A world of POSSIBILITIES

Hemas Holdings PLC

Annual Report 2022/23

A world of POSSIBILITIES

The year 2022 presented numerous challenges to businesses and communities across Sri Lanka. However, Hemas stood firm and demonstrated resilience and determination throughout this turbulent period.

Despite uncertainties, the company remained stead fast in its commitment to support all stakeholders, overcoming obstacles by focusing on serving its people efficiently; safeguarding their wellbeing and forging ahead with an optimistic outlook on the future.

Our unwavering focus on customers has propelled us to become a leading force. We take pride in empowering communities nationwide and have gained recognition as a company deeply committed to offering our people a diverse array of choices. By doing so, we believe we can enrich and empower lives across the nation.

We at Hemas are committed to embracing a world of endless possibilities.

HEMAS

CONTENTS

While our core business remains our top priority, we will also actively pursue inorganic growth opportunities in the Consumer and Healthcare spaces, as well as focus on international expansion.

Husein Esufally
Chairman

As we reflect on the past year, I am incredibly grateful for the passion and dedication of the Hemas team. Your commitment to excellence and unwavering determination in meeting the emerging challenges with a positive attitude has helped us achieve our goals and continue to grow as a Group.

Kasturi C. Wilson
Group Chief Executive Officer

ABOUT US

Hemas started with a simple intent: to empower families to live a better tomorrow. This core belief has informed our growth for over 70 years. Today, we empower families to live a better tomorrow through our focus in Consumer, Healthcare and Mobility. Woven into the socio-economic fabric of Sri Lanka, Hemas has also expanded operations to Bangladesh.

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

VALUES

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

PURPOSE

Empower families to live a better tomorrow

Focus Areas

Consumer Brands

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

Healthcare

- Hospitals
- Pharmaceutical Distribution
- Pharmaceutical Manufacturing

Mobility

- Aviation
- Maritime

Our Journey

- **1948** – Established Hemas Drugs (Pvt) Ltd
- **1962** – Ventured into manufacturing personal care products
- **1970s** – Expanded into travel and tourism
- **1980s** – Widened the array of Home and Personal Care (HPC) brands
- **2003** – Initial Public Offering on the Colombo Stock Exchange
- **2007** – Entered into Hospital Space
- **2013** – Acquired leading Pharmaceutical Manufacturing firm
- **2014** – Disposed the Power Business
- **2018** – Expands portfolio with Sri Lanka's Largest Stationery Brand
- **2019/20** – Divested Travel and Leisure Businesses
- **2021** – Divested Spectra Logistics
- **2022** – Commenced operations at Pharmaceutical Manufacturing Plant in Homagama
- **2023** – Our journey continues…

ABOUT THIS REPORT

The Integrated Annual Report of Hemas Holdings PLC is prepared with the aim of providing a balanced, comprehensive and concise assessment of the Group's performance during the financial year ending 31 March 2023, continuing the journey to adopt international best practice in corporate reporting.

Scope & Boundary

The financial reporting boundary covers 40 legal entities including the parent company, collectively referred to as "the Group".

The sustainability reporting boundary of the report covers 19 legal entities. Geographically, the non-financial information included in this report has been limited to operations of the Group within Sri Lanka.

During the year, there were no significant changes to the reporting boundary or any restatement of information.

Entities included in the financial and non-financial reporting boundary

More Information Page 215

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

Assurance on financial statements has been provided by Ernst & Young

More Information Page 136

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
- Hemas Holdings Annual Report 2022/23 has reported in accordance with the GRI Standards for the period April 1, 2022 to March 31, 2023
- Recommendation of the Task Force on Climate Related Financial Disclosures (TCFD)
- Aligned to United Nations Sustainable Development Goals

Assurance on sustainability information has been provided by Ernst & Young

More Information Page 223

ABOUT THIS REPORT

SUSTAINABILITY INFORMATION

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

REPORTING PRINCIPLES

In preparing and presenting this Report, the Group has given due consideration to the guiding principles of the GRI Universal Standards, striving to deliver a comprehensive, balanced, and relevant report. The Group recognises the importance of transparent reporting and is committed to providing stakeholders with accurate and reliable information which is both internally reviewed and externally assured. It has implemented appropriate systems and processes to ensure that the information presented in this Report is complete, timely, and in accordance with applicable reporting standards. The Group will continue to refine its reporting practices and to seek feedback from stakeholders to ensure that its reporting remains relevant and meaningful.

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. This information is provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the relatively high levels of uncertainty regarding the current economic conditions.

ACKNOWLEDGEMENT

All information contained in this report has been reviewed internally by the senior management team of the Group, and also verified independently, in accordance to 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 2023 is presented in line with the reporting principles mentioned above

PUBLICATION DATE

May 24, 2023

FEEDBACK & INQUIRIES

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

Please contact the following persons for inquiries regarding the Annual Report:

Hemas Corporate Services (Pvt) Ltd,
Hemas House,
No 75, Braybrooke Place,
Colombo 2.
Tel: 114731731 Ext - 1132

PERFORMANCE HIGHLIGHTS

Performance Highlights			FY 2022/23	FY 2021/22
FINANCIAL CAPITAL More Information Page 45	Financial Performance	Revenue	113,940 million	78,831 million
		Gross Profit	31,793 million	21,850 million
		Gross Profit Margin	27.9%	27.7%
		EBITDA	12,566 million	8,244 million
		EBIT	10,963 million	6,783 million
		EBIT Margin	9.6%	8.6%
		Net Finance Cost	3,198 million	135 million
		Profit Before Tax	7,765 million	6,648 million
		Profit After Tax	5,069 million	4,834 million
		Earnings	4,269 million	4,249 million
		Earnings Margin	3.7%	5.4%
		Interest Cover	2.7 times	13.9 times
	Financial Position	Total Assets	98,498 million	76,308 million
		Total Equity	39,120 million	36,507 million
		Total Liabilities	59,378 million	39,801 million
		Net Debt/(Cash)	5,127 million	(7,328) million
		Debt/EBITDA	1.7 times	0.8 times
		Current Ratio	1.4 times	1.5 times
		Quick Ratio	0.9 times	1.0 times
		Gearing	35.4%	15.2%
		ROCE	22.9%	17.2%
	Investor Strategy	Market Capitalisation	38,775 million	27,560 million
		Share Price	65.00	46.20
		No. of shares in Issue	596,546,025	596,546,025
		Price Earnings Ratio	9.1 times	6.5 times
		Net Asset Value per Share	64.4	59.7
		Basic Earnings per Share	7.16	7.12
		Dividend per Share	2.35	4.35
		Dividend Cover	3.0 times	1.6 times
		Dividend Pay Out Ratio	32.8%	61.1%
MANUFACTURED CAPITAL More Information Page 51		Property, Plant and Equipment (PPE)	19,913 million	18,007 million
		Depreciation	1,220 million	1,092 million
		Investment in PPE	1,420 million	1,531 million

PERFORMANCE HIGHLIGHTS

Performance Highlights		FY 2022/23	FY 2021/22
INTELLECTUAL CAPITAL More Information Page 55	Trademarks Owned by Group Companies	724	694
	Industrial Designs Held by Group Companies	30	30
	Number of Own Brands	28	25
HUMAN CAPITAL More Information Page 60	Workforce	5,380	5,494
	Training Hours per Employee	10.3	12.6
	Total New Hires	1,130	1,309
	Total Work-Related Injury Rate (per 100 employees)	0.5	0.3
NATURAL CAPITAL More Information Page 67	Total Carbon Footprint (MT)	16, 456	19,637
	Green House Gas Emission – Scope 1 (MT)	2,161	3,807
	Green House Gas Emission – Scope 2 (MT)	14,296	15,830
	Significant Spills	None	None
	Total Volume of Water Withdrawn (m^3)	175,994	199147
	Energy Consumption (GJ)	101,950	131,856
	Waste Reduced, Reused, Recycled	69.1%	59.9%
	Value of Significant Environmental Fines*	None	None
SOCIAL AND RELATIONSHIP CAPITAL More Information Page 75	No. of '*Piyawara*' Schools Added	3	2
	Children with Disabilities Registered at '*Ayati*'	10,200	8,168
	Values of fines for non-compliance with laws and regulations in the social economic area	None	None

**Instances of significant fines over Rs. 1.0 million*

Inspiring
EXCELLENCE

EXECUTIVE REVIEWS

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to report that your Company performed commendably amidst one of the most challenging years in Sri Lanka's history, to post a revenue of Rs. 113.9 billion and earnings of Rs. 4.3 billion. This is now the fourth consecutive year where the business dealt with aftermaths of black swan events. The Company's ability to sustain and grow the business despite the unfavourable operating environment, demonstrates the resilience of our business portfolio, the strength of our brands and business relationships, and the agility and the commitment of our people.

SRI LANKA IN CONTEXT

Economic and political uncertainty led to changes in the offices of the President, Prime minister, and the Governor of the Central Bank.

During the period January to April 2022 the LKR depreciated against the dollar from around LKR 200 to LKR 340, when it became clear that the artificial peg of the LKR could not be sustained. Foreign currency became a scarce commodity, resulting in shortage of essential foodstuffs, medicine, and fuel. In April 2022, for the first time in our history, Sri Lanka formally defaulted on our debt obligations.

The drastic increase in interest rates, direct and indirect taxes, and the prices of cooking gas, fuel, and electricity led to a surge in inflation which peaked at 73.7% in September 2022.

Sri Lanka obtained approval for an Extended Funded Facility from the International Monetary Fund (IMF) in March 2023 for USD 2.9 billion to be disbursed over a four-year period. This marked a significant milestone in the country's long road back to economic health, but it will be imperative to adhere to the stringent austerity and reform programme agreed with the IMF to stay on the path to recovery.

NAVIGATING THE CHALLENGES

The economic crisis in Sri Lanka has had a profound impact on businesses on both the supply and demand sides, and Hemas was no exception.

On the supply side, access to foreign currency proved to be a major constraint and Business Units were forced to make portfolio choices to best satisfy customer needs whilst managing profitability. Due to the challenges, we were unable to benefit from the normal trade and credit terms, which resulted in significant investments in working capital to ensure an uninterrupted supply of products into the market. The cost of raw materials, energy, and other inputs rose sharply due to the depreciation of the LKR and the rise in global commodity prices. Businesses were forced to make regular price adjustments whilst minimising the impact on the customer by focusing on operational efficiencies. Even though commodity prices eased towards the second half of the year, businesses remained vulnerable to inflationary pressure.

The rising cost of living and deteriorating wallet sizes led to demand contraction in markets across the board. Consumers were compelled to make difficult choices, leaving them with no option but to curtail consumption, even in essential categories. The Businesses responded to these challenges by adopting an agile model, empowering teams to maintain service levels and overcome unforeseen challenges.

RESILIENT PERFORMANCE

Despite the headwinds, I am pleased to report that the Group did well to post a revenue growth of 44.5% over last year. Operating profits closed at Rs. 11.0 billion, registering a growth of 61.6%. However, this was significantly eroded by higher finance costs and taxation, resulting in earnings remaining flat at Rs. 4.3 billion. Cash flow was significantly impacted under increased investment in working capital primarily due to the foreign exchange liquidity constraints faced by the financial system of the country.

During the year, the Consumer Brands Sector had to adopt a dynamic pricing strategy, striking a balance between passing on the impact of rising costs to consumers, whilst attempting to maintain margins. Cost optimisation and efficiency improvement initiatives were prioritised to minimise the burden of rising prices on consumers. Price reductions were made in the second half of the year to pass down the benefit of declining global commodity prices. Consumers were forced to change buying habits and multiple new product offerings were introduced to cater to these evolving needs.

Despite extremely challenging circumstances, the Healthcare Sector ensured availability of essential medicines in the market. With the commencement of commercial production at our Homagama pharmaceutical manufacturing plant, a number of new affordable medicines under the '*Morison*' brand were introduced. Increased focus on key specialties including gynaecology, urology and fertility resulted in a double-digit growth in the core revenue of the Hospitals Business.

Affirmation of the Group's AAA (lka) stable outlook rating by Fitch Ratings for the fourth consecutive year is a testament of the Group's strong financial position and resilience in the face of economic challenges. The Group's track record of generating robust cash flows and the strong balance sheet, enabled it to withstand the recent economic downturn.

STRONG GOVERNANCE FRAMEWORK

As the Group seeks to accelerate inorganic growth, the Board constituted an Investment Committee in March 2023, to monitor investment strategy, set policy, evaluate deals and to review performance of investments made.

In January 2023, Dr. Anura Ekanayake who has served as a Board Director since 2013, was appointed as the Deputy Chairman of the Board. Mr. Ranil Pathirana joined the Board as an Independent Non-Executive Director.

> While our core business remains our top priority, we will also actively pursue inorganic growth opportunities in the Consumer and Healthcare spaces, as well as focus on international expansion.

With his expertise in finance for over 25 years, Mr. Pathirana will also serve as a member of the Audit Committee. Mr. Sriyan De Silva Wijeyeratne stepped down from the Board in August 2022.

LEADING WITH ESG

The Group continued prioritising making a positive impact on all our stakeholders while delivering strong financial results. To achieve this, the Group utilises its established ESG management framework to guide its efforts.

Through the lens of Purpose the Group strives to empower families to live a better tomorrow and special focus was made to support marginalised and vulnerable communities who were most affected by the economic crisis. Several new products and services in line with this objective were introduced. '*Fems Aya*', helps tackle period poverty by providing low-cost sanitary napkin options and creating awareness on menstrual hygiene.' *Upakara by Hemas Hospitals*' offers free dialysis treatment to patients in need. During the year, we partnered with UNICEF and UNDP along with like-minded corporates, to provide access to affordable healthcare and ensure food security for those who need it the most.

As a part of our Environmental Agenda the Group increased its focus on responsible manufacturing practices and tackling plastic waste. The Group partnered with Clean Ocean Force and the Marine Environment Protection Authority to carry out relevant initiatives to fulfill its commitment to offset its plastic waste by 2030.

OUTLOOK AND CONCLUSION

We are confident but not complacent about the future of Sri Lanka. We appreciate the efforts of the Government in pushing through much needed reforms, and hope that there will be political consensus around staying committed to the IMF programme, as there is really no plan B. If we do this successfully, Sri Lanka can look to achieve long-term stability and sustainable growth, which would build back a better future for all our people.

While the core business remains our top priority, we will also actively pursue inorganic growth opportunities in the Consumer and Healthcare spaces and on international expansion. The Group will also continue to drive internal reforms to ensure that we remain agile and efficient.

I would like to express my sincere gratitude to our Group CEO and the entire Hemas team for their outstanding leadership and dedication. They have worked tirelessly to keep the Company moving forward during these challenging times.

I take this opportunity to thank my fellow Board members for your wisdom and guidance through a most tumultuous year. We could not have achieved our success without the patronage and trust of our loyal customers, and our sincere thanks go out to all of you. Special thanks also to our business partners, and indeed, to all our stakeholders. Finally, I would like to thank our shareholders for continuing to repose your faith in us and assure you of our commitment to build on our strong foundation to deliver superior returns going forward.

Husein Esufally
Chairman

May 24, 2023

CEO'S REVIEW

I am pleased to present the Annual Report of Hemas Holdings PLC for the year ended March 2023, demonstrating the Group's remarkable ability to create value to stakeholders in a volatile and uncertain business environment.

Despite achieving a certain level of political stability, the Sri Lankan economy is under strain amidst the challenges surrounding the weak external position, rising inflation, devaluation of the domestic currency and increased cost of borrowing. Throughout most part of the year the Sri Lankan Rupee (LKR) remained weak against the United States Dollar (USD), imposing pressure on inflation which is well above the country's target rates. To navigate the challenges of high inflation, the Central Bank increased the interest rates, which contributed to the 7.8% contraction in the economy for the year 2022. With Sri Lanka qualifying for Extended Fund Facility (EFF) of USD 2.9 billion from the International Monetary Fund (IMF) in March 2023, the domestic economy has seen relative improvements in many key macroeconomic parameters. The Government's economic reforms, implemented as a condition for IMF to provide financial assistance, had a significant impact on the public. Increased taxes and prices amidst removal of subsidies, led to a decline in disposable income, making it challenging for individuals to sustain their desired standard of living.

Hemas continues to be committed to uplifting and empowering the community as we live our Purpose. With the intention of creating a more equitable Sri Lanka, as part of its strategic agenda, the Group will invest in multiple initiatives to support entrepreneurs in Small and Medium Enterprises (SMEs). These initiatives will help to achieve their goals and realise their potential while contributing to the growth of the domestic economy.

FOUNDATION OF OUR SUCCESS

Notwithstanding the challenges posed by adverse macroeconomic conditions, the Group remained steadfast in its commitment to its strategies, which have proven effective in navigating through successive crises. The Businesses strengthened the core by focusing on market share gains, maintaining margins through efficiency improvements while expanding the product portfolio to meet the evolving consumer needs.

With the decline in disposable income of the consumers, Home and Personal Care Segment introduced value-for-money alternatives while the Pharmaceutical Manufacturing Arm of the Group, Morison, introduced multiple high quality affordable medication in key therapeutic segments. High concentration on internationalisation and exports was a priority resulting in a 59.2% growth in export revenue within the year.

We efficiently adapted and successfully navigated the economic crisis by proactively identifying potential risks and opportunities. This was combined with strategic planning and preparedness, accompanied by strong relationships with our business partners. We are confident that these relationships and capabilities will continue to be advantageous in the future.

Hemas' robust governance framework also played a vital role in the Group's ability to overcome challenges effectively. I would like to reiterate our commitment to adhere to the Group's policies, which prioritise ethical and legal practices. We have zero tolerance for corruption, bribery, harassment, or discrimination in any work-related situations, and we strive to maintain a positive work environment that fosters trust and respect. This ensures that the interests of our stakeholders are protected, and the Group can create long-term value for continued success.

ROBUST PERFORMANCE

The Group's strategic focus has resulted in a resilient performance during the current financial year. Strong emphasis on customer-centric decision making has resulted in improved market share across key businesses leading to a 44.5% increase in Group revenue for the year. Despite the heightened margin pressure amidst increasing input costs resulting from foreign exchange pressure, interest, and domestic inflation, cumulative operating profits increased by 61.6% in comparison to last year to post a value of Rs. 11.0 billion.

Liquidity was a key success factor in facing the challenges of increased investments in working capital. The Group's strong financial position under a relatively low debt-to-equity ratio and stable cash flows enabled it to weather the storm of unfavourable headwinds encountered during the past year. This, in combination with improved operating profits and presence in defensive industries, enabled the Group's long-term rating of 'AAA (lka)' Stable Outlook to be affirmed by Fitch Ratings for the fourth consecutive year.

In the face of margin pressure, Groupwide digitalisation and efficiency improvement strategies including digital-health projects at Hospitals, material requirements planning (MRP) and sales force automation (SFA) projects at Consumer and Pharmaceutical Businesses assisted us to improve customer service, reduce costs while increasing productivity.

Consumer Brands

Even while facing multiple challenges, including rising costs, lower foreign exchange liquidity and rupee depreciation, the Consumer Brands Sector delivered a commendable performance in the financial year 2022/23. The Sector's revenue grew by 54.7% year-on-year to reach Rs. 47.6 billion, reinforced by strong contributions from all business segments. Consequently, operating profits witnessed an increase of 94.6% year-on-year to reach Rs. 5.9 billion while the earnings increased by 46.0% to reach Rs. 3.2 billion. Price increases were unavoidable due to the significant increase in input costs. The sector was highly prudent in its pricing decisions and invested in efficiency improvement initiatives to minimise the impact on customers.

Home and Personal Care (HPC) - Sri Lanka

HPC Sri Lanka's business strategies focused on ensuring the availability of goods in the market, expediting the growth of the beauty segment, improving market share across key brands, securing

CEO'S REVIEW

As we reflect on the past year, I am incredibly grateful for the passion and dedication of the Hemas team. Your commitment to excellence and unwavering determination in meeting the emerging challenges with a positive attitude has helped us achieve our goals and continue to grow as a Group.

resources for continuous operations and improving customer engagement.

With the aim of reducing the inflationary impact to consumers, the Business engaged in multiple strategic initiatives including smart procurement and process re-engineering. Many key brands have improved their market share by making a concerted effort to understand and meet the needs of their customers in the face of increasing pressure on disposable income. The changes in consumer buying patterns witnessed last year continued into the current financial year with customers opting for value for money alternatives under economic difficulty. During the year, multiple product alternatives were introduced under affordable price points including '*Velvet cutie*, '*Baby Cheramy*' value packs and '*Diva*' 700g variant.

HPC Sri Lanka also continued to invest in research and development capabilities as it shifted the focus from mass to premium products while sustaining a strong core portfolio that remains resilient in an environment of uncertainty. The new product launches in the year contributed significantly to HPC Sri Lanka's overall revenue, accounting for approximately 10% of the total. Following the success of the beauty brand '*Vivya*' which was launched last year, the Business entered the Ayurvedic Personal Care Space with '*Prasara*', a total ayurvedic personal care range that promotes optimal health and well-being of consumers.

As a venture to explore potential prospects in the adjacent food market space, '*Tasty Country Flakers*', a nourishing cereal offering a healthier alternative to conventional breakfast options, was introduced.

Learning Segment

The Learning Segment maintained its market leading position under tough market conditions. Even though the consumers were cautious on their purchase decisions, demand remained positive amidst the shift in the back-to-school season. The company continued to collaborate with diverse stakeholders and invest in purpose-driven initiatives to empower students, teachers, and communities. The premium variant of the Business '*Innovate*' welcomed its newest addition to the portfolio, '*Quirky Lanka*' a range inspired by the fusion of two worlds: the heritage of Sri Lanka and modern futurisms of the Western world. During the year the Segment launched '*Learn*', a platform for curriculum development and lesson planning. In addition, the Business has made significant progress in expanding into new spaces within the Learning Segment such as Educational Toys (Edu-Toys).

Consumer Brands - International

The Bangladesh Arm of the Group continued to face challenges amidst surge in COVID-19 cases with the spread of the Omicron virus, rising inflation and depleting foreign reserves and increasing pressure on local currency. The demand was adversely affected as the inflationary pressure continued to negatively impact consumer buying habits. The strong uptake of the personal care brand '*Actisef*' resulted in a shift in the product portfolio, contributing approximately 15% to the revenue of the Bangladesh Business.

In line with the Group's aspirations to drive exports and internationalisation, we have finalised agreements with multiple global brands. We are extremely pleased with the progress we have made so far and will continue to work towards capitalising on our manufacturing and design capabilities to explore opportunities to grow our regional footprint.

Healthcare

In spite of the extreme market conditions, the Healthcare Sector delivered stable financial performance for the year 2022/23 with a 40.3% growth in revenue mainly due to National Medicines Regulatory Authority (NMRA) approved price adjustments. However, price increases could not fully compensate for the impact of extreme currency devaluation which resulted in a relatively lower growth in operating profits for the period of 31.8%. Further, the dual impact of elevated interest rates and increased investments in working capital due to devaluation of currency, resulted in a 23.1% decrease in earnings to reach Rs. 2.0 billion for the year.

Even though the COVID-19 pandemic didn't have a significant impact on the financial year, adverse market conditions under high inflation and lack of foreign exchange availability led to severe scarcity in many essential medical drugs and equipment. Despite the reliance on donations and credit lines to acquire medical supplies, the pharmaceutical sector's significant dependence on imports remained unfulfilled by these aids.

Emerging threat of high migration rates of the medical professionals will seriously taunt the Sri Lankan healthcare system and the healthcare providers will have to take steps to address these issues to mitigate possible severe consequences.

Pharmaceuticals

In the face of the economic crisis, the Pharmaceutical Distribution Arm of the Group prioritised the availability of essential medication in the market over profitability. Hemas continued to leverage on strong business partnerships with principals, bankers, and the regulatory bodies to ensure seamless availability of key medical supplies into the market which was reflected in market share gains.

The Pharmaceutical Manufacturing Segment of the Group marked a significant milestone with the commencement of commercial production at its European Union Good Manufacturing Practice (GMP) compliant manufacturing facility at Homagama. The Group is expected to benefit from the added capacity and knowledge sharing through third-party contract manufacturing agreements in the medium- to long-term.

In line with the Business' decision to increase focus on the private branded generics market, '*Morison*' launched several molecules, including '*Ros-10*', a Rosuvastatin 10 mg tablet targeted for cardiovascular diseases, and '*Foli-Mor*', a Folic Acid 1mg tablet intended to treat or prevent folic acid deficiency. '*Empamor*', the first locally manufactured sodium-glucose co-transporter-2 inhibitor in Sri Lanka, gained traction and contributed significantly to the revenue growth of the Business in the current year. Reflecting on the Business' commitment to make premium healthcare affordable, Morison entered into an agreement with the Government to supply '*Bisoprolol 5 mg*' tablets, used for the treatment of high blood pressure and other cardiovascular conditions. With the success of the branded generics portfolio, the Business achieved to strengthen the market position with improvements in market share during the year.

Hospitals

The Hospital Business experienced a double-digit growth in core revenue driven by improved occupancy levels and surgical admissions throughout the first half of the year. However, the inflationary pressure had a significant impact on surgical revenues towards the second half of the year, shifting the portfolio towards a higher number of medical admissions compared to surgical admissions. As a part of our commitment to provide our patients with the highest quality care, Hemas continued to invest in technological advancements in anchor specialties, including an investment in a mammogram machine used in breast cancer diagnostics.

In the face of the numerous challenges surrounding severe shortage of medical practitioners in the healthcare system, digitalisation will be a key priority for private and public hospitals alike. By providing patients with access to care outside of the traditional doctor's office, digital health can mitigate the impact of the above to a larger extent while helping to upgrade patient experience through improved access and the quality of care.

Mobility

The Mobility Sector witnessed an underlying revenue growth of 21.6% under elevated freight rates and air fares while the earnings posted an underlying growth of 17.0% against last year driven by the contribution from both the Aviation and Maritime verticals.

The transportation and logistics industry faced several challenges in recent years, including the global economic slowdown, heightened port congestion and shortage in fuel. Total throughput at the port of Colombo for the year declined by 9.8% while the transshipment volumes declined by 7.6%. Both the passenger and the cargo verticals witnessed an increase in freight rates and air fares amidst the challenges which were eased towards the latter part of the year. While the passenger vertical has seen some improvements in inbound and outbound travel with increase in tourist arrivals and student and migrant travel, the cargo vertical continued to face challenges amidst import restrictions and global economic slowdown.

Despite the challenges surrounding revenue repatriation and extreme operating conditions, Hemas leveraged its long-term relationships with the principals to ensure continuous operations in the country.

INVESTING IN OUR TEAM

At Hemas, we believe that our people are our greatest asset, and their development and well being will continue to be our top priority. We are committed to creating a workplace where our employees feel safe, supported, and valued, providing an environment to unleash their full potential. Our efforts in creating a culture where young leaders are empowered and have the freedom to innovate has been proven effective in attracting and retaining talented individuals amidst the challenges surrounding high skill migration. Simplification of process and policies will be an enabler to enhance speed of decision making and an open culture.

Employees were also provided with multiple financial and non-financial aid to support them during these difficult times.

LEADING WITH ESG

The Group has in place a robust ESG management framework to effectively monitor the relevant environmental, social and governance topics to identify, manage, and rectify any risks and identify social and environmental initiatives.

During the year, the Group prioritised offsetting our plastic waste, and partnered with environmental organisations such as Clean Ocean Force and Marine Environment Protection Authority to tackle marine pollution. To date over 47,000 Kg of plastic have been collected, and the Group strives to offset 100% of its plastic waste by 2030. In line with the Group's strategy to reduce its carbon footprint, businesses with significant operations commenced a shift to greater utilisation of renewable energy and installed rooftop solar panels which will offset 25% of Group electricity consumption. The Group launched its Environmental Agenda '*Haritha Mehewara*', a long-term commitment to protect and conserve the island's critically -endangered endemic species through necessary actions and interventions. As a part of this agenda, Hemas will partner with the Wildlife and Nature

CEO'S REVIEW

I am excited about the future of our Group, and I am confident that we will continue to achieve great things together.

