the Company – Direct

Name of Director	No of Shares as at 31 March 2021	No of Shares as at 31 March 2020
Mr. H. N. Esufally	5,791,640	5,791,640
Mr. A. N. Esufally	117,353	117,353
Mr. I. A. H. Esufally	4,586,284	4,586,284
Mr. M. A. H. Esufally	6,164,633	6,164,633
Dr. S. A. B. Ekanayake	Nil	Nil
Mr. A. S. Amaratunga	Nil	Nil
Mr. J.M. Trivedi	Nil	Nil
Ms. K. A. C. Wilson	Nil	Nil
Mr. S. J. de Silva Wijeyeratne	Nil	Nil

Directors' Interest in Ordinary Shares of the Company – Indirect

Name of Director	No of Shares as at 31 March 2021	No of Shares as at 31 March 2020
A Z Holdings (Pvt) Ltd	94,092,305	94,092,305
Saraz Investments (Pvt) Ltd	89,565,277	89,565,277
Blueberry Investments (Pvt) Ltd	88,927,940	88,927,940
Amagroup (Pvt) Ltd	88,927,333	88,927,333
Ms. Sabrina Esufally	259,170	259,170
Mr. Adam Esufally	259,170	259,170
Ms. Sakina Esufally	2,073,365	2,073,365
Ms. Razia Esufally	259,170	259,170
Mrs. Bilquis I Esufally	725	725
Mr. Amaar Esufally	2,000,000	2,000,000
Miss Zara Esufally	250,000	250,000

15.5 Directors' Remuneration and Other Benefits

The Directors' remuneration and other benefits, in respect of the Company for the financial year ended March 31, 2021 is given in Note 35 to the Financial Statements on page 225 of this Annual Report as required by Section 168 (1) (f) of the Companies Act.

15.6 Directors' Interests in Contracts or Proposed Contracts

The Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended March 31, 2021, other than those disclosed on pages 231 to 236 of the Annual Report.

The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. They have also disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

15.7 Interests Register

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

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

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

1. Hemas Holdings PLC

a. Appointment of a Director

Ms. K.A.C. Wilson - *appointed w.e.f. 1st July 2020*

Mr. S. J. de Silva Wijeyeratne - *appointed w.e.f. 1st October 2020*

Resignation of a Director

Prof. N Silva - *resigned w.e.f. 28th August 2020*

Mr. S. M. Enderby - *resigned w.e.f. 30th September 2020*

Mr. R. Gopalakrishnan - *resigned w.e.f. 31st March 2021*

b. Share Dealings of Directors

During the year under review, there were no direct share dealings of Directors.

Ms. K. A. C. Wilson has declared a relevant interest in the disposal of 49,105 shares of Hemas Holdings PLC made by Capital Alliance Limited. Ms. K. A. C. Wilson is an Independent Non-Executive Director of Capital Alliance Holdings Limited, the parent company of Capital Alliance Limited.

c. Change of other Directorships

• Mr. Husein Esufally
Morison Limited - Resigned with effect from 31st March 2021

• Mr. Abbas Esufally
Serendib Hotels PLC - Resigned with effect from 10th February 2021

Dolphin Hotels PLC - Resigned with effect from 10th February 2021

Sigiriya Hotels PLC - Resigned with effect from 10th February 2021

Sanctuary Resorts Lanka (Private) Limited - Resigned with effect from 10th February 2021

Serendib Leisure Management Limited - Resigned with effect from 10th February 2021

Frontier Capital Lanka (Private) Limited - Resigned with effect from 10th February 2021

Kammala Hoteliers (Private) Limited - Resigned with effect from 10th February 2021

• Mr. R Gopalakrishnan
Appointed Independent Non-Executive Director of Press Trust of India w.e.f. 1st January 2021

• Mr. I A H Esufally
Serendib Hotels PLC - Resigned with effect from 10th February 2021

Frontier Capital Lanka (Private) Limited - Resigned with effect from 10th February 2021

• Ms. Kasturi C Wilson
Hemtours (Private) Limited - Appointed with effect from 1st October 2020

Unicorn Investments (Private) Limited - Appointed with effect from 1st October 2020

Hemas Consumer Brands Private Limited - Appointed with effect from 30th September 2020

Hemas C O E (Private) Ltd - Appointed with effect from 1st October 2020

Hemas Corporate Services (Private) Limited - Appointed with effect from 1st October 2020

Hemas Hospitals (Private) Limited - Appointed with effect from 1st August 2020

Hemas Capital Hospital Private) Limited - Appointed with effect from 1st August 2020

2. Subsidiaries of Hemas Group

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

Hemtours (Private) Limited

Ms. Kasturi C Wilson – Appointed with effect from 1st October 2020

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Hemas Manufacturing (Private) Limited

Mr. Sriyan de Silva Wijeyeratne – Appointed with effect from 1st May 2020

Mr. Suresh Shah – Appointed with effect from 1st January 2021

Mr. Roy Joseph – Resigned with effect from 8th September 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Mr. Vikram Kaushik – Resigned w.e.f. 31st March 2021

Hemas Marketing (Private) Limited

Mr. Sriyan de Silva Wijeyeratne – Appointed with effect from 8th September 2020

Mr. Roy Joseph – Resigned with effect from 8th September 2020

Hemas Trading (Private) Limited

Mr. Sriyan de Silva Wijeyeratne – Appointed with effect from 8th September 2020

Mr. Roy Joseph – Resigned with effect from 8th September 2020

Unicorn Investments (Private) Limited

Mr. Sriyan de Silva Wijeyeratne – Appointed with effect from 8th September 2020

Ms. Kasturi C Wilson – Appointed w.e.f. 1 October 2020

Mr. Roy Joseph – Resigned with effect from 8th September 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Hemas Consumer Brands Private Limited

Ms. Kasturi C Wilson – Appointed w.e.f. 30th September 2020

Mr. Sriyan de Silva Wijeyeratne – Appointed with effect from 30th September 2020

Mr. Roy Joseph – Resigned with effect from 8th September 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Healthnet International (Private) Limited

Mr. Jude Fernando - Appointed with effect from 21st October 2020

Hemas C O E (Private) Ltd

Ms. Kasturi C Wilson – Appointed with effect from 1st October 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Hemas Corporate Services (Private) Limited

Ms. Kasturi C Wilson – Appointed with effect from 1st October 2020

Ms. Peshala Fernando – Appointed with effect from 1st December 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Ms. Dulanga Perera Wydeman – Resigned with effect from 30th November 2020

Concept Ventures (Private) Limited

Mr. Amila Priyadarshana - Appointed with effect from 1st April 2020

Morison Limited

Dr. Sanjit Singh Lamba – Appointed with effect from 1st September 2020

Mr. Steven Enderby – Resigned with effect from 30th September 2020

Mr. Husein Esufally – Resigned with effect from 31th March 2021

Hemas Capital Hospital (Private) Limited

Ms. Kasturi C Wilson - Appointed with effect from 1st August 2020

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Hemas Hospitals (Private) Limited

Ms. Kasturi C Wilson - Appointed with effect from 1st August 2020

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Hemas Pharmaceuticals (Private) Limited

Mr. Jude Fernando - Appointed w.e.f. 15th August 2020

Ms. Coralie Pieterz - Appointed w.e.f. 1st November 2020

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Mr. Sanjiva Senanayake - Resigned w.e.f. 1st December 2020

Hemas Surgicals and Diagnostics (Private) Limited

Mr. Jude Fernando - Appointed w.e.f. 15th August 2020

Far Shipping Agency Lanka (Private) Limited

Preethilal Eustace Fernando - Resigned with effect from 1st April 2020

Forbes Air Services (Private) Limited

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Hemas Transportation (Private) Limited

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Hemas Maritime (Private) Limited

Mr. Tuan Mushin Kitchilan - Appointed with effect from 1st January 2021

Mr. Ramesh Chitrasiri - Appointed with effect from 1st January 2021

Ms. Kasturi C Wilson - Resigned with effect from 2nd January 2021

Mazu Shipping (Private) Limited

Mr. Tuan Mushin Kitchilan - Appointed with effect from 1st January 2021

Mr. Ramesh Chitrasiri - Appointed with effect from 1st January 2021

Atlas Axillia Company (Private) Limited

Ms. Kasturi C Wilson - Appointed with effect from 30th September 2020

Mr. Roy Joseph - Resigned with effect from 8th September 2020

Mr. Steven Enderby - Resigned with effect from 30th September 2020

Evergreen Shipping Agency Lanka (Private) Limited

Mr. Yen -I CHang - Appointed with effect from 10th December 2020

Mr. Cheng-Yung CHang - Resigned with effect from 10th December 2020

16. RELATED PARTY TRANSACTIONS

Non-recurrent Related Party Transactions

There were no other non-recurrent Related Party Transactions of the Company which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower as per March 31, 2021. Audited Financial Statements, which required additional disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent Related Party Transactions

There were no other recurrent Related Party Transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2021 Audited Financial Statements, which required additional disclosures in the Annual Report under the Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party Transactions entered into during the Financial Year ended March 31, 2021.

The details of all Related Party Transactions carried out during the year are disclosed on page 232 of this Report.

17. REGISTRARS

M/s SSP Corporate Services (Private) Limited of No. 101, Inner Flower Road, Colombo 03 functioned as the Registrars for the Company during the Financial Year ended 31 March 2021.

18. INSURANCE AND THIRD-PARTY INDEMNIFICATION

During the year under review and up to the date of approval of this Annual Report, the Company maintained liability insurance and third-party indemnification provisions for its Directors.

19. STATED CAPITAL

The Stated Capital of the Company as at 31 March 2021 was Rs.7,776,111 billion comprising of 596,546,025 ordinary shares (2020 -596,043,425 Ordinary Shares - Rs. 7.73 Bn). The movement of the Issued Share capital is given below:

Details of the Stated Capital are given in Note 22 to the Financial Statements on page 202 of the Annual Report. The rights and obligations attaching to the ordinary shares are set out in the Articles of Association of the Company, a copy of which can be obtained from the Secretaries upon request.

20. SHARE INFORMATION

Details of share related information are given on pages 245 to 248 of this Annual Report and information relating to Earnings, Dividends and Net Assets per share is given in the Financial Highlights on pages 8 to 9 of the Annual Report.

The twenty major shareholders of the Company as at 31st March 2021 are indicated on page 246 of this Annual Report.

20.1 Issue of Shares - ESOS

The details of the grants/vesting of ESOS since 2015 is given under Shareholder Information found on page 248 of the Annual Report.

20.2 Listed Debentures

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

The Debentures issued by the Company in 2014 of the Company consist of Ten Million (rated AA- (lka) by Fitch Rating Lanka Limited) unsecured redeemable 5-year debentures carrying a coupon rate of 11% p.a. payable semi-annually, at the face value of Rs. 100 each to raise Rupees One Billion was redeemed at maturity on 29th April 2019.

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

The number of ordinary shares held by the Public as at 31st March 2021 was 213,271,660 of the Issued Capital of the Company.

The minimum public holding requirement as at 31st March 2021 as per section 7.6(iv) of the *listing rules is as follows:*

Category	Float Adjusted Market Capitalization	Public Holding Percentage	No of Public Shareholders	Option
Ordinary Shares	17,786,318,008	35.75%	6,959	1

21. SHARE-BASED PLANS

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

22. EMPLOYEE SHARE OPTION SCHEME

The Company has established an Employee Share Option Scheme (ESOS) where shares are issued to Executive Directors and Senior Executives of the Company and its Subsidiaries whom the Board deems to be eligible to be awarded the shares. The Directors confirm that the Company or any of its subsidiaries have not granted any funding to employees directly or indirectly to exercise share options and purchase any shares under this Scheme.

The Employee Share Option Scheme 2015 has been completed and the Board of Directors has proposed a new Employee Share Option Scheme to be issued to Executive Directors and Senior Executives of the Company and its Subsidiaries, for shareholders' approval. An Extraordinary General meeting has been convened to be held after the conclusion of the Annual General Meeting on 30th June 2021 to seek shareholders' approval of the new Employee Share Option Scheme.

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

23. EMPLOYMENT POLICIES

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

The number of persons employed by the Company and its subsidiaries at the year-end was 5,621.

24. EMPLOYEE INVOLVEMENT

Hemas is committed to employee involvement throughout the business and is intent on motivating and keeping staff informed on matters that concern them in the context of their employment and involving them through local consultative procedures. Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group's performance through management channels, meetings, publications and intranet sites. More details on employee engagement, together with information on diversity, succession planning and talent development, can be found in the sustainability Report section of this Report.

Hemas continues to support employee share ownership through the provision of employee share plan arrangements which are intended to align the interests of employees with those of Shareholders.

25. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Hemas' treasury and risk management objectives and policies are set out in the Financial Capital section of this Report and also in Note 33 to the Financial Statements.

26. CORPORATE DONATIONS

During the year, the Group made donations to charity amounting to Rs. 33.4 Mn (2020 - Rs. 53.6 Mn).

The information given above on donations, forms an integral part of the Report of the Board of Directors as required by Section 168 (1) (g) of the Companies Act.

27. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

28. ENVIRONMENTAL PROTECTION

28.1 The Environment

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities which have caused adverse effects on the environment and that the Company has complied with the relevant environmental regulations.

28.2 Sustainability Reporting

Sustainability practices have been built into every aspect of our businesses and we consider sustainability goals along with our operational and financial goals. Detailed information on our sustainability initiatives can be found on pages 40 to 44 of the Annual Report.

29. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet Date that would require adjustments to or disclosure in the Financial Statements other than as disclosed in Note 30 to the Financial Statements on page 222 of this Annual Report.

30. GOING CONCERN

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt a going concern basis in preparing the Financial Statements. Details of the adoption by the Group and the Company of the going concern basis in preparing the Financial Statements are set out in Note 2 to the Financial Statement found on page 156 of the Annual Report.

31. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

31.1 Risk Management

Specific steps that have been taken by the Company in risk management are detailed on pages 118 to 127 of this Annual Report.

31.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of internal controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent fraud and irregularities, to ensure that proper records are maintained, and the Financial Statements presented are reliable. Monthly Management Accounts are prepared, providing the Management with relevant, reliable and up-to-date Financial Statements and key performance indicators. The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen on pages 118 to 127 of the Annual Report. The Board has conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith for the period up to the date of signing the Financial Statements.

31.3 Audit Committee

The composition of the Audit Committee and their Report is given on page 136 of the Annual Report.

32 CORPORATE GOVERNANCE

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out on pages 95 to 117 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

33. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

34. OUTSTANDING LITIGATION

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

35. COVID - 19 IMPACT

Subsequent to the outbreak of COVID-19, the Company and its subsidiaries have taken appropriate measures to safeguard the health and safety of all our employees and ensure compliance with various guidelines issued by the Health Authorities in Sri Lanka.

The overall impact of the pandemic on the Group Revenues and Profitability during the financial year 2020/21 was negative. The Management has implemented cost reduction and cash conservation measures across the group to protect the businesses and to ensure long term sustainability.

The impact of the pandemic on Sri Lanka's economy and global demand and supply cannot be predicted at this time. There are multiple new risks that have emerged including increased exchange rate volatility, foreign currency availability and import restrictions. Our businesses focus primarily on the Sri Lankan consumer and healthcare sectors providing essential healthcare products and services and day to day fast moving, mass market consumer goods. As such, we anticipate that demand for our products and services will recover relatively quickly from current levels. It is not possible at this time to predict the exact timing or extent of recovery.

36. APPOINTMENT OF EXTERNAL AUDITORS

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

37. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY

The Auditors, Messrs. Ernst & Young were paid 14.6 million (Rs. 17.5Mn in 2020) as audit fees by the Company. Apart from the above, the Company has engaged the Auditors to advise on taxation and accounting matters for the year under consideration. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

38. RELEVANT AUDIT INFORMATION

As at 21 May 2021, so far as each Director is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Auditors are aware of that information.

39. ANNUAL GENERAL MEETING

The 72 Annual General Meeting of the Company will be held through Audio visual means on virtual platform on a virtual platform, emanating from the Registered Office of the Company, 'Heas House' No.75, Braybrooke Place, Colombo 2. Shareholders who are unable to attend in person may submit questions before hand via email to peshalaf@hemas.com

40. ACKNOWLEDGMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this Report.

For and behalf of the Board,
HEMAS HOLDINGS PLC

Mr. H. N. Esufally
Chairman

Ms. K. A. C. Wilson
Director/Chief Executive Officer

Hemas Corporate Services (Private) Limited
Secretaries

May 21, 2021

REPORT OF THE AUDIT COMMITTEE

> The role and responsibilities of the Audit Committee continues to evolve to keep pace with emerging trends in the business environment and ensure the Committee's obligations are discharged with due care.

AREAS OF FOCUS IN 2020/21

FINANCIAL REPORTING

INTERNAL AUDIT, RISKS AND CONTROLS

EXTERNAL AUDIT

COMPLIANCE

PURPOSE/OBJECTIVES OF THE COMMITTEE

The Group Audit Committee (AC) was established to assist the Board in fulfilling its oversight responsibility through review of the Group's financial reporting process and integrity of financial statements, process adopted to ensure compliance with legal and regulatory requirements, system of internal controls and risk management process, internal audit function and review of independence and performance of external auditors with a view to safeguarding the interests of shareholders and all other stakeholders.

The role and responsibilities of the AC continues to evolve to keep pace with emerging trends in the business environment and ensure the Committee's obligations are discharged with due care.

The AC's responsibilities pertain to the Group as a whole. However, in discharging its responsibilities, the AC places reliance on the work of other audit committees within the Group, which have reporting obligations to the AC.

Without prejudicing their independence, and to the extent and in a manner, it considers appropriate, the AC provides feedback to those committees for their consideration and necessary action. The AC carries out its responsibilities relating to the audit and financial reporting obligations of the other Group companies by reviewing at scheduled meetings the annual financial statements, interim reports, audit and management reports. To ensure that there is adequate communication between the Committees, a process has also been established to update the other Committees in the Group with the outcomes of Hemas Holdings Audit Committee and vice versa. The activities and views of the Committee are communicated to the Board of Directors each quarter through verbal briefings and by tabling the minutes of the meetings of the Audit Committees.

ACTIVITIES IN 2020/21

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

- **Financial Reporting**

During the year, the Committee reviewed and discussed with Management the unaudited quarterly financial statements and the final audited financial statements, prior to them being recommended to the Board. Senior management and Finance Heads of the respective companies provided information and confirmation to the Audit

Composition and Attendance

Members	Attendance
Mr. A. S. Amaratunga *Chairman)*	4/4
Mr. I. A. H. Esufally	4/4
Mr. J. M. Trivedi	4/4

Independent Non-Executive Director

Non-Executive Director

Executive Director/CEO

Attendees by Invitation

Group Chief Executive Officer (CEO), Group Chief Financial Officer (CFO), Chief Risk and Control Officer (CRCO), General Manager Group Finance

External Auditors, Internal Auditors who carried out outsourced assignments and other officials of the Group attended meetings on a need basis.

Secretary to the committee

Mr. Prasenna Balachandran – Chief Risk and Control Officer

Key Responsibilities

- Review of controls in the preparation and presentation of the financial statements and ensuring the adequacy of disclosures in accordance with the Sri Lanka Accounting Standards.

Committee that the said financial statements for the year were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 and reflect the Company's performance for the period ended and state of affairs as at that date.

The Committee continued to focus on the effectiveness of the controls and risks related to the information systems that are used to prepare the Financial Statements. This has been an ongoing process as risks related to Information systems remain high locally and globally.

The Committee also discussed with the Company's External Auditors the results of their audit and their level of comfort over management's significant judgements and estimates and other area of significance, as well as the acceptability of the Company's accounting policies. The External Auditors report to the Committee on the audit for the year and matters arising from the audit were discussed by the Committee in the presence of both, External Auditors and Management.

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

During the year, the Committee continuously monitored health and safety measures, that were followed by the SBUs due to Covid -19 pandemic. Further, the Committee focused on monitoring controls which were implemented to mitigate possible control lapses and fraud risk due to new work arrangements introduced on account of COVID-19 restrictions.

Regular going concern assessments were carried out by Management after considering the potential financial implications of COVID-19. During the year, the Committee regularly reviewed cash flow projections and funding arrangements. No significant issues which could impair the going concern ability of the group was identified.

The Committee reviewed the communications on financial reporting received from the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Securities Exchange Commission of Sri Lanka, and the responses provided by the Company, where applicable.

- **Internal Audit, Risks and Controls**

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

The Chief Risk and Control Officer regularly reported to the Committee on the adequacy and effectiveness of internal controls within the Group. These comprise updates on internal audits conducted, including those performed in the unlisted subsidiaries within the Group. Further, the reporting process includes an update on compliance with the established policies and procedures of the Group and also compliance with laws and regulations.

Key Responsibilities

- Exercising oversight responsibilities in relation to compliance of published financial reports with the Companies Act No. 07 of 2007, other legal and regulatory requirements, reporting standards and good governance.
- Monitoring and review of the adequacy and effectiveness of the Group's internal control system and risk management function. Ensuring Group assets are appropriately safeguarded.
- Monitoring the internal audit function including execution of the Audit Committee approved coverage plan.
- Assessing the independence and performance of the external auditors
- Making recommendations to the Board pertaining to appointment, re-appointment and, in appropriate circumstances, removal of the External Auditors
- Defining and considering the non-audit services that may be rendered by the external auditor.
- Approving remuneration and terms of engagement of the External Auditors
- Considering the findings arising from the annual financial statements audit.
- Recommending to the Board the approval of the Integrated Report, Audited Annual Financial Statements and Interim Report.

REPORT OF THE AUDIT COMMITTEE

The Committee reviewed the Internal Audit plan for the Group at regular intervals and accommodated changes to suit the operating environment and business needs. Performance of the Internal Auditors and the resourcing requirements were also monitored and discussed.

- **External Audit**

The Committee met the External Auditors regularly and monitored their independence, objectivity and performance. The AC had three scheduled meetings with the external auditors - Review of the Audit Plan at the audit planning and scoping stage, discussion of The Audit Results report on completion of the audit prior to the AC approving the financial statements and the Audit Completion Report which discussed the areas of improvements in internal controls and the other matters which in the opinion of the auditors require attention of the management in the ensuring financial reporting period. The Audit Committee also met the auditors on a needs basis to discuss specific matters. The AC reviewed the Audit Scope, the overall quality of the audit and the independence and objectivity of the auditors.

The Committee also met the External Auditors without Management being present to discuss any areas of concern which the auditor may wish to discuss and noted that no matters other than those that have already been discussed with management were raised by the External Auditors.

The Committee is satisfied that the independence of the External Auditors had not been impaired by any event or activity that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors. The External Auditors have also tabled at the Committee the declaration of independence as external auditors as required by sec 163(3) a and b of the Companies Act No 7 of 2007.

The Audit Committee reviewed the performance of External Auditors including inputs from Senior Management and discussed the review outcomes with External Auditors and Management. Based on the review, and also considering other factors, the Committee recommended to the Board the re-appointment of Messrs. Ernst & Young, Chartered Accountants as the External Auditors of the Company for the ensuing financial year, subject to the approval of the Shareholders at the Annual General Meeting.

- **Compliance**

Audit committee has reviewed the regulatory and compliance statements including statutory tax compliance statements submitted by the management in order to monitor regulatory and legal compliance.

Shaktha Amaratunga
Chairman – Audit Committee

Colombo, Sri Lanka
May 17, 2021

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

"The main focus of the committee during the year was to strengthen the key talent pipeline of the group and to better align the overall remuneration policy to sustainable performance while ensuring fairness, transparency and competitiveness"

OBJECTIVES OF THE COMMITTEE

The Objective of the Committee is to ensure that uniform human resource policies and practices are adopted in the Group and a remuneration framework including bonus schemes for Key Management Personnel (KMP), Chief Executive Officer (CEO) and other Executive Directors and performance related formulae which are relevant, stretching and designed to enhance stakeholder value, in order to attract, retain and motivate KMPs of required quality to achieve the goals of the Company/Group are in place.

HEMAS' COMPENSATION POLICY

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

MEETING GOVERNANCE

- The Human Resources and Remuneration Committee met six times during the year under review and the attendance of the members at these meetings is indicated in this report.
- The Chairman of the Committee convenes special meetings of the Committee if circumstances warrant.
- The quorum required for the meetings of the committee is Two.
- An update on the Committee activities has been a standard agenda item in the quarterly Board Meetings.
- All matters for determination at Committee Meetings is decided by a majority of the members present and voting.

ACTIVITIES IN 2020/21

Policy Review

During the year under review, the Committee;

- revisited its Charter with a view to realign its scope and focus on the new areas of improvement, which would be vital for organizational expansion and driving efficiencies.
- deliberated on the proposed policy on Retention schemes and Ex-Gratia payments to employees.

Composition and Attendance

The Committee consists of three Non-Executive Directors majority of whom are independent. During the year under review, there were no changes in the composition of the Human Resources and Remuneration Committee and the composition is in compliance with the Listing Rules of the Colombo Stock Exchange.

Members		Attendance
Dr. S.A.B. Ekanayake *{Chairman of the Committee}*	Independent Non-Executive Director	6/6
Mr. A. S. Amaratunga	Independent Non-Executive Director	6/6
Mr. H.N. Esufally	Non-Executive Director	6/6

Independent Non-Executive Director

Non-Executive Director

Executive Director/CEO

The profiles of the members are found on pages 19 to 21 of the Annual Report.

Attendees by Invitation

Chief Executive Officer and Group Human Resources Director

Secretary to the committee

Hemas Corporate Services (Private) Limited

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

- reviewed the HR metrics including health and safety of the employees of the company and its subsidiary companies, on a quarterly basis.
- deliberated on the ESOS proposed to be offered to the employees.

Succession Planning and Talent Management

Succession planning and talent management continued to be a key area of focus in the deliberations of the Committee made during the year under review. The aim of the Committee is to retain and develop the right talent for all the critical roles within the group. The Committee continued to monitor the development plans of potential C-Suite successors and future leaders to ensure the required talent is readily available within the Group to meet natural attrition and business expansion.

Rewards and Remuneration

The Committee worked to ensure that the Remuneration Policy of the Group remains fair, transparent and competitive, and that remuneration is linked to business strategy and drives sustainable performance.

During the year under review, the Committee;

- considered the performance of the Chief Executive Officer and the Executive Directors bi-annually against the set goals and target and determined the basis of revising their increments, bonuses and other performance-based incentives during the year under review.
- approved a new bonus policy to be implemented in the next financial year.

Directors Emoluments are disclosed in Note 07 to the Financial Statements for the year ended 31 March 2021 found on page 165 of the Annual Report.

Organization Transformation

The Committee also reviewed progress on culture change within the organization in alignment with the organisational strategy and transformation plan.

EVALUATION OF THE COMMITTEE

The Board carried out an evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner during the year under review.

CONCLUSION

The Committee will continue to assist the Board of Directors by strengthening and introducing policies, practices and systems in the development of Human Capital and provide opportunities to the employees to enhance and acquire new skills and knowledge within the Group for their career development.

Dr. Anura Ekanayake
Chairman of the Committee

Colombo, Sri Lanka
May 19, 2021

Key Responsibilities

- Review and approve the overall remuneration philosophy, strategy, policies and practices of the Company and the Group.
- Set and review all components of the remuneration of the Chief Executive Officer, Executive Directors and such other Senior Executives as the Board may determine.
- Review and approve the performance appraisal system for the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve as appropriate the terms of the employment contracts of the Chief Executive Officer, Executive Directors and Senior Executives.
- Review and approve the terms of the Company's short term/ long term incentive schemes including any share option schemes for employees and/or Directors.
- Review and approve the terms of the Company's superannuation and/or pension schemes.
- Review and approve all components of the remuneration and all other benefits arising from their directorships.
- Consider such other matters relating to remuneration as may be referred to it by the Board. Succession Planning for Key positions of the Company and the Group. Reviewing and monitoring C-Suite development programs Career Progression planning for managerial level and above

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

"The main focus of the Committee during the year was to assist the Board in identifying a successor to the CEO and support a smooth transition while ensuring the required balance of expertise for the Board to meet the strategic demands of the Company and the Group, and also to ensure robust Governance mechanisms to enhance transparency and accountability"

OBJECTIVES OF THE COMMITTEE

The Objective of the Nomination and Governance Committee (the Committee) is to review the structure and the composition of the Board annually and ensure that the combined knowledge and experience complement the corporate strategy.

ACTIVITIES IN 2020/21

Board Evaluation

The Committee reviewed the results of the Board Evaluation of the Company and discussed the governing structure of the Company and its subsidiary companies.

Board Succession

During the year under review, the Committee discussed the progress and performance of the new Chief Executive Officer, appointed w.e.f. 1st October 2020.

The Committee also reviewed the performance of the new Heads of businesses appointed within the Group during the year under review.