Protection Society to protect 52 critically-endangered endemic species.

As Sri Lanka navigates its worst ever economic crisis, the Group continued its efforts to ensure a social security net is built for the most vulnerable communities through partnerships with international agencies and like-minded corporates and ensured communities had access to medicine, food, dry rations and other critical supplies.

We continued empowering families to live a better tomorrow through its purpose initiatives. Our initiative ensuring no child is left behind, '*Piyawara*' celebrated 20 years of enhancing and enriching early childhood care and development in Sri Lanka. To date, we have added 62 pre-schools to the national network, and have impacted over 4,000 students and 150 teachers.

'*Baby Cheramy*' launched parental education programme '*Daru Patiyata Surakshitha Lowak*', focused on creating a safer world. To date 35 clinics have been conducted to over 12,000 parents. The Group commitment to tackle diabetes '*Say Yes to Life*' carried out free testing for over 5,000 internal and external stakeholders through the Hemas Hospitals network. Tackling period poverty '*Fems Aya*' continued its efforts to educate a wider audience of Sri Lankan women on menstrual health and empower women to take charge of their own health and wellbeing. During the year, 27 training sessions impacting over 15,000 individuals were held.

Through the launch of '*Diva Dathata Diriya*', the Group focused on female entrepreneurial training providing women solutions to aspire for more for themselves and their families to live a better life and conducted 14 training sessions in Dankotuwa and Jaffna impacting 99 families. Atlas through its Light a Future initiative continued providing essential learning tool packs to children in vulnerable communities. The initiative conducted in partnership with Sarvodaya Shramadana provided stationery packages to over 5,000 children who are in danger of dropping out of school.

WHAT LIES AHEAD

Regardless of the economic crisis, Hemas has displayed its resilience by maintaining profitability and achieving growth, while being stronger in the core which is reflected in the share gains. The Group's steadfast strategy, centered on its key businesses of Healthcare and Consumer, has enabled it to thrive despite the challenges.

We are aware of the challenges that will be present in the years to come and have utilised our learning from the previous year to strengthen our internal processes to face the headwinds. As the Sri Lankan economy navigates the expected economic contraction of over 3% in 2023, we anticipate the operating environment to remain volatile and inflationary pressure to adversely impact the aggregate demand of the economy, thereby hampering the growth aspirations of many industries.

Against this backdrop, the Group will focus on the defensive core of the businesses and continue to invest in adjacent spaces where there are opportunities for organic and inorganic growth. The Group will actively seek strategic opportunities to expand its dollar-denominated revenue base, beyond the current and adjacent market spaces. Continuing the success of the current financial year, driving the export portfolio and international revenue would be a focal point for the Consumer Brands Segment. While expanding into premium and underpenetrated categories in the domestic market, the Sector will also engage in purpose-led initiatives that would assist in empowering the communities to meet the challenges head-on.

We remain dedicated to addressing the challenges encountered by the healthcare ecosystem in Sri Lanka. The Pharmaceutical Distribution and Manufacturing Businesses will collectively ensure continuous supply of essential medication in the country. The Group will continue to drive digitalisation at Hospitals to face the medical practitioner shortage and encourage the ecosystem to formulate urgent solutions. The Pharmaceutical Segments will be working with our global channel partners to ensure availability of essential medication, while the 'Homagama' factory contributes to lower the import dependency of multiple essential drugs with the introduction of affordable new medicines under the *'Morison'* branded portfolio.

As we step into our seventy fifth year in operation, I would like to reiterate the commitment of the Hemas team to ensure long-term value creation and successful implementation of prudent strategies that would support the communities and the country in rebuilding the shaken-up economy.

APPRECIATIONS

As we reflect on the past year, I am incredibly grateful for the passion and dedication of the Hemas team. Your commitment to excellence and unwavering determination in meeting the emerging challenges with a positive attitude has helped us achieve our goals and continue to grow as a Group. I'm proud and privileged to lead such a talented and passionate team. Further, I would like to take this opportunity to express my sincere gratitude to the Board for their continued support and guidance in yet another strenuous year.

I would also like to thank our customers for their continued support. We are proud to serve you and we are committed to providing you with the best products and services. I wish to extend my sincere gratitude to our shareholders for their investment in our Company even with the extreme countrywide challenges. We are honoured by the trust you have placed in us, and we maintain our unwavering commitment to fostering growth and creating long-term, sustainable value.

Finally, the success of Hemas lies in the strong win-win relationships of our strategic business partners who have assisted the Group to meet the headwinds with utmost confidence. I am excited about the future of our Group, and I am confident that we will continue to achieve great things together.

Kasturi C. Wilson
Group Chief Executive Officer

May 24, 2023

BOARD OF DIRECTORS

Husein Esufally

Chairman
Non-Executive Director

Appointed
October 1997

Member
Human Resources and Remuneration Committee

Investment Committee

Skills & 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.

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

Other Current Appointments
Husein Esufally also chairs the Boards of several subsidiary companies of the Group of Hemas.

He is an active supporter of many social projects.

Dr. Anura Ekanayake

Deputy Chairman
Independent Non-Executive Director

Appointed
October 2013

Chairman
Human Resources and Remuneration Committee

Nominations and Governance Committee

Skills & 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.

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

Kasturi C. Wilson

Chief Executive Director (Group CEO)

Executive Director

Appointed
July 2020

Member
Related Party Transactions Review Committee

Investment Committee

Skills & 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 Programme 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. Kasturi Wilson also represented Sri Lanka as a member of the National Netball and Basketball Teams.

Other Current Appointments
Kasturi Wilson serves on the Board of National Development Bank PLC as a Non-Executive Director, along with several other subsidiaries of the Hemas Group.

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

Abbas
Esufally

Non-Executive Director

Appointed
May 1991

Member
Nomination and Governance Committee

Skills & Experience
With over 40 years' experience in the tourism industry, Abbas Esufally has played a pivotal role in expanding the Group's Leisure interest.

He has played an active part in 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 & Wales and the Institute of Chartered Accountants of Sri Lanka.

Other Current Appointments
Abbas Esufally serves as the Chairman of Diethelm Travel Sri Lanka (Pvt) Ltd.

He also serves on several other listed and unlisted company boards.

He also acts as the Deputy Chairperson for AYATI Trust, Sri Lanka, a Center of Excellence for children with disabilities.

Abbas Esufally is an all-Island Justice of Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.

Jyotindra
Trivedi

Independent Non-Executive Director

Appointed
August 2017

Member
Nominations and Governance Committee

Investment Committee

Skills & 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$12bn 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.

He 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 Bluepine Energy Private Limited which is building a clean energy platform with Wind and Solar assets of more than 2000mw capacity in India and a limited Partner of Disha Counsellors LLP.

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

Imtiaz
Esufally

Non-Executive Director

Appointed
May 1991

Member
Audit and Risk Committee

Related Party Transactions Review Committee

Skills & 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 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.

BOARD OF DIRECTORS

Shaktha
Amaratunga

Independent Non-Executive Director

Appointed
January 2016

Chairman
Audit Committee

Related Party Transactions Review Committee

Member
Human Resources and Remuneration Committee

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

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

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

Murtaza
Esufally

Non-Executive Director

Appointed
September 1998

Skills & 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 Laws Degree from the University of Essex, UK.

Murtaza Esufally 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.

Murtaza Esufally is the Co-Founder of Learn4Lifelanka.

Prabhash
Subasinghe

Independent Non-Executive Director

Appointed
January 2022

Skills & Experience
Prabhash Subasinghe is the Founder/ Managing Director of GRI (Global Rubber Industries (Pvt) Ltd) which was established in 2001 to manufacture high-performance specialty tires for markets worldwide, and also GSF (Global Seafoods (Pvt) Ltd) which was established in 1999, to process and supply high-quality fresh, frozen, and raw seafood to Europe, USA and Japan. With 10 offices located around the world, GRI and GSF combined are home to 1200 employees covering sixteen nationalities.

He is also the founder of Ayenka Holdings, an Investment Company that includes a large and diverse portfolio of investments in the Colombo Stock Exchange and a luxury real estate project in the Maldives.

Prabhash Subasinghe holds a Bachelor's Degree in Applied Economics and Business from Cornell University and is an Alumni of Harvard Business School.

Other Current Appointments
Prabhash Subasinghe serves as a member of the Advisory Committee which assists the National Economic Council of Sri Lanka, and the main committee of the Ceylon Chamber of Commerce, whilst also serving as a Director of the SDB Bank.

He is a principal shareholder of Ceylinco Insurance PLC, the largest listed insurer in Sri Lanka, and is a prominent shareholder of Sampath Bank PLC, one of Sri Lanka's flagship private banks.

Ranil
Pathirana

Independent Non-Executive Director

Appointed
January 2023

Skills & Experience
Ranil Pathirana has extensive experience in Finance and Management in the financial, apparel and energy sectors.

Ranil Pathirana is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA - UK) and holds a Bachelor of Commerce Degree from the University of Sri Jayewardenepura.

Other Current Appointments
Ranil Pathirana serves as a Director of the Hirdaramani Group, including Apparel, Leisure & Investment Holding Companies. He is also the Managing Director of Hirdaramani International Exports (Pvt) Ltd. The Hirdaramani Group has apparel manufacturing facilities across Sri Lanka, Bangladesh, Vietnam and Ethiopia.

He also serves on the Boards of several listed entities.

BOARD OF MANAGEMENT

Kasturi
C. Wilson

Chief Executive Director (Group CEO)

Executive Director

Please refer Board of Directors Profiles on Page 18

Sabrina
Esufally

Managing Director- Hemas Manufacturing (Private) Limited

Sabrina Esufally is the Managing Director of Hemas Consumer Brands. She leads cross functional teams in sales, marketing, innovation and supply chain to drive growth and market share in the company's home and personal care business. Sabrina joined the Hemas group in 2019, where she headed Business Development at Morison Limited, the group's pharmaceutical and OTC manufacturing vertical. She then transitioned to Hemas Consumer Brands in 2020, where she drove portfolio growth and brand development in emerging categories in beauty and wellness.

Prior to joining the Hemas Group, Sabrina was the Head of Legal Research at Verité Research, a leading think tank in Colombo. Sabrina has published widely on matters of public policy reform including access to information, government procurement and judicial reform.

Sabrina is an Attorney - at - Law of the Supreme Court of Sri Lanka and holds a First Class Honours from the University of Durham, UK. She also holds a LLM from Harvard Law School. Sabrina is currently enrolled in the Owner President Management Programme at Harvard Business School.

Jude
Fernando

Managing Director- Hemas Pharmaceuticals (Private) Limited and Hemas Surgical and Diagnostics (Private) Limited

Jude Fernando is the Managing Director of Hemas Pharmaceuticals (Private) Limited.

Prior to re-joining Hemas he served as the Director/ Chief Executive Officer of Janashakthi Insurance PLC since 2014.

He brings with him over 27 years of experience in senior positions across many industries and in 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 & Marketing for Cargills FMCG Brands. He has served on the Boards of Dunamis Capital PLC, Kelsey Homes, and First Capital Holdings PLC. He held the position of Director Supply Chain of Hemas Manufacturing prior taking up the role of Director/ CEO post at Kotmale PLC in 2008.

An Accountant by profession, Jude Fernando 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.

Lakith
Peiris

Managing Director – Hemas Hospitals (Private) Limited

Dr. Lakith Peiris is the Managing Director of Hemas Hospitals and the Laboratory Chain. He is also the Lead CRT for Hemas Group.
Lakith is a well-known leader in the healthcare industry with over 30 years in healthcare leadership heading hospitals, laboratories and MNCs in pharmaceuticals, devices and medical equipment. During his tenure as the CEO of Lanka Hospitals (previously known as Apollo) for over seven years, he turned around and lead it to become one of the most successful hospitals in the country.

Lakith 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 is currently the chair for Health sector in the Singapore-Sri Lanka Business Council, member of the Private Health Services Regulatory Council of the Ministry of Health appointed by the Hon Health Minister through an act of parliament, Immediate Past President of the Association of Private Hospitals & Nursing Homes. Lakith was also the Chairman of the Advisory Committee of Wellness Tourism of Export Development Board of Sri Lanka, and was appointed by the Ceylon Chamber of Commerce as the lead to formulate the 2025 health sector strategy for economic acceleration framework 2020 to 2025 roadmap of Sri Lanka.

Asitha Samaraweera

Managing Director - Atlas Axillia Company (Private) Limited

Asitha Samaraweera 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' of 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 Atlas Axillia Co. (Pvt) Ltd.

Prior to his role at CBL, Asitha Samaraweera 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 PLC and Vice President at John Keells Holdings PLC.

Asitha Samaraweera began his career with Nestle joining as a Management Trainee and rising in the ranks in the Marketing arena.

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.

Dinesh Athapaththu

Managing Director – Morison Limited

Dinesh Athapaththu is the Managing Director of Morison Limited. He is a Fellow member of the Charted Institute of Management Accountants (UK) and has a 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 was appointed as the Chief Operating Officer in 2019.

Dinesh Athapaththu has over 16 years of experience in local and international business. 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.

Dinesh Athapaththu is a member of the Executive Committee of Sri Lanka Chamber of Pharmaceutical Industry and at present he holds the position of Vice President of The Sri Lanka Pharmaceutical Manufacturers' Association (SLPMA).

Mushin Kitchilan

Director- Hemas Transportation (Private) Limited

Mushin Kitchilan leads the Mobility Sector of the Hemas Group, and was appointed as the Director of the sector in January 2022. Having started his career in 2007 when he joined Hemas as a Trainee Finance Executive, he rose through the ranks of the group, holding several leadership roles in Finance, including serving the Mobility Sector as Finance Controller. In 2017, he was assigned to head the Evergreen Line Agency Operations, which kickstarted his career in commercial operations. Having spearheaded many logistics and maritime initiatives for the sector, he was appointed the Director of the Mobility sector in 2022.

In addition to his career at Hemas, he is actively engaged in shaping Sri Lanka's Logistics and Maritime industry, and has been serving as an Executive Committee Member of the Ceylon Association of Shipping Agents since 2020/2021. He is also a member of the sector committee on Transport and Logistics of The Ceylon Chamber of Commerce since 2021.

Mushin holds an MBA from the University of Wales, and is an Associate member of the Chartered Institute of Management Accountants (UK).

BOARD OF MANAGEMENT

Zalmi Fazeel

Chief Financial Officer

Zalmi Fazeel is the Chief Financial Officer of 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 (Private) Limited, from March 2017 to July 2018.

Zalmi Fazeel was appointed as the Group Chief Financial Officer of Hemas Holdings PLC with effect from 1st September 2018. At present, he serves on the Boards of a number of subsidiaries of the Hemas Group, whilst heading the Group Finance and Treasury divisions of HHL.

He is a Fellow of the Chartered Institute of Management Accountants (UK).

Ravi Jayasekera

Chief People Officer

Ravi Jayasekera is the Chief People Officer of Hemas Holdings PLC. Ravi Jayasekera was the Vice President HR at Union Bank of Colombo PLC immediately prior to joining Hemas and brings with him over 20 years of senior management experience in Human Resources.

Prior to joining Union Bank, Ravi Jayasekera held multiple senior management roles in Human Resources both in Sri Lanka and overseas with Multinational Banks.

During the period 2004 to 2014, he worked at HSBC as its Head of HR for Sri Lanka and Maldives, Head of HR for HSBC Australia, Head of HR for Mauritius and Senior Manager Group HR for Retail Banking and Wealth Management based in Hong Kong.

Prior to joining HSBC in 2004, Ravi Jayasekera worked at Standard Chartered Bank and Standard Chartered Grindlays Bank in several HR roles which included HR Operations, Employee Relations, Industrial Relations and Compensation and Benefits.

Ravi Jayasekera holds a MBA from the University of Western Sydney, Australia.

Rizny Faisal

Director/ Head of Group M&A and Strategy Growth

Rizny Faisal leads Strategy and Mergers and Acquisition for Hemas Holdings PLC. Prior to his role in Hemas, Rizny Faisal headed the Equity Capital Markets and Mergers & Acquisitions team at CAL. a leading Investment Bank in Sri Lanka, where he has been at the forefront of concluding several landmark ECM and M&A transactions across buy-side, sell-side and cross border transactions in healthcare, consumer staples, consumer discretionary, utilities , information technology, materials and industrials.

He was also an integral part of the Mergers and Acquisitions team at PwC Sri Lanka for five years where he managed several transactions for local and foreign clients in the capacity of buy-side advisor, sell-side advisor and financial due diligence advisor across multiple verticals including financial services, consumer staples, consumer discretionary, utilities, communication services and industrials.

Prior to his stint at PwC Sri Lanka, he was attached to Amba Research (Subsidiary of Moody's Analytics), where he assisted a Global Asset Manager with his research on companies across sectors predominantly in North America, Europe and South-East Asia. Rizny Faisal started his career as an Auditor for KPMG Sri Lanka, where he assisted with audits for companies in multiple sectors.

Rizny Faisal is a CFA charter holder (USA) and an Associate Member of the Chartered Institute of Management Accountants (UK).

Pathways of INSPIRATION

MANAGEMENT DISCUSSION AND ANALYSIS

A RESILIENT BUSINESS MODEL

Purpose: Empower Families to Live a better tomorrow

Group Capitals

FINANCIAL CAPITAL

- Rs. 39.1 billion in equity
- Rs. 17.2 billion in interest-bearing borrowing

MANUFACTURED CAPITAL

- Rs. 19.9 billion in property plant and equipment
- Rs. 28.6 billion in inventory
- Rs. 663.3 million in investment in solar

INTELLECTUAL CAPITAL

- 75 years of accumulated brand reputation
- Tested system and processes
- Certified management systems
- 28 own brands
- 724 trademarks
- 30 industrial designs

HUMAN CAPITAL

- 5,380 workforce
- 48,995 training hours
- 0.42 total work related injury rate
- HR governance and compliance
- Talent management framework

NATURAL CAPITAL

- Investment in rooftop solar to offset 25% electricity consumption
- Offsetting end consumer plastic waste
- 175,994 m^3 water withdrawal
- 101,950 GJ of energy used
- Environmental management systems and certifications

SOCIAL AND RELATIONSHIP CAPITAL

- 745 local suppliers
- Initiatives to empower families
- Product responsibility framework
- Long-standing relationships with leading global principals
- Community engagement, impact assessment, development programmes

Consumer Brands

Healthcare

Mobility

Center Functions/Support Services

- Group IT
- Group Legal and Secretarial
- Corporate Affairs
- Risk Management
- Strategy and M&A
- Group Finance and Treasury
- Human Resources

Values: Passion for Customer | Obsession for Performance | Driven by Innovation | Concern for People

Value Created

For Consumers

- Home and Personal Care products for family wellbeing
- Innovation on timely products
- School stationery to support education and learning
- Access to affordable healthcare services and medicines

For Employees

- Remuneration and benefits
- Opportunities for growth
- Equal opportunity employer and health conscious workplace
- Extended parental leave

For Principals

- Access to markets
- Competent representation
- Shared growth

For Business Partners

- Market development
- Shared growth
- Reliable supply
- Timely payments
- Business support
- Responsible business alignment

For Communities

- Equal access to education
- Inclusive therapy for children with disabilities
- Social security net
- Scholarship programme
- Addressing key social needs
- Empowering programmes for vulnerable communities

For Government

- Job creation
- Direct and indirect taxes
- Supporting Government plans
- Partnerships for social welfare

For Shareholder

- Return on equity 13.4%
- Dividend per share Rs. 2.35
- Net Asset per share Rs. 64.38

Outputs and impacts

Health, Hygiene and Wellbeing

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

Group Earnings Capacity

- Resilience in earnings

Indirect Employment

- One of the largest distributor network in the country supporting job creation
- Growing secondary retail channel supports livelihoods of micro entrepreneurs

Saving Foreign Exchange

- Manufacture of medicines and personal care products in the country

Facilitating Trade

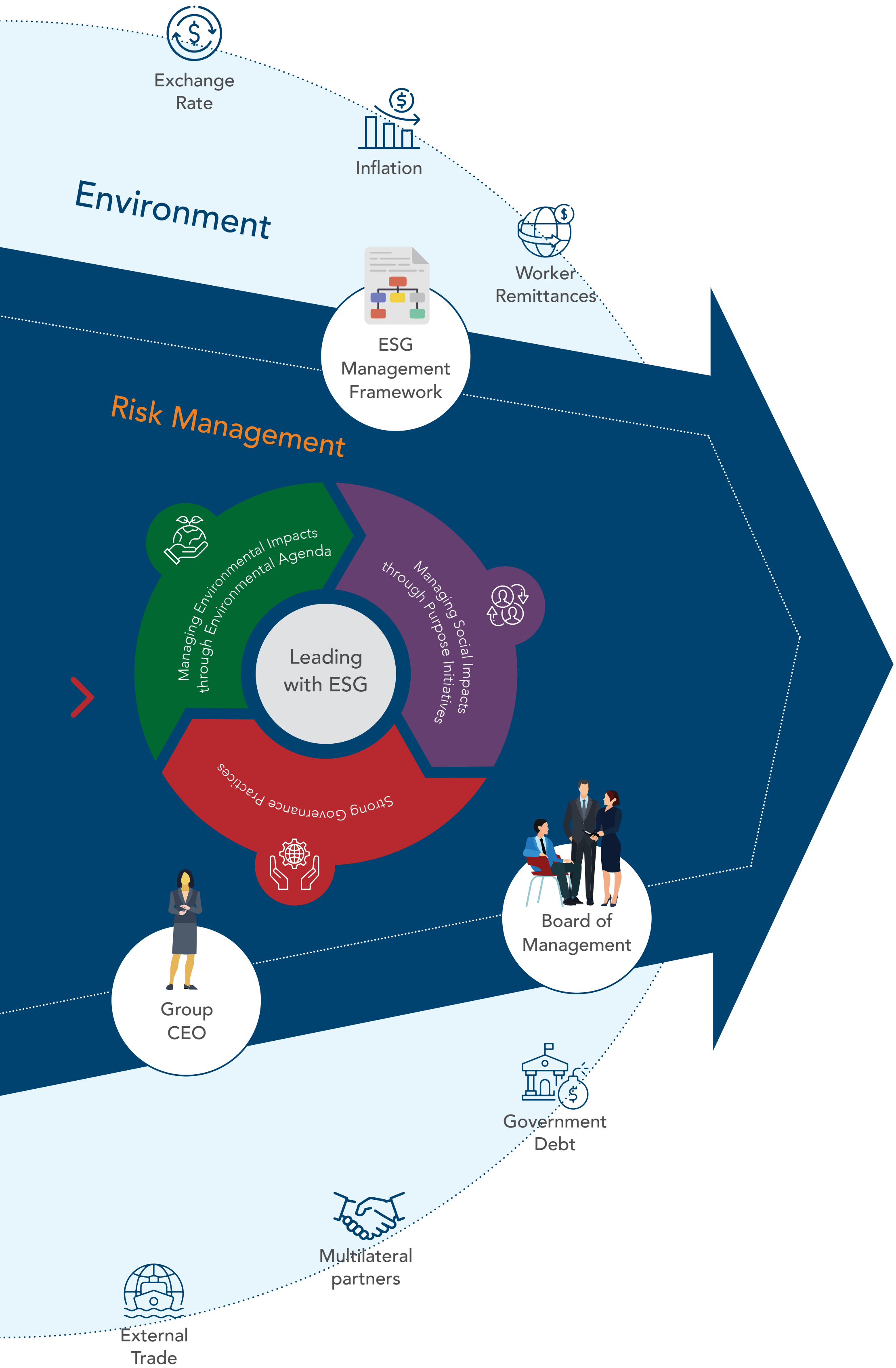
- Mobility sector plays a key role in facilitating imports and exports
- Internal transportation of goods facilitating access to quality products islandwide

Impact on Environment

- Emissions of 16,456 MT CO_2 equivalents
- Effluents treated and discharged 128,575 m^3
- 237,962 Kg of waste disposed to landfills

Alignment with SDG's

CREATING VALUE



PURPOSE

Empowering families to live a better tomorrow

INVESTOR RELATIONS

Investor Relations (IR) is a function within the Group that is responsible for developing and marketing Hemas' story to the financial community with an objective of conveying the necessary information on business activities, growth strategy, and ability to build value over time.

IR Implementation Strategy

- Proactive marketer of company story
- Fundamental understanding of Equity markets and investment process
- Internal purveyor of market intelligence to senior management

Key Investor Ratios

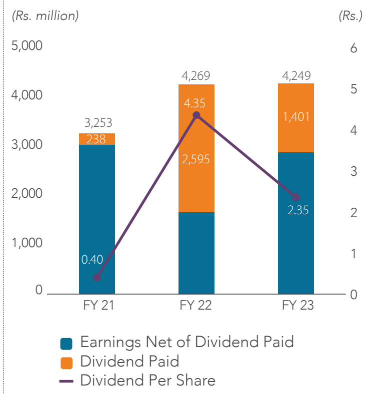
Earnings per Share
Rs. 7.16
(FY 2021/22: Rs. 7.12)

Price to Earnings
9.1 times
(FY 2021/22: 6.5 times)

Return on Capital Employed
22.9%
(FY 2021/22: 17.2%)

Return on Equity
13.4%
(FY 2021/22: 13.8%)

Distributions to Shareholders of the Parent



Closing Market Capitalisation
Rs. 38.8 billion
(FY 2021/22: Rs. 27.6 billion)

Closing Share Price
Rs. 65.00
(FY 2021/22: Rs. 46.20)

What We Do

Maintaining effective two-way communications with the financing community.

- Quarterly investor call
- One-on one investor/analyst meetings
- Participation at forums/webinars and road shows to increase awareness
- Use of social media, Company website and e-mail communications to convey up-to-date information regarding the Group

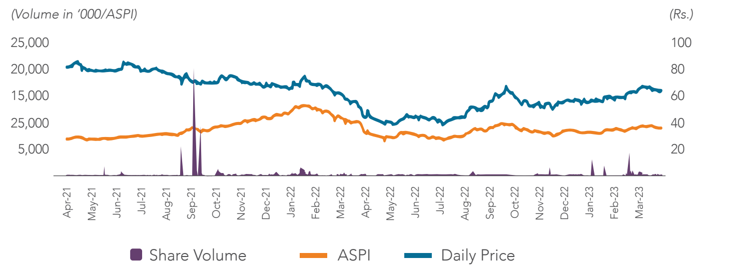
Ensuring availability of resources including quarterly and annual publications for investors to take effective financing decisions.

Liaise with all parties to ensure consistency, accountability and clarity on all IR functions.

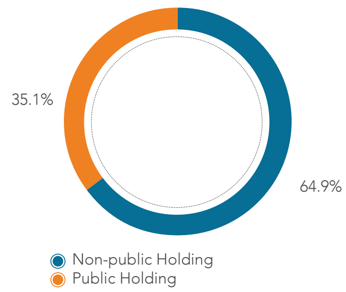
Contact:
E-mail: ir@hemas.com

Website:
www.hemas.com/investor.html

HHL Share Movement vs Market



Share Ownership % - FY 23



OPERATING ENVIRONMENT

This section describes the challenging external environment in which the Group operated in the year under review. These factors and their impact on the Business are closely monitored to mitigate risks and seize opportunities.

GLOBAL ECONOMY

The global economy, which rebounded strongly from the COVID-19 pandemic in 2021, is now growing at its slowest pace since the 1970s. The world economic growth was at 2.9% in 2022 due to the lingering effects of the COVID-19 pandemic as well as the war in Ukraine. The world's largest economy, the United States of America contracted sharply owing to increasing inflation, unemployment and increase in federal reserve rates. Similarly, many developed economies witnessed one of the most aggressive disinflationary monetary policy cycles in recent history, seriously alarming the world on a potential of a much deeper economic slowdown in the years to come.