Re-election of Directors

The Committee has decided to recommend Dr. S. A. B. Ekanayake, Mr. H. N. Esufally and Mr. I. A. H. Esufally, who retire in terms of Article 84 of the Company's Articles of Association, to be re-elected to the Board at the Annual General Meeting to be held on 30th June 2021.

The Committee also decided to recommend the re-appointment of Mr. S. J. de Silva Wijeyeratne, who retires in terms of Article 72 of the Company's Articles of Association, to the Board at the forthcoming Annual General Meeting.

Composition and Attendance

The Committee comprises three Non-Executive Directors majority of whom are independent. The Board Chairman attends the meetings by invitation.

During the year under review, Mr. R. Gopalakrishnan served as the Chairman of the Committee until his retirement on 31st March 2021.

Dr. S.A.B Ekanayake was appointed the Chairman of the Committee w.e.f. 1st April 2021, and Mr. J.M. Trivedi was appointed a member of the Committee w.e.f.1st April 2021

The profiles of the Directors are found on pages 19 to 21 of the Annual Report

The Committee met three times during the year and the committee members' attendance at these meetings is as follows.

Members		Attendance
Dr S.A.B. Ekanayake	Independent Non-Executive Director	3/3
Mr. A.N. Esufally	Non-Executive Director	3/3
Mr. J. M. Trivedi *(appointed w.e.f. 1st April 2021)*	Independent Non-Executive Director	0/0

Mr. R. Gopalakrishnan attended all three meetings held during the year.

Independent Non-Executive Director

Non-Executive Director

Executive Director/CEO

Secretary to the committee

Hemas Corporate Services (Private) Limited

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

CONCLUSION

The Committee will continue to assist the Board in selecting the right candidates with the necessary skills, knowledge and experience, ensuring the desired diversity of the Board to meet the strategic demands of the Company and Group. In addition, the Committee ensures uniform Governance mechanisms exist to enhance transparency and accountability

Dr. Anura Ekanayake
Chairman of the Committee

Colombo, Sri Lanka
May 20, 2021

Key Responsibilities

- Propose suitable Guidelines for the appointment and re- appointment of Directors to the Board.
- Review the results of the Performance Evaluation of the Board of Directors of the Company and its Subsidiaries
- The Chairman of the Committee shall discuss with the independent members and provide feedback to the Chairman of the Parent Board on board effectiveness.
- To monitor compliance with the Corporate Governance Guidelines.
- Ratification of Subsidiary Board appointments carried out by the Chief Executive Officer, in consultation with the relevant Subsidiary Board Chairman.
- Monitor compliance with the Corporate Governance Statutory Guidelines.
- Establish the process for conducting the review of the Chief Executive Officer's performance annually.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

> During the year under review, the main focus of the Related Party Transactions Review Committee was to have oversight of all related party transactions of the company and its listed subsidiaries and ensure regulatory compliance, good governance and accurate reporting

The Related Party Transactions Review Committee (the Committee) was formally appointed by the Board of Directors in 2016. The Committee is governed by the 'Terms of Reference', approved by the Board of Directors.

OBJECTIVES OF THE COMMITTEE

The main objective of the Committee is to exercise on behalf of the Board, an oversight of all Related Party Transactions of Hemas Holdings PLC (the Company) and its listed subsidiary companies, and ensure that compliance is attained at all times with respect to the Code of Best Practice on Related Party Transactions (RPTs), issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

ACTIVITIES IN 2020/21

During the financial year 2020/21, all RPTs of the company and its listed subsidiary companies have been presented to Committee.

The Committee has exercised oversight on behalf of the Board, on all RPTs of the company and its subsidiaries to ensure that these transactions are in compliance with the Code of Best Practice on Related Party transactions, issued by the Securities and Exchange Commission of Sri Lanka and with Section 9 of the Listing Rules of the Colombo Stock Exchange. The Committee further excised oversight on all RPTs to ensure adherence to the established practices and processes within the company in terms of the RPT manual of the Company.

The Transfer Pricing methodology adopted by the Company and its subsidiaries were reviewed by the Committee to ensure that the transactions are in compliance with the regulatory requirements and carried out at arms' length.

The Annual RPT Declarations from the Key Management Personnel and the Heads of Finance of subsidiary companies were obtained and reviewed by the Committee.

The Committee reviewed and approved all recurrent Related Party Transactions of the company and its listed subsidiary companies during financial year 2020/21. The aggregate value of the recurrent related party transactions did not exceed 10% of the gross revenue/income of the Company during the year requiring disclosure in terms of Section 9.3.2(b) of the Listing Rules of the CSE. The comments and observations of the RPTRC have been communicated to the Board.

Composition and Attendance

During the year under review, the Committee comprised the following members.

Mr. A. S. Amaratunga *(Chairman of the Committee)*

Mr. I. A. H. Esufally *(Member)*

Ms. K. A. C. Wilson *(Member) (Appointed w.e.f. 1st July 2020)*

Mr. S. M. Enderby *(Member) (Retired w.e.f. 30th September 2020)*

The composition of the Committee is in compliance with the Listing Rules of the Colombo Stock Exchange.

The profiles of the committee members are found on pages 19 to 21 of the Annual Report.

Members		Attendance
Mr. A. S. Amaratunga *{Chairman of the Committee}*	Independent Non-Executive Director	5/5
Mr. I. A. H. Esufally	Non-Executive Director	4/5
Ms. K. A. C. Wilson	Executive Director/CEO	4/4

Independent Non-Executive Director

Non-Executive Director

Executive Director/CEO

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee reviewed the non-recurrent Related Party Transactions of the company and its listed subsidiary companies during financial year 2020/21. The aggregate value of non-recurrent related party transactions did not exceed 10% of the equity or 5% of the total assets of the Company during the year requiring disclosure in terms of Section 9.3.2(a) of the Listing Rules of the CSE. The comments and observations of the RPTRC have been communicated to the Board.

The minutes of all Related Party Transaction Review Committee meetings are tabled at the Board Meetings thereby providing the Board members with access to the deliberations of the Committee.

The Committee Chairman also provides a verbal update to the Board on the key outcomes from the Committee meetings.

The Board of Directors confirm that the company is in compliance with the Listing rules of CSE.

EVALUATION OF THE COMMITTEE

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner during the year.

CONCLUSION

The Committee will continue to assist the Board of Directors by reviewing all Related Party Transactions and ensuring that they are:

- In compliance with Section 9 of the Listing Rules of Colombo Stock Exchange
- The Shareholder Interest are safeguarded
- Fair and transparent and on commercial terms

Shaktha Amaratunga
Chairman – Related Party Transactions Review Committee

Colombo, Sri Lanka
May 19, 2021

Key Responsibilities

- Definition and establishing threshold values for each of the listed companies as per the Code which require discussion in detail; RPTs which have to be pre-approved by the Board, those that require immediate market disclosure, those that require Shareholder approval and RPTs which require disclosure in the Annual Report.
- Establishing the principles that guide RPTs which require pre-approval of the Board and those transactions that do not require prior Board approval and therefore, can be reviewed retrospectively.
- Establishing a process to identify the recurrent RPTs from the total RPTs and to review the economic and commercial substance of the RPTs.
- Providing guidelines that the Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.
- Obtaining ‘competent independent advice’ from independent professional experts with regard to acquisition or disposal of substantial assets between related parties.
- Identifying instances where an immediate market disclosure of a Related Party Transaction is required in line with the definitions of the Code.
- Introducing standardized documentation that should be used by the listed companies in the Group when presenting the RPT information to the Committee.

FINANCIAL STATEMENTS

Statement of Directors Responsibilities	146
Independent Auditors' Report	147
Statement of Profit or Loss	150
Statement of Comprehensive Income	151
Statement of Financial Position	152
Statement of Changes in Equity (Group)	153
Statement of Changes in Equity (Company)	154
Statement of Cash Flows	155
Notes to the Consolidated Financial Statements	156

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors (Board) of the Company is responsible for the adequacy of the Company's system of internal controls and for reviewing its design and effectiveness regularly. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatements of losses or frauds.

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The COG assists the Board in the implementation of the Board's policies and procedures on Risk and Control by identifying potential risks and its implications; and in the design, operation and monitoring of the suitable internal controls to mitigate and control such risks identified.

Further, the Board has established various committees, such as the Audit Committee, Human Resources and the Remuneration Committee and Related Party Transactions Review Committee to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

The Directors are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors M/s. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the Financial Statements together with all financial records and related data and expressed their opinion, which appears as reported by them on pages 147 to 149 of this Report.

The Directors are responsible for:

- preparing the Annual Report and the and the financial statements Financial Statements of the Company and the Group in accordance with applicable laws and regulations;
- preparing Financial Statements which give a true and fair view of the state of affairs as at as at the reporting date and the profit or loss for the period then ended in accordance with Sri Lanka Accounting Standards;
- keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group enabling them to ensure that the Financial Statements of the Company and the Group comply with applicable laws and regulations;
- establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities; and maintaing the integrity of the statutory and audited information available to the public.
- In addition, in preparing the Financial Statements the Directors consider that:
- suitable accounting policies have been selected and applied consistently;
- judgments and estimates made have been reasonable and prudent;
- the Financial Statements comply with Sri Lanka Accounting Standards (SLFRSs/LKASs);
- all Accounting Standards which they consider applicable have been followed in preparing the Financial Statements of the Company and the Group and
- it is appropriate that the Group and Parent Company Financial Statements have been prepared on a "Going Concern" basis.

The Directors also confirm that to the best of their knowledge, the Financial Statements are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group taken as a whole; and this Directors' Report contains a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Hemas Corporate Services (Private) Limited
Secretaries

21 May 2021

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hemas Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the statments of profit or loss and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matters

<table>
<tr><th>Key Audit Matter</th><th>How our Audit Addressed the Key Audit Matter</th></tr>
<tr><td>

Annual Impairment of Goodwill and Brands with indefinite life.

Intangible assets include Goodwill and Brands with indefinite life which are tested for impairment annually by estimating the recoverable amount of the relevant cash-generating unit (CGU) as described in Note 15 to the financial statements.

Annual Impairment test was a key audit matter due to:

- The materiality of the reported Goodwill and Brands amounting to Rs.3.1Bn as at 31 March 2021.
- The degree of underlying assumptions coupled with inherent estimation uncertainties that arise when deriving the estimated cash flows used for value-in use calculations.

Key areas of significant judgments, estimates and assumptions included the following:

- key inputs and assumptions related to computing the value-in-use including estimated cash flows, long term growth rates and discount rates including the potential impacts from COVID-19.

</td><td>

Our audit procedures included the following;

- We gained an understanding of how management has developed its estimation of discounted future cash flows which included consideration of the impacts of the continuing COVID-19 pandemic.
- We checked the calculations of the discounted future cash flows and cross checked the data to relevant underlying accounting records.
- We engaged our internal specialised resources to assist us in
  - Assessing the reasonableness of the significant assumptions and judgements used such as forecasted revenue growth rates and discount rates.
  - Evaluating the sensitivity of the projected cash flows by considering the possible changes in key assumptions.
- We have also assessed the adequacy of the disclosures made in Note 15 to the financial statements

</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Key audit matters

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Impairment on Trade Receivables Trade Receivable balance as of 31st March 2021 amounted to Rs.10.1 Bn net of a provision for impairment of Rs.806.9 Mn representing 15.9% of the total assets of the Group. This was a key audit matter due to: • Materiality of the trade receivable balance • The degree of assumptions and judgements associated with evaluating the probability of recoverability, amplified by the impact of COVID-19 pandemic.	**Our audit procedures included the following;** • We obtained an understanding of and evaluated the process used by the management to asses impairment of trade receivables. • We checked the accuracy of the age analysis of trade receivables by referring to the source documents on a sample basis. • We assessed the reasonableness of the provision for impairment, reasonableness of the assumptions and judgements used by the management including the probable impact of COVID-19 on the industries in which the customers of the entity operate. • We have also assessed the adequacy of the disclosures made in Note 19 and 21 to the financial statements
Valuation of Land and Buildings Property, Plant and Equipment and Investment Properties include Land and Buildings carried at fair value. The fair values of land and buildings were determined by external valuers engaged by the Group Valuation of Land and Buildings was a key audit matters due to:: • Materiality of the reported Land and Buildings and Investment property balances which amounted to Rs.10.2 Bn and Rs.1.9 Bn respectively and collectively account for 19.1% of Total Assets as at 31 March 2021. • The degree of assumptions, judgements and estimation uncertainties associated with valuation of Land & Buildings amplified by the impact of COVID-19. The valuation contained higher estimation uncertainties as there were fewer comparable market transactions which is generally considered a strong source of evidence regarding fair value. Key areas of significant judgments, estimates and assumptions included the following: • Estimate of per perch value of the land • Estimate of the per square foot value of the buildings	**Our audit procedures included the following;** • We evaluated the competence, capability and objectivity of the external valuers engaged by the Group; • We read the reports of the external valuers and understood the key estimates made and the approach taken by the valuers in determining the valuation of land & buildings; • We engaged our internal resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and • We have also assessed the adequacy of the disclosures made in Note 12 and 13 to the financial statements.

Other Information included in the 2021 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

Colombo
May 21, 2021

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Continuing Operations					
Revenue from Contracts with Customers	4	64,500,748	60,043,490	860,176	818,918
Cost of Sales		(45,084,041)	(40,895,806)	-	-
Gross Profit		19,416,707	19,147,684	860,176	818,918
Other Operating Income	5	681,481	623,483	312,994	1,814,205
Selling and Distribution Expenses		(5,672,365)	(6,435,400)	-	-
Administrative Expenses		(8,031,822)	(9,684,031)	(1,138,279)	(1,144,450)
Share of Results of Equity Accounted Investees (Net of Tax)	17	(333,340)	(119,957)	-	-
Operating Profit		6,060,661	3,531,779	34,891	1,488,673
Finance Cost	6	(639,450)	(960,370)	(54,557)	(133,125)
Finance Income	6	248,699	269,315	30,005	49,045
Profit Before Tax from Continuing Operations	7	5,669,910	2,840,724	10,339	1,404,593
Income Tax Expenses	8	(1,523,051)	(1,356,706)	(14,430)	(968)
Profit/ (Loss) for the Year from Continuing Operations		4,146,859	1,484,018	(4,091)	1,403,625
Discontinued Operations					
(Loss) After Tax from Discontinued Operations	11	(804,833)	(121,311)	-	-
Profit/ (Loss) for the Year		3,342,026	1,362,707	(4,091)	1,403,625

		Group 2021	Group 2020
Attributable to:			
Equity Holders of the Parent		3,253,350	1,235,717
Non-Controlling Interests		88,676	126,990
		3,342,026	1,362,707

		LKR	LKR
Earnings Per Share			
Basic Earnings Per Share	9	5.46	2.07
Diluted Earnings Per Share	9	5.45	2.07
Earnings Per Share (Continuing Operations)			
Basic Earnings Per Share	9	6.47	2.20
Diluted Earnings Per Share	9	6.46	2.20
Dividend Per Share	10	0.40	1.45

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
Year ended 31 March	Notes	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Profit/ (Loss) for the Year		3,342,026	1,362,707	(4,091)	1,403,625
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)					
Net Movement on Hedges		(13,286)	(87,466)	-	-
Exchange Differences on Translation of Foreign Operations		61,216	25,508	-	-
Transfer of Exchange Differences on Translation of Foreign Operations		-	(51,481)	-	-
Share of Other Comprehensive Loss of Equity Accounted Investees	17	(41,145)	(62,860)	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)					
Net Loss on Financial Assets at FVOCI		(194,842)	(180,155)	(146,750)	(97,487)
Actuarial Gain/(Loss) on Defined Benefit Plans		(4,759)	(84,560)	(17,265)	2,002
Revaluation of Land and Buildings		1,069,247	37,325	-	-
Share of Other Comprehensive Income of Equity Accounted Investees	17	142,624	228	-	-
Other Comprehensive Income for the Year, Net of Tax		1,019,055	(403,461)	(164,015)	(95,485)
Total Comprehensive Income for the Year, Net of Tax		4,361,081	959,246	(168,106)	1,308,140
Attributable to:					
Equity Holders of the Parent		4,218,980	868,237		
Non-Controlling Interests		142,101	91,009		
		4,361,081	959,246		

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	17,539,695	20,032,726	74,919	118,835
Investment Properties	13	1,942,099	1,647,591	728,800	699,300
Right-of-Use Assets	14	1,878,697	2,028,296	-	51,920
Intangible Assets	15	3,289,618	3,439,125	81,564	99,897
Investment in Subsidiaries	16	-	-	16,569,869	17,330,481
Investment in Equity Accounted Investees	17	556,526	701,461	-	-
Lease Receivables	18	139,939	172,486	-	-
Other Non-Current Financial Assets	19	208,979	540,670	12,987	148,999
Deferred Tax Assets	8	144,281	164,426	-	-
		25,699,834	28,726,781	17,468,139	18,449,432
Current Assets					
Inventories	20	15,450,580	13,559,991	-	-
Trade and Other Receivables	21	13,654,581	16,093,960	241,464	244,303
Tax Recoverable		156,553	240,567	1,291	29,360
Lease Receivables	18	65,053	58,385	-	-
Other Current Financial Assets	19	109,678	83,761	372,453	199,711
Cash and Short-Term Deposits	28	8,458,109	5,616,972	213,340	347,738
		37,894,554	35,653,636	828,548	821,112
TOTAL ASSETS		63,594,388	64,380,417	18,296,687	19,270,544
EQUITY AND LIABILITIES					
Equity					
Stated Capital	22	7,776,111	7,734,054	7,776,111	7,734,054
Other Capital and Revenue Reserves	23	180,806	216,800	402,157	438,151
Other Components of Equity	23	2,160,926	1,389,205	(295,722)	(148,972)
Retained Earnings		21,777,539	18,574,233	9,532,727	9,744,584
Equity Attributable to Equity Holders of the Parent		31,895,382	27,914,292	17,415,273	17,767,817
Non-Controlling Interests		1,542,904	3,560,170	-	-
Total Equity		33,438,286	31,474,462	17,415,273	17,767,817
Non-Current Liabilities					
Interest-Bearing Loans and Borrowings	24	3,195,867	4,738,157	-	-
Other Financial Liabilities	25	277,518	2,206,681	-	-
Deferred Tax Liability	8	1,363,032	1,733,238	119,426	138,528
Employee Benefit Liability	26	1,032,978	1,018,623	78,004	45,776
		5,869,395	9,696,699	197,430	184,304
Current Liabilities					
Trade and Other Payables	27	17,947,195	17,937,272	408,984	480,645
Income Tax Liabilities		602,547	512,791	-	-
Other Financial Liabilities	25	1,973,244	-	-	-
Interest-Bearing Loans and Borrowings	24	3,259,651	3,363,156	275,000	834,525
Bank Overdraft	28	504,070	1,396,037	-	3,253
		24,286,707	23,209,256	683,984	1,318,423
TOTAL EQUITY & LIABILITIES		63,594,388	64,380,417	18,296,687	19,270,544

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

Zalmi Fazeel
Chief Financial Officer

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

Husein Esufally
Chairman

Kasturi Chellaraja Wilson
Chief Executive Officer

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

21 May 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of the Parent								Non-Controlling Interests	Total Equity
	Stated Capital	Other Capital and Revenue Reserves	Other Components of Equity				Retained Earnings	Total		
			Revaluation Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Hedge Reserve				
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 2019	7,734,054	185,449	1,760,794	147,414	(116,049)	(109,667)	18,496,649	28,098,644	3,771,078	31,869,722
Profit for the Year	-	-	-	-	-	-	1,235,717	1,235,717	126,990	1,362,707
Other Comprehensive Income	-	-	20,831	(25,567)	(143,548)	(145,003)	(74,193)	(367,480)	(35,981)	(403,461)
Total Comprehensive Income	-	-	20,831	(25,567)	(143,548)	(145,003)	1,161,524	868,237	91,009	959,246
Share Based Payments	-	31,351	-	-	-	-	-	31,351	-	31,351
Final Dividend Paid - 2018/19	-	-	-	-	-	-	(864,263)	(864,263)	-	(864,263)
Subsidiary Dividend Paid to Non-Controlling Interest	-	-	-	-	-	-	-	-	(118,098)	(118,098)
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	(97,094)	(97,094)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	(211,754)	(211,754)	-	(211,754)
Adjustment in Respect of Changes in Group Holding	-	-	-	-	-	-	(7,923)	(7,923)	(63,976)	(71,899)
Disposal of Subsidiaries	-	-	-	-	-	-	-	-	(22,749)	(22,749)
As at 31 March 2020	7,734,054	216,800	1,781,625	121,847	(259,597)	(254,670)	18,574,233	27,914,292	3,560,170	31,474,462
Profit for the Year	-	-	-	-	-	-	3,253,350	3,253,350	88,676	3,342,026
Other Comprehensive Income	-	-	1,166,055	51,556	(194,154)	(53,234)	(4,593)	965,630	53,425	1,019,055
Total Comprehensive Income	-	-	1,166,055	51,556	(194,154)	(53,234)	3,248,757	4,218,980	142,101	4,361,081
Exercise of Share Options	34,679	-	-	-	-	-	-	34,679	-	34,679
Share Based Payments	7,378	11,922	-	-	-	-	-	19,300	-	19,300
Transfer due to the Expiry of ESOS	-	(47,916)	-	-	-	-	47,916	-	-	-
Interim Dividend Paid - 2020/21	-	-	-	-	-	-	(238,417)	(238,417)	-	(238,417)
Subsidiary Dividend Paid to Non-Controlling Interest	-	-	-	-	-	-	-	-	(160,043)	(160,043)
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	(176,638)	(176,638)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	131,700	131,700	-	131,700
Adjustment in Respect of Changes in Group Holding	-	-	41,572	-	-	-	(226,724)	(185,152)	(100,395)	(285,547)
Disposal of Subsidiaries	-	-	(351,660)	-	111,586	-	240,074	-	(1,722,291)	(1,722,291)
As at 31 March 2021	7,776,111	180,806	2,637,592	173,403	(342,165)	(307,904)	21,777,539	31,895,382	1,542,904	33,438,286

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital	Other Capital Reserves	Other Component of Equity Fair Value Reserve	Retained Earnings	Total Equity
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 2019	7,734,054	406,800	(51,485)	9,203,220	17,292,589
Profit for the Year	-	-	-	1,403,625	1,403,625
Other Comprehensive Income	-	-	(97,487)	2,002	(95,485)
Total Comprehensive Income	-	-	(97,487)	1,405,627	1,308,140
Share Based Payments	-	31,351	-	-	31,351
Final Dividend Paid - 2018/19	-	-	-	(864,263)	(864,263)
As at 31 March 2020	7,734,054	438,151	(148,972)	9,744,584	17,767,817
Loss for the Year	-	-	-	(4,091)	(4,091)
Other Comprehensive Income	-	-	(146,750)	(17,265)	(164,015)
Total Comprehensive Income	-	-	(146,750)	(21,356)	(168,106)
Exercise of Share Options	34,679	-	-	-	34,679
Share Based Payments	7,378	11,922	-	-	19,300
Transfer due to the Expiry of ESOS	-	(47,916)	-	47,916	-
Interim Dividend Paid - 2020/21	-	-	-	(238,417)	(238,417)
As at 31 March 2021	**7,776,111**	**402,157**	**(295,722)**	**9,532,727**	**17,415,273**

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Profit Before Taxation from Continuing Operation		5,669,910	2,840,724	10,339	1,404,593
(Loss) Before Taxation from Discontinued Operations	11	(842,199)	(48,886)	-	-
Adjustments for,					
Depreciation	12	1,218,744	1,271,330	22,941	32,581
Amortisation of Right-of-Use Assets	14	293,869	293,388	51,920	51,919
Gain on Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets		(59,284)	(72,966)	(8,626)	(14,100)
Gain on Fair Value Adjustment of Investment Properties	13	(62,908)	-	(29,500)	(41,350)
Amortisation and Impairment of Intangible Assets	15	83,935	218,911	33,827	29,278
Provision/(Reversal) for Obsolete Stocks	20	138,645	101,192	-	-
Provision/ (Reversal) for Impairment of Trade and Other Receivables	21	27,303	451,395	(50,850)	59,218
Impairment of Investment in Subsidiaries/Joint Ventures/ Other Financial Assets		-	15,012	39,500	252,524
Net (Gain)/ Loss on Disposal of Non-Current Investments		367,838	51,217	262,601	-
Exchange (Gain)/ Loss on Foreign Currency Borrowings	24	80,723	(13,117)	-	-
Share Based Payment Expense	22	19,300	31,351	2,718	6,756
Finance Cost	6/11	739,746	1,049,161	54,557	133,125
Finance Income	6/11	(254,228)	(280,448)	(30,005)	(49,045)
Investment Income	5	-	-	(217,881)	(1,746,627)
Share of Results of Equity Accounted Investees (Net of Tax)	17	333,340	119,957	-	-
Provision for Employee Benefit Liability	26	208,495	206,156	9,737	10,735
Operating Cash Flows before Working Capital Changes		7,963,229	6,234,349	151,278	129,607
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(2,065,137)	(2,447,132)	-	-
(Increase)/Decrease in Trade and Other Receivables		1,919,333	(2,082,604)	15,516	16,443
Increase/(Decrease) in Trade and Other Payables		504,910	2,173,438	(55,038)	(26,249)
Increase/(Decrease) in Other Non-Current Financial Liabilities		(858)	(33,055)	-	-
Cash Generated from Operations		8,321,476	3,845,026	111,756	119,801
Finance Cost Paid		(566,124)	(894,262)	(51,101)	(124,763)
Finance Income Received		249,365	274,449	29,673	48,712
Income Tax Paid		(1,351,705)	(1,484,510)	(10)	(6,803)
Employee Retirement Benefit Paid	26	(113,556)	(151,457)	(16,849)	(8,597)
Net Cash flows from/(used in) Operating Activities		6,539,456	1,589,246	73,469	28,350
Investing Activities					
Purchase of Property, Plant and Equipment	12	(1,820,200)	(3,042,111)	(26,155)	(14,387)
Purchase of Intangible Assets	15	(73,498)	(33,255)	-	(1,829)
Acquisition of/Investment in Subsidiaries		-	(23,768)	(404,390)	(84,593)
Proceeds from Disposal of Subsidiaries		419,372	372,489	891,660	-
Investment in Joint Ventures / Associates		-	(1,400)	-	-
Net Change in Financial Assets		58,644	27,217	(172,648)	(184,448)
Dividend Received from Equity Accounted Investees		45,000	-	-	-
Proceeds from Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets		260,007	201,105	55,757	27,430
Investment Income Received	5	-	-	217,881	1,746,627
Net Cash flows from/(used in) Investing Activities		(1,110,675)	(2,499,723)	562,105	1,488,800
Financing Activities					
Interest-Bearing Loans and Borrowings (Net)	24	(1,121,825)	1,830,264	(562,981)	(832,316)
Proceed from Exercise of Employee Share Options		34,679	-	34,679	-
Proceeds from/ (to) Non-Controlling Interest		(286,745)	(14,337)	-	-
Dividends Paid to Equity Holders of the Parent	10	(238,417)	(864,263)	(238,417)	(864,263)
Dividends Paid to Non-Controlling Interest		(160,043)	(118,098)	-	-
Net Cash flows from/(used in) Financing Activities		(1,772,351)	833,566	(766,719)	(1,696,579)
Net Increase/(Decrease) in Cash and Cash Equivalents		3,656,430	(76,911)	(131,145)	(179,429)
Net Foreign Exchange Difference		76,674	6,530	-	-
Cash and Cash Equivalents at the Beginning of the Year	28	4,220,935	4,291,316	344,485	523,914
Cash and Cash Equivalents at the End of the Year	28	7,954,039	4,220,935	213,340	344,485

The Accounting Policies and Notes on the Pages 156 to 243 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

1.1 Reporting Entity

Hemas Holdings PLC is a public limited liability Company listed on the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office and the principal place of business is situated at No. 75, Braybrooke Place, Colombo 02. Hemas Holdings PLC does not have an identifiable parent of its own.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2021 comprises of Hemas Holdings PLC (the 'Company') and all its Subsidiaries whose Financial Statements have been consolidated therein (the 'Group').

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were carrying out investment activities and providing advisory services to other companies in the Group and the principal activities of the Subsidiaries, Joint Ventures and Associates are disclosed in 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 2021 were authorised for issue, in accordance with a resolution of the Board of Directors on 21 May 2021.

1.5 Componant of Financial Statements

The Financial Statements include the following components:

- Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company
- Statement of Cash Flows providing the information to the users, the amount of cash and cash equivalents inflows to and outflows from the Group and the Company.
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

1.6 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements which comprises the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the Accounting Policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company have been prepared on an accrual basis and under the historical cost convention except for land and building included under property, plant and equipment and investment properties, derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (LKR 000), except where indicated otherwise.

Items	Basis of Measurement	Notes	Pages
Land and Buildings recognised as Property, Plant and Equipment	Measured at cost at the time of acquisition and subsequently carried at fair value	12	174
Land and Building recognised as Investment Property	Measured at cost at the time of acquisition and subsequently carried at fair value	13	182
Financial Instruments reflected as Fair Value through Profit or Loss (FVPL) / Fair Value through Other Comprehensive Income (FVOCI)	Measured at fair value	19	198
Retirement Benefit Obligation	Measured at the present value	26	214

2.2 Statement of Compliance

The Financial Statements which comprises the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the Accounting Policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2.3 Going Concern

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and that the going concern basis of accounting remains appropriate. Therefore, the financial statements continue to be prepared on a going concern basis.

The outbreak of the COVID-19 pandemic and the measures adopted by the government in Sri Lanka to mitigate its spread have impacted the Group. These measures required the Group to take appropriate measures including, engaging high quality medical and public health advice, social distancing, provision of protective equipment and working from home to safeguard the health of all employees and ensure compliance.

During the year under review, the Group rebuilt demand and supply of key products and services. This process helped to minimise the adverse effect of the pandemic on the Groups performance.

The Group has adequate resources comprising cash and cash equivalents and sufficient headroom on unused credit lines at the date of authorisation of these financial statements.

Future Outlook

The continued impact of the pandemic on Sri Lanka's economy, global demand and supply cannot be accurately predicted at this time. The recovery period of key industries most likely to take at least several months. Hence, the overall future impact on the operations of the Group is not immediately predictable.

Multiple risks that have persisted including increased exchange rate volatility, foreign currency availability and import restrictions.

The Group's businesses focus primarily on the Sri Lankan consumer and healthcare sectors providing essential healthcare products and services and day to day fast moving, mass market consumer goods. As such, The Group anticipates that demand for its products and services will continue to recover. It is not possible to predict the exact timing or extent of recovery, at this time.

2.4 Materiality and Aggregation

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

2.5 Comparative Information

The presentations and classification of the Consolidated Financial Statements of the Group and Separate Financial Statements of the Company of the previous years have been amended for better presentation and to be comparable with those of the current year.

2.6 Other Significant Accounting Policies

The Group/ Company has consistently applied the policies set out below, for all the periods presented in the financial statements.

Notes	Description	Page/s
2	Significant accounting policies – General	156
2.6.3	Foreign currency	158
4	Revenue from contract with customers	161
6	Interest income and expense	164
8	Income tax expense	166
9	Earnings per Share (EPS)	172
11	Results from discontinued operations	173
12	Property, plant, and equipment	174
13	Investment property	182
14	Leases & Right-of-Use Assets	185
15	Intangible assets	187
19	Financial instruments	195
22 & 23	Stated capital and reserves	205
28	Statement of Cash Flows	217
29	Business combination	218
31	Contingencies and commitments	221
36	Segmental information	237

2.6.1 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An asset is current when it is:

- Expected to be realised or intended to sell or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6.2 Statement of Cash Flows

The Statement of Cash Flows is prepared using the "Indirect Method" in accordance with the Sri Lanka Accounting Standard – LKAS 7 on "Statement of Cash Flows" (LKAS 7). Cash and short term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits and money market investments with a maturity of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 28.

2.6.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional and presentation currency.

For each entity, the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

There was no change in the Group's presentation and functional currency during the year under review.

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

Name of the Entity	Relationship	Country of Incorporation	Functional Currency
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	Bangladesh	Bangladesh Taka (BDT)
Hemas Consumer Products (Pvt) Ltd.	Subsidiary	Pakistan	Pakistani Rupee (PKR)
Hemas Consumer Brands India (Pvt) Ltd.	Subsidiary	India	Indian Rupee (INR)
Kyannmar Pharmaceutical Limited.	Subsidiary	Singapore	United State Dollar (USD)
Hemas Mandalar Pharmaceutical Limited.	Subsidiary	Myanmar	Kyat (MMK)

2.6.3.1 Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the Statement of Profit or Loss with the exception of all monetary items that form a part of a net investment in a foreign operation. These are recognised in Other Comprehensive Income until the disposal of the net investment, upon which time they are reclassified to the Statement of Profit or Loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (Translation differences on items whose gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss is also recognised in Other Comprehensive Income or Profit or Loss respectively).

2.6.3.2 Foreign Operations

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailed at the reporting date and their Statement of Profit or Loss is translated at exchange rates prevailed at the dates of the transactions. The exchange differences arising on the translation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements require management to make judgments, estimates and assumptions that affect the reported amounts of Revenues, Expenses, Assets and Liabilities, and the disclosure of Contingent Liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Note 34 - Financial instruments risk management and policies
- Note 34 - Sensitivity analysis disclosures

Judgements

In the process of applying the Group's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognised in the Consolidated Financial Statements have been discussed in the individual notes of the related financial statement line items.

Estimates and Assumptions

Information about assumptions and estimation uncertainties at 31 March 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year have been discussed in the individual notes of the related financial statement line items.

The Group's operations may be affected by the recent and ongoing outbreak of the COVID-19 which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; the management has assessed the existing and anticipated effects of COVID-19 on Group companies and the appropriateness of the judgments, estimates and assumptions as applicable.

The line items which have most significant effect on accounting judgements, estimate and assumptions are as follows:

Notes	Description
4	Revenue from contract with customers - Revenue Recognition point - Estimate of right of return goods - Principale vs agent consideration
8	Deferred Taxes: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised
12 & 13	Valuation of Land and Buildings under property, plant & equipment and investment property
14	Right of Use Assets and Lease Liabilities – estimating the incremental borrowing rate
15 & 19	Impairment of non-financial assets including intangible assets: key assumptions underlying recoverable amounts
17	Equity Accounted Investees: whether the Group has significant influence over an investee.
19	Fair value measurement of financial instruments
22	Share based payments
25	Valuation of Put Option held by Non-Controlling Interest
26	Assumptions used in the actuarial valuation of Employee benefit liability
29	Business Combination: whether the Group has de facto control over an investee.
31	Recognition and Measurement of Provisions and Contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 STANDARD ISSUES BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16,if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01 June 2020.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amenments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021 , ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

None of the new or amended pronouncements are expected to have a material impact on the financial statements of the Group in the foreseeable future.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

The different business segments of the Group are in the course of providing a variety of goods and services to its customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added tax.

Variable Consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some revenue contracts in the Consumer and Healthcare sector in the Group provide customers with a right to return, rebates, discounts and consideration payable to the customers. These give rise to variable consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD.)

Each segment of the Group uses following criteria in recognising the revenue.

Segment	Revenue Recognition Policies
Consumer	Revenue is recognised when the goods are delivered and have been accepted by customers. In relation to the contracts with the distributors, international suppliers and modern traders for the sale of FMCG products, the Group considered the upfront discounts, rights of return and the consideration payable to the customer in determining the transaction price. Revenue is recognised by reducing the above component from the transaction price.
Healthcare	Revenue is recognised over time as the services are provided. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured, regardless of when the payment is being made after considering discounts, offers given to the customers, consultations, and services provided under packages.
Mobility & Other	Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.
Leisure	In connection with contracts with travel agents, tour operators, online travel agents, corporate customers and free individual travelers, the Group identified certain principal versus agent considerations. In recognising revenue from these transactions, the Group considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent).

Accounting Judgement, Estimate and Assumption

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Principal versus Agent Considerations

In determining whether the Group is the principal or the agent pertaining to certain revenue contracts the Group has evaluated who has control over the goods before transferring it to the customer;

The following factors were also considered;

- The primary responsibility for fulfilling the promise to provide the specified goods or the service.
- Inventory risk before or after the specified goods has been transferred to the customer
- The discretion in establishing the price for the specified equipment.

Based on the above factors if the Group concludes that it has control over the goods before transferring it to the customer, Group acts as the principal in which case revenue will be recognised at gross and if the Group does not have the control over the goods before transferring it to the customer, it will recognise revenue on the contract on net basis as an agent.

Determining Method to Estimate Variable Consideration and Assessing the Constraintn

Certain revenue contracts especially in Consumer and Healthcare sector include a right of return, rebates and customer incentives that rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

The most likely amount method is used for those contracts with single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Evaluation of Point of Transfer of Control of Goods or Services to the Customer under Revenue Recognition

The following factors were considered in determining the point of transfer of control to the customer.

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset
- The entity has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Whilst the above indicators assist in the determination of transfer of control, none of the indicators above are meant to individually establish or conclude whether control has been transferred. Further all criteria need not be present. Hence, the above evaluation requires significant judgement.

Contract Balances

Information about receivables from contracts with customers set out in Note 21 to these financial statements.

Goods Transferred at a Point in Time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Services Transferred Over Time

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

	Group		Company	
Year ended 31 March	**2021 LKR 000**	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
Goods Transferred at a Point in Time	**48,509,099**	50,934,380	**-**	-
Services Transferred Over Time	**15,991,649**	9,109,110	**860,176**	818,918
	64,500,748	60,043,490	**860,176**	818,918

Geographical Segmentation of Revenue from Contracts with Customers

The geographic information analysis the Group's revenue by the country of domicile of the strategic business units (SBU). In presenting the geographical information, segment revenue has been considered based on the geographical location of the SBUs

	Group		Company	
Year ended 31 March	**2021 LKR 000**	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
Sri Lanka	**61,774,680**	57,505,804	**860,176**	818,918
Asia (Excluidng Sri Lanka)	**2,726,068**	2,537,686	**-**	-
	64,500,748	60,043,490	**860,176**	818,918

The disaggregation of the Group's revenue from contracts with customers is set out in Note 36 to these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 OTHER OPERATING INCOME

Accounting Policy

Dividends

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

Other Income and Gains

Other Income and gains are recognised on an accrual basis. Net gains from the disposal of Property, Plant and Equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the Statement of Profit or Loss, after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Gain on Disposal/De-recognition of Non-Current Investments	98,150	58,173	54,806	-
Gain on Disposal of Property Plant & Equipment/ Intangible Assets	59,284	72,966	8,626	14,100
Change in Fair Value of Investment Properties	62,908	-	29,500	41,350
Rental Income	8,221	6,682	-	-
Commission Income	1,745	9,552	-	-
Foreign Exchange Gain	304,895	327,607	2,127	8,683
Dividend Income from Investments in;				
- Related Parties	-	-	217,877	1,746,617
- Other	4	71	4	10
Sundry Income	146,274	148,432	54	3,445
	681,481	623,483	312,994	1,814,205

6 FINANCE COST AND INCOME

Accounting Policy

Interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

6.1 Finance Cost

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Interest Expense on Overdrafts	95,297	122,972	749	3,716
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	47,505	65,993
- Others	362,064	697,007	2,847	55,054
Foreign Exchange Loss on Foreign Currency Borrowings	(2,466)	(23,148)	-	-
Interest Expense on Other Financial Liabilities	27,500	27,500	-	-
Finance Charges on Lease Liabilities	155,273	134,182	3,456	8,362
Total Interest Expense	637,668	958,513	54,557	133,125
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	1,782	1,857	-	-
Total Finance Cost	639,450	960,370	54,557	133,125

6.2 Finance Income

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Interest Income on Loans and Receivables				
- Related Parties	-	-	16,918	25,184
- Others	243,836	263,316	12,755	23,528
Total Interest Income	243,836	263,316	29,673	48,712
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	4,863	5,999	332	333
Total Finance Income	248,699	269,315	30,005	49,045

7 PROFIT BEFORE TAX

Accounting Policy

Expenditure Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Profit before tax is stated after charging/ (crediting) all expenses including the following;

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Staff Expenses	6,439,276	6,982,281	184,692	139,486
Directors Emoluments	374,716	460,195	145,531	118,482
Costs of Defined Employees Benefits				
- Defined Benefit Plan Cost - Gratuity	208,495	206,156	9,737	10,735
- Defined Contribution Plan Cost - MSPS/EPF/ETF	470,820	582,324	26,621	28,400
Depreciation	1,218,744	1,271,330	22,941	32,581
Amortisation of Right-of-Use Assets	293,869	293,388	51,920	51,919
Amortisation of Intangible Assets	83,935	93,794	33,827	29,278
Impairment of Goodwill	-	125,117	-	-
Auditors' Remuneration				
- Audit	14,590	17,526	2,160	1,985
- Non Audit	11,694	8,099	5,755	2,805
Legal Fees	43,030	25,290	-	281
Donations	33,819	53,581	11,115	11,536
Provision/ (Reversal) for Obsolete Stocks	138,645	101,192	-	-
Provision/ (Reversal) for Impairment of Trade Receivables	27,303	451,395	(50,850)	59,218
Impairment of Investment Subsidiaries	-	-	39,500	252,524
Net Loss on Disposal of Subsidiaries	465,989	109,390	262,601	-
Transport Cost	280,649	342,775	-	-
Advertising Cost	1,366,767	1,626,628	-	-

-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 TAXES

Accounting Policy

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

Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the 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 at the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from April 1, 2018. This Note also includes the major components of tax expense and a reconciliation between the Profit Before Tax and Tax Expense, as required by the Sri Lanka Accounting Standard – LKAS 12- Income Taxes.

Deferred Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

- 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

The Ministry of Finance has instructed on January 31, 2020 and March 05, 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from January 01, 2020. The Bill introducing the change was placed on the Order Paper of the Parliament for the First Reading on March 26, 2021. Subsequently, the Bill along with amendments proposed at Committee stage was passed in Parliament and is awaiting certification by the Hon. Speaker.

On April 23, 2021 The institute of Chartered Accountants of Sri Lanka issued a guideline to provide an interpretation on the application of tax rates which is "substantively enacted" in the measurement of current tax and deferred tax for the financial reporting period ended after March 26, 2021 by replacing the guideline issued in 2015 on Application of Tax Rates in Measurement of Deferred Tax. According to the said guidance 'Substantively enacted' means the Bill introducing the change being taken up at the Parliament for the First Reading.

Accordingly, Financial Statements having a period ended after March 26, 2021, should use such proposed tax rules and rates in the Bill for determination of current tax and deferred tax.

Sales Tax

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments and it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

8 TAXES (CONTD.)

Year ended 31 March	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Current Income Tax				
Current Income Tax Charge (Note 8.1)	1,482,229	1,172,574	28,080	-
Adjustment in Respect of Income Tax of Prior Years	(2,446)	6,798	-	-
Tax on Dividends	9,233	323,831	-	-
ESC Written off	10,483	13,147	-	-
Deferred Tax Charge/(Reversal)				
Relating Origination and Reversal of Temporary Differences (Note 8.2.1)	23,552	(159,644)	(13,650)	968
	1,523,051	1,356,706	14,430	968

8.1 Reconciliation Between Income Tax Expenses and Accounting Profit

Year ended 31 March	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Accounting Profit Before Tax	5,669,910	2,840,724	10,339	1,404,593
Intra Group Adjustments/Share of Results of Joint Ventures/Associates	333,340	119,957	-	-
Income not Subject to Income Tax	(4)	(70)	(100,000)	(1,746,627)
Exempt Profit	(169,031)	(170,359)	-	-
Aggregate Disallowed Expenses	3,289,317	3,647,209	533,757	505,537
Aggregate Allowable Expenses	(2,362,865)	(2,206,547)	(194,388)	(169,773)
Adjustment for Tax Losses	(81,930)	(57,581)	(72,910)	6,270
Taxable Profit	6,678,737	4,173,333	176,798	-
Standard Rates	903,285	1,064,961	28,080	-
Concessionary Rates	578,944	107,613	-	-
Current Income Tax Charge	1,482,229	1,172,574	28,080	-

8.2 Deferred Tax Charge/(Reversal) Recognised through;

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Statement of Profit or Loss (8.2.1)				
Charge/ (Reversal) Arising on During the Year Movement	38,057	(159,644)	5,759	968
Charge/ (Reversal) Due to Change in Tax Rates	(14,505)	-	(19,409)	-
	23,552	(159,644)	(13,650)	968
Other Comprehensive Income				
Charge/ (Reversal) Arising on During the Year Movement	197,010	30,158	(5,341)	(778)
Charge/ (Reversal) Due to Change in Tax Rates	(209,388)	-	(111)	-
	(12,378)	30,158	(5,452)	(778)

8.2.1 Deferred Tax Charge/(Reversal) Relate to the Following;

Year ended 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Revaluation of Investment Properties to Fair Value	1,895	9,140	(17,081)	18,640
Accelerated Depreciation for Tax Purposes	(90,279)	(25,321)	(11,932)	(3,288)
Employee Benefit Liability	22,220	(11,217)	(451)	(325)
Losses Available for Offset Against Future Taxable Income	(13,085)	13,194	-	-
Net Impact from Right of Use Asset and Lease Liability	(9,467)	(5,336)	687	(687)
Others	112,268	(140,104)	15,127	(13,372)
	23,552	(159,644)	(13,650)	968

8.3 Deferred Tax Assets and Liabilities

	Group			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Balance at the Beginning of the Year	164,426	107,862	1,733,238	1,811,865
Recognised through Profit or Loss	(13,005)	67,073	(35,647)	(48,298)
Recognised through Other Comprehensive Income	(7,962)	14,720	(20,339)	(52,763)
Transfers	1,512	23,564	1,512	23,564
Recognised through Changes in Equity	1,006	810	-	(260)
Disposal of Subsidiaries	(1,696)	(49,603)	(315,732)	(870)
Balance at the End of the Year	144,281	164,426	1,363,032	1,733,238

8 TAXES (CONTD.)

	Company	
	Deferred Tax Liabilities	
	2021 LKR 000	2020 LKR 000
Balance at Beginning of the Year	138,528	136,782
Recognised through Profit or Loss	(13,650)	968
Recognised through Other Comprehensive Income	(5,452)	778
Balance at the End of the Year	119,426	138,528

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

	Group		Company	
As at 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Revaluation of Land and Buildings to Fair Value	1,172,180	1,253,906	-	-
Revaluation of Investment Properties to Fair Value	15,905	64,540	141,722	158,803
Accelerated Depreciation for Tax Purposes	420,118	774,692	5,186	17,118
Employee Benefit Liability	(215,258)	(248,796)	(18,721)	(12,817)
Losses Available for Offset Against Future Taxable Income	(16,327)	(15,753)	-	-
Net Impact from Right-of-Use Asset and Lease Liability	(13,756)	(4,124)	-	(687)
Others	(144,111)	(255,653)	(8,761)	(23,889)
	1,218,750	1,568,812	119,426	138,528

8.4 Tax Losses Carried Forward

Unutilised carry forward Group tax losses as at 31 March 2021 is LKR 639 Mn. (Provisional)(2020 - LKR 1,024Mn)

8.5 Applicable Tax Rates

As per the Inland Revenue Act No.24 of 2017 and amendments thereto, all Group companies which are resident in Sri Lanka are liable for Income Tax at 24% w.e.f. 01 January 2020 (2018/19- 28% till 31 December 2019) on taxable profit during the period with the exception of the Companies stated below.

Management has used its judgement in the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

8.5.1 Exemptions / Concessions Granted Under the Board of Investment Law

Company/ Sector	Nature	Exemption or Concession	Period
Hemas Hospitals (Pvt) Ltd.	Profit of the company is exempt from income tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	20%	Open-ended
Hemas COE (Pvt) Ltd.	Exempt from income tax for a period of 3 years, at 10% for the next 2 years and 20% thereafter	20%	Open-ended
Hemas Manufacturing (Pvt) Ltd.	For manufacturing and/or marketing of soap, personal care items and other fast moving consumer goods at its relocated factory in Dankotuwa under "300 Enterprises Programme", Inland Revenue Act shall not apply for a period of 5 years. After the exemption, the profits are taxed at 10% for a period of 2 years and 20% thereafter	20%	Open-ended

8.5.2 Exemptions/Concessions Granted Under the Inland Revenue Act

Company/ Sector	Nature	Exemption or Concession	Period
Hemas Capital Hospital (Pvt) Ltd.	Entitled for a tax exemption period of 9 years	Exempt	9 years ending 2023/2024
Leisure Sector	Promotion of tourism	14%	Open-ended
Manufacturing Sector	On gains and profits from manufacturing	18%	Open-ended (w.e.f 01 January 2020)
Healthcare Sector	Healthcare services	14%	Open-ended (w.e.f 01 January 2020)

8.5.3 Applicable Tax Rates of Foreign Subsidiaries

Company	Applicable Tax low	Tax Rate
Hemas Consumer Brands (Pvt) Ltd.	Income Tax Ordinance of 1984	32.5%
Hemas Consumer Products (Pvt) Ltd.	Income Tax ordinance 2001 (IT-2)	29.0%
Hemas Consumer Brands India (Pvt) Ltd.	Income Tax Act India	25.0%
Kyannmar Pharmaceuticals (Pvt) Ltd.	Income Tax Act Singapore	17.0%
Hemas Mandalar Pharmaceuticals Limited	Myanmar Income Tax Law	25.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EARNINGS PER SHARE (EPS)

Accounting Policy

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

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

9.1 Basic Earnings Per Share

	Group	
	2021 LKR 000	2020 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,253,350	1,235,717
Profit from Continuing Operations for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,854,482	1,310,024
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	596,102	596,043
Basic Earnings Per Share	5.46	2.07
Basic Earnings Per Share for Continuing Operations	6.47	2.20

9.2 Diluted Earnings Per Share

	Group	
	2021 LKR 000	2020 LKR 000
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share	3,253,350	1,235,717
Profit from Continuing Operations for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share	3,854,482	1,310,024
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Diluted Earnings Per Share	596,671	596,043
Diluted Earnings Per Share	5.45	2.07
Diluted Earnings Per Share for Continuing Operations	6.46	2.20

The difference between weighted average number of shares used for basic EPS and diluted EPS is due to the potential number of shares from the Employee Share Ownership Scheme.

10 DIVIDEND PER SHARE (DPS)

10.1 Dividends Paid

	Group / Company	
	2021	2020
	LKR 000	LKR 000
Declared and Paid During the Year		
Dividends on Ordinary Shares;		
Final Dividend - 2019/2020 (2020-2018/2019)	**-**	864,263
Interim Dividend - 2020/2021(2020-2019/2020)	**238,417**	-
	238,417	864,263

10.2 Dividend Per Share

	Group / Company	
	2021	2020
	LKR	LKR
Final Dividend - 2019/2020 (2020-2018/2019)	**-**	1.45
Interim Dividend - 2020/2021(2020-2019/2020)	**0.40**	-
	0.40	1.45

11 RESULTS FROM DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation
- is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations shall be presented as a single amount in the Statement of Comprehensive Income comprising the total of:

- the post-tax profit or loss of discontinued operations and
- the post-tax gain or loss recognised on the disposal of the assets or disposal group constituting the discontinued operation

An analysis of the single amount presented in the Statement of Profit or Loss and related disclosures are given below.

Serendib Hotels PLC and Its Subsidiaries

Following a strategic decision to place greater focus on the Group's key competencies, in December 2020, the Group sold its 55.6% stake in Serendib Hotels PLC which represented a significant portion of Leisure Sector.

Serendib Hotels PLC and its Subsidiaries being the material partly owned subsidiary, performance of the component was recognised and presented as a discontinued operation.

Serendib Hotel PLC was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operation

Subsequent to the disposal, the Group has continued to provide/ obtain services from the discontinued operation. Although intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, as management believes this is useful to the users of the financial statements.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-segment sales and costs thereof, less unrealised profits made before its disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 RESULTS FROM DISCONTINUED OPERATIONS (CONTD.)

	Serendib Hotels PLC and Its Subsidiaries	
Period ended	31 December	31 March
	2020	2020
	LKR 000	LKR 000
Revenue from Contracts with Customers	368,784	1,588,581
Cost of Sales	(88,918)	(445,213)
Gross Profit	279,866	1,143,368
Other Operating Income	14,113	65,905
Selling and Distribution Expenses	(8,881)	(49,261)
Administrative Expenses	(653,360)	(1,131,239)
Operating Profit/ (Loss)	(368,262)	28,773
Finance Cost	(100,296)	(88,792)
Finance Income	5,529	11,133
(Loss) Before Tax	(463,029)	(48,886)
Income Tax Expense	37,366	(72,425)
(Loss) for the Period	(425,663)	(121,311)
Disposal (Loss) on Serendib Hotels PLC and Its Subsidiaries	(379,170)	-
(Loss) for the Period from Discontinued Operations	(804,833)	(121,311)
Attributable to:		
Equity Holders of the Parent	(601,132)	(74,307)
Non-Controlling Interests	(203,701)	(47,004)
	(804,833)	(121,311)
(Loss) per Share (Discontinued Operations) - in LKR		
Basic	(1.01)	(0.12)
Diluted	(1.01)	(0.12)
Cash Flows From / (Used in) Discontinued Operations		
For the Period Ended		
Net Cash Flows From/ (Used in) Operating Activities	(31,050)	109,892
Net Cash Flows From/ (Used in) Investing Activities	7,774	(75,342)
Net Cash Flows From/ (Used in) Financing Activities	102,448	(172,140)
Net Increase/(Decrease) in Cash and Cash Equivalents	79,172	(137,590)

The details of derecognised assets and liabilities of discontinued operations are set out in Note 29.1 to these financial statements

12 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of Recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of Measurement

Property, Plant and Equipment is stated at cost except for land and building and building on leasehold land, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress is stated at cost net of impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Group/ Company derecognises the net book value of replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Group has adopted a policy of revaluing land and building by professional valuers at least once in three years unless otherwise there are indications that the fair value of the land and building differs materially from its carrying values.

The valuation methodology adopted and the key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in Note 12.1.3

Capital expenditure incurred in relation to fixed assets which are not completed as at the Reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on such assets commences when the assets are ready for their intended use.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The principal annual rates used by the Group/Company are as follows:

Freehold Buildings	1.5% - 10%
Plant and Machinery	6% - 25%
Furniture and Fittings	7% - 25%
Office and Factory Equipment	10% - 33.3%
Computer Hardware	25% - 33.3%
Motor Vehicles	16.7% - 25%

Buildings on Leasehold Land are depreciated over the remaining useful life or lease period which ever is lower.

Derecognition

An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

Borrowing Costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalised from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Accounting Judgement, Estimate and Assumptions

Fair value of the Land Buildings are ascertained by independent valuations carried out by Chartered valuer, who have recent experience in valuing properties of similar location and category. Land and Buildings are appraised in accordance with SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The 31 March 2021 valuation contained estimates by valuers with higher estimation uncertinity due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Value reflected as of 31 March 2021 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement and a sensitivity analysis on these assumptions is included in Note 12.1.1

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	Freehold Land	Freehold Buildings	Buildings on Leasehold Land	Plant and Machinery	Furniture, Fittings & Other Equipment	Motor Vehicles	Capital Work-in-Progress*	Total 2021	Total 2020
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Cost or Valuation									
Balance at the Beginning of the Year	4,330,590	4,916,227	4,325,892	3,421,448	5,570,100	1,548,608	2,784,099	26,896,964	24,975,933
Additions	1,255	68,081	25,085	270,397	325,981	209,821	919,580	1,820,200	3,042,111
Acquisition through Subsidiaries	-	-	-	-	-	-	-	-	23,589
Disposal of Subsidiaries	(1,053,908)	(1,694,515)	(838,307)	(432,144)	(836,258)	(10,906)	(23,937)	(4,889,975)	(391,741)
Increase due to Revaluations	580,103	439,613	38,477	-	-	-	-	1,058,193	-
Transfers due to Revaluations	-	(335,242)	(348,466)	-	-	-	-	(683,708)	-
Disposals	-	(27,000)	-	(675)	(93,853)	(243,215)	(9,372)	(374,115)	(515,044)
Exchange Translation Difference	18,991	398	-	1,703	1,950	810	-	23,852	22,728
Transfers and Reclassifications**	(220,500)	(11,100)	7,568	3,200	(3,085)	-	(13,962)	(237,879)	(260,612)
Balance at the End of the Year	3,656,531	3,356,462	3,210,249	3,263,929	4,964,835	1,505,118	3,656,408	23,613,532	26,896,964
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	296,523	269,450	1,997,507	3,420,210	880,548	-	6,864,238	6,290,498
Charge for the Year	-	146,944	133,230	248,262	532,965	157,343	-	1,218,744	1,271,330
Acquisition through Subsidiaries	-	-	-	-	-	-	-	-	5,202
Disposal of Subsidiaries	-	(107,857)	(54,214)	(315,156)	(647,872)	(4,101)	-	(1,129,200)	(250,578)
Transfers due to Revaluations	-	(335,242)	(348,466)	-	-	-	-	(683,708)	-
Disposals	-	(450)	-	(675)	(71,450)	(119,711)	-	(192,286)	(386,905)
Exchange Translation Difference	-	82	-	857	779	609	-	2,327	1,173
Transfers and Reclassifications	-	-	-	-	(6,278)	-	-	(6,278)	(66,482)
Balance at the End of the Year	-	-	-	1,930,795	3,228,354	914,688	-	6,073,837	6,864,238
Carrying Value									
At the End of the Year	3,656,531	3,356,462	3,210,249	1,333,134	1,736,481	590,430	3,656,408	17,539,695	
At the Beginning of the Year	4,330,590	4,627,148	4,056,442	1,416,497	2,149,890	668,060	2,784,099	20,032,726	

*Capital work in progress includes Rs.3.4 Bn (2020 - 2.5Bn) relating to expenditure on the construction of New Pharmaceutical Manufacturing & Research Facility in the course of construction. Construction of the plant is financed through Bank Loans and Borrowing cost amounting to Rs.109 Mn (2020 - 89Mn) was capitalised during the year ended 31 March 2021.