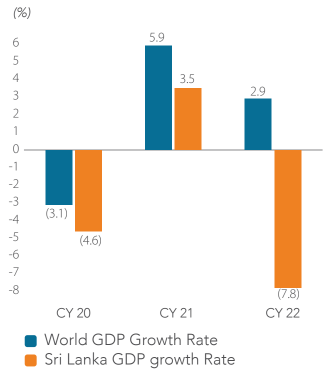
In 2023, global growth is projected to reduce to 1.7%, its third-weakest pace in nearly three decades. With lower growth in investments in both developing and emerging markets, small sovereigns will face increased vulnerability for any external shocks due to their heavy reliance on external trade and financing, limited diversification in revenue streams, elevated debt, and susceptibility to natural disasters.

The World Health Organisation (WHO) announced that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. Amidst the positive sentiments, international tourism is anticipated to return to pre-pandemic levels, with twice as many people travelling during the first quarter of 2023 than in the same period of 2022.

SRI LANKAN ECONOMY

Sri Lanka faced unprecedented levels of economic, social, and political turmoil during the year 2022 as the country was faced with multiple challenges including shortages in key essential items, lower availability of foreign exchange liquidity, steep depreciation of the Sri Lankan Rupee, soaring inflation and escalating interest costs. These challenges caused widespread disruption to economic activity leading to civil unrest and political uncertainty.

Global Economy



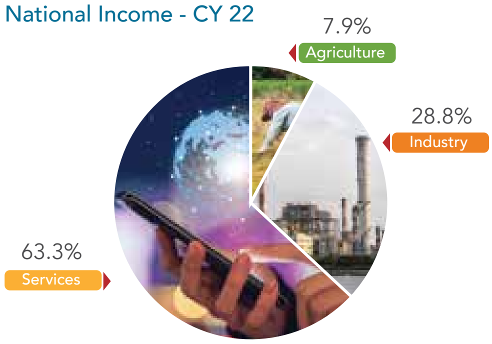
CY: Calendar Year

The Sri Lankan economy is expected to enter into a path of recovery in the latter part of 2023, given the progress made with the IMF programme and debt restructuring negotiations. Under the guidance of IMF, Sri Lanka is expected to initiate much-needed structural reforms with a view of achieving greater stability while paving the way to sustained long-term growth.

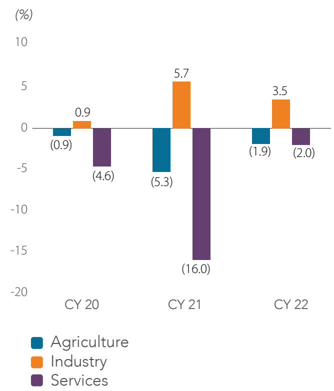
GROSS DOMESTIC PRODUCT

Driven by the contraction of all three sectors, Sri Lanka recorded the highest ever economic slowdown in history of 7.8% in 2022. The agriculture sector contracted by 4.6% driven by shortages in fertiliser and agrochemicals, rising cost of inputs coupled with fuel shortages. Extensive power outage and scarcity of fuel heightened by the slowdown in the global economy resulted in a 16.0% degrowth in the country's industry sector. The services sector remained relatively resilient with a 2.0% decline due to the strong performance of the information technology and telecommunications businesses. With the implementation of strong political and economic reforms, the overall contraction of the Sri Lankan economy is expected to improve to 3-5% in 2023.

Contribution to Gross National Income - CY 22



Real Output % Change by Sector

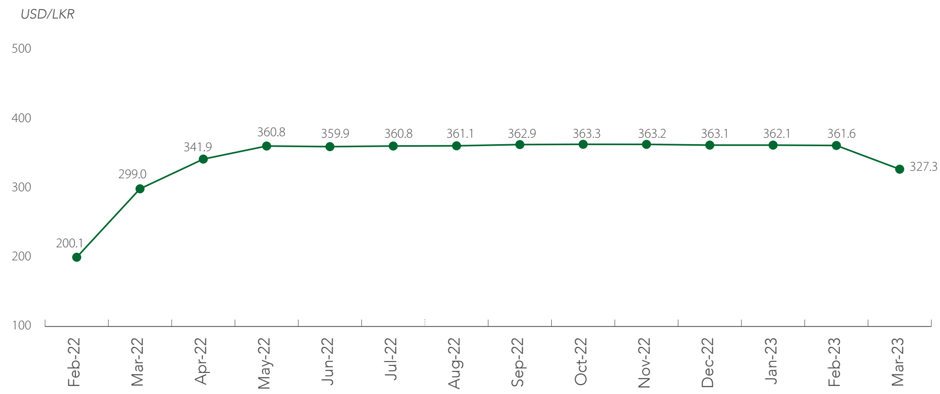


EXCHANGE RATE

In March 2022, the Sri Lankan rupee was devalued in an attempt to reduce pressure on the country's foreign exchange reserves. As a result, the LKR depreciated by over 75 % against USD by the end of May 2022, deteriorating the value of the currency to approximately 360 rupees per dollar in comparison to previous year average of 200. However, the exchange rate was relatively stable throughout the remainder of the year and appreciated to about 320 in March 2023 amidst increased inflow and weaker demand of foreign currency under restrictions on imports.

OPERATING ENVIRONMENT

USD/LKR Exchange Rate

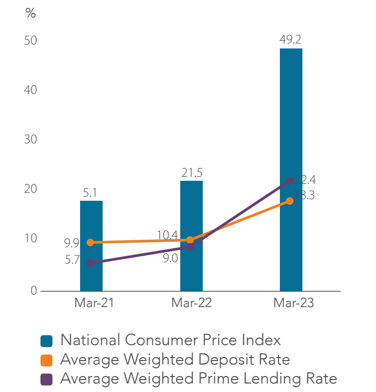


INFLATION AND INTEREST RATES

Fuelled by the steep depreciation of the Sri Lankan Rupee and elevated global commodity prices, cost of imported goods and services rose significantly during the year. The ripple effect of increased prices of fuel, energy and other intermediary goods resulted in higher prices of both imported and locally manufactured products in the market. Percentage growth of year-on-year change in National Consumer Price Index (NCPI) peaked in September 2022 at 73.7% and eased down to 49.2% in March 2023.

As a prerequisite for the IMF Extended Fund Facility (EFF) arrangement, the Monetary Board and the IMF staff reached a consensus to raise the policy interest rates to help lower the spread between policy interest rates and high market interest rates. Consequently, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were increased by 100 basis points to 15.5% and 16.5% in March 2023.

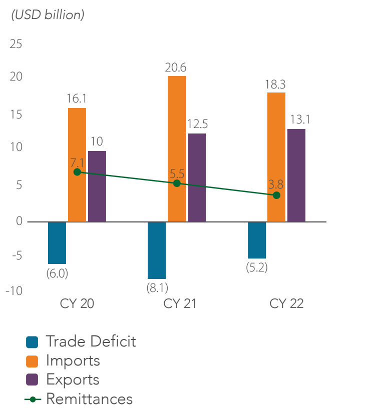
Inflation and Interest Rates



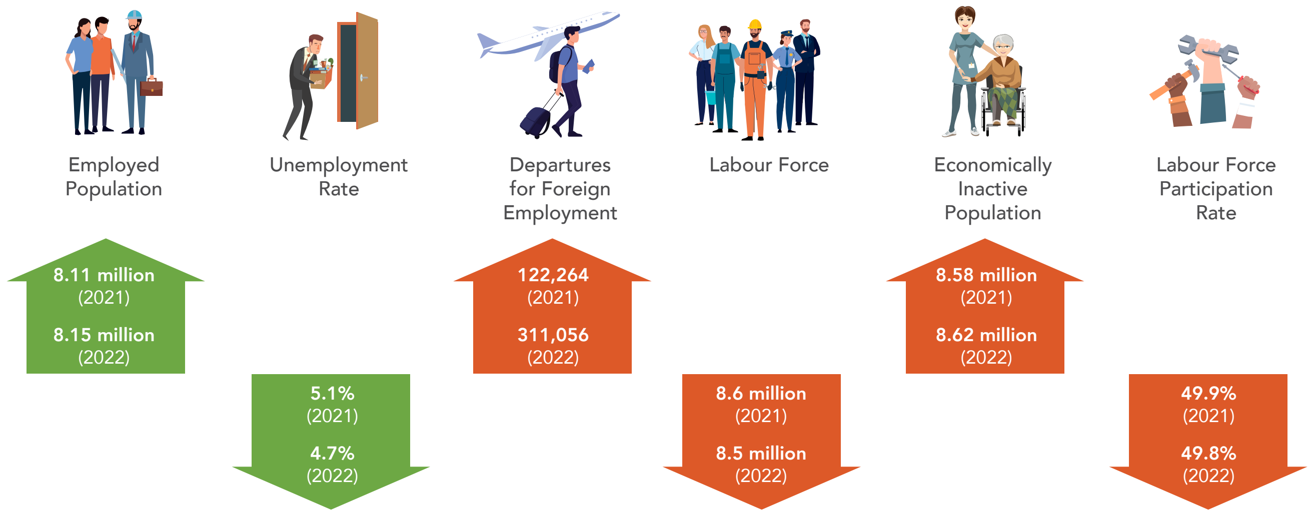
EXTERNAL TRADE

The external Sector of Sri Lanka faced number of unprecedented challenges in 2022, including a severe balance of payments crisis, dwindling foreign exchange reserves, a sharp depreciation of the currency, and a shortage of foreign exchange liquidity in the banking system. In this backdrop, the Government introduced policy measures to curtail imports which resulted in significant improvements in the trade deficit to USD 5.2 billion in 2022. While workers' remittances improved significantly towards the second half of 2022, the full year value recorded a decline of over 30% amidst the significant differences in exchange rates offered by the banking system and unofficial foreign exchange channels.

External Sector



LABOUR MARKET



The unemployment rate declined to 4.7% in 2022 from 5.1% recorded in the previous year in which employment was impacted by the COVID-19 driven challenges. Both the labour force and labour force participation declined marginally while departures for foreign employment recorded a significant growth of 154.4% to 311,056 in 2022 from 122,264 in 2021.

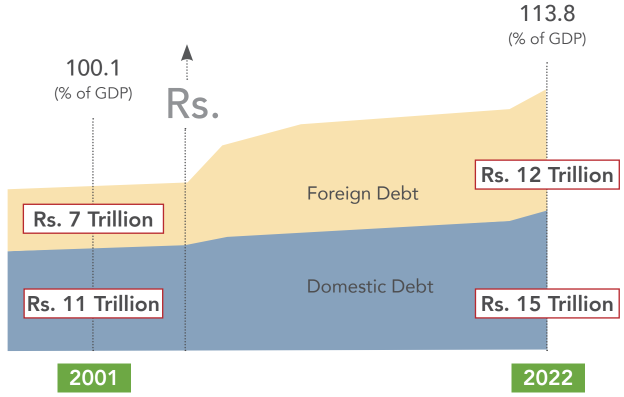
GOVERNMENT DEBT

Despite having an unblemished record of external debt service since independence in 1948, the Sri Lankan Government declared in April 2022 that it would suspend its foreign debt service commitments due to severe shortage in gross official reserves. The announcement had a snowballing effect which triggered a significant downgrade in Sri Lanka's sovereign rating by all international rating agencies at multiple instances. Despite the improvement in market sentiment in early 2023 due to the successful qualification for the IMF's EFF arrangement, the Sri Lankan Government is still in the process of restructuring its external debt obligations and expected to provide a detailed plan for domestic debt restructuring in May 2023.

Sovereign Credit Rating Downgrades

	S&P	Fitch	Moody's
2019 End	B(S)	B (N)	B2(S)
2020 End	CCC(+)(S)	CCC	Caa1(S)
2021 End	CCC+(N)	CC	Caa2(S)
2022 End	SD	RD	Ca(S)

Outstanding Central Government Debt



Sources: World Bank, United Nations World Tourism Organisation, World Health Organisation

OPERATING ENVIRONMENT

OPERATING ENVIRONMENT – IMPACT ON HEMAS

Government Debt
While the unsustainable level of Government debt will have an indirect impact on other key parameters, minimal direct impact to the Group.

Labour Market
Minimal impact due Hemas' strong human resource policies to attract, retain and develop talented individuals.

GDP Growth
Despite the decline in aggregate demand, the impact on the Group remained minimal due to Hemas having operations in defensive sectors of healthcare and consumer essentials.

Inflation
Under reduced purchasing power, volumes across the businesses witnessed declines during the year. The Group was extremely cautious about the pricing decisions and implemented multiple cost-saving initiatives to ease the burden on the customers.

Interest Rates
While the strong financial position of the Group provided a cushion to absorb the increased liquidity requirements, finance cost for the year increased by 8.5 times in comparison to last year.

Exchange Rate
Due to high dependency on imports for raw material and distributed goods, the margins of the Group were pressured by the adverse impact of LKR depreciation. Proactive actions were taken by the teams to mitigate the impact of volatility by working with the financing and supply chain partners.

BUILDING A RESILIENT STRATEGY

GROUP STRATEGIC BUILDING BLOCKS

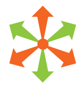
Unlocking Growth

Building more from the core

Accelerate current business efforts to drive higher value in core business

New business and Internationalisation

Explore attractive opportunities in new spaces and international markets



New within the core and Adjacencies

Capturing new revenue streams to further strengthen the core and adjacencies

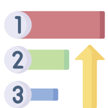
The Group's strategy is guided by its purpose, which is to empower families to live a better tomorrow. The Group has identified three key drivers to unlock growth: 'core businesses', 'adjacencies' and 'new business verticals'. The core businesses remain strong as we record our highest revenue and operating profit for the third consecutive year. We are confident that our long-term growth will be driven by investments in entering new markets, building new business lines and expanding our international presence while continuing to strengthen our core businesses. We have earmarked a significant portion of the Group's EBITDA and liquidity for our future growth over the next three to four years. The Group regularly analyses potential growth areas in the economy, both current and future, when making portfolio choices and considering entry into new business verticals.

Increase in profitability is envisaged through growth, changes to its portfolio mix and driving productivity and efficiency across the value chains. Digital transformation in sales, demand and supply planning in across business units will drive efficiency and margins.

Capital and resources are allocated to each business based on its strategic importance to the overall portfolio.

KEY STRATEGIC PRIORITIES

The Group has identified focus areas both across the organisation and within specific segments that align with its Strategic Building Blocks. Key initiatives have been categorised under each of these key priorities, and the Group continuously measures performance against each of them.



Key Priorities

Group
- International Business
- New Business
- Digital Transformation
- Culture and Capability
- ESG

Segment specific
- Consumer Brands
- Healthcare
- Mobility

BUILDING A RESILIENT STRATEGY

GROUP

Accelerate International Business

Expanding the portfolio in Bangladesh will continue to be a key priority, with focus on strengthening the Group's position in the hair oil space and launching new products in the personal care space in financial year 2023/24. The Group intends to pursue distribution partnerships with international players.

The Home and Personal Care Business and learning segment aims to expand their export footprint through product and geography expansion, as well as partnerships. The two teams will be merged for better focus and accelerated growth.

To accelerate growth its imperative that the Group enters new business verticals. The Group conducts ongoing analysis of the external environment to identify emerging trends in spaces where there is a natural 'right-to-play'. The Group plans to actively seek out strategic investments in the consumer goods and education spaces.

Digital Transformation

The Group firmly believes that digital transformation will be a key driver of value creation and would play a vital role across businesses. In the Healthcare sector, the Group aims to remodel healthcare to enhance patient values, drive efficiencies, and use data for informed decision making and identify trends. In the Consumer Brands and Pharmaceutical Distribution Segments, digital transformation will be utilised to unlock value in sales teams, understand consumption patterns and drive supply chain efficiencies.

Culture and Capability

In order to achieve its vision, the Group has prioritised the development of talent and capabilities and fostering an enabling culture that supports high performance among employees. Enabling this strategy is the cultivation of teams that are willing to experiment, collaborate effectively, and possess a deep understanding of consumers better than competitors. A critical factor for the Group's sustained growth will be the development of young leaders who can drive innovation and excellence across the organisation.

The Group will continue to prioritise ESG and leverage its comprehensive ESG management framework to guide its efforts. The Group strives to address its environmental impact through its Environmental Agenda which focuses on responsible plastic production and disposal practices, safeguard our ecosystem and protect our natural resources. The Group will continue to create a social security net through its purpose projects which focuses on empowering families to live a better tomorrow.

SEGMENT SPECIFIC

Consumer Brands

The Home and Personal Care Business will prioritise driving market share gains across multiple categories, by developing purpose driven brands and innovating to align with emerging consumer trends.

The Business will increase its focus in personal care and beauty and wellness spaces and drive margins through gains in productivity and efficiency.

Additionally, the Business will prioritise acceleration of exports, including the expansion of its exportable portfolio and penetration in key focus markets.

The Learning Segment will continue to strengthen its market leadership position by prioritising customer loyalty, innovation, and effective positioning strategies.

The Business will implement a portfolio strategy that includes both smart propositions designed for value seeking customers and premiumisation strategy to appeal to aspirational youth.

In addition, the Business aims to expand into new spaces within the Segment such as educational toys, while prioritising international expansion through a branded approach in selected geographies, and an Original Design Manufacturer (ODM)/Original Equipment Manufacturer (OEM) approach in others. The Learning Segment is actively pursuing partnerships with global stationary players to support its growth objectives.

Healthcare

Maintaining its market leadership position will continue to be a priority for the Business. This is to be achieved by driving growth in under-indexed therapeutic classes, scaling up its route to market, and channelling excellence efforts.

Venturing into surgical and diagnostics spaces would be of key focus. Using data in understanding patient consumption patterns and growth will ensure that resources are utilised effectively.

Building the *'Morison'* brand by capitalising on existing launches and new product launches remains a key strategic priority for the Business. The Business also aims to reach breakeven levels in the new plant by scaling up of volumes and optimising its portfolio choices. Additionally, the Business will work towards establishing contract manufacturing partnerships.

Hospitals Business aims to become a leading tertiary care provider by focusing on building depth and scale of identified anchor and super specialties such as cardiology, fertility, nephrology, urology gastro-enterology and orthopaedics. Additionally, the Business will continue its drive to expand its operations.

In its core Business, driving higher footfall, increasing surgical revenues, and expanding the network of labs will be key priorities. To achieve this, the Business will prioritise digital initiatives as a key enabler.

Mobility

Expanding its presence in the logistics spaces is a key priority for the Mobility Sector.

SUSTAINABILITY INTEGRATION

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

As a result, the Group strives to minimise its operational impacts through the entrenchment of responsible business practices and the monitoring of key sustainability performance indicators.

SUSTAINABILITY AT HEMAS

The Group's sustainability policy is based on the overall impact of the organisation's operations on the three components of sustainability: Environment, Society, and Economic, with the Corporate Governance framework and Enterprise Risk Management function as the foundation of these three components.

At Hemas, sustainability is brought to life through a working culture that embraces sustainability as a natural choice. The Group inculcates sustainability into its day-to-day operations through learning, sharing, collaborating, and reinforcing. The Group believes sustainability should be a way of life that permeates into every single business process and strategic decision.

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

The Group Sustainability Policy, consisting of policies on environment, society, and economy, embeds the Precautionary Principle wherein the Group commits to take preventative action in the face of uncertainty to prevent potential risk and associated impact to its stakeholders and environment. Being a predominantly manufacturing organisation, the Group focuses significantly on the human rights of its workforce and as a result, the Group Human Resources policies, processes, and practices are fully in adherence to Sri Lanka labour regulations which are aligned to the International Labour Organisation (ILO), guaranteeing the respect of human rights of its workforce.

Third party Contract manufacturing operations undertaking dedicated production for the Group are audited by the respective businesses on the adherence to Sri Lanka labour regulations, environmental compliance and health and safety practices in their factories. The Group's Supplier Code of Conduct and its policy on supplier assessments on their environmental and social compliances also form part of the Group's efforts to encourage third parties with business relationships to align to the Group's sustainability and other related policies.

All Group policies including the Sustainability Policy, Environmental Policies, Economic Policies, Labour Policies, Product related policies and Health and Safety Policies are approved and ratified by Group CEO and the Board of Management. Commitment to these policies, the manner of implementation and handling any grievances are implemented as part of the business specific management process and is contained in the Disclosures of Management Approach which is hosted on the Group website www.hemas.com. However, certain policy commitments relating to Group Human Resources policies are confidential in nature and are not considered a public disclosure by the Group. These policies are available to employees through the Group Intranet or by contacting their respective HR Divisions. All employees of significant sectors at the time of induction signs the 'Hemas Way' document, the Group's code of conduct which provides guidance on Hemas' ethical standards and culture. The Group's sustainability, community and Hemas Outreach Foundation initiatives are aligned to the United Nations Sustainable Development Goals and has been ratified by the Board of Management of the Group.

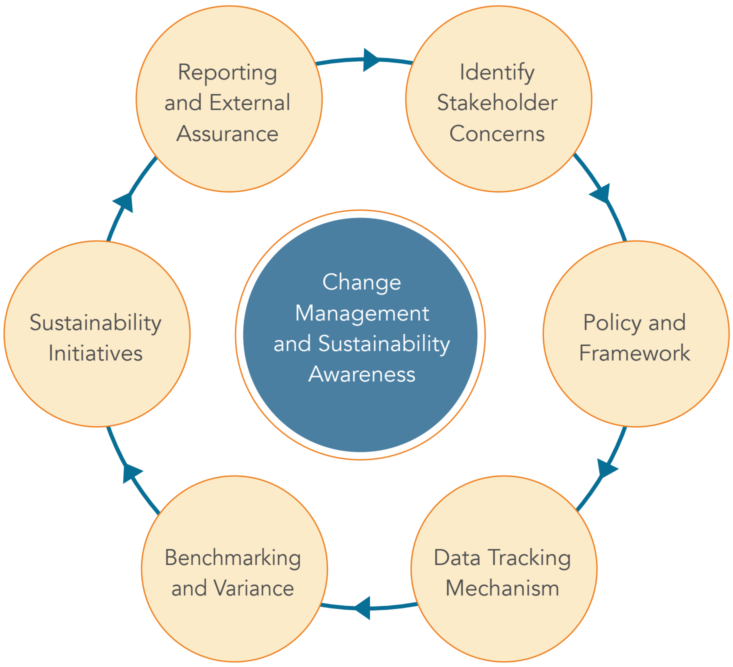
The Group relies on its ESG management framework to identify and remediate any negative impacts of its operations has on the environment, society, and employees. The Group has in place an Environmental Agenda which focuses on initiatives that promote the responsible plastic consumption, safeguarding our eco system and protecting our natural resources. A grievance handling mechanism is in place for employees which includes suggestion boxes, joint consultative committees and employee surveys. In addition, each business has a dedicated senior team member/s focusing on formal and informal stakeholder engagement to understand and if needed rectify any grievances the communities in and around its operation areas. Each grievance is reported to the relevant Division within the Group for necessary action, and Senior Leadership teams are informed of the same. Thereafter, relevant team members engage with the grievance party to ensure that their concerns were addressed in a satisfactory manner and where practically possible confirmation is sought from the stakeholder.

In accordance with the reporting best practices entrenched within the Group, each year external assurance is obtained on financial and non-financial disclosures included in the Group Annual Report through a reputed accounting body. The sustainability assurance statement for the Group Annual Report 2022/23 is included in pages 223 - 224 and the statement stipulates how the assurance was undertaken, the assurance standard used and the level of assurance obtained by the Group.

The Group has in place Management Approaches supported by Key Sustainability Performance Indicators (KSPIs) to support the implementation of its sustainability policies. This enables the Group to identify, measure, track and report on the Group's identified material topics, leading to the mitigation of environmental, social and governance (ESG) risks. The performance of each of the Group's material topics and its contribution to the value creation to each of the six capitals of; Financial Capital, Manufacturing Capital, Intellectual Capital, Natural Capital, Human Capital and Social/Relationship Capital, is contained in the Management Discussion and Analysis section of this report. While the Management Approach Disclosures are summarised within the relevant capital reports, the full text of the management approach is hosted online on the Group website.

The Group has also developed Standard Operating Procedures (SOP) for each material sustainability topic to ensure consistency, accuracy and completeness of data and carries out regular training to familiarise the Sustainability Champions and users of the Policies, Management Approaches and SOPs.

SUSTAINABILITY MANAGEMENT FRAMEWORK



The Hemas ESG management framework enables the translation of general principles of sustainability into corporate practice by providing a systematic, step-by-step guidance towards achieving a more sustainable business. The Group utilises the information derived from its ESG management framework to assess the sustainability performance of the Group and its business units, and further, identify potential ESG risk areas and manage them through corrective action.

The framework consists of:

- A sustainability organisational structure supported by
  - Senior management
  - Sustainability Champions representing each subsidiary
  - Spreadsheet platform developed through an external consultant for data gathering
  - Quarterly reporting process of the Group's sustainability performance
  - Sustainability awareness creation
  - Internal and external sustainability assurance.
- Establishment of benchmarks and targets for identified sustainability indicators, through which the Group strives to ensure that it selects the most relevant and triple-bottom line feasible sustainability initiatives.

The framework is further complemented by:

- Quality, environmental, health and safety management
- Risk management process
- Internal audit
- Compliance
- Social responsibility processes.

Most Group entities with significant operations are certified under ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health & Safety Management System), and ISO 9001 (Quality Management System), while the remaining entities have adopted the Group's policies on quality, environment and health and safety.

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

SUSTAINABILITY GOVERNANCE

The Board of Directors of the Group is responsible for, and drives the integration of sustainability within the Group. The Board of Directors delegates various aspects of the Group's Sustainability Management Framework to the Board of Management which is led by the Group CEO.

The Board of Management, which includes Managing Directors of each of the Group businesses reviews and approves the Group's Sustainability Policy and other related policies including Groups' Environmental policies, Human Resources policies, its policies on product quality and health and safety etc, which are developed, owned, reviewed and updated by the respective divisions within the Group and its businesses.

The Board of Directors have also delegated to the Group CEO and the Managing Directors (MD) of each of the business units to:

- Work with the Group Corporate Affairs Division to carry out internal materiality assessment to identify the material sustainability topics covering areas of economic impact, social impact, and environmental impacts, including impacts from climate change and emissions.
- The implementation of the overarching Group Policies in their respective sectors to manage the identified material topics.

SUSTAINABILITY INTEGRATION

- The responsibility for implementation of Management Approach and Standard Operating Procedures (SOPs) within their businesses.
- Improving the performance of the Sustainability KPIs which are aligned to the Group's material sustainability topics.
- Undertaking internal and external assurances of the sustainability processes
- Review of external stakeholder engagement studies.

The Sustainability Champions of each business, who have been appointed by the respective MDs are responsible for providing sustainability performance data for the Group's Key Sustainability Performance Indicators(KSPI) on a quarterly basis which includes aspects such as emissions and mitigating the impacts of climate change, communicate ESG level risks, champion sustainability initiatives, and assist in the implementation of the Management Approaches and SOPs.

As a part of its Enterprise Risk Management process the Group assesses and identifies mitigation action for its enterprise levels risks, which includes the management of Physical Risks and Transitional Risks related to climate change.

To address the physical risks arising from climate change, such as natural disasters that could disrupt the operations of the Group, each business has in place Business Continuity plans, evacuation preparedness, and relevant insurance coverage to safeguard the safety of workers and protect property, plant, and equipment. The Group has also assessed the risks associated with transitioning to a low carbon operation from both financial and non-financial perspectives. To mitigate these transitional risks, the Group has commissioned the installation of rooftop solar panels across its businesses with significant operations, including its Head Office. The Group addresses its supply chain risks by diversifying its supply chain and mapping its critical suppliers.