** During the period Group transferred LKR 231,600 Land and building to Investmnet Properties due to change in use.

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

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Hemas Manufacturing (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Market Comparable Method			31-Mar-2021
Land at Dankotuwa		16A-0R-12.8P	- Price per perch for land	LKR. 72,500 to 75,000	184,000	
Buildings at Dankotuwa	13	202,585 Sq. ft.	- Price per square foot for building	LKR. 2,250 to 6,750	742,700	
			- Depreciation rate	20%		
			Market Comparable Method			
Land at Industrial Property at Welisara		1A-0R-33.12P	- Price per perch for land	LKR. 800,000	154,500	31-Mar-2021
Buildings at Industrial Property at Welisara	3	55,094 Sq. ft.	- Price per square foot for building	LKR. 2,250 to 6,000	180,900	
			- Depreciation rate	40%		
Hemas Pharmaceuticals (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Market Comparable Method			31-Mar-2021
Land at Hendala, Wattala		1A-0R-17.8P	- Price per perch for land	LKR. 760,000	135,120	
Warehouse Building at Hendala, Wattala	2	37,863 Sq. ft.	- Price per square foot for building	LKR.3,250 - 6,250	154,380	
			- Depreciation rate	35%		
Hemas Hospitals (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Investment Method			31-Mar-2021
Buildings on Leasehold Land at Wattala	2	120,133 Sq. ft.	- Rate of return	7%	1,005,500	
Hemas Capital Hospital (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Investment Method			31-Mar-2021
Buildings on Leasehold Land at Thalawathugoda	2	60,512 Sq. ft.	- Rate of return	7%	569,500	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Morison Limited						
Perera Sivaskantha & Co Incorporated Valuers			Investment Method			31-Mar-2021
Land at Aluthmawatha		27.78 P	- Discount rate	7%	125,750	
Building at Aluthmawatha	1	21,930 Sq. ft.			98,250	
			Market Comparable Method			
Land at Pethiyagoda, Kelaniya		7A 3R 7P	- Price per perch for land	LKR. 80,000 - 650,000	730,000	
Building at Pethiyagoda, Kelaniya	13	83,685 Sq. ft.	- Price per square foot for building	LKR. 30 -70	252,500	
			- Depreciation rate	55%		
			Investment Method			31-Mar-2021
Land at Aluthmawatha		1R 19.15 P	- Discount rate	7%	262,400	
Building at Aluthmawatha	1	21,901 Sq. ft.			94,000	
Atlas Axillia Co. (Pvt) Ltd.						
Perera Sivaskantha & Company Incorporated Valuers			Market Comparable Method			31-Mar-2021
Land at Peliyagoda		28.94 P	- Price per perch for land	LKR 1,200,000	34,700	
Land at Peliyagoda		1A 3R 19.5 P	- Price per perch for land	LKR 2,125,000	623,500	
Building at Peliyagoda	3	92,291 Sq. ft.	- Price per square foot for building	LKR 1,000 - 4,000	263,500	
			- Depreciation rate	40%		
			Market Comparable Method			31-Mar-2021
Building at Kandy	2	8,577 Sq. ft.	- Price per square foot for building	LKR 400- 1,300	10,382	
			Market Comparable Method			31-Mar-2021
Building at Kerawalapitiya	1	10,696 Sq. ft.	- Price per square foot for building	LKR 155 - LKR 8,200	15,500	
			Market Comparable Method			31-Mar-2021
Land at Balangoda		1 R 30.7 P	- Price per perch for land	LKR 22,500 - LKR 25,000	1,730	
Sanctuary Resorts Wilpattu Lanka (Pvt) Ltd.						
Perera Sivaskantha & Company Incorporated Valuers			Market Comparable Method			31-Mar-2021
Land , Wanathawillu		42A 3R 29.45P	- Price per acre	LKR 750,000	32,200	

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Spectra Integrated Logistics (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers			Investment Method			31-Mar-2021
Buildings on Leasehold Land at Muthurajawela Industrial Zone	15	221,080 Sq. ft.	- Rate of return	7%	1,634,000	
Hemas Consumer Brands (Pvt) Ltd.						
Ahsan Manzur & Company			Market Comparable Method			31-Dec-2020
Land at Bhadurpur, Bangladesh		466.63 Decimals	- Price per perch	LKR 600,000 - LKR 700,000	375,430	

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

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Hemas Holdings PLC						
Perera Sivaskantha & Co Incorporated Valuers						31-March-2021
Freehold Property at Welisara			Market Comparable Method			
Land		1A-3R-8P	- Price per perch for land	LKR 800,000 - 825,000	231,750	
Building	4	67,300 Sq. ft.	- Price per square foot for building	LKR 2,750 - 6,750	255,750	
			- Depreciation rate	40%		
			- Sensitivity	+5% - LKR 269 Mn		
				-5% - LKR 243 Mn		
Freehold Property at Hendala			Market Comparable Method			31-March-2021
Land		2R-4.13P	- Price per perch for land	LKR 1,275,000	102,100	
Building	1	2,960 Sq. ft.	- Price per square foot for building	LKR 4,200	6,200	
			- Depreciation rate	50%		
			- Sensitivity	+5% - LKR 6.53 Mn		
				-5% - LKR 5.91 Mn		
Hemas Developments (Pvt) Ltd.						
Perera Sivaskantha & Co Incorporated Valuers						
Freehold Property at Braybrooke Place			Investment Method			31-March-2021
Land		1R-10P	- Gross monthly rental	LKR. 225	669,500	
Building	1	99,372 Sq. ft.	- Rate of return	6%	1,277,500	
			- Sensitivity	+10% - LKR 2,142 Mn		
				-10% - LKR 1,752 Mn		

12 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.1.3 Significant Unobservable Inputs

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot for building Depreciation rate	Estimated fair value would increase (decrease) if; • Price per perch increases/ (decreases) • Price per square foot increases / (decreases) • Depreciation rate for building increases /(decreases)
Investment Method The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.	Gross monthly rental Years from purchase (Present value of 1 unit per period) Void Period	Estimated fair value would increase (decrease) if; • Gross Annual Rental increases/ (decreases) • Years from Purchase increases / (decreases) • Void Period increases / (decreases)

12.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR 1,820 Mn. (2020-LKR 3,042 Mn) by means of cash.

12.1.5 Carrying Value

	Group	
Year ended 31 March	2021 LKR 000	2020 LKR 000
At Cost	7,307,320	9,219,007
At Valuation	10,223,242	10,808,528
On Finance Lease	9,133	5,191
	17,539,695	20,032,726

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

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

	Cost	Accumulated Depreciation	Net Carrying Amount	
			2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000
Freehold Land	869,063	-	869,063	541,406
Building on Freehold Land	3,093,588	932,140	2,161,448	3,368,830
Building on Leasehold Land	1,429,307	121,325	1,307,982	604,331
	5,391,958	1,053,465	4,338,493	4,514,567

12.1.8 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 2,365 Mn (2020-LKR 2,910 Mn).

12.2 Company

	Building	Furniture and Fittings	Office Equipment	Computer Hardware	Motor Vehicles	Total 2021	Total 2020
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Cost or Valuation							
Balance at the Beginning of the Year	27,000	80,050	33,905	95,053	120,000	356,008	393,751
Additions	-	-	-	2,655	23,500	26,155	14,387
Disposals	(27,000)	(14)	-	-	(36,295)	(63,309)	(52,132)
Balance at the End of the Year	-	80,036	33,905	97,708	107,205	318,854	356,006
Accumulated Depreciation							
Balance at the Beginning of the Year	-	59,803	19,964	87,045	70,360	237,172	243,392
Charge for the Year	450	6,499	2,961	3,302	9,729	22,941	32,581
Disposals	(450)	(14)	-	-	(15,714)	(16,178)	(38,802)
Balance at the End of the Year	-	66,288	22,925	90,347	64,375	243,935	237,171
Carrying value							
At the End of the Year	-	13,748	10,980	7,361	42,830	74,919	
At the Beginning of the Year	27,000	20,247	13,941	8,008	49,640	118,835	

12.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of LKR 26 Mn (2020-LKR 14 Mn) by means of cash.

12.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 171 Mn (2020-LKR 152 Mn).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES

Accounting Policy

Investment property is a property held either to earn rental income or for capital appreciation or both, rather than sale in the ordinary course of business and use in the production or supply of goods or services or for administrative purposes.

Basis of Recognition

Investment Properties are recognised only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the investment property can be reliably measured.

Basis of Measurement

Investment Properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, Investment Properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of Investment Properties are included in the Statement of Profit or Loss in the period in which they arise.

Investment Properties are derecognised when either they have been disposed of or when the Investment Property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of de-recognition.

Reclassification to or from Investment Property

Transfers are made to or from Investment Property only when there is a change in use. For a transfer from Investment Property to owner occupied property, the value for subsequent accounting is the fair value at the date of change. If owner occupied property becomes an Investment Property, Group/Company accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change.

Group companies occupy a significant portion of the Investment Property of a subsidiary, such Investment Properties are treated as Property, Plant and Equipment in the consolidated financial statements, and accounted using Group Accounting Policy for Property, Plant and Equipment.

Accounting Judgement, Estimate and Assumption

Fair value of the Investment Property is ascertained by independent valuations carried out by chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the valuation standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The 31 March 2021 valuation contained estimates by valuers with higher estimation uncertinity due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Value reflected as of 31 March 2021 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement and a sensitivity analysis on these assumptions is included in Note 13.1

13.1 Group

	2021 LKR 000	2020 LKR 000
At the Beginning of the Year	1,647,591	1,647,591
Transfers	231,600	-
Change in Fair Value	62,908	-
At the End of the Year	1,942,099	1,647,591
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(250)	(214)
Net Loss Arising from Investment Properties Carried at Fair Value	(250)	(214)

13.1.1 Details of Investment Properties

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Hemas Holdings PLC						
Perera Sivaskantha & Co Incorporated Valuers			Market Comparable Method			31-Mar-2021
Freehold Land at Tangalle		1A-2R-26.06P	- Price per perch for land	LKR 500,000	133,000	
			- Sensitivity	+10% - LKR 146.3 Mn		
				-10% - LKR 119.7 Mn		
Peace Haven Resorts Limited						
Perera Sivaskantha & Co Incorporated Valuers			Market Comparable Method			31-Mar-2021
Freehold Land at Tangalle		19A- 02R-34.16P	- Price per perch for land	LKR 475,000 - 550,000	1,577,500	
			- Sensitivity	+ 10% -LKR 1,735 Mn		
				- 10% - LKR 1,420 Mn		
Mowbray Hotels Limited						
Perera Sivaskantha & Co Incorporated Valuers			Market Comparable Method			31-Mar-2021
Land at Kandy		32A-1R-29P	- Price per perch for land	LKR 42,500	220,500	
Buildings at Kandy	3	11,134 Sq. Ft.	- Price per square foot for building	LKR 2,750 - 3,750	11,100	
			- Depreciation Rate	70%		
			- Sensitivity	+ 5% -LKR 232.2 Mn		
				- 5% -LKR 231.1 Mn		

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are the same as disclosed in Note 12.1.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES (CONTD.)

13.2 Company

	2021 LKR 000	2020 LKR 000
At the Beginning of the Year	699,300	657,950
Change in Fair Value	29,500	41,350
At the End of the Year	728,800	699,300
Rental Income Derived from Investment Properties	25,013	25,019
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(1,043)	(443)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(7)	(14)
Net Profit Arising from Investment Properties Carried at Fair Value	26,046	24,562

13.2.1 Details of Investment Properties

Name of Company / Professional Valuer / Location	No of Buildings	Extent	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Valuation LKR 000	Date of the Valuation
Perera Sivaskantha & Company Incorporated Valuers			Market Comparable Method			31-Mar-2021
Freehold Property at Welisara			- Price per perch for land	LKR 800,000 - 825,000	231,750	
Land		1A-3R-8P	- Price per square foot for building	LKR 2,750 - 6,750		
Building	4	67,300 sq. ft.	- Depreciation rate	40%	255,750	
			- Sensitivity	+5% - LKR 269Mn		
				-5% - LKR 243 Mn		
Freehold Property at Hendala			Market Comparable Method			31-Mar-2021
Land		2R-4.13P	- Price per perch for land	LKR 1,275,000	102,100	
Building	1	2,960 sq. ft.	- Price per square foot for building	LKR 4,200	6,200	
			- Depreciation rate	50%		
			- Sensitivity	+5% - LKR 6.53 Mn		
				-5% - LKR 5.91 Mn		
Freehold Property at Tangalle			Market Comparable Method			31-Mar-2021
Land		1A-2R-26.06P	- Price per perch for land	LKR 500,000	133,000	
			- Sensitivity	+10% - LKR 146.3 Mn		
				-10% - LKR 119.7 Mn		

14 LEASES AND RIGHT-OF-USE ASSETS

Accounting Policy

The Group/ Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee

The Group/ Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and Right-of-Use Assets representing the right to use the underlying assets.

The Group/ Company only reassesses whether a contract is, or contains, a lease subsequent to initial recognition if the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group/ Company recognises Right-of-Use Assets when the underlying asset is available for use. Right-of-Use Assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group/ Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Right-of-Use Assets are depreciated on a straight line basis over the shorter of its estimated useful life or the lease term. If ownership of the leased asset transfers to the Group/ Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset (Land and Building 2-30 years) . Right-of-Use Assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group/ Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

The Group does not foresee any impairment of right of use assets due to the COVID-19 pandemic since the demand for its products and services has recovered relatively quickly. Further Group does not anticipate discontinuation of any Right-of-Use Assets as at the reporting date and the lease liability is not reassessed as there are no known moratoriums received for the lease payments so far.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

14 LEASES AND RIGHT-OF-USE ASSETS (CONTD.)

Set out below, are the carrying amounts of the Group's Right-of-Use Assets and lease liabilities (Included under Interest Bearing Borrowings) and the movements for the period ended 31 March 2021.

14.1 Right-of-Use Assets

	Group		Company	
Carrying Value	**2021 LKR 000**	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
At the Beginning of the Year	**2,028,296**	2,194,797	**51,920**	
Additions	**286,188**	126,887	**-**	103,839
Amortisation	**(293,869)**	(293,388)	**(51,920)**	(51,919)
Disposal of Subsidiaries	**(143,409)**	-	**-**	-
Transfers	**1,491**	-	**-**	-
At the End of the Year	**1,878,697**	2,028,296	**-**	51,920

Right-of-Use Assets represent the Land and Building.

14.2 Lease Liabilities

	Group		Company	
	2021 LKR 000	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
At the Beginning of the Year	**1,416,675**	1,432,568	**54,373**	-
Additions	**283,501**	124,977	**-**	103,839
Disposal of Subsidiaries	**(173,097)**	-	**-**	-
Interest Expense	**171,840**	153,117	**3,456**	8,362
Payments	**(334,242)**	(293,987)	**(57,829)**	(57,828)
Exchange Difference	**1,769**	-	**-**	-
At the End of the Year	**1,366,446**	1,416,675	**-**	54,373
Current	**245,976**	159,440	**-**	54,373
Non-Current	**1,120,470**	1,257,235	**-**	-
Total	**1,366,446**	1,416,675	**-**	54,373

The following are the amounts recognised in the Statement of Profit or Loss from Continuing Operation:

Year ended 31 March	Group		Company	
	2021 **LKR 000**	2020 LKR 000	**2021** **LKR 000**	2020 LKR 000
Amortisation Expense of Right-of-Use Assets	**293,869**	293,388	**51,920**	51,919
Interest Expense on Lease Liabilities	**155,273**	134,182	**3,456**	8,362
Expense Relating to Short Term Leases and Low Value Assets	**114,425**	100,768	**-**	-

15 INTANGIBLE ASSETS

Accounting Policy

Basis of Recognition

Intangible Assets are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of Measurement

Intangible Assets acquired separately are measured on initial recognition at cost. The cost of Intangible Assets acquired in a business combination is recognised at their fair value as at the date of acquisition. Following initial recognition, Intangible Assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated Intangible Assets (excluding capitalised development costs) are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Purchased Software

Purchased software is recognised as an Intangible Asset and is amortised on a straight line basis over its useful life.

Research and Development Costs

Research costs are expensed as incurred. Intangible Assets arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the Intangible Assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the assets will generate future economic benefits, the availability of resources to complete the assets and the ability to measure reliably the expenditure during the development.

During the period of development, the assets are tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. During the period where the asset is not yet in use it is tested for impairment annually.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in Intangible Assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for Non-Controlling Interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in Statement of Profit or Loss.

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

Where goodwill has been allocated to a cash generating unit (CGU)and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

Amortisation / Impairment

The useful lives of Intangible Assets are assessed as either finite or indefinite.

15 INTANGIBLE ASSETS (CONTD.)

Intangible Assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the Intangible Asset may be impaired. The amortisation period and the amortisation method for an Intangible Asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on Intangible Assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the Intangible Assets.

Intangible Assets with Indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of Indefinite life is reviewed annually to determine whether the Indefinite life continues to be supportable. If not, the change in useful life from Indefinite to finite is made on a prospective basis. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

A summary of the policies applied to the Group's intangible assets is, as follows:

Intangible Assets	Useful Life	Type	Subsequent Measurement	Rate
Software	Finite	Acquired	Amortisation	10% - 33.3%
Brands	Finite / Indefinite	Acquired	Amortisation/ Tested for Impairment	6.7% - 10%
Goodwill	Indefinite	Acquired	Tested for Impairment	-

Derecognition

Gains or Losses arising from derecognition of an Intangible Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

Accounting Judgement, Estimate and Assumption

Recoverable amounts of the CGU have been ascertained based on value in use calculations and the assumptions used are as follows.

Goodwill The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.

Brands Brands are valued based on the earnings growth method, and assumptions applied are reviewed each year.

The key assumptions used to determine the recoverable amount for the different CGUs, are as follows;

Variable	Assumptions Used	Sensitivity		
		Change	Impact on Value In Use	Impact on Goodwill
Discount Rate	The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. (10% - 14%) (2020 - 15% -18%).	Increases By 1%	-12.5%	No Impact
		Decreases By 1%	16.5%	No Impact
Long-Term Growth Rate for Cash Flows for Subsequent Years*	Based on historical growth rate and business plan. (2%- 4%) (2020 - 2% - 4%)	Increases By 1%	11.3%	No Impact
		Decreases By 1%	-8.6%	No Impact

*Long term growth rates do not exceed the long-term average growth rate of the industry in which the entity operates

The sensitivity analysis is based on a change in a key assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the Value in Use as it is unlikely that changes in assumptions would occur in isolation from one another.

Above assumptions are affected by expected future market and future economic conditions

In light of current operational and economic conditions due to the ongoing COVID-19 pandemic, the Group has reassessed the expected future business performance relating to cash generating units where the management has concluded that the recoverable value of CGUs exceeds its carrying values.

15.1 Group

	Software	Brands	Goodwill on Consolidation	Total 2021	Total 2020
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Cost					
Balance at the Beginning of the Year	608,458	1,150,721	2,434,518	4,193,697	4,028,280
Additions	73,498	-	-	73,498	33,255
Transfers	16,664	-	-	16,664	54,823
Acquisition through Subsidiaries	-	-	-	-	120,812
Disposal of Subsidiaries	(15,784)	-	(123,300)	(139,084)	(43,473)
Disposals	(74,947)	-	-	(74,947)	-
Balance at the End of the Year	607,889	1,150,721	2,311,218	4,069,828	4,193,697
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year	399,080	151,710	203,782	754,572	559,334
Amortisation	78,935	5,000	-	83,935	93,794
Transfers	1,152	-	-	1,152	31
Acquisition through Subsidiaries	-	-	-	-	4,228
Disposal of Subsidiaries	(3,396)	-	-	(3,396)	(27,932)
Impairment	-	-	-	-	125,117
Disposals	(56,053)	-	-	(56,053)	-
Balance at the End of the Year	419,718	156,710	203,782	780,210	754,572
Carrying Value					
At the End of the Year	188,171	994,011	2,107,436	3,289,618	
At the Beginning of the Year	209,378	999,011	2,230,736	3,439,125	

The aggregate carrying amount of goodwill allocated to each unit is as follows ;

	2021	2020
	LKR 000	LKR 000
Serendib Hotels PLC and its Subsidiaries	-	123,300
Morison Limited	259,288	259,288
Atlas Axillia Co. (Pvt) Ltd.	1,848,148	1,848,148
	2,107,436	2,230,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTD.)

15.2 Company

	Software	
	2021 LKR 000	2020 LKR 000
Cost		
Balance at the Beginning of the Year	238,599	182,370
Additions	-	1,829
Transfers	15,494	54,400
Balance at the End of the Year	254,093	238,599
Accumulated Amortisation		
Balance at the Beginning of the Year	138,702	109,424
Amortisation	33,827	29,278
Balance at the End of the Year	172,529	138,702
Carrying Value	81,564	99,897

16 INVESTMENT IN SUBSIDIARIES

Accounting Policy

Investment in Subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the Statement of Profit or Loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

As at 31 March	Direct Holding		Direct Investment	
	2021	2020	2021 LKR 000	2020 LKR 000
Non-Quoted Investments				
Hemas Corporate Services (Pvt) Ltd.	100%	100%	39,891	39,891
Hemas Developments (Pvt) Ltd.	100%	100%	909,869	909,869
Hemas Manufacturing (Pvt) Ltd.	100%	100%	914,295	509,905
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	213,331	213,331
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100%	100%	23,957	23,957
Exchange & Finance Investments (Pvt) Ltd.	100%	100%	9,412	9,412
Leisure Asia Investments Ltd.	100%	100%	5,533,371	5,533,371
Hemas Transportation (Pvt) Ltd.	100%	100%	723,029	723,029
Far Shipping Lanka (Pvt) Ltd.	100%	100%	3,000	3,000
Hemas Hospitals (Pvt) Ltd.	85%	85%	2,547,122	2,547,122
Hemas COE (Pvt) Ltd.	100%	100%	6,172	6,172
Concept Ventures (Pvt) Ltd.	100%	100%	292,024	252,524
Atlas Axillia Co. (Pvt) Ltd.	75%	75%	5,658,706	5,658,706
Morison Limited*	0%	-	126	-
			16,874,305	16,430,289
Impairment of Investment in;				
FAR Shipping Lanka (Pvt) Ltd.			(3,000)	(3,000)
Exchange & Finance Investments (Pvt) Ltd.			(9,412)	(9,412)
Concept Ventures (Pvt) Ltd.			(292,024)	(252,524)
			16,569,869	16,165,353
Quoted Investments				
Serendib Hotels PLC	-	56%	-	1,101,845
Dolphin Hotels PLC	-	1%	-	19,193
Morison PLC*	-	1%	-	44,090
Total			16,569,869	17,330,481

*Morison PLC has been de-listed from the official list of the Colombo Stock Exchange with effect from 29 September 2020.

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

Accounting Policy

An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies

A Joint Venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the Joint Venture. Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its Associates and Joint Ventures are accounted for using the equity method.

Under the equity method, the investment in an Associate or Joint Venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the Associate or Joint Venture since the acquisition date.

Goodwill relating to the Associate or Joint Venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the Associate or Joint Venture. Any change in Other Comprehensive Income of those investees is presented as a part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the Associate or Joint Venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the Associate or Joint Venture are eliminated to the extent of the interest in the Associate or Joint Venture.

The aggregate of the Group's share of profit or loss of an Associate and a Joint Venture is shown on the face of the Statement of Profit or Loss and represents profit or loss after tax.

The Financial Statements of Associates and Joint Ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in Associate or Joint Venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate or Joint Venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate or Joint Venture and its carrying value, and then recognises the loss in the 'Share of results of Associates and Joint Ventures' in the Statement of Profit or Loss.

Upon loss of significant influence over the Associate or Joint Control over the Joint Venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate or Joint Venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in Statement of Profit or Loss.

	Group	
As at 31 March	2021 LKR 000	2020 LKR 000
Investment in Joint Ventures (Note 17.1)	428,598	701,461
Investment in Associates (Note 17.2)	127,928	-
	556,526	701,461

Year ended 31 March	Share of Profit or Loss 2021 LKR 000	2020 LKR 000	Share of Other Comprehensive Income 2021 LKR 000	2020 LKR 000
Investment in Joint Ventures	(374,444)	(119,527)	101,581	(62,632)
Investment in Associates	41,104	(430)	(102)	-
	(333,340)	(119,957)	101,479	(62,632)

17.1 Investment in Joint Ventures

As at 31 March	Holding 2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Unquoted				
Cost				
PH Resorts (Pvt) Ltd.	50%	50%	1,411,398	1,411,398
			1,411,398	1,411,398
Cumulative Loss Accruing to the Group Net of Dividend			(924,948)	(550,504)
Cumulative Other Comprehensive Income Accruing to the Group			(57,852)	(159,433)
			(982,800)	(709,937)
Carrying Amount of the Investment			428,598	701,461

	2021 LKR 000	2020 LKR 000
Group Share of Joint Venture's Statement of Financial Position;		
Current Assets	389,212	563,065
Non-Current Assets	2,650,483	2,607,329
Current Liabilities	(593,864)	(590,726)
Non-Current Liabilities	(2,017,233)	(1,878,207)
Carrying Amount of the Investment	428,598	701,461
Group Share of Joint Venture's Statement of Profit or Loss;		
Share of the Joint Venture Revenue	90,728	629,808
Share of the Joint Venture Losses Before Tax	(371,848)	(118,181)
Share of the Joint Venture Losses After of Tax	(374,444)	(119,527)
Share of the Joint Venture Other Comprehensive Income		
To be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	(41,145)	(62,860)
Not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	142,726	228

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTD.)

17.2 Investment in Associates

As at 31 March	Holding 2021	Holding 2020	2021 LKR 000	2020 LKR 000
Unquoted				
Pulz Solutions (Pvt) Ltd.	30%	30%	6,500	6,500
Hire 1 Technologies (Pvt) Ltd.	20%	20%	29,500	29,500
VulcanD (Pvt) Ltd.	20%	20%	10,000	10,000
FAR Shipping Agency (Pvt) Ltd. (Note 29.1)	36%	-	132,028	-
			178,028	46,000
Disposed / Transferred During the Year				
Aviation Services (Pvt) Ltd.			-	12,518
Healthnet International (Pvt) Ltd.			-	49,999
Share of Net Assets Disposed/ Transferred During the Year			-	(62,517)
Cumulative Loss Accruing to the Group Net of Dividend			(10,414)	(6,416)
Cumulative Other Comprehensive Income Accruing to the Group			(102)	-
Impairment of Investment in Associate			(39,584)	(39,584)
Carrying Amount of the Investment			127,928	-

Summarised Financial Information of Associate

	2021 LKR 000	2020 LKR 000
Group Share of Associates' Statement of Financial Position;		
Current Assets	153,304	-
Non-Current Assets	2,230	-
Current Liabilities	(24,963)	-
Non-Current Liabilities	(2,541)	-
Carrying Amount of Associates	127,928	-
Group Share of Associates' Statement of Profit or Loss;		
Share of the Associate Revenue	88,348	-
Share of the Associate Losses Before Tax	41,301	(430)
Share of the Associate Losses After of Tax	41,104	(430)
Share of the Associate Other Comprehensive Income		
Not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	(102)	-

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

18 LEASE RECEIVABLES

The assets are reported as receivables at an amount equal to the net investment in the lease. Lease income from finance leases is recognised over the term of the lease based on the effective interest rate method.

As at 31 March	2021 LKR 000 Gross Investment in Lease	2021 LKR 000 Present Value of Minimum Lease Receipts	2020 LKR 000 Gross Investment in Lease	2020 LKR 000 Present Value of Minimum Lease Receipts
Non-Current	144,678	139,939	187,473	172,486
Current	72,515	65,053	71,032	58,385
	217,193	204,992	258,505	230,871

19 FINANCIAL INSTRUMENT

Accounting Policy

Recognition and Initial Measurement

A financial instrument is any contarct that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FINANCIAL INSTRUMENT (CONTD.)