The Board of Directors, the Group CEO and the Board of Management review the Group's performance of its KSPIs on a quarterly basis, and appraises itself with regard to the changes in such KSPIs, the reason for such changes, any frontier ESG risks including that of climate related impacts that needs attention and providing direction to the Group CEO and Board of Management, who in turn provides direction to the Sustainability Champions and operational staff of the businesses to take remedial action or to further improve performance of such KSPIs, which includes emissions and impacts on climate change, waste, water consumption, occupational health and safety and other environmental and social responsibility and compliance indicators. Further information of the performance of the KSPI's can be found in the relevant capital write ups in this report.

The Senior Management is also responsible for capital budgeting, allocation of resources for sustainability, mitigating physical and transitional risks arising from climate change, providing approvals and budgets for capacity building and training, purpose initiatives and programmes carried out by the Hemas Outreach Foundation, and the overall responsibility in providing an annual third party assured communication of progress to its stakeholders which is aligned to identified global reporting frameworks.

The Corporate Affairs team, together with its external consultants, undertakes periodic assessments of the Group's material sustainability 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 KSPI via an automated performance monitoring system for reporting of such information to the Board of Directors, Group CEO and Board of Management.

In addition, the Corporate Affairs team together with the Sustainability Champions of each business, tracks the performance and progress of the Group's sustainability KSPIs, the contribution towards achieving Group level goals and facilitates internal audits of the Group's key operational facilities on a random basis. These processes form the basis of communicating frontier risks and emerging areas of concern to the various decision making bodies. The sustainability performance analysis and outstanding critical area in relation the Group's material topics are communicated to the Board of Management and Group CEO on a quarterly basis.

The Corporate Affairs team provides updates to the Board of Directors of its function, its challenges and deliverables, and any improvements to the organisations sustainability integration process is discussed and implemented.

The Corporate Affairs team is also responsible for formulating Group level environmental initiatives, while sector specific initiatives are undertaken by the sustainability and brand champions of the particular 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 businesses meets with the Corporate Affairs team bi-monthly to discuss progress on agreed initiatives and share knowledge.

ENGAGING WITH STAKEHOLDERS

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, concerns of the operations of the Group, create awareness on Group policy and best practices on responsible business conduct, and views on the implementation of such policies.

During the year, the Group engaged with external experts to address the environmental impact of the Group operations and biodiversity concerns within the country. As a result, the Group partnered with the Wildlife and Nature Protection Society to protect 52 critically -endangered endemic species in Sri Lanka and Clean Ocean Force to tackle marine pollution. More information on these partnership can be found in the Natural Capital section of this report.

The stakeholders are also able to use the Group hotline or e-mail that is available on its products, relevant stakeholder communications and websites to highlight any concerns regarding the operations and business conduct of the Group. When a concern is raised the relevant division or party is informed of such concern and an investigation is carried out in line with the SOP in place.

The segments provide 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

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

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

Investors
Institutional and individual shareholders, analysts, fund managers and related agencies

Community
The Group engages with the Sri Lankan community including communities in the vicinity of operation locations through its Hemas Outreach Foundation and purpose initiatives.

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

SUSTAINABILITY INTEGRATION

	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 • Timely payments • Fair play and transparent processes • Initiatives to share knowledge and build capacity
Group Response	• Growing portfolio of affordable products and services to enrich the lives of the 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 Roadshows	Specialised Mechanisms *Consumers* • Satisfaction Survey (ongoing) • Annual Engagement Survey • 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 (needs basis) *Government* • Regulatory Reports (as specified)

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

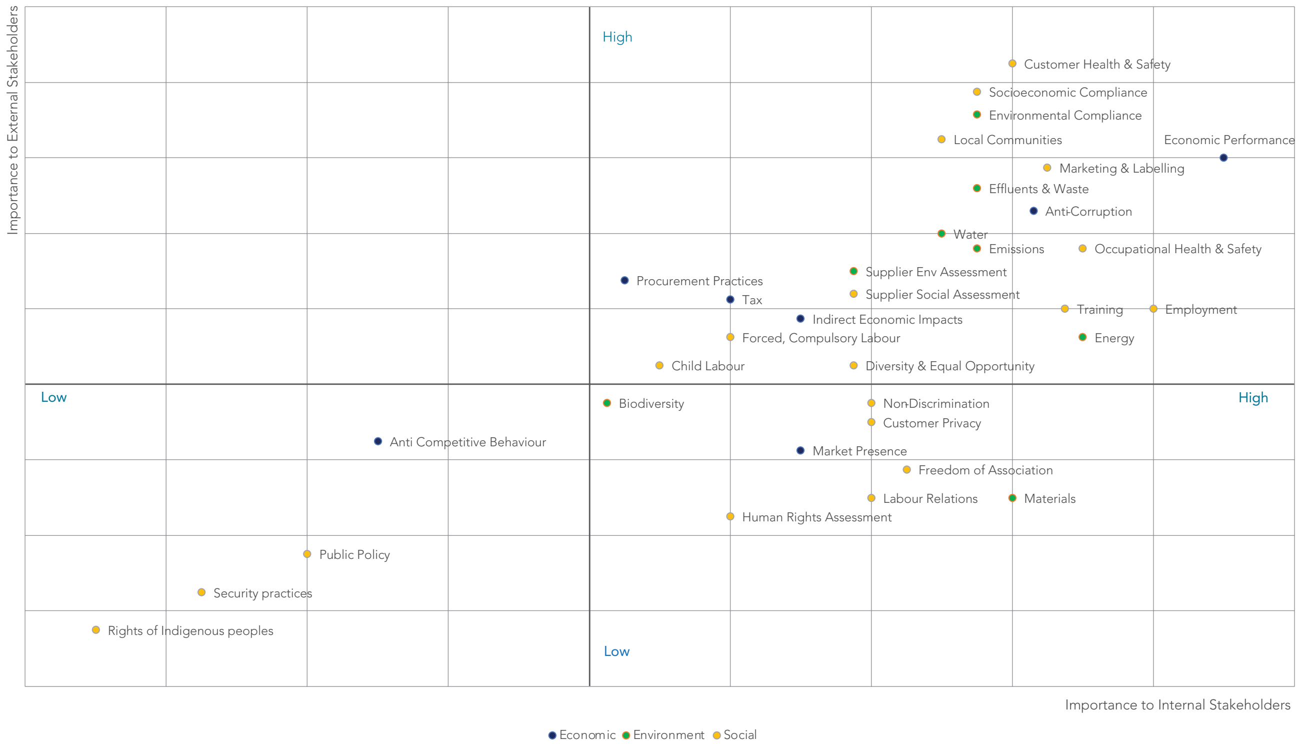
IDENTIFICATION OF SUSTAINABILITY TOPICS

The Group aligns all identified key sustainability concerns of significant stakeholders to the relevant sustainability topics of the GRI framework.

During the financial year 2022/23, the Group in an effort to further entrench ESG practices across its operations, revisited its sustainability topics. The Group prioritised its material topics through a process based on ESG risk identification, ESG risk valuation process in tandem with the six-part materiality assessment done in accordance to AA1000 standards on each of the Group businesses. The ESG risk evaluation process was undertaken based on the actual and potential negative and positive impacts considering the severity of impacts and the likelihood of occurrence. The identified topics were reviewed by the Managing Directors of each business and Group CEO and, once approved were consolidated at Group level.

In defining report content, the Group prioritises material topics according to their impacts and importance to significant internal and external stakeholder groups.

MAPPING OF MATERIAL TOPICS



SUSTAINABILITY INTEGRATION

Management of Financial and Manufactured Capital

Disclosure of Management Approach: Economic Performance

GRI 201: Economic Performance
GRI 201-1: Direct Economic Value Generated
GRI 201-3: Defined Benefit Plan Obligation and Other Retirement Plans and Distributed

GRI 205: Anti-Corruption
GRI 205-1: Operations Assessed for Risk Related to Corruption

Management of Natural Capital

Disclosure of Management Approach: Environment

GRI 302: Energy
GRI 302-1: Energy Consumption within the Organisation
GRI 302-3: Energy Intensity

GRI 305: Emissions
GRI 305-1: Direct (Scope 1) GHG Emissions
GRI 305-2: Energy Indirect (Scope 2) GHG Emissions
GRI 305-4: GHG emission intensity
GRI 305-5: Reduction of GHG emissions

GRI 303: Water
GRI 303-1: Interactions with water as a shared resource
GRI 303-3: Management of water discharge-related impacts
GRI 303-3: Water Withdrawals
GRI 303-4: Water Discharge
GRI 303-5: Water Consumption

GRI 306: 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

GRI 307: Environmental Compliance
GRI 307-1: Non-Compliance with Environmental Laws and Regulations

Management of Intellectual and Human Capital

Disclosure of Management Approach: Labour Practices & Decent Work

GRI 401:Employment
GRI 401-1: New Employee Hire and Employee Turnover

GRI 404: 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

GRI 407: Freedom of Association and Collective Bargaining
GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining might be at risk

GRI 403: Occupational Health & Safety
403-1: Occupational health and safety management system
403-2: Hazard identification, risk assessment, and incident investigation
403-3: Occupational health services
403-4: Worker participation, consultation, and communication on occupational health and safety
403-5: Worker training on occupational health and safety
403-6: Promotion of worker health
403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
GRI 403-9: Work related injuries

GRI 408: Prevention of Child Labour
GRI 408-1: Operations and suppliers at significant risk for incidence of Child Labour

GRI 409: Prevention of Forced and Compulsory Labour
GRI 409-1: Operations and Suppliers at Significant Risks for Incidents of Forced or Compulsory Labour

Management of Social and Relationship Capital

Disclosure of Management Approach: Society

GRI 413: Local Communities
GRI 413-1: Operations with Local Community Engagement, Impact Assessments, and Development Programmes

GRI 419: Socio-Economic Compliance
GRI 419-1: Non Compliance with laws and regulations in the social and economic area

Disclosure of Management Approach: Product and Service Responsibility

GRI 416: Customer Health and Safety
GRI 416-2: Incidents of non compliance concerning the health and safety impacts of products and services

GRI 417: Marketing and Labelling
GRI 417-2: Incidents of non compliance concerning product and service information and labelling
GRI 417-3: Incidents of non-compliance concerning marketing communications

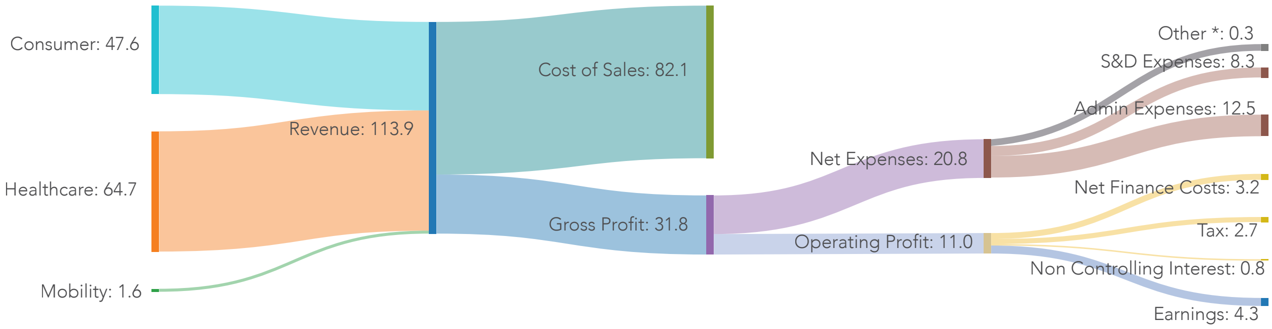
THE CAPITALS REPORT

FINANCIAL CAPITAL

Financial Capital is the traditional yardstick of performance and plays a key role in creating value for stakeholders. This capital consists of the pool of funds obtained through financing or generated through operations or investments, available to a business to generate value and fuel future growth. The section also discusses the sources of funds for the Group and how they were deployed during the year under consideration.

GROUP'S FINANCIAL PERFORMANCE

(Rs. billion)



Other includes, Other Operating Income & Share of Results of Equity Accounted Investees

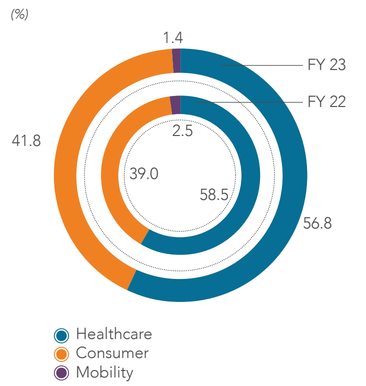
REVENUE

The Group achieved the highest consolidated revenue in its history of over seven decades to report a topline of Rs. 113.9 billion for the Financial Year ended March 2023, reflecting a growth of 44.5% against the same period last year. This increase is driven by the resilient performance of the domestic businesses in Consumer Brands and Healthcare which operated amidst the unprecedented challenges posed by the foreign currency liquidity crisis, steep currency depreciation, soaring inflation and high interest rates prevalent during the year. The underlying revenue growth was 46.7%. The Group's three year revenue Compound Annual Growth Rate (CAGR) of 23.8% displays its strategic agility in swiftly adapting to and capturing emerging opportunities.

The Consumer Brands segment reported a 54.7% growth over preceding year to achieve a topline of Rs. 47.6 billion, primarily driven by maintaining and in certain segments, growing market share across key categories in a shrinking consumer purchasing power environment, through the introduction of value for money alternatives, ensuring continuous availability of products and cautious pricing decisions accompanied by new product launches and successful back-to-school season.

Healthcare recorded a revenue of Rs. 64.7 billion, a year-on-year growth of 40.3%. The growth was owing to the National Medicines Regularity Authority (NMRA) approved price adjustments made to partially compensate for the steep currency devaluation, stable supply of pharmaceuticals amidst the foreign exchange liquidity crisis, volume-led growth of Morison's own branded generics portfolio and double-digit growth in core revenue of Hospitals.

Revenue



THE CAPITALS REPORT

FINANCIAL CAPITAL

The cumulative revenue of Rs. 1.6 billion recorded by the Mobility Segment was a decline of 16.0% over the same period last year. This is mainly due to the divestment of the logistic business in October 2021 accompanied by the decline in total throughput and transshipment volumes at Port of Colombo with slowdown in the global economy and reduced demand in key destinations. This segment witnessed an underlying revenue growth of 21.6%.

Summary of Income Statement

Group Revenue

Rs. 113.9 billion

(FY 2021/22: Rs. 78.8 billion) ↑ 44.5%

(FY 2020/21: Rs. 64.5 billion) ↑ 76.6%

Gross Profit

Rs. 31.8 billion

(FY 2021/22: Rs. 21.8 billion) ↑ 45.5%

(FY 2020/21: Rs. 19.4 billion) ↑ 63.9%

Operating Profit

Rs. 11.0 billion

(FY 2021/22: Rs. 6.8 billion) ↑ 61.6%

(FY 2020/21: Rs. 6.1 billion) ↑ 80.3%

Net Finance Costs

Rs. 3.2 billion

(FY 2021/22: Rs. 0.1 billion) ↑ 2278.4%

(FY 2020/21: Rs. 0.4 billion) ↑ 718.5%

Income Taxes

Rs. 2.7 billion

(FY 2021/22: Rs. 1.8 billion) ↑ 48.7%

(FY 2020/21: Rs. 1.5 billion) ↑ 19.1%

Earnings

Rs. 4.3 billion

(FY 2021/22: Rs. 4.2 billion) ↑ 0.5%

(FY 2020/21: Rs. 3.3 billion) ↑ 31.2%

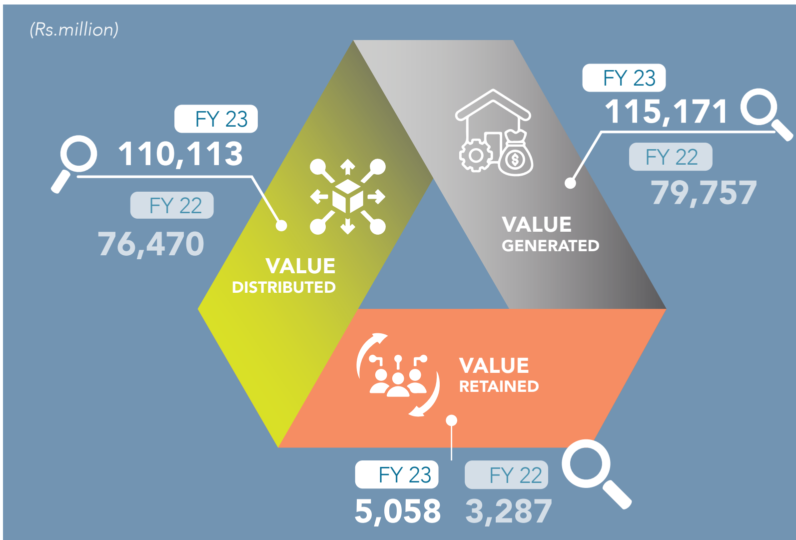
PROFIT FROM OPERATIONS

Gross Profit

Group achieved a consolidated Gross profit increase of 45.5% in comparison to the precedent year. The rise in global commodity prices such as palm oil, crude oil, paper and plastics accompanied by the surge in freight rates, supply chain disruptions and escalating inflation and steep depreciation of the foreign exchange exerted significant pressure on margins. The Group withstood these challenges by making strategic portfolio choices, prudent pricing decisions and implementing effective cost optimisation initiatives. All these efforts resulted in a Gross profit margin of 27.9% which is a marginal increase from 27.7% achieved in the same period last year.

Operating Expenses

The Administration, Selling and Distribution expenses for the Group amounted to Rs. 21.1 billion, a year-on-year increase of 35.2%. The rise in overhead is largely on account of the surge in inflation, expansion in business activities, higher depreciation with the capitalisation of the Pharmaceutical Manufacturing plant in Homagama, increased remuneration to support employees' financial security amidst macro-economic challenges and contributions to create a social security net for vulnerable communities affected by the economic crisis.



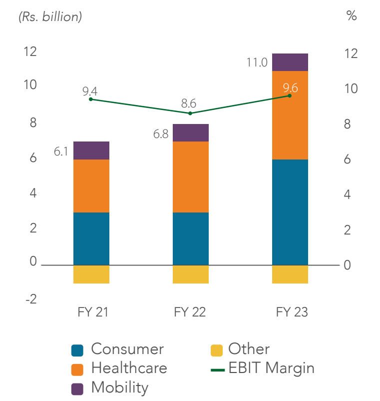
	FY 23	FY 22	%
Value Generated	**115,171**	**79,757**	**44.4%**
Revenue	113,940	78,831	44.5%
Share of Result of JVs/ Associates	(400)	(525)	23.8%
Other Investment Income	911	352	159.1%
Profit on Sale of Assets and Other Income	512	941	-45.6%
Valuation Gain on Investment Properties	208	158	31.5%
Value Distributed	**110,113**	**76,470**	**44.0%**
Operating Overheads	83,852	58,604	43.1%
Employee Wages and Benefits	10,313	8,146	26.6%
Payments to providers of Funds	5,954	3,495	70.4%
Payments to Government	9,920	6,206	59.9%
Community Investments	74	19	275.2%
Value Retained	**5,058**	**3,287**	**53.8%**
Depreciation	1,220	1,092	11.7%
Amortisation	383	369	3.5%
Profit After Dividends	3,455	1,826	89.2%

OPERATING PROFITS (EARNINGS BEFORE INTEREST AND TAX)

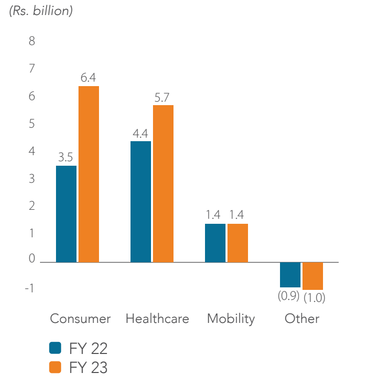
Efficiency is one of the four strategic building blocks for the Group that facilitated in partially negating the adverse impact of the operating environment to deliver an Operating Margin of 9.6% from 8.6% realised previous year. Focused projects on margin management, cost optimisation and effective utilisation of resources ranging from 5S, Kaizen, lean initiatives, route optimisation and process standardisation accompanied by Group synergies have played a pivotal role in the resilient performance of the core resulting in a 52.4% growth in Earnings Before Tax, Interest, Depreciation and Amortisation (EBITDA) to Rs. 12.6 billion in comparison Rs. 8.2 billion achieved previous year.

Further digitalisation programmes and automation of processes have also driven productivity and bolstered the Group's Intellectual and Manufactured capitals during the year. Similarly, the Earnings Before Interest and Tax (EBIT) reported a growth of 61.6% to Rs. 11.0 billion over Rs. 6.8 billion recorded last year. 67.3% growth of underlying EBIT was witnessed over last year. Three year CAGR of EBITDA and EBIT are 45.9% and 33.2% respectively.

EBIT & EBIT Margin



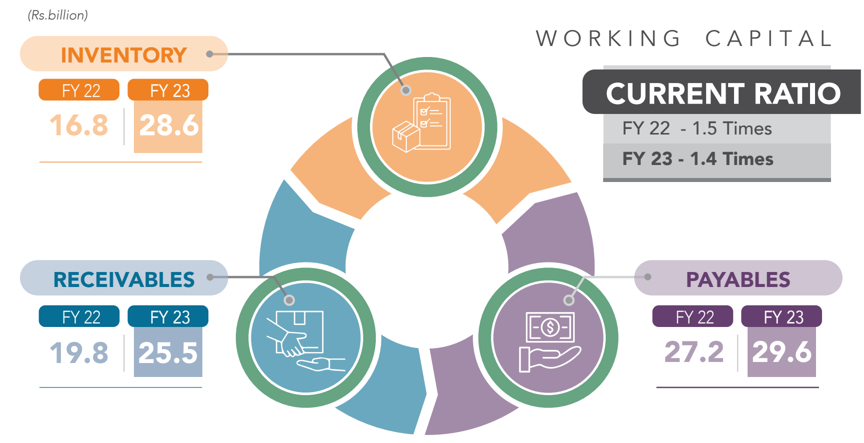
EBITDA Composition



WORKING CAPITAL AND FINANCE EXPENSES

The foreign exchange volatility experienced in the local economy presented significant challenges to the Group which is highly dependent on imports and operates primarily in Sri Lanka. The sharp depreciation of the rupee resulted in additional investment in working capital to import the required inventory. Furthermore, the domestic financial system was under pressure due to the non-availability of adequate foreign reserves in the country causing imports to be made on advance and shorter credit tenors which lead to the extension of the working capital cycle. The combined effect of the rupee depreciation and depleting foreign reserves in the country accompanied by inflationary pressure, seasonal shift of the learning segment and expansion in business activities caused the working capital of the Group rising by three folds to Rs. 24.4 billion compared to Rs. 9.4 billion and predominantly being funded through debt sources.

The strain so experienced deteriorated further as the year under consideration was a high interest rate regime of 25% - 30% compared to 9% - 11% in the previous year. As a result, Finance expenses during the year escalated by eight times to Rs. 4.1 billion against Rs. 0.5 billion recorded last year. Over 80% of the increase in finance expenses is driven by the high interest rate which at present is on a declining momentum. This together with initiatives to optimise working capital is expected to result in the finance expenses decreasing in the coming financial year.



THE CAPITALS REPORT

FINANCIAL CAPITAL

TAXATION

The tax expense for the Group amounted to Rs. 2.7 billion compared to Rs. 1.8 billion reported last year. The increase in mainly driven by the improved Profit Before Tax of Rs. 1.1 billion and higher rates of taxation of 30% implemented with effect from October 01, 2022, in contrast to 24% previously.

In accordance to the guidance received from ICASL the Super Gain Tax of Rs. 1.7 billion has been adjusted to the Retained Earnings as at April 01, 2022.

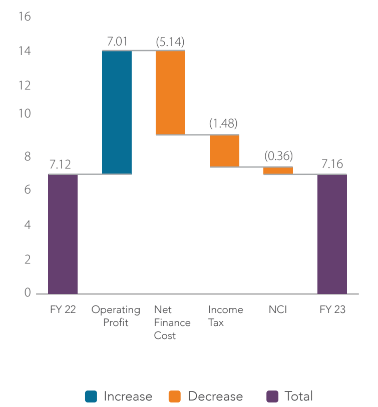
PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (EARNINGS)

Resilient performance of the core and strong balance sheet enabled the Group to withstand the headwinds of the severe challenges presented by the operating environment to deliver stable Earnings of Rs. 4.3 billion in the year under consideration compared to Rs. 4.2 billion reported last year.

Underlying earnings increased by 6.2%. The negative impact of higher finance and tax expenses was partially offset driven by the healthy operating profits of the core resulting in the Group to accomplish a Net Profit Margin of 4.4% against 6.1% reported previous year. Group achieved Earnings per Share (EPS) of Rs. 7.16 in line with Earnings and no change in the number of shares.

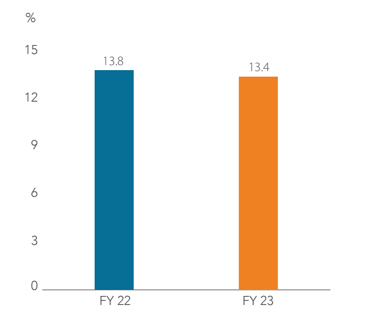
The Group has delivered consistent profitability to its shareholders in a volatile environment while creating value to its internal and external stakeholders and adhering to best practices in corporate governance. These collective efforts will ensure sustained future growth to its stakeholders.