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets . On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Instrument	Subsequent Measurement
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Group did not classify any instrument under this category as of 31 March 2021
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Group's financial assets at amortised cost includes trade receivables, loans to an employees, loans to related parties and other investments included under other financial assets.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.The Group elected to classify irrevocably its listed and non-listed equity investments under this category.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged

The item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

Cross Currency SWAP

The Group uses cross currency swaps (CCS) to hedge the interest rate risk and exchange rate risk arising from a floating rate borrowing denominated in foreign currencies. The hedge type is designated as cash flow hedge since the Group is expecting to hedge the variability arise by the interest rate risk and exchange rate risk, where the US Doller borrowing can be identified as the hedged item, the CCS can be identified as the hedge instrument and interest rate risk and exchange rate risk can be identified as the hedged risk.

The economic relationship between the hedged item (currency outflows for repayments of foreign currency loan) and the hedging instrument (inflows from cross currency SWAP) is such that it moves in an opposite direction as a result of the common underlying or hedged risk.

19 FINANCIAL INSTRUMENT (CONTD.)

The Group has established a hedge ratio of 1:1 between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. Moreover, the hedge effectiveness is set at 100% as per the contractual terms where the fair value change in the hedge instrument is 100% efficient in offsetting the fair value change of the liability.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

Impairment of Financial Assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

19.1 Financial Assets

	Group		Company	
As at 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Quoted Equity Shares (Note 19.1.1.1 (a))	52,948	2,052	9,549	259
Unquoted Equity Shares (Note 19.1.1.1 (b))	49,750	324,637	-	145,300
	102,698	326,689	9,549	145,559
Loans to Company Employees	107,276	130,060	5,243	5,151
Loans Due from Related Parties (Note 19.1.2.1)	-	-	370,648	198,000
Advances/Refundable Deposits	72,557	157,122	-	-
Derivative Assets	36,026	10,260	-	-
Other Investments	100	300	-	-
	215,959	297,742	375,891	203,151
Total Financial Assets	318,657	624,431	385,440	348,710
Total Non-Current (Note 19.1.1)	208,979	540,670	12,987	148,999
Total Current (Note 19.1.2)	109,678	83,761	372,453	199,711

19.1.1 Other Financial Assets - Non Current

As at 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Investment In Equity Securities (Note 19.1.1.1)	102,698	326,689	9,549	145,559
Loans to Company Employees	33,724	56,859	3,438	3,440
Refundable Deposits	72,557	157,122	-	-
	208,979	540,670	12,987	148,999

19.1.2 Other Financial Assets - Current

As at 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Loans to Company Employees	73,552	73,201	1,805	1,711
Loans Due From Related Parties (Note 19.1.2.1)	-	-	370,648	198,000
Derivative Assets	36,026	10,260	-	-
Other Investments	100	300	-	-
	109,678	83,761	372,453	199,711

19.1.1.1 Investment In Equity Securities - Non Current

(a) Quoted

Group

As at 31 March	No. of Shares 2021	No. of Shares 2020	Carrying Value 2021 LKR 000	Carrying Value 2020 LKR 000	Fair Value 2021 LKR 000	Fair Value 2020 LKR 000
Overseas Realty (Ceylon) PLC	1,000	1,000	14	12	14	12
Eden Hotels Lanka PLC	127	127	1	2	1	2
Galadari Hotels PLC	1,500	1,500	12	9	12	9
CT Holdings PLC	10,934	10,934	1,859	1,749	1,859	1,749
CIC Holdings PLC	296	296	15	10	15	10
Royal Palm Beach Hotels PLC	85	85	1	1	1	1
Hayleys PLC	13	13	1	2	1	2
Lankem Ceylon PLC	50	50	1	1	1	1
John Keells Holdings PLC	2,377	2,377	330	266	330	266
Mercantile Shipping Company PLC	484,334	484,334	-	-	-	-
Dolphin Hotel PLC	2,069,955	-	50,714	-	50,714	-
			52,948	2,052	52,948	2,052
Company						
Overseas Realty (Ceylon) PLC	500	500	8	6	8	6
John Keells Holdings PLC	2,081	2,081	309	253	309	253
Mercantile Shipping Company PLC	484,334	484,334	-	-	-	-
Dolphin Hotel PLC	376,808	-	9,232	-	9,232	-
			9,549	259	9,549	259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FINANCIAL INSTRUMENT (CONTD.)

(b) Unquoted

Group

As at 31 March	No. of Shares 2021	No. of Shares 2020	Carrying Value 2021 LKR 000	Carrying Value 2020 LKR 000
Rainforest Ecology (Pvt) Ltd.	-	1,200,000	-	7,450
Jada Resorts and Spa (Pvt) Ltd.	29,086,200	53,535,680	-	267,437
Acorn Ventures (Pvt) Ltd. (Formaly known as Forbes Leisure Services (Pvt) Ltd.)	4,975,000	4,975,000	49,750	49,750
Digital Heathcare Solutions (Pvt) Ltd. - Preferrence Shares	3,950,000	-	-	-
			49,750	324,637
Company				
Jada Resorts and Spa (Pvt) Ltd.	29,086,200	29,086,200	-	145,300
			-	145,300
Total				
Group			102,698	326,689
Company			9,549	145,559

19.1.2.1 Loans Due From Related Parties

As at 31 March	Relationship	Company 2021 LKR 000	Company 2020 LKR 000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	155,648	-
Morision Limited	Subsidiary	200,000	-
Hemas Surgical and Diagnostics (Pvt) Ltd.	Subsidiary	15,000	195,000
Digital Healthcare Solutions (Pvt) Ltd.	-	-	3,000
		370,648	198,000
Current		370,648	198,000
Non-current		-	-

Terms and Conditions

Security - Unsecured

Repayment -To be Repaid on Demand

Interest - Based on Market Rates (AWPLR + Margin)

19.2 Financial Assets and Liabilities by Categories

As at 31 March	Notes	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Financial Assets					
Financial Assets at Amortised Cost					
Trade and Other Receivables (Excluing Advance and Prepayments)	21	12,701,835	14,897,448	225,509	212,914
Other Financial Assets					
Loans to Company Employees	19	107,276	130,060	5,245	5,151
Loans Due from Related Parties	19	-	-	370,648	198,000
Refundable Deposits	19	72,557	157,122	-	-
Other Investments	19	100	300	-	-
Cash and Short Term Deposits	28	8,458,109	5,616,972	213,340	347,738
Financial Assets at FVOCI					
Equity Share Investment	19	102,698	326,689	9,547	145,559
Derivative Assets	19	36,026	10,260	-	-
Total		21,478,601	21,138,851	824,289	909,362
Financial Liabilities					
Loans and Borrowings					
Interest Bearing Loans and Borrowings	24	5,089,072	6,684,638	-	-
Loans Due to Related Parties	24	-	-	275,000	780,152
Lease Liability	14	1,366,446	1,416,675	-	54,373
Trade and Other Payables	27	17,947,195	17,937,272	408,984	480,645
Bank Overdraft	28	504,070	1,396,037	-	3,253
Other Financial Liabilities					
Preference Shares	25	275,000	275,000	-	-
Rent Deposits/Advances	25	2,518	3,376	-	-
Put Option over Non-Controlling Interests	25	1,973,244	1,928,305	-	-
Total		27,157,545	29,641,303	683,984	1,318,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw Materials - Weighted Average basis.
- Foods and Beverages Stocks - at actual cost on Weighted Average basis.
- Finished Goods and Work In Progress - at cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
- Consumables and Spares - at actual cost on First In First Out basis.
- Goods In Transit and Other Stocks - at Actual Cost.
- Medical Supplies - at actual cost on First In First Out basis.

Net realisable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

The management has carried out the NRV testing and adjusted the inventory into the realisable value which include the possible impacts that may arising from the continuing COVID 19 outbreak.

	Group	
As at 31 March	2021 LKR 000	2020 LKR 000
Raw Materials	2,826,454	1,791,538
Work In Progress	213,383	196,154
Finished Goods and Other Stocks	12,175,165	10,799,303
Goods In Transit	597,348	996,121
Less: Provision for Obsolete Stocks	(361,770)	(223,125)
	15,450,580	13,559,991

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
As at 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Trade Receivables				
- Related Parties (Note 21.1)	-	-	187,196	155,322
- Others	10,940,655	12,938,659	15,030	7,827
	10,940,655	12,938,659	202,226	163,149
Less: Allowance for Impairment				
- Related Parties	-	-	(36,849)	(87,617)
- Others	(806,891)	(824,474)	(1,934)	(2,016)
	(806,891)	(824,474)	(38,783)	(89,633)
	10,133,764	12,114,185	163,443	73,516
Other Receivables				
- Related Parties (Note 21.2)	-	-	49,973	74,601
- Others	2,568,071	2,783,263	12,093	64,797
Advances and Prepayments	952,746	1,196,512	15,955	31,389
	13,654,581	16,093,960	241,464	244,303

The Age Analysis of Trade Receivables as at 31 March is as follows

Group	Total	Neither due nor impaired	Past due but not impaired				
			< 30 days	31-60 days	61-90 days	91-120 days	> 120 days
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
2021	**10,940,655**	**6,992,358**	**2,175,502**	**707,935**	**110,332**	**113,995**	**840,533**
2020	12,938,659	5,991,712	3,233,468	1,198,304	714,925	585,075	1,215,175

Company	Total	Neither due nor impaired	Past due but not impaired				
			< 30 days	31-60 days	61-90 days	91-120 days	> 120 days
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
2021	**202,226**	**46,185**	**24,713**	**26,863**	**24,135**	**30,826**	**49,505**
2020	163,149	43,743	17,363	7,632	7,314	5,828	81,270

Movements in the allowance for impairment of Trade Receivables;

Group	Group			Company		
	Individually Impaired LKR 000	Collectively Impaired LKR 000	Total LKR 000	Individually Impaired LKR 000	Collectively Impaired LKR 000	Total LKR 000
As at 1 April 2019	65,477	484,352	549,829	-	30,415	30,415
Charge/(Reversal) for the Year	(623)	452,018	451,395	-	59,218	59,218
Disposal of Subsidiary	(60,595)	(122,454)	(183,049)	-	-	-
Acquisition of Subsidiary	-	8,692	8,692	-	-	-
Write off	(4,119)	1,726	(2,393)	-	-	-
As at 31 March 2020	140	824,334	824,474	-	89,633	89,633
Charge/ (Reversal) for the Year	-	27,303	27,303	-	(50,850)	(50,850)
Disposal of Subsidiary	(140)	(26,280)	(26,420)	-	-	-
Transfers	163,025	(163,025)	-	-	-	-
Write off	-	(18,466)	(18,466)	-	-	-
As at 31 March 2021	**163,025**	**643,866**	**806,891**	**-**	**38,783**	**38,783**

21 TRADE AND OTHER RECEIVABLES (CONTD.)

21.1 Trade Dues From Related Parties

		Company	
As at 31 March	Relationship	2021 LKR 000	2020 LKR 000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	4,412	8,943
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	142	236
Hemas COE (Pvt) Ltd.	Subsidiary	1,604	4,355
Hemas Hospitals (Pvt) Ltd.	Subsidiary	3,840	11,721
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	607	1,576
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	43	2,975
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	102,592	20,242
Forbes Air Services (Pvt) Ltd.	Subsidiary	231	1,807
Hemas Developments (Pvt) Ltd.	Subsidiary	52	59
Far Shipping Agency Lanka (Pvt) Ltd.	Associate	-	346
Hemas Transportation (Pvt) Ltd.	Subsidiary	70	515
P H Resorts (Pvt) Ltd.	Joint Venture	29,683	13,763
Morison Limited	Subsidiary	3,497	2,427
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	204	4,139
Spectra Logistics (Pvt) Ltd.	Subsidiary	4,286	8,459
Hemas Maritime (Pvt) Ltd.	Subsidiary	158	192
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	35,307	25,823
Hemas Mandalar Pharmaceutical Limited	Subsidiary	305	89
Evergreen Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	73	213
Atlas Axillia Co. (Pvt) Ltd.	Subsidiary	88	32
Mazu Shipping (Pvt) Ltd.	Subsidiary	-	51
Digital Healthcare Solutions (Pvt) Ltd. *	-	-	45,288
Serendib Leisure Management Ltd. *	-	-	1,336
Dolphin Hotels PLC *	-	-	297
Sigiriya Hotels PLC *	-	-	202
Serendib Hotels PLC *	-	-	236
		187,196	155,322

21.2 Other Dues From Related Parties

As at 31 March	Relationship	Company 2021 LKR 000	Company 2020 LKR 000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	18,694	13,931
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	940	713
Forbes Air Services (Pvt) Ltd.	Subsidiary	287	8,839
Hemas COE (Pvt) Ltd.	Subsidiary	309	1,208
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	31	31
Hemas Hospitals (Pvt) Ltd.	Subsidiary	1,258	5,253
Far Shipping Agency Lanka (Pvt) Ltd.	Associate	22	6
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	17,864	-
Hemas Transportation (Pvt) Ltd.	Subsidiary	152	1,898
Hemas Maritime (Pvt) Ltd.	Subsidiary	85	1,904
Morison Limited	Subsidiary	2,290	6,888
Spectra Logistics (Pvt) Ltd.	Subsidiary	410	3,898
Spectra Integrated Logistics (Pvt) Ltd.	Subsidiary	-	118
Hemas Consumer Brands (Pvt)Ltd.	Subsidiary	4,199	4,199
Mazu Shipping (Pvt) Ltd.	Subsidiary	6	-
Atlas Axillia Co. (Pvt) Ltd	Subsidiary	3,416	4,299
Hemas Mandalar Pharmaceutical Limited	Subsidiary	10	7
Concept Ventures (Pvt) Ltd.	Subsidiary	-	1,426
Digital Healthcare Solutions (Pvt) Ltd. *	-	-	15,212
Serendib Leisure Management Ltd. *	-	-	4,771
		49,973	74,601

• Pursuant to the disposal of subsidiaries, receivable balances as at 31 March 2021 from these entities (Note 29.1) are reclassified to "Receivables - Others".

22 STATED CAPITAL

22.1 Fully Paid Ordinary Shares

As at 31 March	2021 Number	2021 LKR 000	2020 Number	2020 LKR 000
Balance at the Beginning of the Year	596,043,425	7,734,054	596,043,425	7,734,054
Exercise of Share Options	502,600	42,057	-	-
Balance at the End of the Year	596,546,025	7,776,111	596,043,425	7,734,054

22.2 Rights, Preferences and Restrictions of Classes of Capital

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

22 STATED CAPITAL (CONTD.)

22.3 Share Based Payment Scheme

Accounting Policy

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The Group applies SLFRS 2, Share based payments in accounting for employee remuneration in the form of shares.

Equity-Settled Transactions

The cost of Equity-Settled Transactions is recognised, together with a corresponding increase in other Capital Reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Employee Share Option Scheme

The Board of Directors, with the approval in principal of the Colombo Stock Exchange, and authorised by the shareholders at an Extraordinary General Meeting dated 10 April 2015, to create a Employee Share Option Scheme (ESOS) to offer 13,900,000 ordinary shares being 2.4% of the total number of shares in issue to Executive Directors and Senior Executives of the Company and its Subsidiaries whom the Board deems to be eligible to be awarded the shares.

Accordingly the options were granted to the Executive Directors and Senior Executives of the Company and its subsidiaries as follows,

	Date of Grant	No of Shares Granted	Grant Price (LKR)	Vesting Period	Exercise Period
Grant 1	27.07.2015	3,053,750	82.00	1 Year	3 Years
Grant 2	27.07.2016	3,008,750	87.50	1 Year	3 Years
Grant 3	27.07.2017	3,420,000	149.50	1 Year	3 Years
Grant 4	27.07.2018	3,491,250	108.81	1 Year	3 Years
Grant 5	27.07.2019	4,115,000	69.00	1 Year	3 Years
Grant 6	27.07.2020	2,630,758	60.00	1 Year	3 Years

Under the Group's Employee Share Option Scheme (ESOS), share options of the parent are granted to executives of the Group/ Company generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vested after period of one year from the date of grant and it depends on the performance and time criteria. The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the share options were granted.

The exercise period for each option granted is three years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

	Group		Company	
Year ended 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Total expense arising from Share-Based Payment Transactions	19,300	31,351	2,718	6,756

Movement During the Year

	Group			
	2021		2020	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	9,907,332	97.05	8,099,877	111.68
Granted During the Year	2,630,758	60.00	4,115,000	69.00
Expired During the Year	(1,794,714)	-	(794,117)	-
Exercised During the Year	(502,600)	69.00	-	-
Cancelled During the Year	(1,917,288)	-	(1,513,428)	-
Outstanding at the End of the Year	8,323,488	95.64	9,907,332	97.05
Exercisable at the End of the Year	5,769,230	111.42	5,862,332	116.41

	Company			
	2021		2020	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	2,603,984	94.45	2,435,447	105.68
Granted During the Year	316,500	60.00	1,077,500	69.00
Expired During the Year	(691,010)	-	(466,979)	-
Exercised During the Year	(163,000)	69.00	-	-
Cancelled During the Year	(434,800)	-	(441,984)	-
Outstanding at the End of the Year	1,631,674	100.04	2,603,984	94.45
Exercisable at the End of the Year	1,315,174	109.67	1,541,484	111.99

*WAEP - Weighted Average Exercise Price (LKR)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 STATED CAPITAL (CONTD.)

The following information were used and results were generated using Black Scholes Option Pricing Model for ESOS granted and indicate only relating to active Grants.

	Grant 6	Grant 5	Grant 4	Grant 3
Dividend Yield (%)	2.47	2.47	1.48	1.70
Expected Volatility (%)	1.77	1.73	1.13	1.32
Risk Free Interest Rate (%)	6.57	9.83	10.51	11.14
Expected Life of Share Options (Years)	4	4	4	4
Weighted Average Share Price at the Date of Exercise of these Options (LKR)	60.00	69.00	108.81	149.50
Weighted Average Remaining Contractual Life for the Share Options Outstanding (Years)	3.3	2.3	1.3	0.3
Weighted Average Fair Value of Options Granted During the Year (LKR)	14.47	20.97	33.34	48.36
Exercise Price for Options Outstanding at the End of the Year (LKR)	60.00	69.00	108.81	149.50

23 RESERVES

23.1 Other Capital and Revenue Reserves

	Group		Company	
As at 31 March	**2021** **LKR 000**	2020 LKR 000	**2021** **LKR 000**	2020 LKR 000
Balance at the Beginning of the Year	**216,800**	185,449	**438,151**	406,800
Provision for Share-Based Payment	**19,300**	31,351	**2,718**	6,756
Exercise of Share Option	**(7,378)**	-	**(7,378)**	-
Charge from Group Companies	**-**	-	**16,582**	24,595
Transfer to Retained Earnings	**(47,916)**	-	**(47,916)**	-
Balance at the End of the Year	**180,806**	216,800	**402,157**	438,151

Group

Other Capital Reserve of Group is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Company

Other Capital Reserves of the company represents the value of equity settled share-based payment provided to employees and the share of subsidiaries Capital Reserves accounted for using equity method until 31 March 2006. With effect from 1 April 2006 the investments in subsidiaries are accounted at carrying value as at that date and any investment made after 1 April 2006 are carried at cost, net of any provision for impairment.

23.2 Other Component of Equity

Revaluation Reserve

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

Foreign Currency Translation Reserve

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

Fair Value Reserve

Fair Value Reserve comprises the cumulative net change in the fair value of Financial Assets at FVOCI.

Hedge Reserve

Cash Flow Hedge Reserve

The Group designates its identified foreign currency loans as a hedging instrument in order to hedge the variation in highly probable specifically identified future foreign currency revenue attributable to changes in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised in the Cash Flow Hedge Reserve, through Other Comprehensive Income while any ineffective portion is recognised immediately in the Statement of Profit or Loss.

Cross Currency Swap Hedge Reserve

The Group uses Cross Currency Swaps (CCS) to hedge the interest rate risk and exchange rate risk arising from a floating rate borrowing denominated in foreign currencies.

Group	Revaluation Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Hedge Reserve Cash Flow Hedge	Hedge Reserve Cross Currency Swap	Total
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 2019	1,760,794	147,414	(116,049)	(109,667)	-	1,682,492
Other Comprehensive Income	20,831	(25,567)	(143,548)	(67,466)	(77,537)	(293,287)
As at 31 March 2020	1,781,625	121,847	(259,597)	(177,133)	(77,537)	1,389,205
Other Comprehensive Income	1,166,055	51,556	(194,154)	(42,343)	(10,891)	970,223
Adjustment in Respect of Changes in Group Holding	41,572	-	-	-	-	41,572
Disposal of Subsidiary	(351,660)	-	111,586	-	-	(240,074)
As at 31 March 2021	**2,637,592**	**173,403**	**(342,165)**	**(219,476)**	**(88,428)**	**2,160,926**

Company	Fair Value Reserve
	LKR 000
As at 1 April 2019	(51,485)
Other Comprehensive Income	(97,487)
As at 31 March 2020	(148,972)
Other Comprehensive Income	(146,750)
As at 31 March 2021	**(295,722)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
As at 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Term Loans (Note 24.1)	5,089,072	6,684,638	275,000	780,152
Lease Liability (Note 14.2)	1,366,446	1,416,675	-	54,373
	6,455,518	8,101,313	275,000	834,525

Movement of Interest Bearing Loans and Borrowings

	Group		Company	
As at 31 March	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Balance at the Beginning of the Year	8,101,313	6,349,678	834,525	1,554,640
Cash Movement				
Obtained During the Year	13,696,178	38,930,798	1,157,000	2,195,000
Repayments	(14,483,761)	(36,806,547)	(1,662,152)	(2,969,488)
Lease Payment	(334,242)	(293,987)	(57,829)	(57,828)
Non Cash Movement				
Leases Obtained	283,501	124,977	-	103,839
Interest on Leases	171,840	153,117	3,456	8,362
Acquisition through Subsidiaries	-	60,045	-	-
Disposal of Subsidiaries	(1,075,089)	(494,158)	-	-
Exchange Differences through Statement of Profit or Loss	80,723	(13,117)	-	-
Exchange Differences through Other Comprehensive Income	15,055	90,507	-	-
Balance at the End of the Year	6,455,518	8,101,313	275,000	834,525
Non-Current	3,195,867	4,738,157	-	-
Current	3,259,651	3,363,156	275,000	834,525
	6,455,518	8,101,313	275,000	834,525

24.1 Details of Interest Bearing Loans and Borrowings

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2021 LKR 000	2020 LKR 000
Hemas Pharmaceuticals (Pvt)Ltd.	CITI Bank	Short Term Loan	Money Market Rates	-	-	250,000
	Standard Chartered Bank	Short Term Loan	Money Market Rates	-	-	600,000
	Standard Chartered Bank	Short Term Loan	Money Market Rates	Repayable in Dec 2021	1,000,000	-
	The Hongkong & Shanghai Banking Corporation	Term Loan	3 Months LIBOR plus Margin	Repayable in Dec 2022	1,160,833	1,741,667
	The Hongkong & Shanghai Banking Corporation	Short Term Loan	4 Months LIBOR plus Margin	-	-	77,710
	The Hongkong & Shanghai Banking Corporation	Short Term Loan	5 Months LIBOR plus Margin	-	-	104,690
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Standard Chartered Bank	Short Term Loan	Money Market Rates	-	-	46,000
	Standard Chartered Bank	Short Term Loan	Money Market Rates	-	-	10,000
Spectra Logistics (Pvt) Ltd.	Nations Trust Bank	Term Loan	4.00%	Repayable in 17 Installments starting from April 2021	25,000	-
Spectra Integrated Logistics (Pvt) Ltd.	Commercial Bank	Term Loan	AWPLR plus Margin	Repayable in 45 Installments starting from January 2018	531,720	565,730
	Standard Chartered Bank	Term Loan	3 Month LIBOR plus Margin	Repayable in 16 Quarterly Installments starting from September 2018	261,928	321,619
Serendib Hotels PLC	Hatton National Bank	Term Loan	AWPLR plus Margin	-	-	50,000
Dolphin Hotels PLC	The Hongkong & Shanghai Banking Corporation	Term Loan	1 Month GBP LIBOR plus Margin	-	-	276,521
	The Hongkong & Shanghai Banking Corporation	Term Loan	1 Month Euro LIBOR plus Margin	-	-	334,107
Frontier Capital Lanka (Pvt) Ltd	DFCC Bank	Term Loan	AWPLR plus Margin	-	-	25,999
	DFCC Bank	Term Loan	AWPLR plus Margin	-	-	9,999
	DFCC Bank	Term Loan	AWPLR plus Margin	-	-	25,862
	National Development Bank	Term Loan	Fixed Rate p.a	-	-	13,420

24 INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2021 LKR 000	2020 LKR 000
Morison Limited	Citi Bank	Short Term Loan	Money Market Rates	-	-	260,000
	Commercial Bank	Term Loan	Money Market Rates	-	-	100,000
	Nations Trust Bank	Short Term Loan	Money Market Rates	-	-	259,960
	The Hongkong & Shanghai Banking Corporation	Term Loan	Cost of Funds plus Margin	Repayable in 36 installments	61,111	94,444
	Standard Chartered Bank	Short Term Loan	Money Market Rates	Repayable in Dec 2021	600,000	-
	Standard Chartered Bank	Short Term Loan	AWPLR Based Rate	Repayable in 16 installments starting from December 2021	1,296,420	1,098,850
Hemas Manufacturing (Pvt) Ltd.	Nations Trust Bank	Short Term Loan	Money Market Rates	-	-	50,000
	Standard Chartered Bank	Short Term Loan	Money Market Rates	-	-	200,000
Atlas Axillia Co. (Pvt) Ltd.	The Hongkong & Shanghai Banking Corporation	Short Term Loan	SLIBOR plus Margin	-	-	15,878
Hemas Mandalar Pharmaceutical (Pvt) Ltd.	Commercial Bank	Short Term Loan	1 Month LIBOR plus Margin	-	152,061	152,183

24.2 Company

As at 31 March	2021 LKR 000	2020 LKR 000
Interest Bearing Loans and Borrowings - Current		
Loans Due to Related Parties (Note 24.2.1)	275,000	780,152
Lease Liability (Note 14.2)	-	54,373
	275,000	834,525

24.2.1 Loans due to Related Parties

Subsidiaries	As at 01.04.2020 LKR 000	Obtained During the Year LKR 000	Repayments LKR 000	As at 31.03.2021 LKR 000	Non-Current LKR 000	Current LKR 000
Hemas Developments (Pvt) Ltd.	462,250	57,000	(244,250)	275,000	-	275,000
Hemas COE (Pvt) Ltd.	317,902	-	(317,902)	-	-	-
Hemas Corporate Services (Pvt) Ltd.	-	10,000	(10,000)	-	-	-
	780,152	67,000	(572,152)	275,000	-	275,000

	As at 01.04.2019 LKR 000	Obtained During the Year LKR 000	Repayments LKR 000	As at 31.03.2020 LKR 000	Non-Current LKR 000	Current LKR 000
Total Loans due to Related Parties	502,000	495,000	(216,848)	780,152	-	780,152

Terms and Conditions

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

25 OTHER FINANCIAL LIABILITIES

Accounting Policies

Put Option over Non-Controlling Interest

The option value related to the put options issued by the Group over the equity of subsidiary companies are accounted using the method below when the Group doesn't have a present ownership to such shares.

- At each period end, the Group determines the amount that would have been recognised for the non-controlling interest, including an allocations of profit or loss, allocations of changes in other comprehensive income and dividends declared for the reporting period, as required by SLFRS 10.
- The entity derecognises the non-controlling interest as if it was acquired at each reporting date
- The value of the option on exercise is initially recognised at fair value within non-financial liabilities with a corresponding charge directly to equity. Such options are subsequently measured at fair value, in order to remeasure the liability. The difference between fair value and the carrying value is recognised in equity.
- In the event the option is not exercised, the non-controlling interest is recognised at the amount it would have been, as if the put option had never been granted. The financial liability is derecognised, with a corresponding credit to the equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 OTHER FINANCIAL LIABILITIES (CONTD.)

25.1 Other Financial Liabilities - Non Current

As at 31 March	Group	
	2021 LKR 000	2020 LKR 000
Preference Shares*	275,000	275,000
Rent Deposits/Advances	2,518	3,376
Put Option over Non-Controlling Interests	-	1,928,305
	277,518	2,206,681

* In 2019 Hemas Development (Pvt) Ltd, a fully own subsidiary of Hemas Holdings PLC issued LKR 275 Mn Redeemable, Cumulative and Non - Convertible Preference Shares at LKR 10 each carrying a yield of 10%.

25.2 Other Financial Liabilities - Current

As at 31 March	Group	
	2021 LKR 000	2020 LKR 000
Put Option over Non-Controlling Interests	1,973,244	-
	1,973,244	-

26 EMPLOYEE BENEFIT LIABILITY

Accounting Policy

Defined Contribution Plans –Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Some employees of the Group are eligible for Mercantile Services Provident Society Fund, for which the Company contributes 12% of gross emoluments of such employees.

Defined Benefit Plans –Gratuity

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit method (PUC). Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in Other Comprehensive Income.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service based on half a month salary.

The gratuity liability is not externally funded.

	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Balance at the Beginning of the Year	1,018,623	968,964	45,776	47,394
Acquisition/ (Disposal) through Subsidiaries	(87,947)	(116,717)	-	-
Charge for the Year (Note 26.1)	208,495	206,156	9,737	10,735
Actuarial (Gain)/Loss (Note 26.2)	7,363	111,677	22,717	(2,780)
Benefits Paid	(113,556)	(151,457)	(16,849)	(8,597)
Transfers During the Year	-	-	16,623	(976)
Balance at the End of the Year	1,032,978	1,018,623	78,004	45,776

26.1 Post Employee Benefit Expenses

Year ended 31 March	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Current Service Cost	112,595	100,580	5,159	5,285
Interest Cost	95,900	105,576	4,578	5,450
	208,495	206,156	9,737	10,735

26.2 Actuarial (Gain)/Loss

Year ended 31 March	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Actuarial (Gains)/Losses on Obligations;				
Due to Change in Demographic Assumptions	-	-	-	-
Due to Change in Financial Assumptions	99,768	68,161	4,804	2,696
Due to Experience adjustment	(92,405)	43,516	17,913	(5,476)
	7,363	111,677	22,717	(2,780)

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2021	2020
Demographic Assumptions		
Retirement Age	55 Years	55 Years
Financial Assumptions		
Discount Rate Assumed (%)	8.0	10.0
Future Salary Increase (%)	8.5	8.5

26.3 Sensitivity of Assumptions Used in the Actuarial Valuation

The sensitivity analysis have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

26 EMPLOYEE BENEFIT LIABILITY (CONTD.)

Assumed Changes in Financial Assumptions

31 March 2021	Group		Company	
	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000
If Discount Rate Increases By 1%	(53,021)	53,021	(2,505)	2,505
If Discount Rate Decreases By 1%	59,373	(59,373)	2,740	(2,740)
If Salary Increment Rate Increases By 1%	58,512	(58,512)	2,700	(2,700)
If Salary Increment Rate Decreases By 1%	(53,254)	53,254	(2,516)	2,516

31 March 2020	Group		Company	
	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000	Effect on Profit or Loss LKR 000	Post Employment Benefit Liability LKR 000
If Discount Rate Increases By 1%	(49,601)	49,601	(1,837)	1,837
If Discount Rate Decreases By 1%	55,058	(55,058)	2,016	(2,016)
If Salary Increment Rate Increases By 1%	55,323	(55,323)	2,025	(2,025)
If Salary Increment Rate Decreases By 1%	(50,696)	50,696	(1,878)	1,878

26.4 Following payments are the expected payments to the define benefit plan for the future years:

	Group		Company	
	2021 LKR 000	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
Years From the Current Period				
1st Following Year	**171,871**	191,958	**21,763**	6,259
2nd Following Year	**103,000**	116,709	**6,342**	14,169
3rd Following Year	**116,074**	126,031	**6,022**	3,868
4th Following Year	**123,682**	120,914	**29,542**	4,182
5th Following Year	**99,679**	120,605	**4,824**	3,706
Sum of Years 6 to 10	**468,098**	534,460	**18,588**	24,988
Sum of Years 11 and above	**739,340**	803,542	**23,933**	24,680

27 TRADE AND OTHER PAYABLES

As at 31 March	Group 2021 LKR 000	Group 2020 LKR 000	Company 2021 LKR 000	Company 2020 LKR 000
Trade Payables				
- Others	12,641,882	13,099,527	-	-
Other Payables				
- Related Parties (Note 27.1)	-	-	22,552	35,938
- Others	2,380,732	1,890,693	140,953	155,811
Sundry Creditors Including Accrued Expenses	2,901,221	2,914,051	232,335	275,415
Dividend Payable-Unclaimed	23,360	33,001	13,144	13,481
	17,947,195	17,937,272	408,984	480,645

27.1 Non Trade Dues to Related Parties

	Relationship	Company 2021 LKR 000	Company 2020 LKR 000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	2,586	1,979
Forbes Air Services (Pvt) Ltd.	Subsidiary	-	2,552
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	-	460
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	32	-
Hemas COE (Pvt) Ltd.	Subsidiary	-	5,709
Hemas Developments (Pvt) Ltd.	Subsidiary	14,190	18,768
Hemas Hospitals (Pvt) Ltd.	Subsidiary	-	31
Dolphin Hotels PLC	Subsidiary	-	75
Spectra Logistics (Pvt) Ltd.	Subsidiary	5,377	5,345
Atlas Axillia Co. (Pvt) Ltd.	Subsidiary	-	239
Hemas Transportation (Pvt) Ltd	Subsidiary	367	-
Digital Healthcare Solutions (Pvt) Ltd.*	-	-	634
Serendib Hotels PLC *	-	-	146
		22,552	35,938

* Pursuant to the disposal of subsidiaries, payable balances as at 31 March 2021 from these entities (Note 29.1) are reclassified to "Other Payable - Others".

28 CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS

Accounting Policy

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts

28 CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOWS (CONTD.)

28.1 Favourable Balances

	Group		Company	
As at 31 March	**2021 LKR 000**	2020 LKR 000	**2021 LKR 000**	2020 LKR 000
Cash and Bank Balance	**5,562,213**	3,502,294	**202,978**	114,409
Fixed Deposits, Commercial Papers, Treasury Bills and REPO Investments	**2,895,896**	2,114,678	**10,362**	233,329
	8,458,109	5,616,972	**213,340**	347,738
28.2 Unfavourable Balances				
Bank Overdraft	**(504,070)**	(1,396,037)	**-**	(3,253)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	**7,954,039**	4,220,935	**213,340**	344,485

29 BUSINESS COMBINATIONS

Accounting Policy

Basis of Consolidation

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in Statement of Profit or Loss or Other Comprehensive Income as applicable.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of SLFRS 9 - Financial Instruments: is measured at fair value with the changes in fair value recognised either in Statement of Profit or Loss. If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS contingent consideration that is classified as equity is not re-measured and subsequent settlement is measured at fair value with changes in fair value either in the Statement of Profit or Loss or as a change to the Other Comprehensive Income (OCI).

The Consolidated Financial Statements comprise the Financial Statements of the Parent and its Subsidiaries for the year ended 31 March 2021.

Control Over an Investee

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

Entity	Equity Control %
Spectra Logistics (Pvt) Ltd.	50%

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, Liabilities, Income and Expenses of a Subsidiary acquired or disposed during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the Equity Holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a Subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Financial Statements of the Subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Transactions Eliminated on Consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Non-Controlling Interests

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non-Controlling Interests " in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

Put Option Over Non-Controlling Interest

Accounting policies relating to recognition of non-controlling interest to be acquired setout in Note 25 to these financial statements.

Common Control Transactions

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

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

29.1 Disposal of Subsidiaries

- Hemas Transportation (Pvt) Ltd, a subsidiary of Hemas Holdings PLC, divested 24% stake in FAR Shipping Agency (Pvt) Ltd. due to which its investment in the company being revised to that of an associate from subsidiary with effect from 01 April 2020
- Concept Ventures (Pvt) Ltd, a subsidiary of Hemas Holdings PLC, divested 80.1% stake in Digital Healthcare Solutions (Pvt) Ltd on 29 June 2020.
- Hemas Holdings PLC, disposed its 55.6% equity stake in Serendib Hotels PLC Group on 15 December 2020.

29 BUSINESS COMBINATIONS (CONTD.)

The amount of derecognised assets and liabilities of disposed subsidiaries and resulting gain/ (losses) are as follows,

	Far Shipping Agency Lanka (Pvt) Ltd LKR 000	Digital Healthcare Solutions (Pvt) Ltd LKR 000	Serendib Hotels PLC and Its Subsidiaries LKR 000
Assets			
Cash and Cash Equivalents	96,990	1,292	316,936
Trade and Other Receivables	338,939	10,654	130,657
Financial Assets	1,186	-	128,393
Inventories	-	-	35,905
Tax Recoverable	-	-	13,351
Intangible Assets	192	-	128,756
Deferred Tax Asset	845	851	-
Investment in Subsidiaries	-	1,103	-
Right-of-Use Assets	-	-	143,410
Property, Plant And Equipment	2,389	874	3,756,758
	440,541	14,774	4,654,166
Liabilities			
Bank Overdraft	(16,751)	(1,117)	(19,632)
Trade and Other Payables	(42,252)	(104,118)	(348,720)
Deferred Tax Liability	-	-	(315,732)
Employee Benefit Liability	(6,011)	(1,615)	(80,321)
Income Tax Liability	(8,783)	(74)	(11,486)
Interest Bearing Loans and Borrowing	-	(3,000)	(1,075,088)
	(73,797)	(109,924)	(1,850,979)
Total Identifiable Net Assets	366,744	(95,150)	2,803,187
Non-Controlling Interests	(146,697)	-	(1,575,594)
Goodwill Elimination	-	-	6,767
Investment in Associate	(132,028)	-	-
Investment in Equity Securities	-	-	(62,300)
(Loss) / Gain on Disposal	(86,819)	98,150	(379,170)
Sales Consideration - Cash	1,200	3,000	792,890
Cash and Cash Equivalent Disposed	(80,239)	(175)	(297,304)
Net Cash Flow on Disposal of Subsidiary	**(79,039)**	**2,825**	**495,586**

29.2 Material Partly-Owned Subsidiaries

Subsequent to the divestment of Serendib Hotels PLC and Its Subsidiaries, there were no subsidiaries which has material Non-Controlling Interests.

30 EVENT AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a final dividend of LKR 1.45 per share for the financial year ended 31 March 2021 as required by section 56(2) of the companies Act No 07 of 2007 , the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to declaring the final dividend which is to be paid on or before 22 July 2021

In accordance with the Sri Lanka Accounting Standard (LKAS 10) - Events after the reporting date, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2021.

Other than those mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

31 COMMITMENTS AND CONTINGENCIES

Accounting Policy

Provisions

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

31.1 Capital Commitments

	2021 LKR 000	2020 LKR 000
Hemas Capital Hospital (Pvt) Ltd.	-	85,261
Hemas Hospitals (Pvt) Ltd.	89,849	89,849
Morison Limited	-	409,201
Hemas Manufacturing (Pvt) Ltd.	10,821	7,554
	100,670	591,864

Morison Limited

Lease Agreement with SLINTEC - The Company has entered into a lease agreement with SLINTEC to lease the premises in Homagama for a period of 26 years.

31.2 Other Commitments/ Contingencies

(a) Hemas Holdings PLC

The Company has provided a Corporate Guarantee to PH Resorts (Pvt) Limited for USD 12.0Mn (Equivalent to LKR 2,388.4Mn) in favour of The Hongkong and Shanghai Banking Corporation Limited.

(b) Hemas Manufacturing (Pvt) Ltd.

Income Tax Assessments relating to years of assessments 2008/09 and 2009/10

The Department of Inland Revenue has issued Income Tax assessments for the years of assessment 2008/2009 and 2009/2010 disputing the qualifying payment relief claimed on factory relocation under the 300 enterprise programme.

The Tax Appeals Commission and Court of Appeal provided determinations against company for the year of assessment 2008/09 and the company filed a case against such determinations at the Supreme Court which is ongoing. Appeal lodged for the year of assessment 2009/2010 is due for hearing at the Tax Appeals Commission. Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, and no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

The Company has provided a Standby Documentary Credit Facility to Hemas Consumer Brands India (Private) Limited for USD 160,000 in favour of The Hongkong and Shanghai Banking Corporation Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMMITMENTS AND CONTINGENCIES (CONTD.)

(c) Hemas Pharmaceutical (Pvt) Ltd.

The Company has provided corporate guarantee to Hemas Surgical & Diagnostics (Pvt) Ltd (Subsidiary) for LKR 150 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.

The Company has given a guarantee to Commercial Bank of Ceylon PLC on behalf of Kyannmar Pharmaceuticals (Pvt) Ltd amounting to USD 1Mn Relating to facilities obtained.

(d) Morison Limited

The Department of Inland Revenue has issued VAT assessments for the years of assessment 2014 and 2015 disputing the application of exemption for sale of pharmaceutical product under the provision of section 3 (1) of the inland revenue act no 14 of 2002 (As amended)

The Commissioner General of Inland Revenue provided a determination confirming such assessment and the Company filed cases against such determinations at the Tax Appeal Commission which are ongoing. Appeal lodged for the year of assessments 2014 and 2015 is due for hearing at the Tax Appeals Commission. Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, and no provisions has been made in the financial statements for the year ended 31 March 2021 in this regard.

The Company has given a bank guarantee of Rs. 30.09 Mn to Tax Appeals Commission with respect to the above tax appeal.

(e) Atlas Axillia Co.(Pvt) Ltd.

The Department of Inland Revenue has issued Income Tax assessments for the years of assessment 2015/2016 and 2016/2017 for which the company has duly appealed. Currently the appeal is pending hearing by the Commissioner General. The Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, hence above assessments will not have any material adverse impact on the financial statements and no provisions have been made in the financial statements for the year ended 31st March 2021 in this regard.

(f) Evergreen Shipping Agency Lanka (Private) Limited

The Company has obtained a guarantee from Standard Chartered Bank in favour of Lanka Ports Authority for the Credits facility obtained amounting to LKR 500,000/-

The Company has obtained a guarantee from Standard Chartered Bank in favour of Director of Merchant Shipping to obtain Shipping license amounting LKR 500,000/-

The Company has obtained a guarantee from Standard Chartered Bank in favour of The Chairman, Sri Lanka Ports Authority amounting to LKR 160Mn.

(g) Spectra Integrated Logistics (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank in favour of Director of Merchant Shipping to obtain Shipping license amounting LKR 500,000/-

(i) Hemas Transportation (Pvt) Ltd

The Company has obtained a guarantee from Standard Chartered Bank favouring Mazu Shipping (Pvt) Ltd amounting to LKR 20Mn.

Other than stated above there were no material contingent liabilities pertaining to employees and industrial relations.

32 ASSETS PLEDGED

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

Name Of the Company	Nature Of Asset	Nature of Liability	Carrying Amount of the Assets Pledged		Included Under
			2021 LKR 000	2020 LKR 000	
Dolphin Hotels PLC	Freehold Land and Building	Primary Mortgage Bond No.1425 dated 11/02/2019 for Rs.592.32Mn executed over Club Hotel Dolphin's Hotel premises at Waikkala owned by the company to HongKong and Shanghai Banking Corporation Limited. (GBP Loan of Rs. 1.2 Mn and EURO Loan of Rs. 1.6M)	-	1,802,039	Property, Plant and Equipment
Frontier Capital Lanka (Pvt) Ltd.	Freehold Land and Building	Primary Mortgage of Rs.42 Mn over allotments of Land marked Lot X depicted in Plan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligam Pradeshiya Sabaha in District of Matara together with everything else standing thereon owned by the Company.	-	344,513	Property, Plant and Equipment
		Further mortgage of Rs. 20 Mn over the allotments of Land marked Lot X depicted in PLan No. 3625B dated 07/12/2010 made by M.L.M Razmi Licensed Surveyor and Lot 1 depicted in Plan No. 21031 dated 28/11/2010 made by M.G.Nazoor Licensed Surveyor together containing in extent A0-R1-P38.4 situated at Kamburugamuwa Village in Weligam Pradeshiya Sabaha in District of Matara together with everything else standing thereon owned by the Company.			
		Primary fixed mortgage of R. 20 Mn over land marked as Lot 0003 in zone 3 Cadastral Map No. 820079 made by Surveyor General, situated in Talaramba containing in extent of 0A-0R-28.05P owned by Lantern Villa (Private) Limited.	-	262,320	Property, Plant and Equipment
		Primary fixed mortgage of R. 11 Mn over land marked as Lot 1 in zone 3 Cadastral Map No. 820079 made by Surveyor General, situated in Talaramba containing in extent of 0A-0R-19.041P owned by Lantern Villa (Private) Limited.			
Morison Limited	Property , Plant and Equipment	Primary Mortgage up to Rs.1.6Bn to facilitate Term Loan Facility	1,600,000	1,600,000	Property , Plant and Equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FAIR VALUE

Accounting Policy

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole

Level	Basis of Measurement
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as defined benefit obligations. Involvement of external valuers is decided upon annually after discussion with and approval by the Group's Board Audit Committee wherever necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board Audit Committee whenever necessary after discussions with the Group's external valuers decide which valuation techniques and inputs to use for each case.

At each reporting date the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Following Methods and Assumptions were Used to Estimate the Fair Values:

- Cash and short term deposits and trade receivables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Variable rate and long term fixed rate receivables/ borrowings are evaluated by the Group/Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2021, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of the quoted equity shares recorded under FVOCI assets are determined by reference to published price quotations in an active market.

  The fair value of the unquoted equity shares are estimated using appropriate valuation techniques and if it's impracticable in assessing the fair value of the investment, primarily as a result of the unavailability of adequate and comparable market information are carried at cost.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 22 - Share-based payment arrangment
- Note 12 - Property, Plant and Equipment
- Note 13 - Investment Properties
- Note 19 - Financial Instruments
- Note 29 - Business Combination

33.1 Fair Value Hierarchy

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

Group 31 March 2021	Note	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value					
Financial Assets at FVOCI					
- Quoted Equity Shares	19	52,948	52,948	-	-
- Un-Quoted Equity Shares	19	49,750	-	-	49,750
Derivative Assets	19	36,026	-	36,026	-
Non-Financial Assets Measured at Fair Value					
Land and Buildings	12	10,230,688	-	-	10,230,688
Investment Properties	13	1,942,099	-	-	1,942,099

Group 31 March 2020	Note	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value					
Financial Assets at FVOCI					
- Quoted Equity Shares	19	2,052	-	2,052	-
- Un-Quoted Equity Shares	19	324,637	-	-	324,637
Derivative Assets	19	10,260		10,260	
Non-Financial Assets Measured at Fair Value					
Land and Buildings	12	10,808,528	-	-	10,808,528
Investment Properties	13	1,647,591	-	-	1,647,591

33 FAIR VALUE (CONTD.)

Company 31 March 2021	Note	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value					
Financial Assets at FVOCI					
- Quoted Equity Shares	19	9,547	9,547	-	-
Non-Financial Assets Measured at Fair Value					
Investment Properties	13	728,800	-	-	728,800

Company 31 March 2020	Note	Total LKR 000	Level 1 LKR 000	Level 2 LKR 000	Level 3 LKR 000
Financial Assets Measured at Fair Value					
Financial Assets at FVOCI					
- Quoted Equity Shares	19	259	-	259,00	-
- Un-Quoted Equity Shares	19	145,300	-	-	145,300
Non-Financial Assets Measured at Fair Value					
Investment Properties	13	699,300	-	-	699,300

33.2 Reconciliation of Fair Value Measurement under Level 3 Hierarchy

Financial Assets Measured at Fair Value	Group	Company
	Financial Assets at FVOCI - Equity Shares LKR 000	Financial Assets at FVOCI - Equity Shares LKR 000
As at 1 April 2019	454,953	242,700
Recognised in Other Comprehensive Income	(180,066)	(97,400)
Additions	49,750	-
As at 31 March 2020	324,637	145,300
Recognised in Other Comprehensive Income	(184,800)	(145,300)
Disposal of Subsidiaries	(129,587)	-
Additions	39,500	-
As at 31 March 2021	49,750	-

33.3 Non-Financial Assets Measured at Fair Value

	Group		Company
	Land and Building LKR 000	Investment Properties LKR 000	Investment Properties LKR 000
As at 1 April 2019	10,984,066	1,647,591	657,950
Recognised in Profit or Loss	(223,672)	-	41,350
Purchased / Acquisition	48,111	-	-
Transfers	23	-	-
As at 31 March 2020	10,808,528	1,647,591	699,300
Recognised in Profit or Loss	(280,174)	62,908	29,500
Recognised in Other Comprehensive Income	1,077,500	-	-
Purchased / Acquisition	94,421	-	-
Transfers	1,974,176	231,600	-
Disposal of Subsidiaries	(3,424,659)	-	-
Disposals	(26,550)	-	-
As at 31 March 2021	10,223,242	1,942,099	728,800

34 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits. The Group also holds investments in equity instruments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and reassesses those frequently. The Group's senior management is supported by the Group Risk Management Committee and Group Treasury that advises on financial risks and the appropriate financial risk governance framework for the Group.

Group Risk Management Committee and Group Treasury provide the assurance to the Group's senior management and the Board of Directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision and external consultants advise is taken when ever its required according to the Group's Policy. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise various types of risks interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI and derivative financial Instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2021 and 2020.

The overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Further, the Group has entered in to Cross Currency SWAPSs, in which it has agreed to exchange the variable rate with fixed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 FINANCIAL RISK MANAGEMENT (CONTD.)

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's/ Company's profit before tax affected through the impact on floating rate borrowings as follows:

	Increase / (Decrease) in basis points	Effect on Profit before tax (LKR 000)	
		Group	Company
2021	**+150**	**58,549**	**(155)**
	-150	**(58,549)**	**155**
2020	+150	(50,505)	(3,519)
	-150	50,505	3,519

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency), Foreign currency borrowings and the Group's net investments in foreign subsidiaries.

Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Senior Management, with the use of external consultants' advice when required. Based on the suggestions made by Group treasury, Group Senior Management takes decisions on whether to hold, sell, or enter in to derivative contracts.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EURO, GBP and TAKA exchange rates against LKR with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Group			
	2021		2020	
	Strengthening LKR 000	Weakening LKR 000	Strengthening LKR 000	Weakening LKR 000
USD (5% Movement)	**145,777**	**(145,777)**	240,381	(240,381)
EURO (5% Movement)	**641**	**(641)**	(1,101)	1,101
GBP (5% Movement)	**2,518**	**(2,518)**	6,997	(6,997)
TAKA (5% Movement)	**(37,439)**	**37,439**	(29,122)	29,122

Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted and unquoted equity securities at fair value is disclosed in Note 19.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, and loans given to subsidiaries.

Trade Receivables

Customer credit risk is managed by each Company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment. The Group companies also obtains bank guarantees to mitigate the credit risks as required by the Group policy.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

Large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on expected loss approach with forward looking Expected Credit Loss (ELC) approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 21.

The Group is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure from customers. Further, the risk management committee has also been performing more frequent reviews of the impact of the COVID-19 pandemic on the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration.

Cash and Cash Equivalents

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's Treasury Policy. Investments of surplus funds are made only with approved counterparties as per this policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the Statement of Financial Position is the carrying amounts as illustrated in Note 28 except for financial guarantees.

Liquidity Risk

The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and intercompany borrowings. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group As at 31 March 2021	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	-	3,013,675	2,075,397	-	**5,089,072**
Lease Liability	-	62,413	254,938	1,110,511	1,137,633	**2,565,495**
Other Financial Liabilities	1,973,244	-	-	277,518	-	**2,250,762**
Trade and Other Payable	-	17,738,947	-	-	-	**17,738,947**
Bank Overdraft	504,070	-	-	-	-	**504,070**
	2,477,314	**17,801,360**	**3,268,613**	**3,463,426**	**1,137,633**	**28,148,346**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 FINANCIAL RISK MANAGEMENT (CONTD.)

Group As at 31 March 2020	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	-	2,015,211	1,188,506	3,347,093	133,828	6,684,638
Lease Liability	159	79,207	224,323	1,080,920	1,634,421	3,019,030
Other Financial Liabilities	-	-	-	2,206,681	-	2,206,681
Trade and Other Payable	-	17,762,274	-	-	-	17,762,274
Bank Overdraft	1,396,037	-	-	-	-	1,396,037
	1,396,196	19,856,692	1,412,829	6,634,694	1,768,249	31,068,660

Company As at 31 March 2021	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	275,000	-	-	-	-	275,000
Trade and Other Payable	-	373,124	-	-	-	373,124
	275,000	373,124	-	-	-	648,124

Company As at 31 March 2020	On Demand LKR 000	Less than 3 Months LKR 000	3 to 12 Months LKR 000	1 to 5 Years LKR 000	> 5 Years LKR 000	Total LKR 000
Interest-Bearing Loans and Borrowings	780,152	-	-	-	-	780,152
Lease Liability	4,819	9,638	43,371	-	-	57,828
Trade and Other Payable	-	446,167	-	-	-	446,167
Bank Overdraft	3,253	-	-	-	-	3,253
	788,224	455,805	43,371	-	-	1,287,400

Capital Management

Capital includes ordinary shares and preference shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below 40%.

As at 31 March	Group 2021 LKR 000	2020 LKR 000
Interest-Bearing Borrowings (Note 24)	6,455,518	8,101,313
Bank Over Draft (Note 28)	504,070	1,396,037
Debt	6,959,588	9,497,350
Equity Attributable to Equity Holder of the Parent	31,895,382	27,914,292
Non-Controlling Interests	1,542,904	3,560,170
Total Equity	33,438,286	31,474,462
Equity and Debt	40,397,874	40,971,812
Gearing Ratio	17%	23%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2021 and 31 March 2020.

35 RELATED PARTY DISCLOSURES

Refer Note 37 for effective equity holding percentages and other key information's of Group entities.

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Terms and conditions and other related information on loans obtained from related parties and loans granted to related parties are disclosed in Note 24.2.1 & 19.1.2.1 to these financial statements respectively.

35.1 Transactions with Related Entities

Details of significant related party disclosures are as follows:

Guarantees

Guarantees given by the Company to banks on behalf of related parties are disclosed in the Note 32 to these financial statements.

Terms and Conditions:

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY DISCLOSURES (CONTD.)