EPS Movement

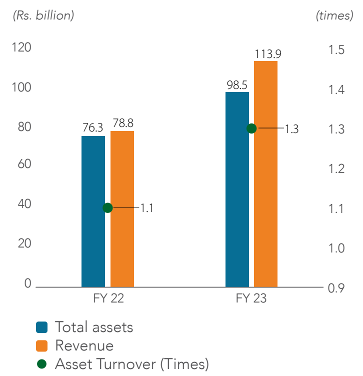


RETURN ON EQUITY (ROE)

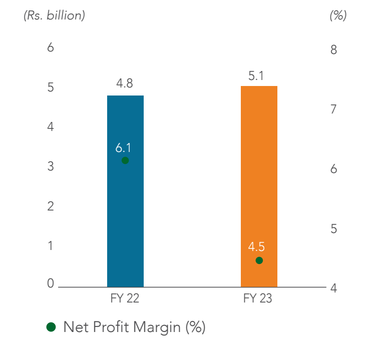
ROE



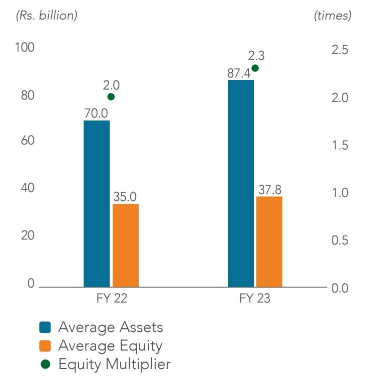
Asset Turnover



Net Profit Margin



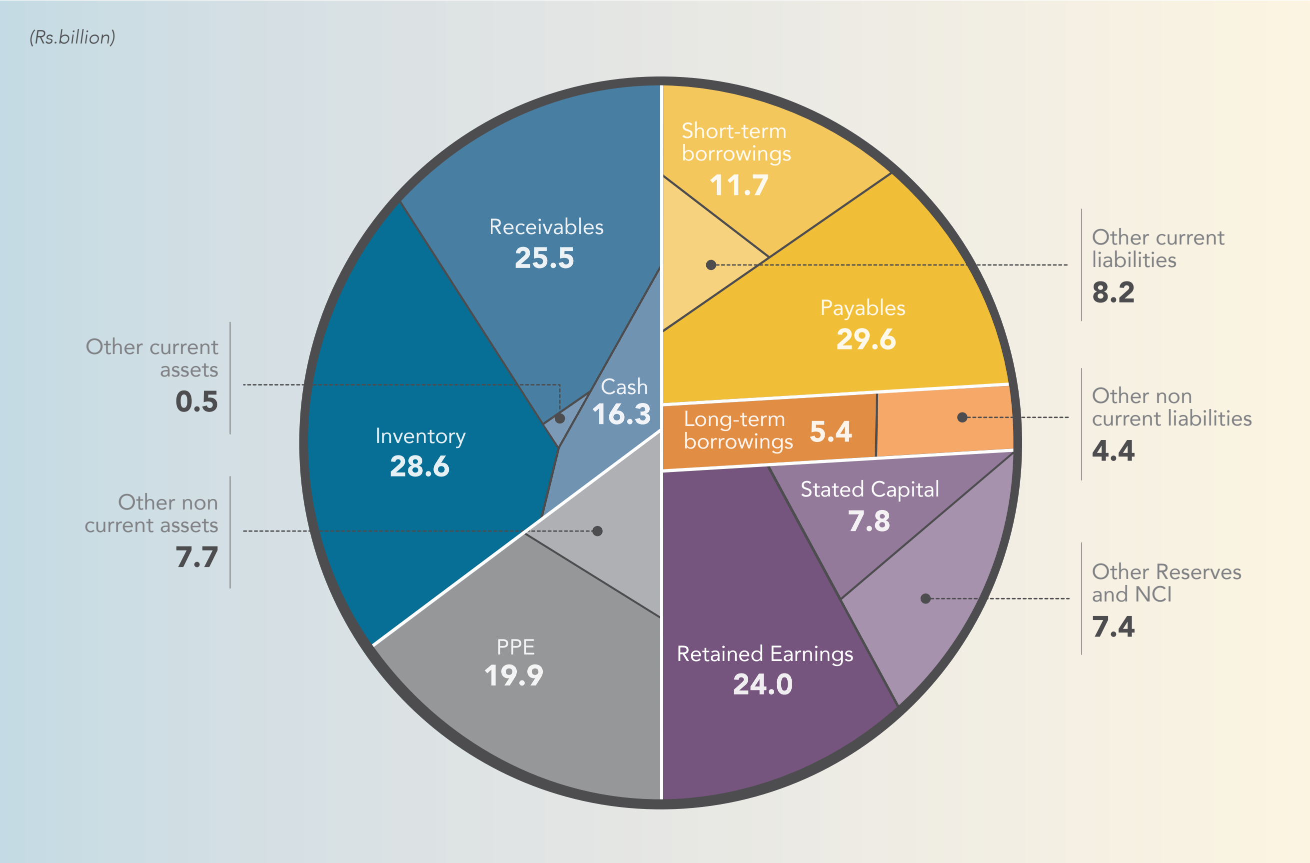
Equity Multiplier



GROUP'S FINANCIAL POSITION

The prudent management of the financial position played a vital role in driving the profitability and liquidity of the Group while acting as a stable base in overcoming the challenges posed by the external environment. The resultant of these efforts and the defensive core business enabled the reaffirmation of the Fitch Ratings AAA(lka); outlook stable for the fourth consecutive time.

The Net Assets per Share improved to Rs. 64.38 from Rs. 59.66, a growth of 7.9% over the precedent year.



GROUP ASSETS

Inventories, Trade and Other Receivable increased by Rs. 17.5 billion mainly due to expansion in operations and depreciation of the rupee. This, accompanied by the investments in property, plant and equipment, caused the growth of total Group assets by Rs. 22.2 billion.

GROUP DEBT AND CAPITAL STRUCTURE

As indicated in the 'working capital and finance expenses' section of this report, total debt obligations of the Group rose by Rs. 14.9 billion predominantly to fund the working capital requirements during the year. Over 65% of the Group debt (Rs. 16.0 billion) was funded via short-term bank sources as the temporary surge in working capital mainly in the Healthcare Segment is expected to decline with the normalisation of operating environment.

The long-term debt of the Group of Rs. 5.4 billion mainly comprises of the project funding obtained for the Pharmaceutical Manufacturing plant and investment made in the year under consideration for the Group solar project of approximately Rs. 0.7 billion. The solar project investment enhances the Natural Capital while contributing to achieve the goals focused on energy usage. Further details of which are available on Page 67.

The Group has opted to maintain a higher proportion as variable debt due to the high interest rate regime that prevailed in the Financial Year ending March 31, 2023. Constant review of the mix between debt to equity, fixed to variable debt and Long-term to Short-term debt is made with a view to maintaining the optimal capital structure.

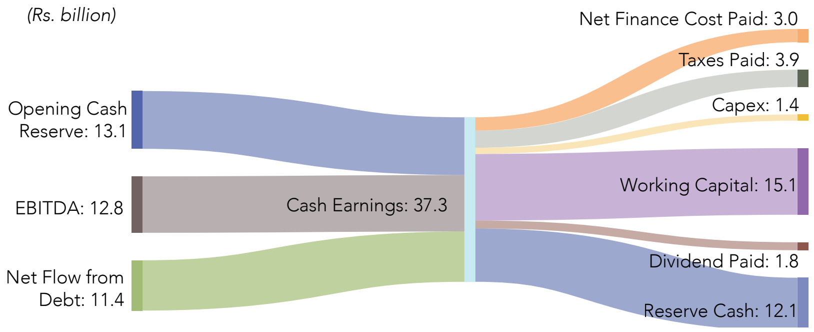
THE CAPITALS REPORT

FINANCIAL CAPITAL

		FY 23	FY 22
Short term debt	LKR Mn	16,008	3,474
Long term debt	LKR Mn	5,449	3,093
Gross debt	LKR Mn	21,457	6,567
Net debt /(Cash)	LKR Mn	5,127	(7,328)
Net debt / EBITDA	Times	0.4	(0.9)
Debt/EBITDA	Times	1.7	0.8
Gearing ratio	%	35.4%	15.2%
Net Gearing Ratio	%	11.6%	(25.1%)
EBITDA/Interest cover	Times	(3.1)	(17.0)

CASH AND CASH EQUIVALENTS

A contraction of Rs. 1.0 billion compared to last year was reported due to the heavy investment in working capital. The graph below summarises the sources through which cash and cash equivalents were generated to fund the various requirements of the Group.



OUTLOOK

The domestic economy achieved considerable momentum of stability in the second half of the year under review. A successful restructuring of the debt portfolio backed with continuous effective implementation of fiscal and other policy reforms will play an imperative role in achieving sustainable economic stability in the country.

The short-to-medium term focus will be on improving the working capital cycle with a view of unlocking value to rationalise debt, optimise the capital structure, preserve margins and maintain liquidity. These efforts will enable the Group which remains cautiously optimistic about the long-term growth prospects of the country to invest in strengthening the core verticals of Consumer Brands, Healthcare and Mobility on the local front while fuelling entry and expansion in the international space as outlined in the Business Strategy from Page 35 to 37.

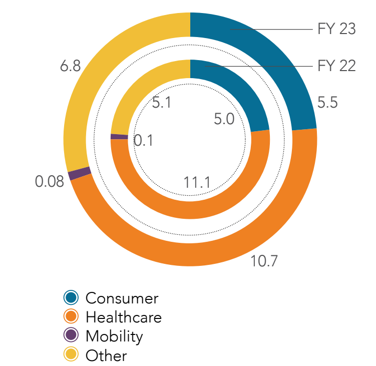
MANUFACTURED CAPITAL

The Manufactured Capital section provides an overview of the Group's investments in physical and technological assets, as well its efforts to minimise the environmental impact of its operations. The Group recognises the importance of the efficient and sustainable use of Manufactured Capital, which is critical in achieving its long-term business goals and meeting the expectations of its stakeholders.

The Manufactured Capital of the Group comprises investment in property, plant, and equipment, right of use assets of the Group and investment properties which accounts for 23.6% of total assets and amounts to Rs. 23.2 billion.

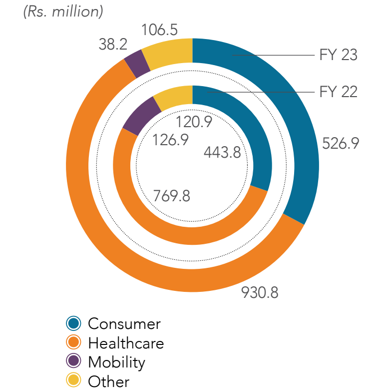
Manufactured Capital by Sector

(Rs. billion)



Depreciation and Amortisation by Sector

(Rs. million)



Manufactured Capital - FY 23

Consumer Brands

Rs.5.5 billion

(FY 2021/22: Rs. 5.0 billion)

Healthcare

Rs.10.7 billion

(FY 2021/22: Rs. 11.1 billion)

Mobility

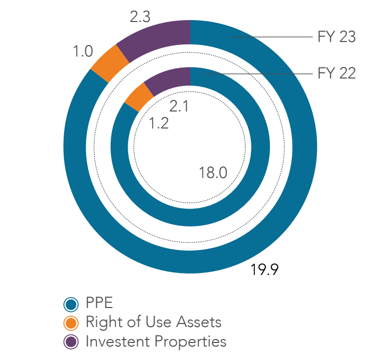
Rs.74.8 million

(FY 2021/22: Rs. 108.2 million)

The Group maintained its focus on seamless functioning of its operational and supportive activities by investing in replacement capital expenditures (CAPEX). The increase of 10.6% in property, plant, and equipment (PPE) was mainly driven by investments made in the Hospital sector, such as the acquisition of a mammogram machine and the expansion of the Wattala ward. Both the Group and the Sectors' Manufactured Capital and depreciation composition remained constant.

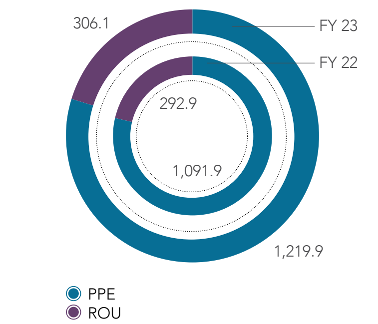
Manufactured Capital by Category

(Rs. billion)



Depreciation and Amortisation by Category

(Rs. million)



MANUFACTURED CAPITAL

Consumer Brands

HPC PRODUCTION FACILITY
DANKOTUWA

- **Land Extent:** 16 acres
- **Factory Footprint:** 200,000 square feet
- **Production Range:** Soap, sanitary napkins, toothpaste, shampoo, adult perfume, cologne, skin care (cream, body wash, lotion), hand wash, sanitiser
- **Capacity:** 1,700 MT per month

LEARNING SEGMENT PRODUCTION FACILITY
WELISARA/ PELIYAGODA/KANDY

- **Land Extent:** 10 acres
- **Factory Footprint:** 105,000 square feet
- **Production Range:** Books, pens, colour products, water bottles, lunch boxes and tissue items
- **Capacity:** 16,000 MT per year

HPC WAREHOUSE
WELISARA

- **Land Extent:** 4 acres
- **Warehouse Footprint:** 122,394 square feet

LEARNING SEGMENT WAREHOUSE NETWORK
WELISARA/PELIYAGODA

- **Land Extent:** 3 acres
- **Warehouse Footprint:** 91,004 square feet

MANUFACTURED CAPITAL

Healthcare Sector

HEMAS HOSPITALS THALAWATHUGODA

- **Total Beds:** 71
- **Theatres:** 3 Units (Major 2, Minor 1)
- **Centres of Excellence:** Cosmetic, Nephrology, Urology

HEMAS HOSPITALS WATTALA

- **Total Beds:** 121
- **Theatres:** 5 Units (Major 4, Minor 1)
- **Centres of Excellence:** In Vitro Fertilisation (IVF), Gastroenterology, Urology, Nephrology and General Surgery

HEMAS LAB NETWORK

- **Labs:** 15
- **Collection Centres:** 17
- **B2B Labs:** 10 Test
- **Capacity:** 8,522,880 per annum

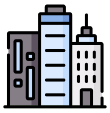
PHARMACEUTICAL MANUFACTURING (MORISON)

Homagama

- **Land Extent:** 5 acres
- **Factory Footprint:** 113,000 square feet
- **Tablet Capacity:** 5 billion per annum

Mutwal

- **Land Extent:** 0.5 acres
- **Factory Footprint:** 43,831 square feet
- **Tablet Capacity:** 2 billion per annum



MANUFACTURED CAPITAL

Group Assets

GROUP HEAD OFFICE BUILDING COLOMBO 2

» **Building Profile:** 99,327 square feet spanning 10 floors

NURTURING OUR MANUFACTURED CAPITAL

Installation of rooftop solar at factories with significant operations in an effort to offset 25% of its electricity consumption.

	No. of Solar Panels Installed	Total Capacity
Consumer Brands - Home and Personal Care	2,069	990 kW
Consumer Brands - Learning Segment	1,082	550 kW
Morison Limited	1,762	880 kW
Hemas Holdings PLC	98	50 kW

The Group has made investments amounting to Rs 663.3 million during the year under review for the installation of roof-top solar at factories and at Hemas Head Office.

INTELLECTUAL CAPITAL

The Hemas Group places great importance on developing and enhancing its Intellectual Capital. The Intellectual Capital section of our Group Integrated Annual Report highlights the intangible assets that are critical to our Company's success, including our intellectual property, human capital, and relationships with customers and suppliers. As a company, we recognise the importance of these assets in creating value for our stakeholders and driving innovation within our industry.

Brand Footprint

The Group's portfolio of brands strives to address the changing needs of society and provide access to affordable and high-quality product and services to the communities.

Consumer Brands Sector

Baby Cheramy, Atlas, Goya, Prasara, Clogard, Kumarika, Velvet, Shield, Diva, Fems, Dandex, CAPRI, SWA, GOLD, Paris, Actisel, Vivya, bien-aimé, Homerun, innovate, Nimex, ZEBRA X, PRO, IGNITE

Healthcare Sector

HEMAS LABS, HEMAS HOSPITALS, Morison, Valmelix, Morison Gripe Mixture, Morison LACTO

Capacity for Innovation

The Hemas Group recognises innovation as a vital component in enhancing its Intellectual Capital. The Group's focus and consistent investment in R&D has enabled the core sectors to develop their capabilities, leading to the growth of our portfolio.

28 Number of Own Brands	**724** Number of Trademarks Owned by Group	**30** Industrial Designs Held by Group Companies

THE CAPITALS REPORT
INTELLECTUAL CAPITAL

New Products Launched

Consumer

Home and Personal Care


'Dandex' Shampoo Refill


New *'Dandex'* Shampoo Variant

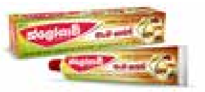

'Fems AYA' Value Pack


'Diva' 500g *'Diriya'* Pack

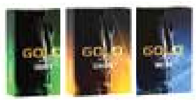

'Baby Cheramy' Value Pack


'Baby Cheramy' 70g budget pack


'Baby Cheramy' 75g Variant with almond oil, vitamin E and milk


'Clogard Pancha Shakti' Toothpaste


'Prasara' Range


'Gold' Cologne Range


'Gold' 3-in-1 Wash


'Diva' 700g Pack


'Velvet Cutie' 70g Variant


'Shield' 50g Soap


'Paris' Floral and Jasmine 50ml Cologne


'Paris' Sandal Talc


'Vivya' Face Scrub and Under Eye Gel


'Actisef Mini' - 30g variant


'Eva' Hair Oil 150 ml variants

Learning Segment

Launch of e-Learning platform

Relaunch of '*Innovate*' - Driving differentiation via visual design and product formats

'*Quirky Lanka*' - Launch of limited-edition designer notebook range

New Products Launched

Healthcare

Pharmaceutical Manufacturing

'*Ros-10*' (Rosuvastatin tablets)

'*ChlorMor*' (Chlorphenamine Tablets)

'*Bisoprolol*' tablets

'*FoliMor*' (Folic Acid Tablets)

'*Glucomile*' 75g

ENHANCING EMPLOYEE KNOWLEDGE

The Group recognises that the expertise of its employees plays a critical role in driving innovative products and solutions. To foster a culture of continuous learning and growth, the Group invests in targeted training and capacity-building programmes each year to keep the teams abreast of industry and global trends. During the financial year 2022/23 the Group invested Rs. 133.5 million to provided 48,995 hours of training to employees across the Group.

SYSTEMS, PROCESSES, AND CERTIFICATION

Digital technology has emerged as a driver in enhancing the Group's intangible assets in recent years. The Group's technology migration initiatives have led to the automation of internal processes, strengthened monitoring and due diligence, and improved operational efficiency and service levels. The Group's strategic partnerships with both upstream and downstream partners have reinforced the intangible assets, and long-standing partnerships with local and global suppliers and distributors have proven to be a significant strength in maintaining business continuity, particularly in turbulent times.

During the year, the Group implemented a range of rigorous controls and procedures, demonstrating a significant improvement in its overall IT security. These controls and procedures include:

- Security incident detection and response
- Cloud infrastructure security
- Vulnerability and penetration testing
- Endpoint security, and disaster recovery.

The Group is currently undergoing a digital transformation journey with a focus on optimising its SAP S/4Hana system landscape. The goal of this optimisation is to enhance efficiency, productivity, Group visibility, and shared services capability while also reducing the total cost of ownership. Through this initiative, the Group aims to leverage the latest technology to streamline processes, improve decision-making, and enhance collaboration across its business units. By optimising its SAP S/4Hana system landscape, the Group is taking a critical step towards achieving its long-term strategic goals and remaining competitive in today's rapidly evolving business environment.

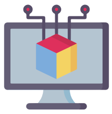
The Group has embarked on a journey to drive operational improvements and innovation through enhanced factory automation, analytics, and the Internet of Things (IoT). These initiatives are a significant step towards achieving Industry 4.0 and smart factory capabilities. In addition, the Group's healthcare businesses have made investments in digitalisation solutions to improve patient data management and enhance the patient experience. A new Hospitals Electronic Health Record (EHR) System was rolled out and adopted across both Group's hospitals, which has enabled healthcare professionals to interact with patients digitally and fully digitalise patient data through a new health data lake. These investments in digitalisation reflect the Group's commitment to leveraging the latest technology to improve its operations and enhance its offerings across its various businesses.

In addition, the various businesses within the Group obtain certifications and licenses from recognised global and local bodies, further enhancing its knowledge base and provide assurance to its customers that its products and services adhere to global best practices.

Capital Investment in Hardware

Rs. 118.8 million

(FY 2021/22: Rs. 79.5 million)



Capital Investment in Software

Rs. 71.7 million

(FY 2021/22: Rs. 102.0 million)

Certifications and Licenses

Home and Personal Care

- ISO 9001:2015 Quality Management System Certification
- ISO 14001:2015 Environment Management System
- ISO 22716:2017 SLSI GMP Certification
- SLS Certification

'Baby Cheramy' soap, *'Clogard'* toothpaste and toothbrush, *'Chooty'* toothpaste, *'Fems'* Sanitary napkin and *'Kumarika'* hair oil

Learning Segment

- ISO 9001:2015 Quality Management System Certification
- ISO 14001: 2015 Environmental Management System
- ISO 45001-2018 Occupational Health and Safety Management System

Pharmaceutical Manufacturing

- GMP (Good Manufacturing Practices) Certification

Hemas Hospitals

- Australian Council of Healthcare Standards International Accreditation
- Integrated Management System (IMS) accreditation with ISO 9001, ISO 45001 and ISO 140001.
- ISO 15189:2012 Accreditation for Clinical Laboratories
- COVID-19 Safety Management System Certification by Sri Lanka Standards Institution (The only COVID-19 Certified hospital in Sri Lanka)

Maritime and Aviation

- ISO 9001:2015
  - Hemas Maritime (Private) Limited
  - Evergreen Shipping Agency Lanka (Private) Limited
  - Far Shipping Agency Lanka (Private) Limited

CELEBRATING EXCELLENCE

The Group strives to set high standards for performance across all aspects of its operations. As a result of this unwavering commitment, the Group has been recognised with numerous awards and accolades that celebrate its excellence in various areas.

Awards and Accolades

Consumer

Home and Personal Care

SLIM Effie Awards 2022 organised by the Sri Lanka Institute of Marketing

- **Dandex** - Merit Finalist Award
- **Diva Power Liquid** - Bronze Award

SLIM DIGIS 2.2 organised by the Sri Lanka Institute of Marketing

- **Fems Aya** - Bronze Award for the Best Digital Marketing Campaign in the Beauty/Personal Care/OTC category.

SLIM Brand Excellence Awards organised by the Sri Lanka Institute of Marketing

- **Clogard Natural Salt** - Silver award - Best New Entrants of the Year 2022
- **Diva Power** - Bronze Award - Best New Entrant of the Year 2022

SLIM National Sales Awards 2021/2022

- Gold Awards - 3
- Silver Awards - 4
- Bronze Awards - 5
- Merit Award - 1

Sri Lanka National Quality Awards organised by the Sri Lanka Standards Institution (SLSI)

- National Quality Award 2019 in the Manufacturing (Large Sector) - 1st Place

National Convention on Quality and Productivity 2022 organised by the Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)

- Gold Awards - 15
- Silver Awards - 7
- Bronze Awards - 3

Learning Segment

SLIM Brand Excellence Awards organised by the Sri Lanka Institute of Marketing

- Local Brand of the Year - Gold Award
- CSR Brand of the Year - Bronze Award

SLIM - Kantar People's Awards organised by the Sri Lanka Institute of Marketing

- People's School Supply Brand of the Year - Gold Award

SLIM National Sales Awards 2021/2022

- Silver Awards - 1
- Merit Awards - 1

National Productivity Award organised by the National Productivity Secretariat - Ministry of Labour and Foreign Employment

- 1st Place

National Convention on Quality and Productivity 2022 organised by the Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)

- Gold Awards - 18
- Silver Awards - 2

Healthcare

Pharmaceutical Distribution

SLIM National Sales Awards 2021/2022 organised by the Sri Lanka Institute of Marketing.

- Gold Awards - 2
- Silver Awards - 2
- Bronze Awards - 3
- Best of the Best Winner in the Sales Executive Category

Hemas Hospitals

National Convention on Quality and Productivity 2022 organised by the Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)

- Gold Awards - 14
- Silver Awards - 5
- Bronze Awards - 3

HUMAN CAPITAL

The Group recognises that its success is driven by the talent, skills, and expertise of its people. The Group is committed to investing in its employees and creating a workplace that fosters innovation, collaboration and personal growth.

HR GOVERNANCE

The Group has in place an established robust governance structure, comprehensive HR policy frameworks, and resilient systems and processes to foster the growth of its Human Capital. Each subsidiary within the Group operates with its own dedicated HR department responsible for formulating and implementing HR procedures tailored to meet the specific needs of its business line. Group HR is responsible for ensuring consistency in policies and procedures at the Group level, overseeing senior talent across subsidiaries, and setting the tone for the Group's culture and values.

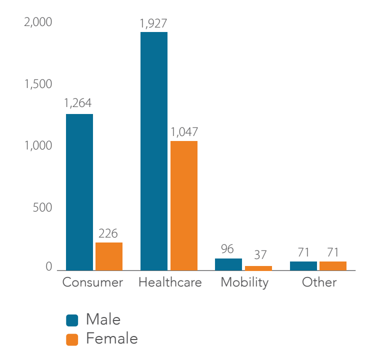
KEY PRIORITIES FOR 2022/23

- Creating the needed culture to achieve Group growth strategy
- Compensation and benefit management
- HR digitisation
- Employee welfare and understanding employee sentiments
- Performance management
- Talent management and succession planning and facilitating internal talent development

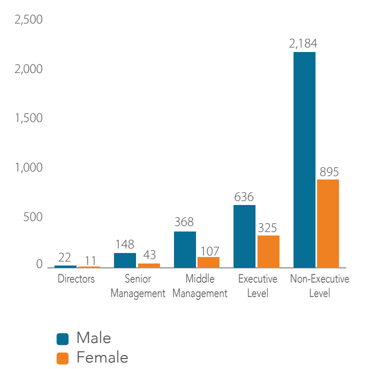
GROUP HUMAN CAPITAL COMPOSITION

	Full-Time	Part-Time	Permanent	Temporary (Contract)	Non-Guaranteed Hours	Outsourced
Male	3,358	0	3,260	98	33	463
Female	1,381	1	1,292	89	15	178

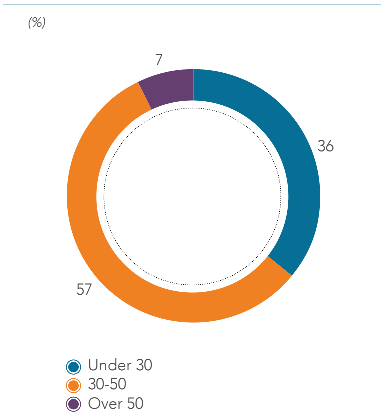
Employees by Sector



Employees by Grade



Employees by Age



The Group has a total of 4,739 employees and the workforce of the Group (employees and out-sourced workers) are 5,380. The Group has 1 male employee working outside Sri Lanka in relation to the reporting boundary of this report. The Group predominantly employs full-time employees who engages in operations that are core functions of the Group. The Group's outsourced workforce comprises individuals who perform tasks such as janitorial duties, security services, and other non-core operational roles.

The Group tracks its data related to its employees and outsourced staff on a quarterly basis and the required information is provided by the relevant HR departments in line with the records maintained. The information in the Annual Report is data as at the end of the reporting period. During the year, there were no significant fluctuations in the number of employees or the outsourced staff across the Group.

The Group strictly complies with both local and international laws and regulations related to child labour and forced/compulsory labour. During the year, the business with significant operations carried out relevant audits. There were no reported incidents of child labour or forced/compulsory labour within the Group for the year, reflecting its commitment to ethical business practices.

RECRUITMENT AND RETENTION

The Group employment policies focus 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.

All employees of significant sectors at the time of induction sign the Hemas Way (Group Code of Conduct) document, which provides guidelines and relevant information on bribery and corruption. The Group Whistle Blowing Policy allows employees or a third party to report on any suspected misconduct, illegal acts or failure to act according to the Group Code of Conduct by e-mail or post to the appointed Board Members. During the year, no significant risks were identified relating to corruption within internal business processes.

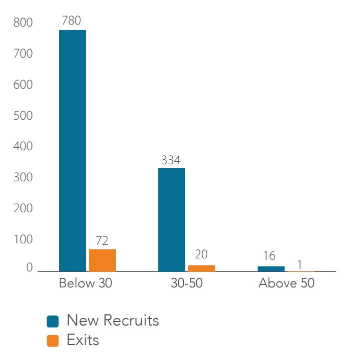
During the year, 1,077 employees left the Group resulting in a turnover rate of 22.7% [FY 2021/22: 22.5%]. From the total employees who left during the year, 61.4% were male employees and 53.5% were below 30 years, 43.5% were between 30 to 50 years, and 3% were above 50 years. The attrition rate among new hires amounted to 8.2% [FY 2021/22: 11.3%].

Total New Recruits

1,130

(FY 2021/22: 1,309)

New Recruits and Exits by Age



New Recruits and Exits by Gender

DIVERSITY, EQUAL OPPORTUNITY AND INCLUSION

Hemas is committed to creating a diverse and inclusive work place that fosters innovation, creativity and collaboration. The Group has in place policies and initiatives that support this commitment, and ensures all employees are treated fairly with no form of discrimination tolerated.

The Hemas Way document, which is signed by employees at the time of inductions states that employees should not discriminate their teams based on race, colour, religion, national origin, sex, age, disability, marital status or similar grounds.

Paid Maternity and Paternity and Adoption Leave

All employees of the Group are entitled to the Group Maternity, Paternity and Adoption Leave Policy that goes well beyond statutory requirements.

Female employees are granted 100 days of maternity leave, while male employees are granted 10 days of paternity leave. The Group Adoption Leave Policy provides the same maternity and paternity leave for a child under 1 year, and half the benefit for a child between 1 and 5 years.