35.1.1 Company

Nature of Transaction	Subsidiaries		Equity Accounted Investees		Other		Total	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Services Rendered	688,494	694,492	-	-	27	137	688,521	694,629
Bank Guarantee Fees	-	-	16,294	8,389	-	-	16,294	8,389
IT Charges	169,795	190,711	1,737	1,073	1,844	92	173,375	191,876
Rent	30,894	28,580	-	-	-	-	30,894	28,580
Loan Interest Income	16,879	23,130	-	-	-	-	16,879	23,130
Loans Granted to Subsidiaries	(495,550)	(1,008,300)	-	-	-	-	(495,550)	(1,008,300)
Loans Repaid by Subsidiaries	322,902	820,300	-	-	-	-	322,902	820,300
Loan Interest Expense	(47,505)	(65,993)	-	-	-	-	(47,505)	(65,993)
Receipt of Services	(86,549)	(88,071)	-	-	-	-	(86,549)	(88,071)
Shared Service Fee	(11,548)	(12,214)	-	-	-	-	(11,548)	(12,214)
Purchase of Air Tickets and Foreign Currency	-	(16,282)	-	-	-	-	-	(16,282)
Purchase of Goods	(6,896)	(59)	-	-	-	-	(6,896)	(59)
Loans Obtained from Subsidiaries	67,000	495,000	-	-	-	-	67,000	495,000
Loans Repaid to Subsidiaries	(572,152)	(216,848)	-	-	-	-	(572,152)	(216,848)

The provision made for on accounts of related party receivables is disclosed in Note 21 to these financial statements

35.1.1.1 Details of Transactions

Entity	Nature of Transaction	2021 LKR 000	2020 LKR 000
Hemas Manufacturing (Pvt) Ltd.	Services Rendered	172,071	166,777
	IT Charges	65,544	68,261
	Rental Income	25,994	27,494
	Purchases	(105)	-
Hemas Pharmaceuticals (Pvt) Ltd.	Services Rendered	439,917	419,376
	IT Charges	31,299	24,545
	Interest Income	3,066	9,513
	Treasury Loans Granted	(258,550)	(450,000)
	Repayment of Treasury Loan	102,902	450,000
Hemas Hospitals (Pvt) Ltd.	Services Rendered	5,292	4,848
	IT Charges	11,000	12,672
Hemas Capital Hospital (Pvt) Ltd.	IT Charges	6,669	8,066
	Services Rendered	854	924
	Purchases	(6,581)	-
Diethem Travels Lanka (Pvt) Ltd.	Services Rendered	-	2,460
	IT Charges	-	8,552
	Service Charges	-	(976)

Entity	Nature of Transaction	2021 LKR 000	2020 LKR 000
Serendib Hotels PLC	IT Charges	726	1,251
	Services Rendered	17	212
Serendib Leisure Management Ltd.	IT Charges	2,684	4,993
	Rental Income	3,874	-
	Services Rendered	558	1,077
Dolphin Hotels PLC	IT Charges	745	1,373
	Services Rendered	25	332
	Hotel Charges	-	(234)
Hotel Sigiriya PLC	IT Charges	531	1,081
	Services Rendered	11	115
Forbes Air Services (Pvt) Ltd.	Services Rendered	193	9,825
	IT Charges	2,916	1,930
Acorn Air Services (Pvt) Ltd. (Previously knwon as Heams Air Services (Pvt) Ltd.)	IT Charges	-	2,022
	Services Rendered	-	365
Acorn Travels (Pvt) Ltd. (Previously knwon as Heams Travels (Pvt) Ltd.)	IT Charges	-	5,334
	Services Rendered	-	1,777
	Air Line Ticket Sales	-	(16,162)
Far Shipping Agency Lanka (Pvt) Ltd.	IT Charges	2,264	2,054
	Services Rendered	202	255
Acorn Aviation (Pvt) Ltd. (Previously knwon as Heams Aviation (Pvt) Ltd.)	IT Charges	-	1,751
	Services Rendered	-	1,315
	Air Line Ticket Sales	-	(120)
Hemas Transportation (Pvt) Ltd.	IT Charges	788	777
	Receipt of Services	(4.041)	-
	Services Rendered	25	150
Spectra Logistics (Pvt) Ltd.	IT Charges	6,752	4,725
	Services Rendered	554	714
	Interest Income	-	868
	Rental Income	1,026	1,086
	Repayment of Treasury Loan	-	10,000

35 RELATED PARTY DISCLOSURES (CONTD.)

Entity	Nature of Transaction	2021 LKR 000	2020 LKR 000
Hemas Developments (Pvt) Ltd.	Services Rendered	521	563
	IT Charges	27	73
	Interest Expense	(32,565)	(47,171)
	Rental Expense and Service Charges	(59,154)	(60,818)
	Car Parking Expenses	(4,863)	(5,072)
	Treasury Loans Obtained	57,000	45,000
	Repayment of Treasury Loan	(244,250)	(62,750)
Hemas COE (Pvt) Ltd.	Services Rendered	799	1,415
	IT Charges	19,255	21,439
	Interest Expense	(14,843)	(17,801)
	Shared Services Expenses	(11,548)	(12,214)
	Treasury Loans Obtained	-	450,000
	Repayment of Treasury Loan	(317,902)	(132,098)
Hemas Corporate Services (Pvt) Ltd.	IT Charges	1,160	1,109
	Interest Expense	(96)	(1,021)
	Services Rendered	366	528
	Services Obtained	(18,491)	(20,971)
	Treasury Loans Obtained	10,000	
	Repayment of Treasury Loan	(10,000)	(22,000)
	Treasury Loans Granted	-	(300)
	Repayment of Treasury Loan	-	300
N-able (Pvt) Ltd.	Services Rendered	-	52
	IT Charges	-	1,232
Morison Limited	Services Rendered	20,067	16,568
	Purchase of Goods	(16)	-
	Interest Income	9,408	-
	Treasury Loans Granted	(200,000)	-
	IT Charges	3,300	2,160
P H Resorts (Pvt) Ltd.	IT Charges	1,737	1,073
	Corporate Guarantee Fees	16,294	8,389
Hemas Maritime (Pvt) Ltd.	IT Charges	51	517
	Services Rendered	3	170
	Reimbursement of Expenses	-	198

Entity	Nature of Transaction	2021 LKR 000	2020 LKR 000
Mazu Shipping (Pvt) Ltd.	IT Charges	337	305
	Services Rendered	13	13
Atlas Axillia Co. (Pvt) Ltd.	IT Charges	717	110
	Services Rendered	61	47
	Purchases	(193)	(59)
Spectra Integrated Logistics (Pvt) Ltd.	IT Charges	1,976	3,032
	Services Rendered	230	228
Hemas Consumer Brands (Pvt) Ltd.	IT Charges	9,484	9,152
Digital Healthcare Solutions (Pvt) Ltd.	Services Rendered	783	20,655
	IT Charges	1,191	1,262
	Interest Income	87	115
	Treasury Loans Granted	-	(3,000)
	Repayment of Treasury Loan	3,000	-
Evergreen Shipping Agency Lanka (Pvt) Ltd.	IT Charges	163	571
	Services Rendered	128	44
Hemas Mandalar Pharmaceuticals Limited	IT Charges	216	89
Aviation Services (Pvt) Ltd.	IT Charges	-	273
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Services Rendered	45,802	43,687
	Interest Income	4,317	12,634
	Treasury Loans Granted	(37,000)	(555,000)
	Repayment of Treasury Loan	217,000	360,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY DISCLOSURES (CONTD.)

35.1.2 Group

Company	Relationship	Name of Director	Nature of Transaction	2021 LKR 000	2020 LKR 000
PH Resorts (Pvt) Ltd.	Joint Venture	A.N. Esufally	Services Rendered	14,422	15,171
			Rent & Utilies	-	4,149
			Support services, Promotional & IT services	1,737	1,940
ET Properties (Pvt) Ltd.	Key Management Personnel	A.N. Esufally	Services Rendered	243	289
		I.A.H. Esufally	Rent & Utilies	(12,875)	(67,944)
Printcare PLC	Key Management Personnel	A.N. Esufally	Services Obtained	(8,421)	(12,202)
Jada Resort & Spa (Pvt) Ltd.	Key Management Personnel	A.N. Esufally	Services Obtained	(1,561)	(2,786)

35.2 Transactions with Key Management Personnel

The key Management Personnel are the all Executive and Non Executive Directors of Hemas Holdings PLC and its Subsidiaries

(a) Key Management Personnel Compensation

	Group		Company	
	2021 LKR 000	2020 LKR 000	2021 LKR 000	2020 LKR 000
Short Term Benefits	374,716	460,195	145,531	118,482
Post Employment Benefit	79,286	29,687	36,373	9,502
Share Based Payment	11,911	-	4,309	-

(b) Transactions, Arrangements and Agreements Involving Key Management Personnel

With the approval of Group Remuneration Committee and Related Party Transactions Review Committee, Hemas Holdings PLC, sold its apartment at Nawala to Ms. Kasturi Chellaraja Wilson - Group CEO for a total consideration of LKR 29.75Mn on 18 March 2021. The selling price was based on independent valuation carried out by Perera Sivaskantha & Co Incorporated Valuers.

Other than above no significant transactions had taken place involving Key Management Personnel and their close family members.

36 SEGMENTAL INFORMATION

Accounting Policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information based on the primary segments (Business Segment)

	Consumer Brands		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
For the year ended 31 March	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Continuing Operations												
Revenue from Contract with Customers												
Segmental Revenue - Gross	25,639,918	23,959,530	39,609,507	32,219,535	-	1,654,705	2,497,486	2,984,368	1,178,123	1,616,529	68,925,034	62,434,667
Intra Segmental Revenue	(583,929)	(153,419)	(2,372,429)	(801,326)	-	-	(69,721)	(91,760)	(134,403)	(132,585)	(3,160,482)	(1,179,090)
Segment Revenue	25,055,989	23,806,111	37,237,078	31,418,209	-	1,654,705	2,427,765	2,892,608	1,043,720	1,483,944	65,764,552	61,255,577
Inter Segmental Revenue	-	-	-	-	-	-	(277,022)	(184,244)	(986,782)	(1,027,843)	(1,263,804)	(1,212,087)
Total Revenue	25,055,989	23,806,111	37,237,078	31,418,209	-	1,654,705	2,150,743	2,708,364	56,938	456,101	64,500,748	60,043,490
Results												
Segmental Results	3,347,590	1,904,074	2,890,546	2,258,549	(14,416)	(53,258)	612,943	526,564	(505,571)	(984,194)	6,331,093	3,651,736
Finance Cost	(93,128)	(218,684)	(438,003)	(514,162)	(3,181)	(8,552)	(77,837)	(126,084)	(27,301)	(92,888)	(639,450)	(960,370)
Finance Income	123,142	119,950	40,090	50,889	589	6,950	40,878	54,142	44,000	37,384	248,699	269,315
Change in Fair Value of Investment Properties	-	-	-	-	49,658	-	-	-	13,250	-	62,908	-
Share of Results of Equity Accounted Investees (Net of Tax)	-	-	-	-	(374,444)	(119,527)	41,104	-	-	(430)	(333,340)	(119,957)
Profit/(Loss) Before Tax from Continuing Operations	3,377,604	1,805,340	2,492,633	1,795,276	(341,794)	(174,387)	617,088	454,622	(475,622)	(1,040,128)	5,669,910	2,840,724
Income Tax	(683,794)	(376,651)	(598,965)	(462,507)	(2,866)	(20,231)	(160,561)	(159,541)	(76,865)	(337,776)	(1,523,051)	(1,356,706)
Profit / (Loss) for the Year from Continuing Operations	2,693,810	1,428,689	1,893,668	1,332,769	(344,660)	(194,618)	456,527	295,081	(552,487)	(1,377,904)	4,146,859	1,484,018
(Loss) After Tax from Discontinued Operations	-	-	-	-	(804,833)	(121,311)	-	-	-	-	(804,833)	(121,311)
Profit / (Loss) for the Year	2,693,810	1,428,689	1,893,668	1,332,769	(1,149,493)	(315,929)	456,527	295,081	(552,487)	(1,377,904)	3,342,026	1,362,707
Attributable to:												
Equity Holders of the Parent	2,507,485	1,267,116	1,962,785	1,396,022	(945,792)	(275,399)	281,357	225,881	(552,487)	(1,377,904)	3,253,350	1,235,717
Non-Controlling Interests	186,325	161,573	(69,117)	(63,253)	(203,701)	(40,530)	175,170	69,200	-	-	88,676	126,990
	2,693,810	1,428,689	1,893,668	1,332,769	(1,149,493)	(315,929)	456,527	295,081	(552,487)	(1,377,904)	3,342,026	1,362,707

36 SEGMENTAL INFORMATION (COND.)

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property, plant and equipment and the remeasurement of disposal groups, and share of profit of equity-accounted investees.

Adjusted EBITDA is not a defined performance measure in Sri Lanka Accounting Standards. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations

	Consumer Brands		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
For the year ended 31 March	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	LKR 000	LKR 000	**LKR 000**	LKR 000	**LKR 000**	LKR 000	**LKR 000**	LKR 000	**LKR 000**	LKR 000	**LKR 000**	LKR 000
Profit / (Loss) for the Year from Continuing Operations	**2,693,810**	1,428,689	**1,893,668**	1,332,769	**(344,660)**	(194,618)	**456,527**	295,081	**(552,486)**	(1,377,904)	**4,146,860**	1,484,018
Income Tax	**683,794**	376,651	**598,965**	462,507	**2,866**	20,231	**160,561**	159,541	**76,864**	337,776	**1,523,050**	1,356,706
Profit/(Loss) Before Tax from Continuing Operations	**3,377,604**	1,805,340	**2,492,633**	1,795,276	**(341,794)**	(174,387)	**617,088**	454,622	**(475,622)**	(1,040,128)	**5,669,910**	2,840,724
Adjustments for:												
Net Finance Costs	**(30,014)**	98,734	**397,913**	463,273	**2,592**	1,602	**36,959**	71,942	**(16,699)**	55,504	**390,751**	691,055
Depreciation	**337,766**	309,945	**501,597**	486,170	**143,218**	216,410	**153,164**	176,340	**82,999**	82,464	**1,218,744**	1,271,329
Amortisation	**77,331**	115,196	**165,362**	144,355	**25,092**	29,039	**55,153**	67,159	**54,866**	31,433	**377,804**	387,182
Change in Fair Value of Investment Properties	**-**	-	**-**	-	**(49,658)**	-	**-**	-	**(13,250)**	-	**(62,908)**	-
Impairment on Goodwill	**-**	-	**-**	96,311	**-**	13,343	**-**	15,463	**-**	-	**-**	125,117
Share of Results of Equity Accounted Investees (Net of Tax)	**-**	-	**-**	-	**374,444**	119,527	**(41,104)**	-	**-**	430	**333,340**	119,957
Adjusted EBITDA from Continuing Operation	**3,762,687**	2,329,215	**3,557,505**	2,985,385	**153,894**	205,535	**821,259**	785,526	**(367,706)**	(870,297)	**7,927,641**	5,435,364

Information based on the primary segments (Business Segments)

As at 31 March	Consumer Brands		Healthcare		Leisure, Travel & Aviation		Mobility		Others		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
Assets and Liabilities												
Non-Current Assets												
Property, Plant and Equipment	4,175,136	4,076,615	8,601,091	7,458,789	32,242	4,175,020	2,089,421	2,179,340	100,245	127,382	14,998,135	18,017,146
Right-of-Use Assets	178,376	283,134	934,971	964,449	-	154,990	730,503	650,983	34,170	87,689	1,878,020	2,141,245
Investment Properties	-	-	-	-	231,600	-		-	4,253,300	4,125,542	4,484,900	4,125,542
Other Non-Current Financial Assets	32,192	55,203	268,603	342,665	380,242	179,347	-	-	13,887	612,150	694,924	1,189,364
Other Non-Current Assets	3,148,353	2,764,052	1,544,096	1,514,847	4,539,750	7,457,015	3,047,565	3,013,061	19,291,200	19,641,282	31,570,964	34,390,257
Segmental Non-Current Assets	7,534,057	7,179,004	11,348,761	10,280,750	5,183,834	11,966,372	5,867,490	5,843,384	23,692,802	24,594,045	53,626,943	59,863,555
Deferred Tax Assets											144,281	164,426
Eliminations/Adjustments											(28,071,390)	(31,301,200)
Total Non-Current Assets											25,699,834	28,726,781
Segmental Current Assets												
Other Current Financial Assets	45,011	19,684	673,871	506,548	24	63,052	684,089	627,098	1,400,675	523,971	2,803,670	1,740,353
Segmental Current Assets	12,831,104	9,667,389	22,493,956	21,238,945	2,817	2,473,698	3,291,253	1,839,957	686,145	974,966	39,305,274	36,194,955
Tax Recoverable											156,553	240,567
Eliminations/Adjustments											(4,370,943)	(2,522,239)
Total Current Assets											37,894,554	35,653,636
Total Assets											63,594,388	64,380,417
Non-Current Liabilities												
Segmental Non-Current Liabilities	471,330	497,064	2,951,599	3,728,069	-	878,787	729,063	703,391	130,374	64,285	4,282,366	5,871,596
Other Non-Current Financial Liabilities	145	183	1,748	2,568	-	435	625	190	275,000	275,000	277,518	278,376
Deferred Tax Liability											1,363,032	1,733,238
Eliminations/Adjustments											(53,520)	1,813,490
Total Non-Current Liabilities											5,869,395	9,696,699
Current Liabilities												
Segmental Current Liabilities	5,207,209	4,723,412	17,457,465	16,283,550	10,487	1,833,747	2,711,898	1,448,537	751,115	1,491,629	26,138,174	25,780,876
Income Tax Liability											602,547	512,791
Eliminations/Adjustments											(2,454,015)	(3,084,411)
Total Current Liabilities											24,286,707	23,209,256
Total Liabilities											30,156,102	32,905,955
Total Segment Assets	20,410,172	16,866,077	34,516,588	32,026,243	5,186,675	14,503,122	9,842,831	8,310,439	25,779,622	26,092,982	95,735,887	97,798,863
Total Segment Liabilities	5,678,684	5,220,659	20,410,812	20,014,187	10,487	2,712,969	3,441,586	2,152,118	1,161,489	1,830,914	30,703,059	31,930,848
Other Segmental Information												
Acquisition Cost of Property Plant and Equipment	284,336	332,327	1,412,669	2,438,763	20,772	97,406	54,472	101,544	47,951	72,071	1,820,200	3,042,111
Depreciation of Segmental Assets	337,766	309,945	501,597	486,170	143,218	216,410	153,164	176,340	82,999	82,464	1,218,744	1,271,330
Provision for Retirement Benefit	74,222	65,612	98,123	76,165	8,378	24,797	14,392	16,707	13,380	22,876	208,495	206,156
Impairment and Amortisation of Intangible Assets	4,752	25,321	25,913	113,269	10,737	31,351	3,641	19,156	38,892	29,814	83,935	218,911
Amortisation of Right-of-Use Assets	72,579	89,875	139,449	127,397	14,355	11,031	51,511	63,466	15,974	1,619	293,869	293,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 GROUP COMPANIES

For the period under review Hemas Holdings PLC operates in four industry segments, namely, Consumer, Healthcare, Leisure and Mobility services

The holding company is located at No. 75, Braybrooke Place, Colombo 02. The Group has considered all its subsidiary and associate companies numbering 45 in capturing its financial performance. For the purpose of reporting on its sustainability performance, the Group has considered 27 companies which are the legal entities and for which the Group is accountable and has control. The companies not included for reporting on Sustainability Performance are companies that do not carry out any operations that significantly interact with the environment or society at large. Such companies numbering 18 are either non-operational entities, investment entities, companies only holding lands, managing companies, companies that are office based or overseas operations that have been excluded this year for sustainability reporting. Such companies have been clearly identified below.

* These companies have been excluded for sustainability reporting purposes.

Name /Principle Place of Business	Relationship	Effective Holding 2021	Effective Holding 2020	Principal Activities	Board Members
CONSUMER BRANDS					
Hemas Manufacturing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Husein Esufally, Kasturi Chellaraja Wilson, V. S. Sitaram, Asanga Ranasinghe, Sriyan De Silva Wijeyeratne, Suresh Shah
Hemas Marketing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Trading & Distribution of Consumer Products	Sriyan De Silva Wijeyeratne, Zalmi Fazeel
Hemas Trading (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Import and sale of Food Products	Sriyan De Silva Wijeyeratne, Zalmi Fazeel
Hemas Consumer Brands (Pvt) Ltd. Rupayan Centre, 6th Floor, 72, Mohakhali C-A,Dhaka-1212	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Husein Esufally, Subir Chowdhury, Naveedul I. Khan, Reazul Chowdhury, Muallem Choudhury, Sriyan De Silva Wijeyeratne
Hemas Consumer Products (Pvt) Ltd.* No 1418, BRR Tower, I.I Chundrigar Road, Karachi, Pakistan.	Subsidiary	100%	100%	Trading of Consumer Products	Husein Esufally, Sriyan De Silva Wijeyeratne, Kasturi Chellaraja Wilson
Hemas Consumer Brands India (Pvt) Ltd.* No 1865, Rajdanga Main Road, The Chambers,6th Floor, Room No-605, Kolkata-700107	Subsidiary	100%	100%	Trading of Consumer Products	Asaratharaman Kannan, Sriyan De Silva Wijeyeratne
Unicorn Investment (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Research and Development Services	Sriyan De Silva Wijeyeratne, Zalmi Fazeel, Dimuthu Jayasinghe
Morison Limited No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	96%	91%	Importing and Distribution of Consumer Products	Murtaza Esufally, Dinesh Athapaththu, Zalmi Fazeel, Kasturi Chellaraja Wilson, Arundathi Rajakarier, Ranjan Chakravarti, Dr. Sanjit Singh Lamba
Atlas Axillia Co.(Pvt) Ltd. 96, Parakrama Road, Peliyagoda.	Subsidiary	75%	75%	Manufacturing and trading of all kinds of school and office stationery.	Husein Esufally, Steven Enderby, Roy Joseph, Asitha Samaraweera, Nirmal Madanayake (Alt. Director-A.R Rasiah)

Name /Principle Place of Business	Relationship	Effective Holding 2021	2020	Principal Activities	Board Members
HEALTHCARE					
Hemas Pharmaceuticals (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Distribution of Pharmaceutical Products	Murtaza Esufally, Jude Fernando, Zalmi Fazeel, Kasturi Chellaraja Wilson, Stuart Chapman, Coralie Pietersz
Hemas Surgicals & Diagnostics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Distribution of Healthcare Products	Kasturi Chellaraja Wilson, Zalmi Fazeel, Jude Fernando
Kyannmar Pharmaceuticals (Pvt) Limited* 531A Upper Cross Street, #04-98, Hong Lim Complex, Singapore	Subsidiary	100%	100%	Distribution of Pharmaceutical Products	Teo Chong Yeow, Kasturi Chellaraja Wilson, Steven Enderby, Nissanka Asitha
Hemas Mandalar Pharmaceutical Limited* No.1001, Pyay Road, 10 Mile, Insein Township, Yangon, Myanmar	Subsidiary	35%	35%	Distribution of Pharmaceutical Products	Ilyas @ Soe Myint, Kasturi Chellaraja Wilson,Khaing Kyaw, Nissanka Asitha, Steven Enderby
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally, Dr. Lakith Peiris, Zalmi Fazeel, Dr. Uma Kadamboor, Dr. Gershu Paul, Kasturi Chellaraja Wilson
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda.	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally , Dr. Lakith Peiris, Kasturi Chellaraja Wilson
Morison Limited No:620, Biyagama Road, Pethiyagoda, Kelaniya.	Subsidiary	96%	91%	Manufacturing, Importing and Distribution of Pharmaceuticals and Medical Aid	Murtaza Esufally, Dinesh Athapaththu, Zalmi Fazeel, Kasturi Chellaraja Wilson, Arundathi Rajakarier, Ranjan Chakravarti, Dr. Sanjit Singh Lamba
Healthnet International (Pvt) Ltd.* No. 25, Elibank Road, Colombo 05.	Subsidiary	89%	74%	Online Pharmacy Services	Jude Fernando, Deeshana Bandara, Rangika Wijesinghe, Ruwani Hettiarachchi, Kasturi Chellaraja Wilson, Nissanka Asitha
LEISURE					
Leisure Asia Investments Ltd.* No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding Company	Abbas Esufally, Husein Esufally, Imtiaz Esufally
Mowbray Hotels Ltd.* No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Zalmi Fazeel, Jayantha Panabokke, Shantha Kurumbalapitiya
PH Resorts (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02	Joint Venture	50%	50%	Operating a Tourist Hotel	Abbas Esufally, Dillipraj Rajakarier, Stephen Chojnaki, Micah Thamthai, Steven Enderby, Shantha Kurumbalapitiya
Sanctuary Resorts Wilpattu Lanka (Private) Limited* No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
Peace Haven Resorts Ltd.* No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
MOBILITY					
Far Shipping Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Kasturi Chellaraja Wilson

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 GROUP COMPANIES (CONTD.)

Name /Principle Place of Business	Relationship	Effective Holding 2021	2020	Principal Activities	Board Members
Far Shipping Agency Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Associate	36%	60%	Shipping Agents	Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Mohit Chaturvedi, Yu Yongjun
Hemas Transportation (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding Company	Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Ramesh Chitrasiri, Mushin Kitchilan
Hemas Maritime (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	Break Bulk Casual Callers & Cargo Handling	Imtiaz Esufally, Ramesh Chitrasiri, Mushin Kitchilan
Evergreen Shipping Agency Lanka (Pvt) Ltd. Level 9, "Parkland", No:33, Park Street, Colombo 02.	Subsidiary	60%	60%	Break Bulk Casual Callers & Cargo Handling	Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Huey Chuan Hseih, Yen-I-Chang
Spectra Logistics (Pvt) Ltd. No. 75, Braybrooke Place, C olombo 02.	Subsidiary	50%	50%	General Carries & Warehousing	Steven Enderby, Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Shehara Jayawardana, Rohan De Silva, Mahesh Kurukulasuriya, Dinesh Jayawardana
Spectra Integrated Logistics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	50%	50%	General Carries & Warehousing	Steven Enderby, Imtiaz Esufally, Zalmi Fazeel, Kasturi Chellaraja Wilson, Shehara Jayawardana, Rohan De Silva, Mahesh Kurukulasuriya, Dinesh Jayawardana
Mazu Shipping (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Kasturi Chellaraja Wilson, Ramesh Chitrasiri, Mushin Kitchilan
Forbes Air Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	GSA Emirates Airline	Imtiaz Esufally, Steven Enderby, Murtaza Esufally, Abbas Esufally, Husein Esufally, Kasturi Chellaraja Wilson, Gyan Amerasinghe
OTHER					
Hemas Corporate Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Corporate Secretaries	Zalmi Fazeel, Kasturi Chellaraja Wilson, Peshala Fernando
Hemas Developments (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Property Development	Abbas Esufally, Zalmi Fazeel
Hemas COE (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01	Subsidiary	100%	100%	Financial & Accounting BPO	Steven Enderby, Zalmi Fazeel
Concept Ventures (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02.	Subsidiary	100%	100%	Investment Holding	Ruwani Hettiarachchi, Amila Priyadarshana
Hemtours (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Destination Management Services	Kasturi Chellaraja Wilson, Abbas Esufally, Zalmi Fazeel
Pulz Solutions (Pvt) Ltd.* 8th Floor, Concept Nursery, SLIIT, New Kandy Road, Malabe.	Associate	30%	30%	Research & Development, Manufacturing and Sales & Distribution of Invention.	Pramadhi Atapattu, Mithra Mayadunna
Hire 1 Technologies (Pvt) Ltd.* No.199/29, Obesekara Crescent, Rajagiriya.	Associate	20%	20%	Providing digital Logistics Services	Yeshanth Gunewardena
VulcanD (Pvt) Ltd.* 570, Gothatuwa Watta, Baddegama, Galle.	Associate	20%	20%	Development of Health related technology based products.	Dimuthu Lakmal, Ayesha Rathnayake

37 SUBSIDIARIES DISPOSED/ DERECOGNIZED FROM CONSOLIDATION DURING THE YEAR (NOTE 29)

Name/Principal Place of Business	Effective Holding 2021	Effective Holding 2020	Principal Activities
HEALTHCARE			
Digital HealthCare Solutions (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	20%	93%	Develop and Operating Mobile Application for Healthcare Service and Operating Wellness Centers
LEISURE, TRAVEL AND AVIATION			
Serendib Hotels PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	56%	Operating a Tourist Hotel and Investment Holding Company
Hotel Sigiriya PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	35%	Operating a Tourist Hotel
Dolphin Hotels PLC Hemas House, No. 75, Braybrooke Place, Colombo 02.	7%	43%	Operating a Tourist Hotel
Serendib Leisure Management Ltd. Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	56%	Provision of Hotel Management Services
Frontier Capital Lanka (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	56%	Operating a Tourist Hotel
Sanctuary Lanka Resorts (Pvt) Ltd.* Hemas House, No. 75, Braybrooke Place, Colombo 02.	-	56%	Provision of Hotel Management Services

TEN YEAR SUMMARY

Year Ended 31st March LKR 000	2021	2020	2019	2018 Restated	2017	2016	2015 Restated	2014 Restated	2013	2012
Operating Results										
Group Revenue*	64,500,748	60,043,490	64,082,154	49,874,384	43,404,452	37,976,564	32,496,953	27,259,281	26,974,910	22,210,017
Profit Before Taxation*	5,669,910	2,840,724	5,093,140	4,392,336	5,086,894	4,074,369	3,094,939	3,192,344	2,406,155	1,521,080
Taxation*	1,523,051	1,356,706	1,413,904	1,441,523	1,333,044	1,148,399	704,200	469,673	472,422	259,772
Profit After Taxation*	3,342,026	1,362,707	3,679,236	2,950,813	3,753,850	2,925,970	2,390,739	2,722,671	1,933,733	1,261,308
Profit Attributable to the Parent	3,253,350	1,235,717	3,369,279	2,687,457	3,491,478	2,653,208	1,927,051	2,409,276	1,657,655	1,164,525
Equity & Liabilities										
Stated Capital	7,776,111	7,734,054	7,734,054	5,960,450	5,741,038	5,722,837	1,600,603	1,600,603	1,600,603	1,600,603
Other Reserves	2,341,732	1,606,005	1,867,941	2,097,672	2,262,995	2,081,186	1,327,720	1,492,495	1,724,228	1,601,854
Retained Earnings	21,777,539	18,574,233	18,496,649	17,420,761	16,907,218	14,187,670	12,730,653	11,207,426	8,828,511	7,447,822
Non-Controlling Interests	1,542,904	3,560,170	3,771,078	3,590,445	3,217,800	2,661,619	2,263,623	3,329,111	2,259,037	1,990,665
Non-Current Liabilities	5,869,395	9,696,699	6,105,593	6,817,837	3,195,557	4,236,430	4,244,615	4,322,629	2,613,184	1,938,996
Current Liabilities	24,286,707	23,209,256	24,774,085	21,811,416	15,993,943	13,437,433	12,271,106	10,174,363	6,757,388	8,075,746
	63,594,388	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627	23,782,951	22,655,686
Assets										
Property, Plant and Equipment	17,539,695	20,032,726	18,685,435	18,069,039	13,525,589	12,764,329	11,465,089	12,563,655	10,038,723	10,283,616
Investment Property	1,942,099	1,647,591	1,647,591	1,507,474	1,472,928	1,735,779	1,763,665	1,683,130	578,453	474,685
Right-of-Use Assets	1,878,697	2,028,296	-	-	-	-	-	-	-	-
Leasehold Property	-	-	731,276	766,809	828,405	115,751	109,545	145,847	90,592	94,455
Intangible Assets	3,289,618	3,439,125	3,468,946	3,493,982	954,060	852,339	755,953	1,333,219	436,670	461,499
Investments Equity Accounted Investees & Others)	765,505	1,242,131	1,600,874	1,765,584	2,011,322	2,102,962	2,091,425	2,854,479	2,033,993	503,468
Lease Receivables	139,939	172,486	-	-	-	-	-		-	-
Deferred Tax Assets	144,281	164,426	107,862	61,510	57,400	47,829	72,731	58,580	39,596	35,621
Current Assets	37,894,554	35,653,636	36,507,416	32,034,183	28,468,847	24,708,186	18,179,912	13,487,717	10,564,924	10,802,342
	63,594,388	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627	23,782,951	22,655,686
Key Indicators										
Earnings Per Share (LKR)	5.46	2.07	5.65	4.52	6.10	4.71	3.74	4.68	3.22	2.27
Dividends Per Share (LKR)	0.40	1.45	4.93	1.85	1.40	1.10	1.10	0.75	0.55	0.50
Dividend Cover (No. of Times)	13.64	1.43	1.15	2.44	4.36	4.28	3.40	6.05	5.82	4.50
Interest Cover (No. of Times)	9.87	3.68	5.41	6.87	9.21	7.70	7.33	7.15	7.50	4.30
Net Asset Per Share (LKR)	53.47	46.83	47.14	44.32	43.50	38.41	30.39	27.75	46.15	20.70
Cash from Operating Activities (LKR 000)	6,539,456	1,589,246	1,813,421	5,782,146	3,005,374	4,250,945	3,329,052	2,686,659	1,863,616	1,096,261
Current Ratio (No. of Times)	1.6	1.5	1.5	1.5	1.8	1.8	1.5	1.3	1.6	1.3
Gearing (%)	17.2	23.2	18.2	19.7	16.0	18.5	26.9	25.9	25.5	25.0
ROE (%)	10.3	4.4	12.1	10.3	14.2	13.7	12.9	18.2	14.5	12.0