	Male	Female
Employees entitled to parental leave	803	561
Employees that took parental leave	32	155
Total number of employees that returned to work after parental leave	32	148

Supporting Employment of Individuals with Disabilities

The Group encourages the employment of differently abled individuals (e.g. visually impaired individuals, hearing impaired individuals, individuals with physical and mental impairments and rehabilitated combatants, who are employable) and is actively working towards achieving the goal of ensuring that 0.5% of our employees belong to these groups.

The Group currently employs 5 individuals with disabilities which is 0.1% of total employees.

Flexible Working Hours

Implementation of flexible work arrangements, such as part-time work and work-from-home options, for all staff, with a particular focus on supporting female employees. These initiatives have helped to bring balance to work and family responsibilities and support employees in achieving their personal and professional goals. The Group believes that offering flexible work arrangements is not only beneficial for its employees but also contributes to a positive workplace culture and increased productivity. The Group will continue to evaluate and improve its flexible work arrangements to ensure that they meet the needs of its employees and support its business objectives.

Recognised as One of Sri Lanka's Most Friendly Workplaces

The Group was recognised as one of Sri Lanka's most friendly workplaces for women at the SatynMag CIMA Women Friendly Workplace Awards 2022.

Voice of Women

Hemas Voice of Women (VOW) women's network was launched in 2017 as a forum for female employees across all business units and grades, to identify key challenges and constraints faced, and find workable solutions for these issues.

The key objective of VOW is to create a more inclusive environment that attracts and retains more women into the workplace. During the year, the network conducted the following programmes:

- Booklet for maternity leave

Sexual Harassment Committee

The Group believes that any form of sexual harassment can adversely impact both the individual and the organisation and does not tolerate any form of harassment to its employees.

Awareness of the Group Sexual Harassment Policy is created regularly through internal communication tools to all employees. The employees are able to report an incident confidentially to a committee member, and if warranted an investigation will be carried out on the matter.

EMPLOYEE ENGAGEMENT

The Group places great importance on fostering a culture of open communication to maintain high levels of employee engagement. It achieves this by creating multiple channels for employees to ask questions, voice their views, and share suggestions. Periodic employee satisfaction surveys help identify areas for improvement and gauge employee sentiments.

To ensure that employees can voice their concerns without fear of reprisal, the Group has in place a strong grievance mechanism, including documented escalation procedures. Any grievances raised are taken seriously and thoroughly investigated to address underlying issues. In addition to this, the Group's Whistle Blowing Policy provides an additional confidential channel for employees to communicate directly with Directors in the event of a perceived transgression.

The Group also promotes fairness and encourages employees to engage with senior leadership teams, direct line reports, and relevant HR representatives. Open-door policies and skip-level meetings allow employees to discuss their concerns or share their views directly with senior management, including Directors.

The Group recognises the importance of providing its employees with a safe and supportive work environment, free from discrimination and harassment. It upholds the highest standards of ethical conduct and transparency in all of its operations and continuously seeks ways to improve its processes for obtaining and addressing employee grievances. The Group remains committed to maintaining a culture of open communication and will continue to improve its mechanisms for facilitating such communications.

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 can freely associate and Morison Limited has in place a formal collective bargaining agreement and 2.3% of Group employees are covered in the formal collective bargaining agreement.

During the year, multiple activities were carried out across the Group operations to engage and support each employee. Group level engagement activities included:

HEMAS AWARDS 2022

Hemas Annual Awards were held in October where businesses and employees from each of its business units were recognised for their outstanding service throughout the past year. Hemas Pharmaceuticals won 'Champions of the Arena' Award, the pinnacle award of the night for their outstanding effort in maintaining their market leader position and championing their customers.

CHILDREN'S ART COMPETITION

A Groupwide art competition was launched exclusively for the children of the employees, and the outstanding entries were featured in an online/digital art exhibition to showcase their talent.

In addition, each business unit undertook various initiatives to engage and support its employees. These efforts were aimed at promoting a positive and inclusive workplace culture and improving employee satisfaction and well-being.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to ensuring the highest health and safety standards across its operations and has in place a Groupwide 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 ISO 45001 certified. Identification of health and safety risks and periodic audits are conducted to ensure compliance. The Group continues to track and monitor workplace injuries as part of its efforts to identify hazardous areas and continuously improve working conditions.

All manufacturing locations prepare and maintain a Hazard Identification Risk Assessment (HIRA) document, which is reviewed periodically. When an incident occurs, officers responsible for ensuring health and safety carry out root cause analysis for all injuries and suggest process improvements to management. A report on health and safety is submitted to the Human Resources and Remuneration Committee on a quarterly basis.

Business units have health and safety committees who meets regularly. All health and safety matters are discussed in the meeting and the suggestions of the committee members are obtained before implementation. The committee members include representatives from relevant departments. Health and safety trainings are also conducted for employees and contract personnel by Health and Safety officers.

Businesses ensure that its contract manufacturers provides guidance and advise on health and safety protocols, systems, and processes and conducts periodic audits to ensure compliance with health and safety standards.

	Employees		Contract Personnel	
	2022/23	2021/22	2022/23	2021/22
High Consequence Injuries (No.) Recovery time more than 6 months	-		-	
High Consequence Injury Rate (per 100 workers)	-		-	
Recordable Injuries (No.) Recovery time between 3 days and 6 months	20	15	5	4
Recordable Injury rate (per 100 workers	0.4	0.3	0.8	0.4
Total Work Related Injury Rate	0.4	0.6	0.8	0.6
Fatalities (No.)	0	0	0	0

HEMAS WELLNESS

Hemas Wellness, the Group's dedicated wellness programme for employees continued to conduct wellness initiatives across the Group. Funded by an independent trust, Hemas Wellness is a dedicated team, tasked with the mission of nurturing the healthiest possible workforce through awareness campaigns and access to mental and physical healthcare.

Key programmes conducted during the year include;

Fit for Life
Fitness Challenge
96 employees in 12 teams

Fitness Sessions
Group fitness classes at subsidised rates with qualified trainers

Accessibility to Healthy Food
Identified gaps in accessibility to healthy food at operation locations and provided healthy food

Mental Wellbeing
Counselling services offered to employees

NCD Prevention
Group-level screenings for blood sugar, blood pressure, and BMI, and subsidised the screening costs for business units that opted for more comprehensive testing. Additionally, interventions for high-risk individuals were initiated

Wellness Operation Committee
Formation of Wellness Operations Committee with fair representation across SBUs

TRAINING AND DEVELOPMENT

The Group remained committed to investing in the training and development of its employees, recognising the crucial role that enhancing employee skills and knowledge plays in the Group's growth strategy. By fostering a culture of learning across all its operations, the Group has witnessed tangible benefits such as increased productivity, enhanced innovation, and improved customer service. To identify the training needs of each business unit, the Group employs a comprehensive process that includes assessment centres, talent discussions, and performance feedback, thereby ensuring that individual goals align with the strategic objectives of the company.

Total Training Hours

48,995

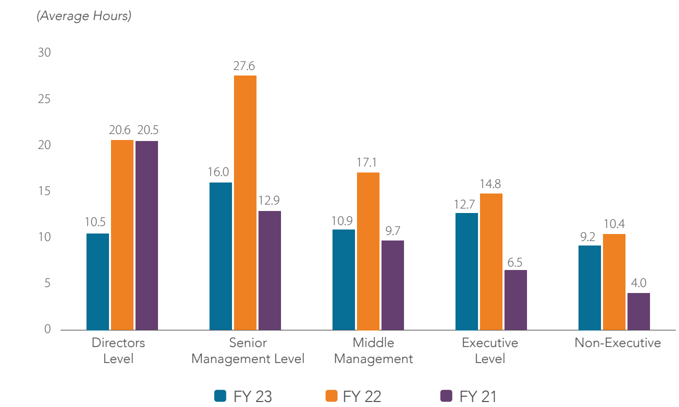
(FY 2021/22: 60,890)

Average Training Hours
(Per Employee)

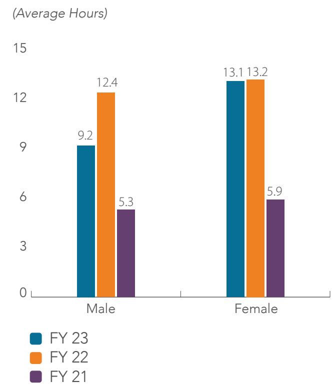
10.3

(FY 2021/22: 12.6)

Average Training Hours (By Employment Category)



Average Training Hours (By Gender)

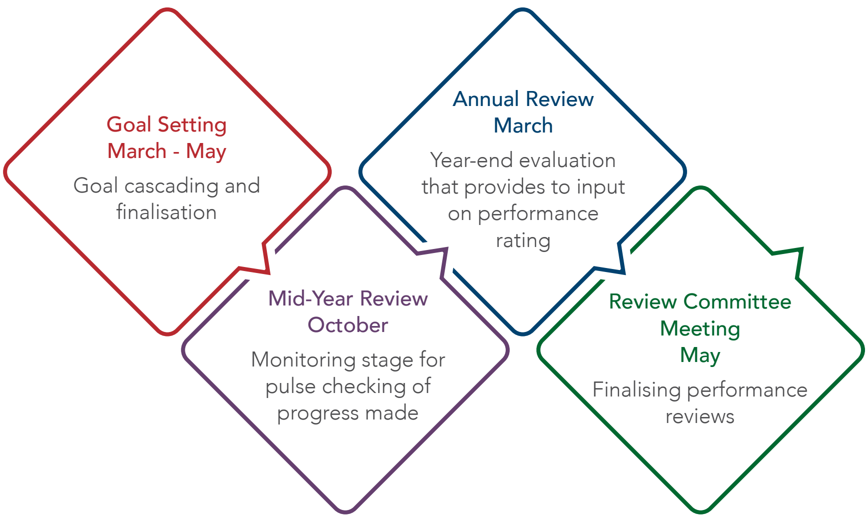


LEADERSHIP DEVELOPMENT

The Group has established structured mechanisms to identify and develop key talent within the organisation. Every year, talent management sessions are conducted at the business level to identify employees with leadership potential who are then directed towards specific leadership development programmes.

To ensure that the organisation has a pipeline of capable leaders, the Human Resources and Remuneration Committee regularly reviews the talent pool at the Group level. This enables the identification of high-potential employees who could serve as successors for critical roles in the future.

The Group is committed to fostering a culture of continuous learning and development, and these talent management initiatives play a critical role in developing the next generation of leaders. The Group will continue to invest in the development of its employees to ensure that it has a skilled and capable workforce to drive its future success.



Performance Appraisal Process of the Group

PERFORMANCE MANAGEMENT

Performance management is part of the training and development process at Hemas and is closely linked to career progression, incentives, remuneration and training needs identification.

Goal setting is carried out at the beginning of each financial year and communicated to all executive and above level employees. Performance reviews based on set goals are conducted biannually 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.

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. 113 million, while the contribution made to MSPS/ EPF was Rs. 465 million. Employees are also entitled to gratuity and the total benefit liability as at March 31, 2023 was Rs. 1.2 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 other benefits. All wages and remuneration are commensurate to the work undertaken, and in all cases higher than a minimum wage requirement and aligned to market remunerations. The Group considers the annual total compensation ratio confidential.

NATURAL CAPITAL

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

KEY PRIORITIES FOR 2022/23

- Ensure responsible utilisation of natural resources
- Emission reduction
- Move to renewable energy by investing in rooftop solar at locations with significant operations
- Facilitate the collection and offsetting of 100% of plastic sent to the market and ensure responsible disposal of plastic waste

ENVIRONMENTAL GOVERNANCE

The Group demonstrates its commitment to managing its environmental impact through an overarching sustainability policy and a Group Environmental Policy that outlines policies for relevant material topics. Each environmental policy is supported by a management approach that focuses on prevention, mitigation, and the establishment of goals and targets where appropriate.

To ensure effective management of material topics, the Group Corporate Affairs Division is responsible for quarterly monitoring, identifying and mitigating any associated risks. The Division also leads the implementation of the Group Environmental Agenda and guides the business units on relevant sustainability initiatives. Moreover, each business unit has appointed sustainability champions who provide quarterly reports on their environmental performance.

The operationalisation of these initiatives to achieve environmental targets under the Environmental Agenda is driven by the Group's Environment Committee (GEC), which includes Chief Engineers from each business unit and members of the Group Corporate Affairs Division. The GEC meets monthly to discuss progress and address issues, and quarterly field visits are conducted to facilitate knowledge sharing.

The senior management reviews the environmental performance, along with other ESG topics, on a quarterly basis and GEC seeks approvals for capital expenditure and changes in operations to further improve ESG performance during these review meetings.

Standard Operating Procedures (SOPs) are in place to streamline processes and ensure accuracy of ESG data gathered on site, while regular internal sustainability audits are carried out by the team to ensure highest sustainability standards are met. The Group strives to be in compliance with all environmental laws and regulations of the country at all times and tracks and monitors any environmental fines paid by its businesses for spillages or any other non-compliance to Sri Lankan legislation. No significant fines worth over Rs. 1 million on environmental non-compliance or spillages were reported in the year under review.

Internal Sustainability Assurance Audits FY 2022/23

- Learning Segment - Welisara
- Hemas Hospitals - Wattala and Thalawathugoda
- Home and Personal Care - Dankotuwa

LAUNCH OF GROUP ENVIRONMENTAL AGENDA

The Group's Environmental Agenda *'Haritha Mehewera'*, is a long-term commitment to protect and conserve Sri Lanka's critically-endangered endemic species. As a global biodiversity hotspot, Sri Lanka is home to over 1,190 endemic species across the plant and animal kingdoms. However, human activity has led to habitat loss, putting these species at risk and at present, 413 species are threatened or in the verge of extinction. As a Sri Lankan company, the Group recognises the importance of caring for and protecting the country's natural heritage for future generations.

The Group's Environmental Agenda focuses on raising awareness, advocating for partnerships, pursuing responsible use of natural resources, minimising the impact of operations, and reducing harmful plastic use. The Group is committed to implementing initiatives and interventions that will protect Sri Lanka's endangered endemic species.

As a key initiative of the Environmental Agenda, the Group has partnered with the Wildlife and Nature Protection Society (WNPS) to understand and carry out necessary interventions to protect 52 critically-endangered species in Sri Lanka. In addition, 25 projects are being carried out to protect endemic species in Sri Lanka

The Group Environmental Agenda 2030

Protect our Natural Resources
Actively pursue the use of natural resources in a responsible manner limiting the impact Group operations have on the environment

Safeguard our Eco System
The Group will embrace and champion initiatives that protect and nurture our unique eco-system

Responsible Plastic Manufacture and Disposal Practices
From design to disposal, the Group will strive to reduce use of plastics that are harmful to the environment

ENERGY MANAGEMENT

Carbon footprint management is considered an important aspect of the overall Environmental Governance of the Group given its impacts on climate change. The Board of Management along with the Group Corporate Affairs team is responsible for the monitoring, review and corrective decision making with regards to the Group's Carbon Footprint and overall energy management.

The Group's main approach to achieving a low carbon strategy involves prioritising energy efficiency and implementing carbon offsetting initiatives, including renewable energy and reforestation. Risks resulting from climate change is addressed through the Group's Enterprise Risk Management Division for all operational locations and supply chains, and through its risk registers and periodic reviews identifies any locations prone to natural disasters cause by climate change, as well as reviews the processes and measures deployed to mitigate such impacts. 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's Environment Committee, together with the engineers of each business unit, conducts ongoing assessments of the risk of energy security, potential delays in transitioning to renewable energy, and the risk of disruptions to operations due to low availability of fossil fuels. The Group's solar initiative is the primary strategy in its transition towards low carbon operations.

The Environmental Governance Framework, together with the Group's carbon reduction strategies and risk management functions have led to the development of Carbon footprint KPIs as part of the Group's Key Sustainability Performance Indicators, which include the total carbon footprint, scope 1, scope 2 footprints, carbon footprint by sector, carbon intensity and review of progress of initiatives to minimise carbon emissions and energy usage. These are compiled by the Group Corporate Affairs team and presented to Board of Management on a quarterly basis for monitoring and review.

The Group tracks and measures its carbon footprint based on the GRI Universal Standards using internationally accepted emission factors. The greenhouse gas protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the Group's carbon emissions, while carbon emission factors found in the IPCC guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating our carbon footprint. Currently, the carbon intensity of the Group is calculated using the total Group revenue, and internal Carbon Footprint reduction targets have also been established.

Group Carbon Footprint

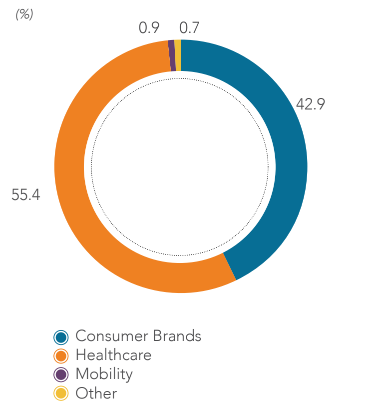
Total Carbon Footprint (MT)
16,456
(FY 2021/22: 19,637)

Scope 1 (MT)
2,161
(FY 2021/22: 3,807)

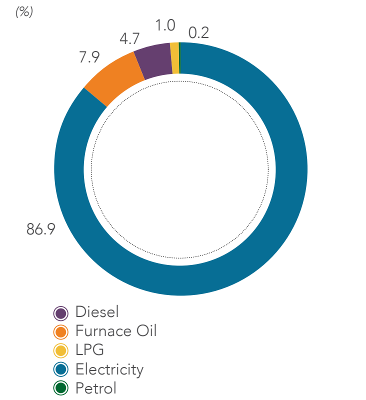
Scope 2 (MT)
14,296
(FY 2021/22: 15,830)

Carbon Intensity
(MT per Rs. Million Revenue)
0.14
(FY 2021/22: 0.25)

Carbon Footprint by Sector



Source of Carbon Footprint



ENERGY CONSUMPTION

The reduction of energy consumption plays a vital role in the Group's response to its environmental impact. The Group energy intensity was 0.90 GJ per million revenue (FY 2021/22: 1.67GJ).

The Group continues to work towards ensuring the efficient use of fossil fuel and electricity in its effort to reduce its carbon footprint. As a part of the Group Environmental Agenda the Group has an energy reduction goal which focuses on 25% reduction of energy by 2030.

The Group is actively working towards reducing its reliance on fossil fuels and is making strides towards using renewable energy sources. Hemas Hospitals has already implemented solar energy systems, and have increased at its renewable energy usage by 21%. This amounts to 1% of the energy used by the hospitals and 0.59% of the energy used by the Group as a whole. The Group has also made a substantial up-to-date investment of Rs. 663.3 Mn in installing solar PV panels on the rooftops of significant operating locations, as a part of its move towards a low-carbon operation.

GJ		2022/23	2021/22	2020/21
Direct Energy		28,860	50,920	49,080
Fossil Fuel		28,432	50,568	48,670
	Diesel	10,428	24,296	31,670
	Petrol	382	2,404	2,401
	Furnace Oil	16,751	22,437	12,625
	LPG	871	1,431	12,625
Renewable Energy		428	352	410
	Solar Power	428	352	410
Indirect Energy		73,090	80,936	67,366
	Hydro and Renewable	35,814	39,659	33,009
	Thermal	37,276	41,277	34,357
Total Energy *		101,950	131,856	116,446

** The Energy consumption for 2021/22 and 2020/21 includes data for the logistics business which was divested by the Group during the financial year 2021/22.*

Hemas Commences Greater Utilisation of Renewable Energy through Solar Power

Offsetting Electricity Consumption
25%

Total Capacity
2,470kW

The Group has taken a significant step towards sustainable business operations by installing roof-mounted solar PV systems at strategic locations where significant operations take place. This move is part of Hemas' Group Environmental Agenda, where the Company has pledged to safeguard the eco-system by conducting its operations in a responsible manner.

By investing in roof-mounted solar, the Group aims to minimise its carbon footprint and reduce the impact of its operations on the environment. In addition to reducing atmospheric carbon footprint and ozone depletion, this shift towards alternative energy sources has prepared Hemas Holdings to face eventual fossil fuel shortages.

Rooftop Solar Locations

- Hemas House
- Pharmaceutical Manufacturing Facility in Homagama
- Home and Personal Care Factory in Dankotuwa
- Learning Segment Production Factory in Peliyagoda

Energy Efficiency Initiatives

Annual Saving
6,255.6 kWh
Energy saving initiatives through KAIZEN at Learning Segment factory

Annual Saving
111,804 kWh
Installation of solar water heaters at Hemas Hospitals

Annual Saving
1,200,000 kWh
Optimisation of AHU's at Pharmaceutical Manufacturing Facility

Annual Saving
245,796 kWh
Installation of Variable Frequency Drive (VFD) technology for hot well and cool well pumps at the soap plant at Hemas Home and Personal Care factory in Dankotuwa and Hemas Hospitals

The VFD system allows the pumps to run at variable speeds, which helps to optimise energy consumption by matching pump performance to the required load.

Be the Solution Campaign

Launched an energy saver awareness campaign at its Pharmaceutical Distribution Office, aimed at encouraging employees to adopt sustainable practices in their daily routine. The campaign focused on simple yet effective measures such as using the stairs instead of the elevator, utilising natural light during working hours, and setting the AC temperature to 25-26°C.

The initiative was aimed at reducing the energy consumption of the office while promoting sustainable practices among employees.

Safeguarding our Eco System and Offsetting Group Carbon Footprint

The Group is dedicated to promoting sustainable forest management practices in Sri Lanka and is actively involved in various biodiversity conservation projects across the country. The Group recognises the importance of preserving Sri Lanka's natural heritage and aims to contribute to the conservation of the country's rich biodiversity.

As part of its commitment to sustainability, Hemas Group works closely with local communities, government agencies, and non-governmental organisations such as the Marine Environment Protection Authority, Wildlife and Nature Protection Society and Rainforest Protectors to promote sustainable forestry practices and biodiversity conservation.

Restoring the Mangrove Ecosystem

Implementation of necessary measures to restore mangroves in selected blocks of land that are in close proximity to the Home and Personal Care Manufacturing Plant in Dankotuwa. To support this effort, the hydrological interventions on the canals were carried out with the assistance of Hydrology Unit of the Sri Lanka Navy and the Department of Wildlife Conservation engineers. Continuous scientific research has confirmed natural regeneration of mangrove plants is now visible in the area. Currently, 5,000 plants are maintained in the nursery to support the restoration efforts.

The benefits of the mangrove restoration efforts are already being observed in the area, with an increase in bird and fish populations as a result of the growth of the mangroves.

Partner

Location
Anawildundawa Ramsar Wetland

Area
9.8 Acres

Reforesting of Land in Balangoda

A partnership focused on embedding sustainable forest management practices within Sri Lanka and extend its support towards social initiatives to conserve the forest cover.

Rainforest Protectors of Sri Lanka

Partner

Location
Rajawaka Rainforest

Area
10 Acres

Trees planted
6,000

WATER MANAGEMENT

Water Consumption and Effluent

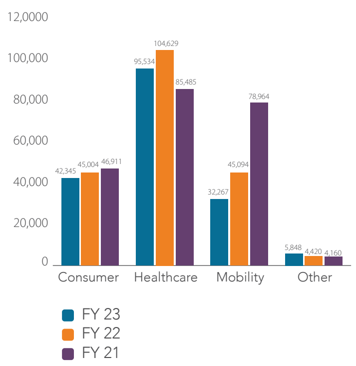
The Group recognises that water is an increasingly scarce and critical global resource and has ensured that all Group companies are committed to be responsible custodians of water resources by measuring, monitoring, and managing its water use as standard business practice. The Group also has in place a water target which strives to reduce its consumption of water by 50% by 2030.

The Group ensures that the discharge quality levels of discharged waste-water is in line with the relevant country laws. Water withdrawals and discharge is tracked and monitored with the use of water meters and where meters are unavailable, through estimated based on pump functional time.

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.

During the year, the total water withdrawal amounted to 175,994 m^3 [FY 2021/22: 199,147 m^3]. However, it should be noted that the FY 2021/22 water withdrawal figure includes 8,067 m^3 from the divested Logistics business. If this amount is excluded, the Group's water withdrawal has reduced by 8%. The Group total water consumption is 47,419 m^3 and total water consumption in water stressed areas is 8,649 m^3. The Pharmaceutical Manufacturing business of the Group has water storage tank with a capacity of 1,396 m^3. The Group meets 90.8% of water requirement through third party water sources (municipal water suppliers) and the rest through well water. 90.8% of the Group's water withdrawal is from non-water stressed areas where annual rainfall is over 1,500 mm/ year. All water used was fresh water.

Water Withdrawal by Sector (m³)

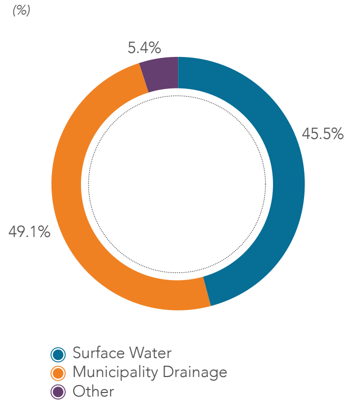


During the year the Group discharged 128,575 m³ of waste water. Water discharged was through effluent treatment plant at sectors and all water discharged was as per the standards stipulated in respective EPLs. The Group discharged 94.2% of its water to areas that are considered as not water-stressed.

All production facilities have onsite 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. Home and Personal Care Factory has regular in-house and quarterly external testing of wastewater and spill kits in place to prevent any spills of chemicals, oils, fuel, or waste.

Additionally, Learning Segment factory has two wastewater treatment plants, where all waste is collected, and the remaining chemical sludge is incinerated with a licensed supplier. Hospitals maintain their Sewerage Treatment Plants (STP) and test the effluent water quality quarterly by a CEA accredited laboratory, ensuring no spills of chemicals, oils, fuel, or water through strict SOPs. All locations have secondary containments. There were no recorded significant spills during the year and there were no instances of non-compliance with EPL terms during the year.

Water Discharge by Destination



Rainwater harvesting at pharmaceutical manufacturing facility in Homagama where the collected water is used for gardening

Water Conserving Initiatives

Annual Saving
3,000 L
Rain Water Harvesting Tank at Pharmaceutical Manufacturing Facility in Homagama. Rainwater is used for gardening purposes

Annual Saving
23,725 m³
Recycling of effluent water for cooling towers and toilet flushing at Pharmaceutical Manufacturing Facility in Homagama

Annual Saving
1,825 m³
Recycling of effluent water for gardening purposes at Hemas Hospitals

Annual Saving
183 m³
Installation of water consumption reducing nozzles at Hemas Hospitals

WASTE MANAGEMENT

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. Healthcare and Consumer Brands Sectors are the largest contributors to the waste generated by the Group

Given the Group's manufacturing operations, waste streams are generated from its sourcing and manufacturing as well as 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 lifecycle.

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 cognisant of our target segment as well. Meanwhile, R&D teams within consumer segments 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.

Waste Management Processes of the Group	
Healthcare	Consumer Brands
• Clinical waste generated at Hemas Hospitals is subject to stringent procedures pertaining to waste storage, management, handling, and disposal stipulated the Environmental Protection License and/or the Scheduled Waste Management License issued by the CEA • Waste segregation is practiced and non-hazardous waste is sent to be recycled by third parties • Hazardous waste and chemical sludge are disposed via Insee cement kiln	• Recycling of plastic cans, wood pellets, steel and plastic barrels, paper, cardboard, iron waste and waste oil through 3rd party partner • Learning Segment factory follows the 4R concept to ensure responsible disposal of waste and does not send any waste to landfill • Food waste sent to piggery farms • Chemical sludge is disposed via Insee cement kiln

The Group closely monitors waste generated and reports on disposal methods of operational waste generated.

Hazardous Waste (Kg)			Disposal Method	Non-Hazardous Waste (Kg)		
2020/21	2021/22	2022/23		2022/23	2021/22	2020/21
990	7,504	7,478	Reuse	33,332	55,407	35,601
200	259	548	Recycling	1,073,389	1,091,465	192,699
			Composting	440	2,215	13,822
			Recovery	19,514	18,557	15,593
158,617	326,322	211,148	Incineration	212,425	196,679	87,130
			Deep Well Injection			
			Landfill	33,379	243,988	202,533
2,402	15,033	18,788	On-Site Storage	3,084	1,022	380
162,209	**349,177**	**237,962**	**Total**	**1,381,563**	**1,609,333**	**562,817**

During the year, the highest quantity of waste was generated by Learning Segment which accounted for 67.2% of waste generated by the Group, however, overall Learning Segment waste reduced by 7% as a result of waste management processes in place.

Total waste

Addressing End Consumer Plastic Waste

Hemas Group recognises the importance of addressing the issue of its end consumer plastic waste and its impact on the environment. As a result, the Group is committed to reducing its plastic footprint by implementing sustainable practices throughout its operations and promoting responsible consumption among its customers.

Environmental Goals Regarding Responsible Consumption of Plastic

- Manufacturing: Reduce 30% of plastic used in packaging by 2030.
- Plastic Waste Generated: Recycle 100% of plastic waste generated during manufacturing by 2030.
- Extended Producer Responsibility: Facilitate the collection and offsetting of 100% of plastic sent to the market/consumers by 2030 through initiatives across the country.

Location

Across the Island

Annual Collection

47,000+ KG

Key Initiatives

Ocean Strainer Project - Galle

Beach Caretaker Projects: Rathgama, Balapitiya, Habaraduwa, Kaikawala, Poruthota, Preethipura, and Jaffna

Lagoon Cleaning Project : Negombo

Recycle Bin Placements in and around Colombo and Group office premises

Collection at Events

SOCIAL AND RELATIONSHIP CAPITAL

The Group believes strong relationships with its customers, business partners, and the community help unlock sustainable value creations and play a vital role in the Group's growth strategy. The Group ensures that the operations are carried in an open and ethical manner, engaging with stakeholders at various stages to ensure the alignment of mutual interests. During the year, the Group focused on building customer loyalty, stronger and more efficient supply chain, greater industry engagement and creating more equitable communities.

KEY PRIORITIES FOR 2022/23

- Understand and meet the needs of customers in a responsible and sustainable manner
- Deliver high-quality products and services to customers
- Ensure sustainability of supply chain
- Provide emergency relief to vulnerable communities affected by the economic crisis
- Empower families to live a better tomorrow

CUSTOMER RELATIONSHIPS

The Group continues to expand its product and services portfolio to cater to a diverse customer base across different socio-economic and geographical spectrums. The Group engages in ongoing customer engagement to deepen its connection with customers and gain a better understanding of their needs.

This engagement takes place through multiple channels, including surveys, complaint management systems, customer awareness programmes, focus group meetings, social media, and retailer and distributor conventions, among others.

Ensuring the health and safety of its customers is a top priority for the Group, and it is reflected in the products, services, and solutions they provide. The Group represents leading global brands and takes responsibility for their customer solutions, offering warranties, guarantees, and product responsibility. To address any issues faced by patients, the Group's healthcare businesses have a dedicated adverse drug reaction notification and product complaint form on their website, which enables patients to directly communicate their concerns. The Group also encourages its field staff to report any such issues promptly. To ensure the high standards of quality, the Group Pharmaceutical Distribution Business has implemented several processes such as the Pharmacist Skill Development Programme, a comprehensive course in collaboration with the Sri Lanka Pharmaceutical Society. The business also conducts regular internal compliance training and annual internal audits for ISO 9001:2015 and GDP Certification, ensuring compliance with regulatory requirements and maintaining their commitment to quality and safety.

The Group has put in place robust mechanisms to obtain customer feedback on its consumer brands products and service quality, including a consumer careline and email mentioned in all Consumer Brands products, complaint forms on Company websites, and regular engagement with consumers.

The Group places great emphasis on compliance regarding certification, labelling, and product information for all products sold. The Pharmaceuticals Distribution Business ensures that it meets all the requirements mandated by the National Medicines Regulatory Authority (NMRA) regarding product and service labelling and information dissemination to customers. The Regulatory Department, comprising of qualified pharmacists, oversees the registration, renewal, and monitoring of products in accordance with the country's regulatory standards. The department works closely with the Principals and the NMRA to ensure that all regulatory requirements are met.

To ensure that all internal and external communications adhere to the core principles of honesty and non-discrimination, the Group has a groupwide Communication Policy and Communication Playbook in place. By conveying accurate information about its products and services, the Group creates awareness and confidence about its product and service offering in a responsible manner.

There were no instances of significant fines over Rs. 1 million or incidents of non-compliance relating to health and safety impacts of products and services, product and service information and labelling, marketing communications or breaches in customer privacy during the year.

BUSINESS PARTNER RELATIONSHIPS

The Group's Supply Chain include

Local and International Principals	Amenity and Utility Suppliers
Raw material suppliers	Equipment suppliers
Packaging suppliers	Waste management suppliers
Contract manufacturers	Distributors
Manpower suppliers	Outsourced Warehouses
PPE Suppliers	Pharmacies
Consumable Good Suppliers	Retail outlets
Medical Equipment Suppliers	Maintenance and support services

The Group has established a systematic approach to managing relationships with its suppliers due to the large and multi-tiered nature of its supply chain. This includes mapping out supply chain risks to address any social concerns that may arise and improve efficiencies and sustainability throughout procurement, production, and supply chain partners. The Group's strong partnerships proved valuable during the pandemic, enabling business lines to maintain efficient and reliable supply chains with minimal disruptions despite challenging operating conditions. The Group's supply chain has 745 local suppliers, with raw material suppliers and principals located overseas.

Relevant businesses engage with its contract manufacturers periodically to ensure product quality, health and safety of their staff, and compliance with local laws and regulations. The Group utilises the services of various contract manufacturers situated in Sri Lanka and nearby regions, who perform exclusive manufacturing activities on behalf of the Group. For the purpose of this report, focus will be on the six contract manufacturers located within Sri Lanka.

Building stronger and more efficient supply chains remains a strategic priority, particularly in an increasingly complex and uncertain operating environment. The Group has a comprehensive Supplier Code of Conduct in place to ensure that all suppliers and business partners adhere to the prescribed code of ethics. An internal policy of Significant Supplier Engagement methodology further strengthens supplier engagement by prescribing a 5-point process of engagement which includes self-declaration forms for each supplier, annual audits of suppliers, supplier forums and introduction of a supplier rating scheme. Currently, all SBUs with significant operations are implementing the new supplier engagement policy, while the 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 significant changes in the supply chain during the year, as its type of operations remained the same.

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 National Chamber of Commerce Ceylon National Chamber of Industries Sri Lanka-Pakistan Business Council The Industrial Association of Sri Lanka Cosmetic Manufacturers Association in Sri Lanka Employers' Federation of Ceylon
Pharmaceutical Manufacturing and Distribution	Sri Lanka Chamber of the Pharmaceutical Industry Sri Lanka Chamber of Pharmaceuticals Manufacturing Association Sri Lanka Chamber of Pharmaceutical Importers Sri Lanka Chamber of Medical Devices Industry All Island Private Pharmacy Owners' Association Pharmaceutical Society of Sri Lanka
Hospitals and Laboratories	The Association of Private Hospitals and Nursing Homes (APHNH) Private Medical Laboratories Society Limited
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 creating equitable communities with a focus on its purpose of empowering families to live a better tomorrow.

The Group businesses continue to engage with community leaders in and around locations of operations to understand any potential issues that might arise or any impacts their operations will have in the community. In addition, the business through these engagements identify initiatives and community service programmes that would support the local livelihoods. Through these engagement activities the Group strives to ensure equitable communities, healthful living amongst the communities, and create a strong brand image and social license to operate.

The Group also has in place a community grievance handling mechanism and continuously engages with the community and its stakeholders to understand any concerns. During the year all community grievances that were brought forward were resolved by the Group. Further, there were no instances of significant non-compliance with laws and regulations in the social and economic area. The Group defines significance as fines exceeding Rs. 1 million.

THE CAPITALS REPORT
SOCIAL AND RELATIONSHIP CAPITAL

HEMAS COMMITS TO CREATING A SOCIAL SECURITY NET AND EMPOWERING FAMILIES TO LIVE A BETTER TOMORROW

Providing Emergency Relief to
120,000
Families across the island

The Group partnered with like-minded corporates to launch '*Manudam Mehewara*' to provide emergency relief to families and communities affected by the economic crisis.

Partnership with Lifeline Sri Lanka to deliver lifesaving medicine, drinking water, education materials and other critical supplies to children and families in the country.

Providing access to essential medicine to

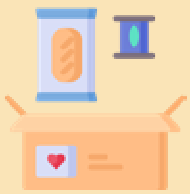
228,000+ **families**

Joined like-minded corporates in UNDP-led Private Sector giving facility focused on providing medicine and food relief.

Nutritious Packs to Children of Piyawara Pre-Schools

367 families | 15 Pre-schools | 6 Districts | 5 Months

Hemas Outreach Foundation partnered with 'Hoppers London' a well-known chain of restaurants in the UK to provide nutrition packs to children of our Piyawara pre-schools from the most affected areas.



Donation of dry rations to communities around areas of operations

2,430
families

Free health education programme for school children

150
Preschools

Creating equal learning opportunities for children from underprivileged and underserved backgrounds to continue their education through Atlas Sip Savi.

102,500 families

PROVIDING NUTRITIOUS MEALS TO 150 FAMILIES FOR 6 MONTHS IN ANURADHAPURA

Partnership with Sri Lanka College of Paediatricians to tackle malnutrition faced by young children through Feed a Child Community initiative

Donation of food packs

600+
patients in Endocrinology Clinics

10,000+
individuals in close proximity to Hemas Hospitals

Providing breakfast to patients in Government diabetes clinics

10
Diabetes Clinics

4,950
patients

Donation of medical supplies and medicines to hospitals

Colombo South Teaching Hospital - Kalubowila
Surgical and Gynecology Ward
+
Lady Ridgeway Hospital for Children

DONATION OF NUTRITIONAL SUPPLEMENTS

2,435 families

CREATING AN INCLUSIVE WORLD FOR CHILDREN WITH DISABILITIES

Ayati is a long-term, sustainable national initiative aimed at helping children with disabilities become productive, integrated members of society.

10,200+ children registered

Meal for All Programme providing free breakfast, lunch and tea for needy children

MAKING PREMIUM HEALTHCARE AFFORDABLE

by offering three of the latest Morison branded pharmaceuticals to treat diabetes and cardiovascular diseases to our team members and immediate family members on a monthly basis.

Providing essential learning tool packs to children in vulnerable communities through Light a Future

5,000+ children

TACKLING DIABETES IN SRI LANKA

5,000+

free testing of internal and external stakeholders

"Say Yes to Life" aims to create awareness and assistance in early management of diabetes in communities.

TACKLING PERIOD POVERTY IN SRI LANKA

Fems Aya aims to educate a wider audience of Sri Lankan women on menstrual health, iron out the long-held myths and misconceptions, and focus on empowering women to take charge of their own health and wellbeing.

27 training sessions with

15,573 individuals

Corporate trainings:

Laughs, Heineken, MAS Holdings, Dilmah and John Keels Holdings

Community and corporate donations

5,780 sanitary napkins

Kumarika *Sonduru Diriyawanthi* addresses the increasing need of hair wigs for women battling cancer, provides counselling sessions to patients undergoing chemotherapy and advocate that women are strong and beautiful with or without hair.

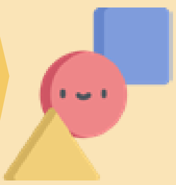
1,453 Wigs donated

7 Employee hair donations

Providing uninterrupted learning through activity-based programmes to be exposed to modern ways of learning along with facilitating Grade 5 scholarship seminars online through Atlas Learn

29,000 primary school students and teachers

Enhancing and enriching early childhood care and development (ECCD) in Sri Lanka through Piyawara



Hemas Outreach Foundation assists children across the island by providing early childhood care and development to underprivileged children across the country

3 Pre-schools added to the national network

100 Teachers trained on early childhood care and development

62 Pre-schools to date

4,000 Students

150 Teachers

FREE ANTENATAL CLASSES FOR PREGNANT WOMEN

6 programmes

50 mothers

Creating a safer world through Baby Cheramy' ***'Daru Patiyata Surakshitha Lowak'*** parental clinics

35 clinics

12,442 parents

Diva *Dathata Diriya* female entrepreneurial training providing women solutions to aspire for more for themselves and their families to live a better life.

14 training sessions in Dankotuwa and Jaffna

99 families

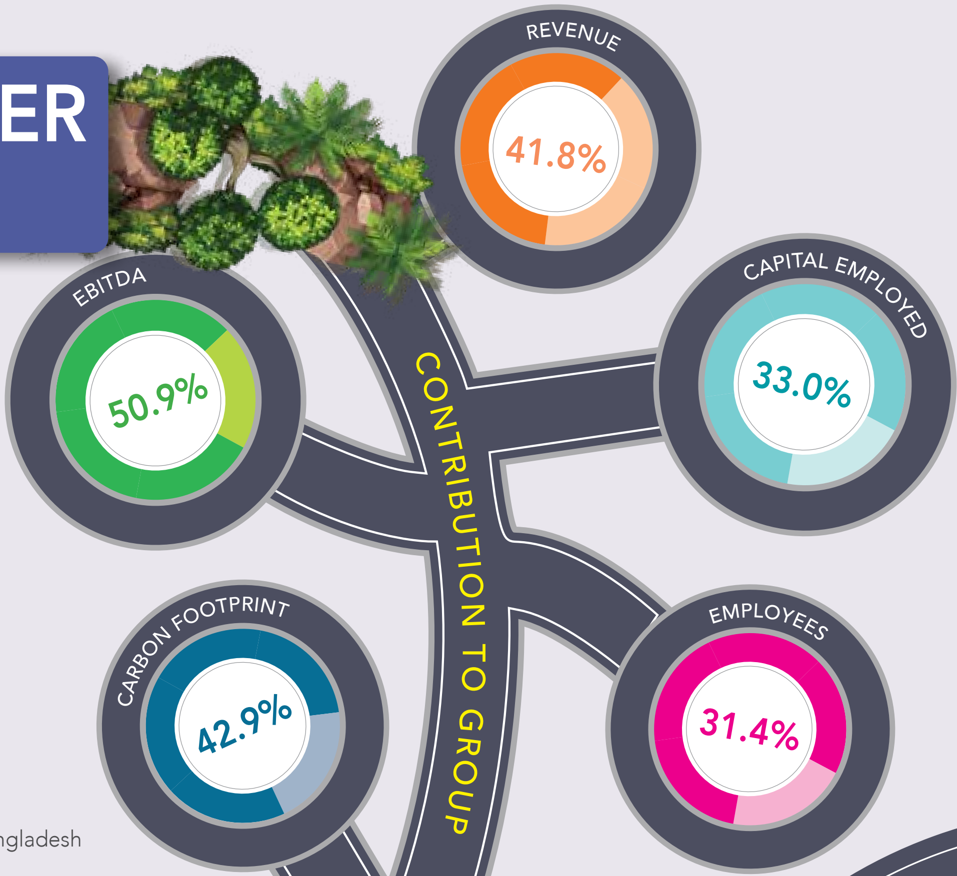
Creating a social movement to empower children with Down Syndrome and their families to live a dignified life

- Social media campaign to eradicate stigma related to Down Syndrome
- Excursion for children with Down Syndrome to develop social and emotional skills

A Journey of RESILIENCE

SECTOR REVIEW

CONSUMER BRANDS



STRENGTHS

HPC SRI LANKA

- Presence in defensive sectors
- High market penetration
- Strong core portfolio

CONSUMER BRANDS INTERNATIONAL

- Local management team in Bangladesh
- Hair oil being a cultural staple
- Increased focus and efforts for internationalisation

LEARNING SEGMENT

- Market leadership position
- High Brand equity and loyalty
- World class manufacturing capability

CHALLENGES

HPC SRI LANKA

- Margin pressure from escalated costs
- Double-digit market contraction under reduced wallet sizes
- Changes in consumer buying patterns to opt for value-for-money alternatives

CONSUMER BRANDS INTERNATIONAL

- Contraction in market demand due to inflationary pressure in Bangladesh
- Margin pressure due to currency depreciation and increase in key operating costs including fuel
- Slow down in the global economy adversely impacting internationalisation efforts

LEARNING SEGMENT

- Volume contraction across the industry
- Higher contraction in non-essential product categories
- Increased competition from value for money brands

HPC SRI LANKA

- Introduction of value for money alternatives to cater to the shifts in buying patterns
- Increased focus on the Beauty segment through '*Prasara*' and '*Vivya*'
- Maintaining margins through calculated pricing decisions and efficiency improvement initiatives

CONSUMER BRANDS INTERNATIONAL

- Introduction of 150 ml variants under affordable price points amidst the inflationary pressure
- Reduced single brand dependence ('*Kumarika*') with increased focus on the personal care brand '*Actisef*'
- Entering into agreements with global brands

LEARNING SEGMENT

- Ensuring availability across the portfolio during the back-to-school season
- Launch of '*Quirky Lanka*', the newest addition to the '*Innovate*' range
- Purpose-led initiatives to empower children during the economic crisis

ACTION

JOURNEY AHEAD

HPC SRI LANKA

- Increased focus on product premiumisation
- Leveraging on underpenetrated areas
- Increased efforts to improve efficiency and cost optimisation
- Initiatives to empower and enable small and medium scale entrepreneurs to succeed in the industry

CONSUMER BRANDS INTERNATIONAL

- Continuous efforts to drive exports and internationalisation
- Expand Bangladesh product portfolio into adjacent consumer spaces

LEARNING SEGMENT

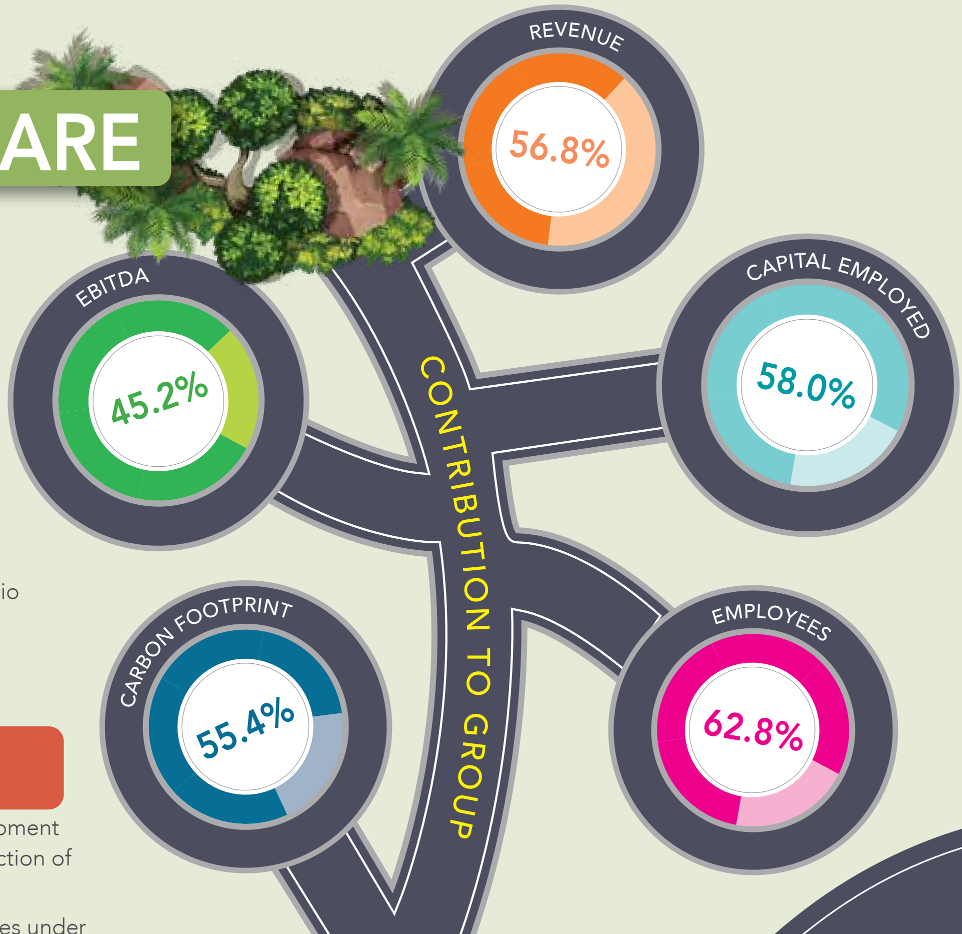
- Explore adjacent opportunities in the Learning space: Edu Toys, '*Learn*' platform for curriculum development
- Building Power Brands : Drive brand loyalty and maintain market leading position through purpose led initiatives
- Accelerate new product developments and innovations

PERFORMANCE HIGHLIGHTS

KPIS FOR CONSUMER BRANDS

REVENUE (Rs. million)	EBITDA (Rs. million)	ROCE (%)	TRAINING HOURS	CARBON FOOTPRINT (MT)	WATER USAGE (m^3)
47,595	6,398	36.8	15,309	7,061	42,345
(FY 2021/22: 30,761)	(FY 2021/22: 3,461)	(FY 2021/22: 24.9)	(FY 2021/22: 20,371)	(FY 2021/22: 7,644)	(FY 2021/22: 45,004)

HEALTHCARE



STRENGTHS

PHARMACEUTICAL DISTRIBUTION

- Market leading position in the private market
- Comprehensive product portfolio and strategic partnerships with global principals
- Islandwide distribution network

PHARMACEUTICAL MANUFACTURING

- Advanced research and development capabilities that enable introduction of new formulations
- Strong manufacturing capabilities under modern technological infrastructure

HOSPITALS

- Strategic location advantage (Wattala and Thalawathugoda)
- Centres of excellence offering high quality patient care
- Islandwide lab network

CHALLENGES

PHARMACEUTICAL DISTRIBUTION

- Market contraction due to reduced purchasing power
- Increase in vulnerability of small and medium size competitors due to liquidity pressure resulting in shortages in the market
- Margin pressure from increased interest rates and devalued currency impact
- Lack of a transparent pricing mechanism for price-controlled SKUs

PHARMACEUTICAL MANUFACTURING

- Reduction in disposable income levels leading to a slowdown in demand
- Margin pressure from increased raw material and operating costs
- Inconsistent Government Buyback policies

HOSPITALS

- Adverse impact on the industry from skilled migration and lack of essential medical supplies
- Increase in costs across the services including medicine, medical equipment and patient care

ACTION

PHARMACEUTICAL DISTRIBUTION

- Partnering with global principals and supply chain participants to ensure continuous supply of medication into the market
- Introduction of over 100 NPDs, including medicines in essential spaces
- Cautious pricing decisions and implementation of proactive working capital measures to minimise margin pressure

PHARMACEUTICAL MANUFACTURING

- Increased focus on Morison branded generics portfolio. Launched;
  - *'Ros 10'* - Used to treat high blood cholesterol
  - *'Bisoprolol'* - Used to treat high blood cholesterol
  - *'Chlor Mor'* - Antihistamine medicine that relieves the symptoms of allergies
  - *'FoliMor'* - Used to treat or prevent folic acid deficiency
- Commenced commercial production at the Homagama factory

HOSPITALS

- Investments in technological and infrastructure developments including the purchase of a mammogram machine used in breast cancer detection
- Strengthened the hybrid consultant model with a mix of resident and visiting consultants

JOURNEY AHEAD

PHARMACEUTICAL DISTRIBUTION

- Maintain the market leadership position
- Leverage on strong relationships with global principals to expand the product portfolio
- Focus on growing in surgical and diagnostics spaces and under-indexed therapeutic classes

HOSPITALS

- Drive core revenues by improving footfall, surgical revenue and expanding the lab network
- Focus on anchor specialties including cardiology, fertility, nephrology, urology gastro-enterology and orthopedics to build depth and scale to transform to a tertiary care hospital chain
- Prioritise digitisation as a key enabler

PHARMACEUTICAL MANUFACTURING

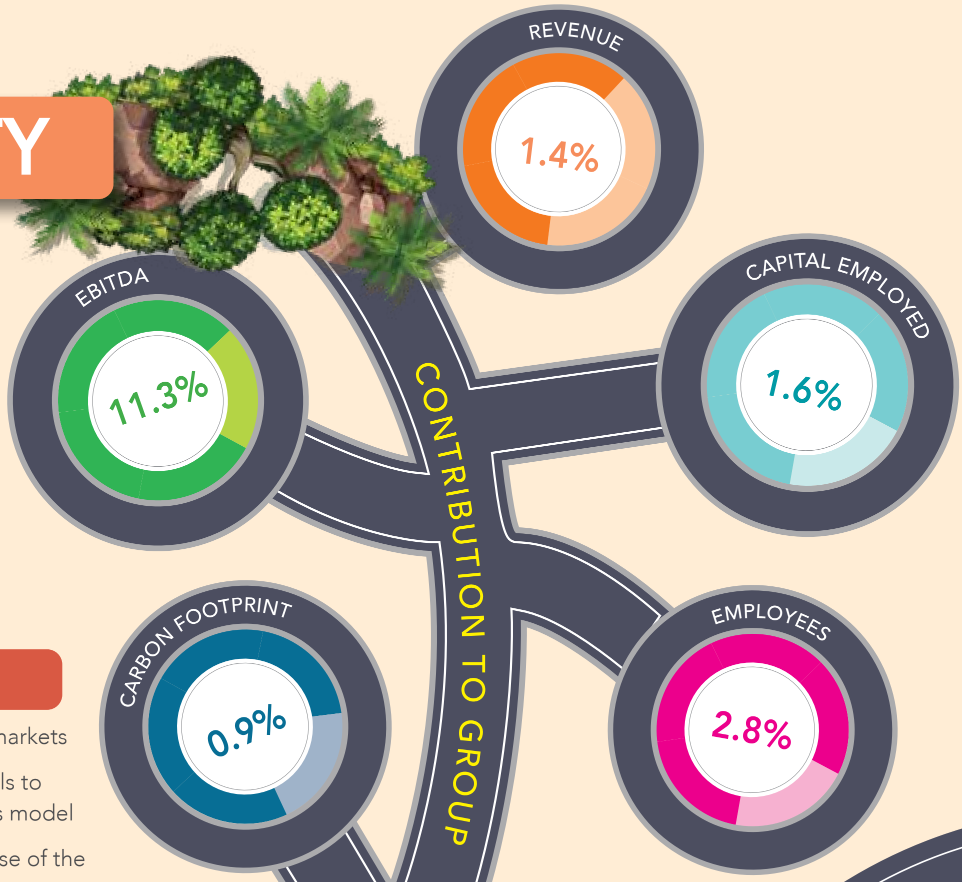
- Focus on contract manufacturing and strengthening the '*Morison*' branded portfolio
- Increase efforts to improve utilisation levels at the Homagama plant

PERFORMANCE HIGHLIGHTS

KPIS FOR HEALTHCARE

REVENUE (Rs. million)	EBITDA (Rs. million)	ROCE (%)	TRAINING HOURS	CARBON FOOTPRINT (MT)	WATER USAGE (m^3)
64,668	5,679	17.5	33,344	9,121	95,534
(FY 2021/22: 46,089)	(FY 2021/22: 4,372)	(FY 2021/22: 13.3)	(FY 2021/22: 39,606)	(FY 2021/22: 10,039)	(FY 2021/22: 104,629)

MOBILITY



STRENGTHS

MARITIME

- Access to wider range of global markets
- Strong relationships with principals to benefit from the resilient business model
- Access to knowledge and expertise of the strategic partners

AVIATION

- Global awareness and high brand value of '*Emirates*'
- Over 25 years long relationship with the principal

CHALLENGES

MARITIME

- Drop-in freight rates to nearly pre-pandemic levels
- Slow down in the global demand resulting in weaker demand
- Adverse impact on volumes in Port of Colombo due to Government imposed import restrictions
- Strong appeals to remove restrictions on foreign ownership of shipping agencies

AVIATION

- Contraction in cargo volumes mainly due to reduced demand from the US and Europe
- Reduction in air cargo rates due to excess market capacity supply

MARITIME

- Timely submission of market data to the principals for the determination of competitive rates
- Diversification of services to new sectors to improve market share and reduce dependency

AVIATION

- Leveraged on the increased passenger travels resulting from worker, student and migrant traffic
- Ensured uninterrupted connectivity amidst the challenges surrounding revenue repatriation and operational mishaps

ACTION

JOURNEY AHEAD

MARITIME

- Continue to maintain strong relationships with exporters and principals to remain resilient amidst the challenges

AVIATION

- Maintain the market position as the largest international airline operating to/from Sri Lanka
- Continue to contribute to the Sri Lankan economy via supporting exports , trade, tourism and foreign employment

PERFORMANCE HIGHLIGHTS

KPIS FOR MOBILITY

REVENUE (Rs. million)	EBITDA (Rs. million)	ROCE (%)	TRAINING HOURS	CARBON FOOTPRINT (MT)	WATER USAGE (m^3)
1,642	1,415	62.5	42	156	32,267
(FY 2021/22: 1,955)	(FY 2021/22: 1,435)	(FY 2021/22: 17.8)	(FY 2021/22: 367)	(FY 2021/22: 1,843)	(FY 2021/22: 45,094)

Routes of GUIDANCE

GOVERNANCE

CORPORATE GOVERNANCE REPORT

HEMAS HOLDINGS PLC'S APPROACH TO GOOD GOVERNANCE

Since its inception over seven decades ago, good governance has served as the foundation of the success of Hemas. Each business within the organisation is guided by the Group's approach to corporate governance, which in turn provides the framework that supports accountability, enables a reinforced risk awareness and culture, improves transparency, and drives effective oversight and leadership in ensuring that consistent value is created for all stakeholder groups.