** Results from continuing operations*

SHAREHOLDER INFORMATION

1. ANALYSIS OF SHAREHOLDERS AS AT 31-MAR-2021

Shareholdings	Resident No. of Shareholders	Resident No. of Shares	Resident Percentage %	Non-Resident No. of Shareholders	Non-Resident No. of Shares	Non-Resident Percentage %	Total No. of Shareholders	Total No. of Shares	Total Percentage %
1 to 1000 Shares	4,343	1,542,033	0.26	23	10,636	0.00	4,366	1,552,669	0.26
1001 to 10,000 Shares	1,910	6,403,953	1.07	32	104,820	0.02	1,942	6,508,773	1.09
10,001 to 100,000 Shares	490	14,892,443	2.50	25	830,422	0.14	515	15,722,865	2.64
100,001 to 1,000,000 Shares	96	27,498,698	4.61	14	4,556,139	0.76	110	32,054,837	5.37
Over 1,000,000 Shares	22	429,521,249	72.00	19	111,185,632	18.64	41	540,706,881	90.64
TOTAL	6,861	479,858,376	80.44	113	116,687,649	19.56	6,974	596,546,025	100

2. CATEGORIES OF SHAREHOLDERS

Year ended 31 March 2021	No. of Shareholders	No. of Shares
Individual	6,550	59,827,633
Institutional	424	536,718,392
	6,974	596,546,025

3. SHARE TRADING

	2021	2020
Market Price		
Highest Price	107.00	86.70
	25/1/2021	13/11/2019
Lowest Price	54.00	55.10
	12/5/2020	20/3/2020
As at year end (Rs.)	83.40	56.20
No. of Trades	44,048	3,640
No of Shares Traded	170,784,176	24,447,637
Value of Shares Traded (Rs. Mn)	13,087	1,781
Market Capitalisation (Rs. Mn)	49,752	33,497

4. COMPUTATION OF PUBLIC SHAREHOLDING

As at 31 March	2021
Issued Share Capital as at 31 March	596,546,025
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	16,659,910
Spouses of Directors and Chief Executive Officer	-
Key Management Personnel	-
Close Family Members (b)	5,101,600
Controlling Interest (c)	361,512,855
Over 10% Holding	-
Public Holding	213,271,660
Public Holding as a % of Issued Share Capital	35.75%
Total Number of Shareholders	6,974
Number of Persons Holding Shares Excluded when Computing Public Holding %	15
Number of Shareholders representing the Public Holding	6,959

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

	List of 20 Major Shareholders as at 31 March	2021 No. of shares	2021 %	2020 No. of shares	2020 %
1	A Z Holdings (Pvt) Ltd.	94,092,305	15.77	94,092,305	15.79
2	Saraz Investments (Pvt) Ltd.	89,565,277	15.01	89,565,277	15.03
3	Blueberry Investments (Pvt) Ltd.	88,927,940	14.91	88,927,940	14.92
4	Amagroup (Pvt) Ltd.	88,927,333	14.91	88,927,333	14.92
5	BBH-Kopernik Global All Cap Fund	16,019,905	2.69	11,607,272	1.95
6	BNYMSANV Re-First State Investments ICVC-Stewart Investors Indian Subcontinent Sustainability Fund.	13,733,689	2.30	12,042,539	2.02
7	HSBC Intl Nominees Ltd-JPMLU-Franklin Templeton Investment Funds	12,862,845	2.16	34,134,070	5.73
8	BBH-Kopernik Global All Cap Equity Fund	12,263,194	2.06	6,583,225	1.10
9	BNYMSANV Re-LF Ruffer Investment Fund : LF Ruffer Pacific and Emerging Market Fund	10,000,000	1.68	-	-
10	Phoenix Ventures (Pvt) Limited.	9,796,683	1.64	7,985,804	1.34
11	HSBC Intl Nom Ltd-JPMCB- Pacific Assets Trust PLC	7,043,079	1.18	7,043,079	1.18
12	BNYMSANV Re-First State Investments ICVC-Stewart Investors Asia Pacific Sustainability Fund.	6,956,135	1.17	6,085,356	1.02
13	Rubber Investment Trust Ltd Account 1	6,791,308	1.14	5,382,525	0.90
14	Mr. M.A.H. Esufally	6,164,633	1.03	6,164,633	1.03
15	Mr. H.N. Esufally	5,791,640	0.97	5,791,640	0.97
16	Sri Lanka Insurance Corporation Ltd - Life Fund	5,635,646	0.94	-	-
17	CB London s/a Verdipapirfondet Holberg Rurik	5,520,000	0.93	7,978,255	1.34
18	Mr. M.J.Fernando	5,448,160	0.91	5,448,159	0.91
19	Mr. I.A.H. Esufally	4,586,284	0.77	4,586,284	0.77
20	SEB AB-TUNDRA SUSTAINABLE FRONTIER FUND	4,001,928	0.67	-	-

a) Directors' Shareholding

	31 March 2021	31 March 2020
H.N. Esufally	5,791,640	5,791,640
A.N. Esufally	117,353	117,353
I.A.H. Esufally	4,586,284	4,586,284
M.A.H. Esufally	6,164,633	6,164,633
J.M. Trivedi	-	-
A.S. Amaratunga	-	-
Dr. S.A.B. Ekanayake	-	-
K.A.C. Wilson	-	-
S. J de Silva Wijeyeratne	-	-
Total	16,659,910	16,659,910

b) Close Family Members

	31 March 2021	31 March 2020
Sabrina Esufally	259,170	259,170
Adam Esufally	259,170	259,170
R.H. Esufally	259,170	259,170
Sakina Imtiaz Esufally	2,073,365	2,073,365
Billiquis I Esufally	725	725
Amaar Esufally	2,000,000	2,000,000
Zara Esufally	250,000	250,000
Total	5,101,600	5,101,600

c) Controlling Interest

	31 March 2021	31 March 2020
Saraz Investments (Private) Limited	89,565,277	89,565,277
A Z Holdings (Private) Limited	94,092,305	94,092,305
Blueberry Investments (Pvt) Ltd	88,927,940	88,927,940
Amagroup (Pvt) Ltd	88,927,333	88,927,333
Total	361,512,855	361,512,855

Employee Share Option Plan as at 31 March 2021

	Date of Grant	Employee Category	Shares Granted	Expiry date	Option Grant Price (Rs.)	Shares Adjusted	Exercised	Cancelled		Expired	Outstanding			End/Current price
								Due to Resignation	Due to Performance	LKR 000	Total	Vested	Unvested	
Grant 1	27.07.2015		3,053,750	26.07.2019	82.00	-	1,780,306	12,500	466,827	794,117	-		-	82.00
		Executive Directors	687,500				180,000	-	130,520	376,980	-		-	
		Senior Executives	2,366,250				1,600,306	12,500	336,307	417,137	-		-	
Grant 2	27.07.2016		3,008,750	26.07.2020	87.50	-	627,153	96,250	490,633	1,794,714	-	-	-	87.50
		Executive Directors	687,500				-		153,490	534,010	-	-	-	
		Senior Executives	2,321,250				627,153	96,250	337,143	1,260,704	-	-	-	
Grant 3	27.07.2017		3,420,000	26.07.2021	149.50	-	-	215,000	1,170,204	-	2,034,796	2,034,796	-	149.50
		Executive Directors	687,500				-		379,375	-	308,125	308,125	-	
		Senior Executives	2,732,500				-	215,000	790,829	-	1,726,671	1,726,671	-	
Grant 4	27.07.2018		3,491,250	26.07.2022	108.81	-	-	15,000	1,443,428	-	2,032,822	2,032,822	-	108.81
		Executive Directors	687,500				-	-	170,075	-	517,425	517,425	-	
		Senior Executives	2,803,750				-	15,000	1,273,353	-	1,515,397	1,515,397	-	
Grant 5	27.07.2019		4,115,000	26.07.2023	69.00	-	502,600	70,000	1,840,788	-	1,701,612	1,701,612	-	69.00
		Executive Directors	687,500				-	40,000	265,458	-	382,042	382,042	-	
		Senior Executives	3,427,500				502,600	30,000	1,575,330	-	1,319,570	1,319,570	-	
Grant 6	27.07.2020		2,630,758	26.07.2024	60.00	-	-	76,500	-	-	2,554,258	-	2,554,258	60.00
		Executive Directors	547,188				-		-	-	547,188	-	547,188	
		Senior Executives	2,083,570				-	76,500	-	-	2,007,070	-	2,007,070	

INDEPENDENT ASSURANCE REPORT

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

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

Independent Assurance Report to Hemas Holdings PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020/21

Introduction and scope of the engagement

The management of Hemas Holdings PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2020/21("the Report").

- Reasonable assurance on the information on financial performance as specified on page 34 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of our work and level of assurance

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

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

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

Management of the Company's responsibility for the Report

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

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 04 May 2021. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

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

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2021.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

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

Limitations and considerations

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

Conclusion

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

- The information on financial performance as specified on page 34 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2021.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young

21 May 2021
Colombo

GLOSSARY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ASSET/CAPITAL EMPLOYED
Average total assets divided by average capital employed

ASSET TURNOVER
Total revenue divided by average total assets.

CAPITAL EMPLOYED
Total Shareholders' funds plus debt and non controlling interests.

CAPITAL RESERVES
Reserves identified for specific purposes and considered not available for distribution.

CURRENT RATIO
Current assets divided by current liabilities.

CONTINGENT LIABILITIES
Conditions or situations existing at the reporting date, the financial effect of which are to be determined by future events which may or may not occur.

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

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

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

DILUTED EARNINGS PER SHARE
Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

DIVIDEND COVER
Net profit attributable to the Ordinary Shareholders divided by the total dividend paid and proposed.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Company profits adjusted for non-cash gains items.

EARNINGS
Profit after tax less Non Controlling Interests.

EARNINGS PER SHARE (EPS)
Profit attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares in issue during the Year.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings before interest expense, tax, depreciation, amortisation, fair value gains and losses on investment property and share of results of equity accounted investees.

EFFECTIVE RATE OF TAXATION
Income tax over Profit Before tax.

EQUITY
Equity attributable to Equity Holders of the Parent.

GEARING
Debt divided by the sum of equity, non controlling interests and debt.

INTEREST COVER
Consolidated operating profits over finance cost

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

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

NET ASSETS
Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

NET ASSETS PER SHARE

Shareholders' funds divided by the number of Ordinary Shares in issue as at the end of the Year.

NET DEBT (CASH)

Total debt minus cash and short-term deposits.

OPERATING PROFIT

Profit Before Interest and Tax.

PRICE EARNINGS RATIO

Market price per share divided by the earnings per share.

QUICK RATIO

Current assets minus inventory, divided by current liabilities.

RETURN ON EQUITY (ROE)

Profit attributable to shareholders as a percentage of average shareholders' funds.

RETURN ON CAPITAL EMPLOYED (ROCE)

Earnings Before Interest expense and Tax divided by average of capital employed at the beginning and end of the Year.

REVENUE RESERVES

Reserves set aside for future distributions and investments.

SEGMENT

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

SHAREHOLDERS' FUNDS

Total of stated capital, other components of equity and revenue reserves.

UNDERLYING

Represent results excluding entities that have been disposed during the financial year.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
GRI 101: Foundation 2016 (does not include any disclosures)					
General Disclosures					
GRI 102: General Disclosures 2016	102-1 Name of organisation	IBC			
	102-2 Activities, brands, products and services	7			
	102-3 Location of headquarters	IBC			
	102-4 Location of operations	240-243, IBC			
	102-5 Ownership and legal form	IBC			
	102-6 Markets served	240-243			
	102-7 Scale of the organisation	8-11			
	102-8 Information on employees and other workers	62		Goal 1, Goal 5, Goal 8, Goal 10	
	102-9 Supply chain	78			
	102-10 Significant changes to the organisation and supply chain	6			
	102-11 Precautionary principle	41		Goal 13	7
	102-12 External initiatives	5			
	102-13 Membership of associations	79		Goal 17	
	102-14 Statement from senior decision maker	12-18			
	102-16 Values, principles, norms and standards of behaviour	4, 107		Goal 8, Goal 16	
	102-18 Governance Structure	96		Goal 16, Goal 8	
	102-40 List of stakeholder groups	28			
	102-41 Collective bargaining agreements	64		Goal 8	1,3
	102-42 Identifying and selecting stakeholders	28			
	102-43 Approach to stakeholder engagement	29			
	102-44 Key topics and concerns raised	29			
	102-45 Entities included in the consolidated financial statements	240-243			
	102-46 Defining report content and topic boundary	5, 43			
	102-47 Material topics	41, 43			
	102-48 Restatement of information	6			
	102-49 Changes in reporting	6, 43			
	102-50 Reporting period	5			
	102-51 Date of most recent report	5			
	102-52 Reporting cycle	5			

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	102-53 Contact point for questions regarding Report	6			
	102-54 Claims of reporting in accordance with GRI Standards	5			
	102-55 GRI context index	252-258			
	102-56 External assurance	5, 249			
Material Topics					
Economic Performance					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 17	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	34		Goal 1, Goal 8, Goal 10	
	201-3 Defined benefit plan obligations and other retirement plans	67		Goal 1, Goal 8, Goal 10	
Anti - Corruption					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 1, |Goal 8, Goal 10, Goal 16	10
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 16	10
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 1, Goal 8, Goal 10, Goal 16	10
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risk related to corruption	62		Goal 16	10
Energy					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
GRI 302: Energy 2016	302-1 Energy consumption within the organization	69		Goal 7, Goal 12, Goal 13	8
Water					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 6, Goal 12	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 6, Goal 12	8
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 6, Goal 12	8
GRI 303: Water 2018	303-1: Interaction with water as shared resource	http://www.hemas.com/sustainability		Goal 6, Goal 12	8
	303-2 – Management of water discharge related impacts	http://www.hemas.com/sustainability		Goal 6, Goal 12	8
	303-3 Water Withdrawal	71		Goal 6, Goal 12	8
	303 – 4 Water Discharge	73		Goal 6, Goal 12	8
Biodiversity					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 14, Goal 15	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 14, Goal 15	8
	103-2 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 14, Goal 15	8
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in or adjacent to protected areas and high areas of biodiversity value outside protected areas	74		Goal 14, Goal 15	8
Emissions					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 7, Goal 12, Goal 13	8
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	69		Goal 7, Goal 12, Goal 13	8
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	69		Goal 7, Goal 12, Goal 13	8
Waste					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 12, Goal 14, Goal 15	8
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	72		Goal 12, Goal 14, Goal 15	8
	306 – 2 Management of significant waste-related impacts	72		Goal 12, Goal 14, Goal 15	8
	306-3 Waste generated	72		Goal 12, Goal 14, Goal 15	8
Environmental Compliance					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 6, Goal 12, Goal 13, Goal 14, Goal 15,	8
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 6	8
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 12	8
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	68		Goal 13	8
Employment					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 2, Goal 5, Goal 8, Goal 10	3,6

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 1	3,6
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 5, Goal 8	3,6
GRI 401: Employment 2016	401-1 Employee hires and turnover	62		Goal 10	3,6
Occupational Health and Safety					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 3, Goal 8	3,6
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 3, Goal 8	3,6
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 3, Goal 8	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	64		Goal 3, Goal 8	
	403-2 Hazard identification, risk assessment, and incident investigation	65			
	403-3 Occupational health services	64			
	403-4 Worker participation, consultation, and communication on occupational health and safety	64			
	403-5 Worker training on occupational health and safety	65			
	403-6 Promotion of worker health	65			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65			
	403-9 Work related injuries	64		Goal 3, Goal 8	
Training and Education					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 5, Goal 8	
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 5, Goal 8	
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 5, Goal 8	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	67		Goal 5, Goal 8	6

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	404-3 Percentage of employees receiving regular performance and career development reviews	67		Goal 5, Goal 8	6
Freedom of Association and Collective Bargaining					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 8	22,23
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 8	
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 8	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operation and suppliers in which the right to freedom of association and collective bargaining might be at risk	64		Goal 8	
Child Labour					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 8, Goal 16	5,1
GRI 408: Child Labour 2016	408-1: Operations and suppliers with risk of Child Labour	62		Goal 8, Goal 16	5
Forced or Compulsory Labour					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 8	4,1
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 8	
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 8	
GRI 409: Forced, Compulsory Labour 2016	409-1 Operations and suppliers with risk of forced and compulsory labour	62		Goal 8	4
Local Communities					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 11	
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 11	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission	UNSDG Goals	UNGC 10 Principles
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 11	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	80-82		Goal 1, Goal 2, Goal 6, Goal 10, Goal 11, Goal 17	
Customer Health and Safety					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability			
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability			
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability			
GRI 416: Customer Health and Safety 2016	416-2 Incidences of non-compliance concerning the health and safety aspects of products	78			
Marketing and Labeling					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability			
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability			
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non compliance concerning products and service information and labeling	78			
Socio Economic Compliance					
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	http://www.hemas.com/sustainability		Goal 16	
	103-2 The Management Approach and its components	http://www.hemas.com/sustainability		Goal 16	
	103-3 Evaluation of the Management Approach	http://www.hemas.com/sustainability		Goal 16	
GRI 419: Socio Economic Compliance 2016	Non-compliance with laws and regulations in the social and economic area	11, 78		Goal 16	

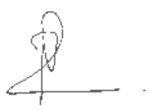
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy Second Annual General Meeting (AGM) of Hemas Holdings PLC will be held as a virtual AGM emanating from the Registered Office, 'Hemas House' No.75, Braybrooke Place, Colombo 2, on Wednesday the 30th day of June 2021 at 3.30 p.m. for the following purposes;

Agenda

1. To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2021 together with the Reports of the Directors and Auditors thereon.
2. To re-elect, Dr. Sumitha Anura Bandara Ekanayake who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
3. To re-elect, Mr. Husein Nuruddin Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
4. To re-elect, Mr. Imtiaz Abidhusein Hassanally Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
5. To re-elect, Mr. Sriyan Joseph de Silva Wijeyeratne who retires in terms of Article 72 of the Articles of Association, as a Director.
6. To declare a final dividend of Rs. 1.45 per Ordinary Share as recommended by the Board.
7. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine and make donations to Charity.

By order of the Board of,
HEMAS HOLDINGS PLC



Hemas Corporate Services (Private) Limited
Secretaries

May 21, 2021

Notes:

- A Member entitled to attend, and vote is entitled to appoint a Proxy to attend and vote online in his/her place.
- A Proxy need not be a Member of the Company.
- A Form of Proxy is enclosed for this purpose.
- The Board of Directors, having taken note of the health and safety guidelines issued by health authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to listed entities on holding virtual Shareholder Meetings, has decided to hold the Annual General Meeting (AGM) through Audio or Audio/Visual means in conformity with the regulatory provisions of the Company.
- Shareholders who wish to participate at the Annual General Meeting through the Online Platform are kindly requested to complete and forward the Annexure 1 information attached to the Annual Report to the email address peshalaf@hemas.com with the email subject titled "Hemas Holdings AGM 2021" or post it to the registered address mentioned below not less than 3 days before holding of the meeting. Shareholders are requested to provide their email address in the space provided in the annexure in order to forward the web link if they wish to view the proceedings through an online platform.
- The Chairman and certain members of the Board, the Company Secretary and key officials essential for the administration of formalities and conduct the meeting will be physically present at the Registered Office.
- Voting on the items listed in the Agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.
- A Shareholder who wishes to appoint a member of the Board of Directors as his/her proxy to represent him/her at the AGM may do so by completing the Form of Proxy, in such event the email address of the proxyholder will not be required.
- Shareholders may send their questions/comments on the items listed in the Agenda of the Notice Convening the AGM by email to peshalaf@hemas.com or by post to Company Secretarial Division, 9th Floor 'Hemas House', No. 75, Braybrooke Place, Colombo 2 not less than 3 days before holding of the meeting.
- The instrument appointing a proxy should be deposited at the Registered Office at 'Hemas House' No. 75, Braybrooke Place Colombo 2 not less than 48 hours before holding of the meeting or scanned and emailed to peshalaf@hemas.com.
- Only registered shareholders and registered proxy holders will be permitted to log in and participate in the virtual AGM.
- The Annual Report, Form of Proxy and the Shareholder Information Form will be hosted in the Company's Website www.hemas.com
- The date fixed for the AGM will not be affected even if a public holiday is declared on such date since arrangements will be in place to proceed via online platform.

NOTES

FORM OF PROXY

I/We..

....of..

.... being a Member/s of Hemas Holdings PLC do

hereby appoint Mr/Mrs/Miss..

....of..

.... whom failing

Mr. Husein Nuruddin Esufally of Colombo 7	whom failing
Ms. Kasturi Chellaraja Wilson of Colombo 6	whom failing
Mr. Abbasally Nuruddin Esufally of Colombo 7	whom failing
Mr. Imtiaz Abidhusein Hassanally Esufally of Colombo 7	whom failing
Mr. Murtaza Abidhusein Hassanally Esufally of Colombo 7	whom failing
Dr. Sumitha Anura Bandara Ekanayake of Nugegoda	whom failing
Mr. Amitha Saktha Amaratunga of Colombo 7	whom failing
Mr. Jyotindra Manibhai Trivedi of Colombo 2	whom failing
Mr. Sriyan Joseph de Silva Wijeyeratne of Dehiwela	

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Seventy Second Annual General Meeting (AGM) of Hemas Holdings PLC to be held as a virtual AGM on Wednesday the 30th day of June, 2021 at 3.30 p.m. emanating from 'Hemas House' No. 75, Braybrooke Place, Colombo 2 and at any adjournment thereof.

I/We hereby authorize my/our proxy to vote for me/us and on my/our behalf in accordance with the preferences indicated below:

		For	Against
1.	To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2021 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect, Dr. Sumitha Anura Bandara Ekanayake who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
3.	To re-elect, Mr. Husein Nuruddin Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
4.	To re-elect, Mr. Imtiaz Abidhusein Hassanally Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as Director.		
5.	To re-elect, Mr. Sriyan Joseph de Silva Wijeyeratne who retires in terms of Article 72 of the Articles of Association, as a Director.		
6.	To declare a final dividend of Rs. 1.45 per Ordinary Share as recommended by the Board.		
7.	To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.		
8.	To authorize the Directors to determine and make donations to Charity.		

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

....	....
Signature/s and Date	*NIC No/PP No*

Note: Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION OF THE PROXY IS ON THE REVERSE

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Shareholder who appoints a Director as his/ her proxy to represent him/ her need not fill the email address of the proxy holder.
3. In the case of Corporate Shareholders, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association/ Statutes.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should either be:

(i) addressed to the 'Company Secretary' and posted or hand delivered to the registered office of the Company at 'Hemas House' No 75 Braybrooke Place, Colombo 2;

or

(ii) Scanned and emailed to the email address: peshalaf@hemas.com with the email subject titled "HEMAS HOLDINGS PROXY" not less than 48 hours before the time appointed for the holding of the AGM together with the following information.

CDS Account Number of the Shareholder (s)	
Shareholder's contact number/s	
Land line (residence/work): Mobile:	
Email address to which the on-line link should be forwarded for the proxy holder's participation at the AGM	
Proxy holder's NIC number	

Annexure 1

Folio/CDS Account Number	

Hemas Holdings PLC
72nd Annual General Meeting - 2021

Registration of Shareholder Information

1. Full Name of the Shareholder: ....

2. Address of the Shareholder: ....

3. Shareholder's NIC/Passport/Co. Reg. No.:

4. Shareholder's Contact No.

Residence		Mobile	

5. Name of the Proxyholder: ....

6. Proxyholder's NIC/Passport No.:

7. Shareholder's/Proxyholder's E-mail Address: ....

8. Participation at AGM via Online Platform Yes/No

9. Name of Joint holders if any

a. ....

b. ....

10. NIC/Passport Nos of Joint holder

a. ....,,.................... b. ....

....	....	....
Principal Shareholder	1st Joint holder	2nd Joint Holder
Signature & Date	*Signature & Date*	*Signature & Date*

CORPORATE INFORMATION

LEGAL FORM
A Limited Liability Company incorporated in Sri Lanka and listed on the Colombo Stock Exchange on 15th October 2003

DATE OF INCORPORATION
10th December 1948

DATE OF RE-REGISTRATION
30th May 2007

COMPANY RE-REGISTRATION NUMBER
P Q 6

ACCOUNTING YEAR END
31 March

REGISTERED OFFICE
'Hemas House' No. 75,
Braybrooke Place,
Colombo 2.
Telephone: +94 11 4731731
Website: www.hemas.com

DIRECTORS
Mr. H. N. Esufally (Chairman)
Ms. K. A. C. Wilson (CEO)
Mr. A. N. Esufally
Mr. I. A. H. Esufally
Mr. M. A. H. Esufally
Dr. S. A. B. Ekanayake
Mr. A. S. Amaratunga
Mr. J. M. Trivedi
Mr. S. J. de Silva Wijeyeratne

AUDIT COMMITTEE
Mr. A. S. Amaratunga – *Chairman*
Mr. I. A. H. Esufally
Mr. J. M. Trivedi

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Dr. S. A. B. Ekanayake – *Chairman*
Mr. A. S. Amaratunga
Mr. H. N. Esufally

NOMINATION AND GOVERNANCE COMMITTEE
Dr. S. A. B. Ekanayake – *Chairman*
Mr. J. M. Trivedi
Mr. A. N. Esufally

RELATED PARTY TRANSACTION REVIEW COMMITTEE
Mr. A. S. Amaratunga – Chairman
Mr. I. A. H. Esufally
Ms. K.A.C. Wilson

SECRETARIES
Hemas Corporate Services (Pvt) Ltd
'Hemas House' No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731 (hunting)
Facsimile: +94 11 4731777

REGISTRARS
SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 3
Tel.: +94 11 2573894, +94 11 2576871
Facsimile: +94 11 2573609
Email: sspsec@sltnet.lk

INVESTOR RELATIONS
Hemas Holdings PLC
'Hemas House', No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731
Email: ir@hemas.com

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

LAWYERS TO THE COMPANY
Group Legal
Hemas Holdings PLC
'Hemas House', No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731
Facsimile: +94 11 4731777

BANKERS
Commercial Bank of Ceylon PLC
Deutsche Bank AG
The Hong Kong & Shanghai Banking Corp. Ltd
Hatton National Bank PLC
Standard Chartered Bank
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
National Development Bank PLC
DFCC Bank
Citibank N A
Bank of Ceylon

Designed & produced by
emagewise
Digital Plates & Printing by Gunaratne Offset Ltd
Photography by Dhanush De Costa

HEXAAS