The aforementioned Group-wide corporate governance framework was established by the Board to ensure all subsidiaries align with the holding Company's governance principles, practices and processes. This ensures that many of the structures and guidelines adopted across private subsidiaries reflect those of publicly listed entities, including the establishment of Board Sub-Committees across all businesses of the Group.

The Group's governance practices are further strengthened and enforced across each company through the appointment of Group Directors and/or Key Management Personnel to the Boards of subsidiaries.

GOVERNANCE FRAMEWORK AND STRUCTURE

Hemas Holdings PLC's commitment to corporate governance transcends beyond regulatory requirements and is further reinforced by strong internal frameworks and the adoption of voluntary codes and best practices.

Regulatory Requirements

- Companies Act No. 7 of 2007
- Listing Rules of Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act, No.19 of 2021, including Directives and Circulars
- Shop and Office Employees (Regulation of Employment and Remuneration) Act, No. 19 of 1954
- Factories Ordinance (No. 45 of 1942)

Internal Frameworks

- Articles of Association
- Board Charter
- Terms of Reference and Board Sub-Committees
- Board-approved policy frameworks for governance, risk and operational areas

Voluntary Codes and Best Practices

- Code of Best Practice on Corporate Governance 2017
- GRI Standards issued by the Global Reporting Initiative
- IR Framework issued by IIRC
- United Nations Sustainable Development Goals (UNSDGs)

GOVERNANCE STRUCTURE

The Hemas Group's governance is led by the Board of Directors and cascades down to the Group's management levels and across each business sector. However, the Board recognises the delegation of authority does not minimise the responsibility of Directors to discharge their statutory and common-law fiduciary duties. Furthermore, each subsidiary has in place an Audit Committee which reports to the respective subsidiary Board and to the parent Audit Committee.

Group Governance Structure

Board of Directors

Assumes collective responsibility for the overall governance, performance, strategy and affairs, while providing direction and leadership to the Group

Board Subcommittees

The Board has appointed the following four Board Sub-committees to ensure in-depth focus on delegated matters warranting greater attention in line with its mandate:

- Group Audit Committee
- Human Resources and Remuneration Committee
- Related Party Transactions Review Committee
- Nomination and Governance Committee

Group CEO

Leads the Board of Management, and is for developing and implementing the Group's strategic plan and the management of daily operations.

Board of Management

Consists of 10 members from the senior leadership team, namely the Group CEO, Group CFO, Chief People Officer, Director M&A and Strategy, the MDs of each of the Group's 5 key businesses who rely on a collaborative approach to ensure peak performance irrespective of the circumstances and challenges faced by the Group.

Group Risk & Control Division
Group Finance & Treasury Division
Group IT Division
Group Corporate Affairs Division
Group HR Division
Group Corporate Secretarial Division
Group Legal Division

Business Sector Governance Structure

Board of Directors

Audit Committee

Managing Director

Executive Committees and Corporate Divisions

CORPORATE GOVERNANCE REPORT

THE ROLE OF THE BOARD

As the custodian of corporate governance across the Group, the Board of Hemas Holdings PLC is the apex body responsible for compliance with sound corporate governance strategies and practices, ensuring that all businesses across the Group's diverse sectors adhere to high ethical standards and operate in a fair, accountable and transparent manner.

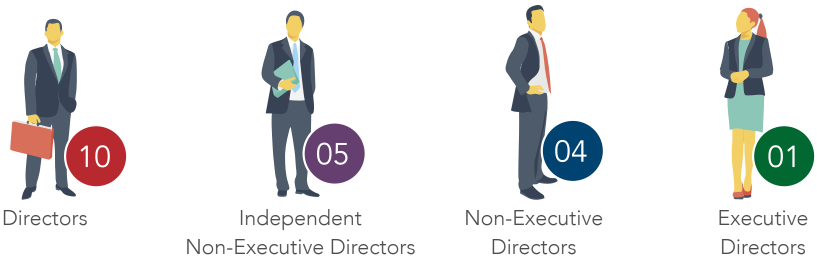
The Board ensures the Group's vision, mission, values and strategy are aligned to meet stakeholder expectations, while providing farsighted leadership, direction and entrepreneurial insights to enable the execution of the same. The Board applies its collective expertise to exercise independent judgment in overseeing the management and performance of businesses to ensure stakeholder interests are consistently addressed.

BOARD DIVERSITY AND COMPOSITION

The Hemas Group ensures that the Board's composition complies with the Company's Articles of Association and the Listing Rules of the Colombo Stock Exchange, thereby ensuring the balance of power is distributed equitably, so that no single Director holds unfettered decision-making capabilities.

The composition of Board is subject to change due to a range of factors including new appointments, retirements, resignations, and the re-election of Directors.

As at 31st March 2023, the Board composition stood as follows:

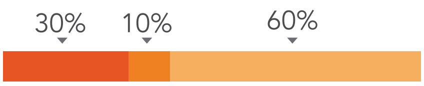


Board Diversity

Composition

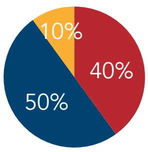
- Independent
- Non-Independent Non-Executive
- Executive Directors

Tenure



- 0-2 years
- 2-5 years
- More than 5 years

Age



- 40-50 years
- 50-60 years
- 60+ years

Gender

While adhering to mandatory Board composition criteria, the Hemas Group understands the vital nature of diversity in ensuring effective, balanced leadership. Therefore, the organisation strives to enhance diversity and representation at Board level, in order to provide a diverse mix of skills, competencies and insights to support Group strategy and overall direction.

The Board and the Nomination and Governance Committee (NAGC) take the aforementioned attributes into consideration and engage in a joint review of the composition and balance of the Board of Directors on an ongoing basis.

The Directors possess strong financial acumen and knowledge garnered through their collective decades of experience in leading reputed organisations across various industries. Furthermore, five Directors including the Chairman of the Board Audit Committee are finance professionals, thereby ensuring adequate financial expertise is available to support the Group's decision making.

Consequently, the size and collective composition of the Board as at 31st March 2023 was deemed sufficiently appropriate to provide the necessary skills, knowledge, and diverse perspectives that would in turn support the achievement of Group's strategic objectives.

More Information Page 18 of the Annual Report for Board Profiles and Expertise

ASSURING DIRECTORS' INDEPENDENCE

The Independence of Non-Executive Directors on the Hemas Holdings Board is assured via the policies established within the Group Corporate Governance Framework outlined below. As per this process, all Independent Non-Executive Directors of the Group met the criteria for independence during the year.

Directors Independence

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

Procedures for Assuring Directors Independence

The Independence of Non-Executive Directors on the HHL Board is assured by the relevant policies established under Group Corporate Governance Framework. Key highlights include;

DEFINITION

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.

ASSESSMENT

Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non-Executive Directors.

OUTCOME

The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, Directors' independence during the period under review.

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITY BETWEEN THE CHAIRMAN AND GROUP CEO

In order to maintain an appropriate balance of power and authority, while ensuring no single individual holds the power of unfettered decision-making, the role of the Chairman is distinct and separate from that of the Group CEO.

The Group Chairman
Mr. Husein Esufally
(Non-Executive Director)

Responsible for

- Leading the Board
- Ensuring the integrity and effectiveness of the Board
- Safeguarding high standards of corporate governance and ethical behaviour

The Group CEO
Ms. Kasturi C. Wilson
(Executive Director)

Responsible for

- Leading the operations of the Group
- Nurturing an organisational culture based on Group values
- Maintaining an ethical environment within the Group
- Driving the Group's operational performance within the Board-approved risk appetite

Definition

Independence is determined in compliance against the criteria outlined in the Listing Rules of the Colombo Stock Exchange and with schedule K of the CA Code 2017

Assessment

A yearly assessment is conducted by the Board to determine independence, based on an annual declaration and other information submitted by Non-Executive Directors

Outcome

The Board is satisfied that there were no relationships or circumstances deemed likely to impact or appear to affect Directors' independence during the year under review.

APPOINTMENT, RE-ELECTION AND RESIGNATION OF DIRECTORS

The appointment of Board members takes place via a formal, transparent process that among other aspects, ensures that Directors are appropriately skilled and meet the requirements for their respective roles. The Nominations and Governance Committee (NAGC) is tasked with recommending the appropriate candidates for appointment to the Board. The assessment is based on the following criteria:

- Ensuring the candidates are equipped with the necessary skills and expertise to discharge their duties
- Ensuring Board diversity is maintained
- Ensuring the capabilities of each individual complements the balance of the Board
- Ensuring the integrity and trust of candidates
- Ensuring the candidate's ability to exercise due care, skill and diligence in their role as a Group Director

In the event of a new appointment, an immediate announcement is made to the Colombo Stock Exchange, followed by a corporate communication.

These appointments are subject to re-appointment by shareholders at the Annual General Meeting (AGM) held immediately after appointment to the Board. Any new re-appointments are also communicated to the Exchange.

In accordance with the Articles of Association, a maximum of one-third of the Board must retire from office at each AGM and remain eligible for re-election by the shareholders. The NAGC therefore reviews the eligibility of such Directors for re-election, in consideration of their past participation, engagement and contribution towards Board matters. Subject to the confirmation of the NAGC, a Director appointed by the Board to fill a casual vacancy that may arise following an AGM is also entitled to offer himself/herself for re-election at the upcoming AGM. The Colombo Stock Exchange is promptly notified of any resignations of Board members, should they occur.

New Appointments in 2022/23

Mr. Ranil Pathirana

Re-elections in 2022/23

Mr. Imtiaz Esufally

Mr. Jyotindra Trivedi

Ms. Kasturi C Wilson

Resignations in 2022/23

Mr. Sriyan de Silva Wijeyeratne

Board Meetings

Frequency: Board meetings take place quarterly at minimum, and may take place more often, when required.

In addition to the quarterly Board Meetings, the Board met for the purpose of reviewing and approving the Group's Annual Business Plan

Preparation: A structured framework is utilised to plan Board meetings effectively. The meeting calendar is prepared in advance every year and communicated to all Board members to ensure their availability.

Access to Information

The Board has unrestricted and unfettered access to the Group's Management, while all quantitative and qualitative information and resources are made available to facilitate the Members to discharge their duties effectively.

Directors are further entitled to seek out independent professional advice as and when required at the Group's expense. If they choose to avail themselves of this opportunity, the process is co-ordinated by the Secretaries, and the copies of the information so obtained are circulated among the Directors upon request.

DIRECTORS INTERESTS RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS

The Members of the Board are expected to act in the Group's best interests at all times, and maintain good faith, honesty and integrity in all their dealings with or on behalf of the Group. The Directors are required to disclose real or perceived conflicts of interest to the Board, regardless of their nature. Therefore, any direct, indirect, beneficial and non-beneficial interests in any contract or proposed contract are disclosed to the Secretaries in writing. The Secretaries are responsible for bringing these disclosures to the attention of the Board. If a conflict of interest is confirmed, the relevant Director must recuse himself/herself from participation in any meetings where the matter in which they hold an interest is discussed.

SUPPLY OF INFORMATION

Prior to each scheduled meeting, the Chairman, with the assistance of the Secretaries, sets the agenda for the meeting. This process takes place in collaboration with the Group CEO to ensure that the matters relevant and pertinent to the business are identified and presented for discussion, in order of priority.

All necessary information is made available to ensure that Directors can make informed and accurate decisions. This is achieved through a number of strategies:

Prior Circulation of Information

Board Papers are prepared and circulated among the members of the Board seven (7) days prior to the meeting.

These typically contain:

- Qualitative and quantitative information on matters to be raised for discussion at the Board Meeting;
- The CEO's review of business operations and
- Group and sector-specific financial performance, industry trends and market developments.

Availability of hands-on Knowledge

The Group's Key Management Personnel (KMP) including the Group Chief Financial Officer, Director M&A and Strategy, Group Chief Risk Officer, Director Group IT and Process and the Chief People Officer are invited to attend Board meetings to raise any concerns or discuss their relevant areas of business.

CORPORATE GOVERNANCE REPORT

Name of Director	Directorship Status in HHL	Number of Board Seats held in Listed Companies		Number of Board Seats held in Unlisted Companies	
		Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mr. H N Esufally	NED	-	-	-	7
Dr. S A B Ekanayake	INED	-	3	-	2
Mr. A N Esufally	NED	-	2	-	11
Mr. I A H Esufally	NED	-	-	-	7
Mr. M A H Esufally	NED	-	-	-	7
Ms. K C Wilson	ED	-	-	-	19
Mr. A S Amaratunga	INED	-	1	-	-
Mr. J M Trivedi	INED	-	-	-	1
Mr. P Subasinghe	INED	-	1	5	-
Mr. R P Pathirana	INED	-	6	2	-

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

A total of seven scheduled Board meetings were held during the year under review. 100% attendance was maintained at all Board meetings, save a few exceptions. Active participation in Board matters was evident during these proceedings. A comprehensive description of the proceedings of each Board meeting is minuted and entered in the Board Minute Book.

Subsequent to each Board Meeting, the action points emerging from Board deliberations and their respective timelines for implementation and completion are immediately dispatched to the Management for their necessary action. Progress and updates with respect to the previous meeting's action points are tabled at each Board meeting.

Meeting Attendance						
Name of Director	Directorship Status in HHL	Board	Group Audit Committee	Human Resources and Remuneration Committee	Nomination and Governance Committee	Related Party Transactions Review Committee
Mr. H N Esufally	NED	7/7 (C)		5/5		
Dr. S A B Ekanayake	INED	7/7		5/5 (C)	4/4 (C)	
Mr. A N Esufally	NED	7/7			4/4	
Mr. I A H Esufally	NED	7/7	5/5			5/5
Mr. M A H Esufally	NED	7/7				
Ms. K C Wilson	ED	7/7				4/5
Mr. A S Amaratunga	INED	7/7	5/5 (C)	5/5		5/5 (C)
Mr. J M Trivedi	INED	7/7	3/4		4/4	
Mr. P Subasinghe	INED	6/7				
Mr. R. P. Pathirana *Appointed w.e.f. 1st January 2023*	INED	2/2	1/1			
Mr. S de Silva Wijeyeratne *Resigned w.e.f. 31st August 2022*	ED	0/2				

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

BOARD AND SUB-COMMITTEE EVALUATION

A performance evaluation and assessment is conducted annually across the Board, Board Sub-committees and subsidiary Boards to determine the effectiveness of the Group's corporate governance. The following activities are conducted:

Assess Effectiveness

The following factors are taken into consideration: the balance and mix of skills, experience, independence, knowledge, and the gender representation on the Board, Board Sub-Committees and subsidiary Boards, in addition to their ability to function as a collective unit, and any other functions pertinent to its effectiveness. Following its introduction in the previous year, Board effectiveness was also measured in alignment with the growth strategies of each SBU, while taking into account the impact of the nation's unprecedented socioeconomic dynamics.

Report on Assessment

The results of the assessment are reported to the Nomination and Governance Committee for review and discussion.

Review Results

Based on the information provided, the Committee determines the effectiveness of the governing body, and dispenses advice on the way forward. The results of the subsidiary Board evaluations are reviewed and discussed by the Nomination and Governance Committee with the respective subsidiary Board Chairman.

The same principles and structures adopted in determining the remuneration of Executive Directors apply for that of Key Management Personnel (KMP), while an alternate approach is adopted for the remuneration of Non-executive and Independent Directors.

Remuneration for Non-Executive and Independent Directors

Responsibility and oversight: The Board of Directors

Basis of determination: Aligned with local market norms and subject to periodic review. Remuneration is determined with reference to fees paid to other Non-Executive and Independent Directors of peer organisations/comparable companies.

Structure: A fee for their service as a Director of the Board and/or as a member of a Sub-committee. Should the early termination of a NED occur, the company is not liable for any compensation commitments, with the exception of accrued fees payable, if any, as per the terms of their contract.

Remuneration for Executive Directors and Key Management Personnel

Responsibility and oversight: Recommendations are provided to the Board by the Human Resources and Remuneration Committee within the agreed-upon terms of reference and in accordance with the Directors' requisite skills and experience.

Compliance: Remuneration complies with the provisions specified in Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

Basis of determination: Remuneration is aligned with local market rates determined through periodic market reviews. Furthermore, remuneration is linked to the sustainable value creation objectives that align with the Group's strategy and based on clearly defined performance targets with adequate flexibility offered.

Structure: Fixed (base) payments, short-term incentives and long-term incentives in the form of employee share options (ESOS) of Hemas Holdings PLC.

DIRECTORS' TRAINING

All Directors receive a well-rounded training to support accurate and informed decision-making.

Knowledge on Group Strategies and Activities	Knowledge on Sustainability Principles	Knowledge Enhancement	Knowledge on Key Trends and Dynamics
• All new Directors must face a formal induction following their appointment to the Board. • New Directors are briefed adequately and possess essential knowledge on the Group and its operations using external and internal documents and information. • New Directors are offered the opportunity to meet with the Board, KMPs, business heads and leadership teams and visit production plants.	• Directors are provided with ESG training delivered by external consultants. Board members have also attended ESG training in their own capacity.	• Regular training interventions are conducted throughout the members' tenures to support continuous development and enhancement of knowledge. • Members also attend programmes in their personal capacity.	• Regular training programmes ensure that Directors are apprised of economic, regulatory and industry trends.

EVALUATING THE PERFORMANCE OF THE GROUP CEO

Frequency: Bi-annual

Responsibility and oversight: Assessment of the Group CEO's performance is conducted by the Board Chairman. The outcomes of the review and the Chairman's observations are then shared with the Board. The year-end evaluation of the CEO's performance is followed by the Board's recommendation to the HR and Remuneration Committee (HR and REMCO) to implement revisions to the CEO's compensation, if any.

Basis of determination: Performance is based on the agreed-upon goals and objectives for the respective financial year, which are established at the commencement of that particular year.

BOARD SUB COMMITTEES

The Board Sub-committees support the Board in performing its oversight role to ensure an improved focus on key governance aspects. The responsibilities delegated across these Sub-Committees are formally documented within each Sub-Committee's Terms of Reference (TOR) and have been approved by the Board of Directors. All Committee TORs undergo periodic review, and are updated as required.

Following the conclusion of each Committee meeting, the Committee Chairman reports back to the Board, which ensures that transparency and open communication is maintained between Directors, while addressing all aspects of the Board mandate. Each Board Sub-Committee conducts an annual self-evaluation to determine its performance and effectiveness. The Sub-Committees primarily comprise Independent Non-Executive Directors, with the exception of the Related Party Transactions Review Committee.

Board Sub-Committee	Composition	Main Area/s of Oversight
Audit Committee	**Mr. Saktha Amaratunga** *Independent Non-Executive Director* **Mr. Ranil Pathirana** *Independent Non-Executive Director* **Mr. Imtiaz Esufally** *Non-Independent Non-Executive Director*	Financial Reporting Internal Controls and Risk Management Internal Audit External Audit
Related Party Transactions Review Committee	**Mr. Saktha Amaratunga** *Independent Non-Executive Director* **Mr. Imtiaz Esufally** *Non-Independent Non-Executive Director* **Ms. Kasturi C. Wilson** *Executive Director*	Review of related party transactions
Human Resources and Remuneration Committee	**Dr. Anura Ekanayake** *Independent Non-Executive Director* **Mr. Saktha Amaratunga** *Independent Non-Executive Director* **Mr. Husein Esufally** *Non-Independent Non-Executive Director*	Remuneration policy for Key Management Personnel Remuneration structure Performance evaluation Succession planning
Nomination and Governance Committee	**Dr. Anura Ekanayake** *Independent Non-Executive Director* **Mr. Jyotindra Trivedi** *Independent Non-Executive Director* **Mr. Abbas Esufally** *Non-Independent Non-Executive Director*	Appointment of Key Management Personnel/ Directors Effectiveness of the Board and its committees

In addition to the above responsibilities, Board Sub-Committees are appointed to partake in special projects and initiatives, as the need may arise. Such Board Sub-Committees are selected by the Board on the basis of the nature of the project/ initiative in question, and its alignment with the subject expertise of the Directors within the Committee.

Company Secretaries

Company Secretaries are tasked with the role of both guiding the collective Board and each individual Director and providing the necessary assistance to discharge their duties and responsibilities. Furthermore, they keep the Board members informed of all legislation and regulations that impact the Group. Directors are given unrestricted access to the Secretaries. The Secretaries are appointed by the Board and undergo an annual evaluation to determine their performance.

CORPORATE GOVERNANCE REPORT

BOARD ACCOUNTABILITY

Board accountability spans a wide range of focus areas and represents the Board's commitment to conduct all business activities of the Group in line with principles of fairness, transparency and trust.

Compliance

The Board is accountable towards ensuring the Group remains compliant with all applicable laws, rules, codes and standards. Therefore, the Board provides the necessary oversight to ensure such compliance requirements are met, and encourages the early adoption of any new regulations, should they arise.

Regulation/Code	Adoption	Adherence	Disclosure Table
The Companies Act No.7 of 2007 (Companies Act)	Mandatory	Compliant	Page 104
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory	Compliant	Page 105
Securities and Exchange Commission of Sri Lanka Act, No.19 of 2021, including Directives and Circulars	Mandatory	Compliant	Page 108
Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Compliant	Page 108

Meeting of the Non-Executive Directors

Frequency: A minimum of twice a year without the participation of the Executive Directors.

Objective: To assess the performance of the Executive Directors. Following the conclusion of the primary proceedings, the Group CEO may be invited to present the performance of the Key Management Personnel under her purview.

Feedback Mechanism: Feedback on meetings are communicated to the Executive Director.

Meeting of the Independent Non-Executive Directors

Frequency: A minimum of once a year without the participation of the Non-independent Non-Executive Directors and Executive Directors. Discussions are led by the Deputy Chairman who is a Senior Independent Director and also serves as the Chairman of the Nomination and Governance Committee.

Objective: To review the performance of the Group Chairman. The meeting also serves as a forum to address other matters related to the Group's governance structures or policy framework.

Feedback Mechanism: Immediately following the conclusion of the meeting, the Senior Independent Director provides feedback to the Board Chairman.

FINANCIAL REPORTING

A comprehensive reporting suite is maintained by the Board to ensure stakeholders receive timely communication on the Group's performance and financial position. The primary document in the reporting suite is the Group's Integrated Annual Report, which provides a balanced and transparent assessment of the Group's financial position, performance and outlook for the future. The report remains compliant with all statutory requirements and includes the following key disclosers and statements:

- » The Directors' Report (Page 117)
- » The Statement of Directors' Responsibility (Page 135)
- » The Report of the Auditors (Page 136)

The Annual Report is reviewed and recommended by the Audit committee and is subsequently submitted to obtain Board approval prior to publication. The Annual Report is submitted to the CSE in both digital and print formats. In addition to the Annual Report, Interim Quarterly Reports and quarterly press releases are published outlining the Group's performance.

Risk Management and Internal Control

The Board remains aware of HHL's key risks, and therefore oversees the establishment of the right risk management systems, internal controls and compliance frameworks. With the assistance of the Audit Committee, the Board has implemented a robust system of risk management and internal control that supports the scope and scale of the Group's activities, and provides reasonable assurance on the achievement of Group objectives.

Refer pages 111 to 116 of the Annual Report to understand the Group's approach to Risk Management.

EXTERNAL AUDITOR

The External Auditor is tasked with determining that the Financial Statements are free from material misstatements and are prepared in accordance with an accounting framework, and provides reasonable assurance to this effect. The Audit Committee makes the necessary recommendations to the Board pertaining to the appointment, reappointment or removal of the External Auditor. The process is subject to the provisions of the Companies Act, and conducted in line with professional and ethical standards. The Audit Committee is responsible for monitoring and reviewing the External Auditor's independence and objectivity, while measuring the effectiveness of the audit process on the basis of professional and regulatory requirements.

The Auditors submit an annual statement confirming their independence in relation to the external audit. During the process of assigning non-audit services to External Auditors, the Audit Committee ensures that the party in question has the requisite skills and experience to perform the assignment, and ascertains that the independence and objectivity of the External Auditor will not be impaired.

CULTURE AND CONDUCT

The Board is bound by the Code of Conduct and Ethics for Directors, and remains responsible for integrating a culture of fair, ethical conduct across the Group. The Board of Directors sets the tone for strong business ethics and the highest levels of integrity, embedding principles that cascade down from the top to reach every level of the organisation. The Board leads by example, and therefore sets clear expectations with respect to the culture, values and behaviour of the Group's employees. All employees are required to follow the Group's Code of Conduct, known as 'The Hemas Way'. The following ethic-specific topics are described under 'The Hemas Way':

Anti-Corruption Policy

- The policy articulates the framework in place to prevent bribery and corruption within the organisation. The following aspects are discussed herein.
- Prohibitions against bribery, kickbacks and facilitation payments when engaging in business.
- The specific compliance requirements relating to the aforementioned prohibitions.
- The policy is applicable to all Group Directors and employees without exception.
- Regular training is conducted for employees and Directors to ensure these principles are further reinforced.
- The business partners and third parties who act on behalf of the Group are aware of the guidelines set out in the Group's Anti-Corruption Policy and are required to adhere to the same.

Gift Policy

- The policy helps regulate the offering and receipt of business courtesies and gifts by the Group's employees.
- Its aim is to establish greater uniformity in the gifting culture through the setting of standard thresholds for gifts that are received or offered by Group employees.
- The policy is applicable to gifts given or received within the Group and from third-parties, and enforced across all permanent employees and the Board of Directors.
- The policy sets out the definitions of the thresholds, procedures and reporting requirements.

Whistle blowing Policy

- The policy is designed as a channel to facilitate anonymous reporting related to potential financial irregularities, inappropriate financial reporting, violations of internal controls or other concerns that may require internal investigation.
- All whistle blower complaints are reviewed by the Group's Whistle blowing Committee which comprises one Independent Director and one Non-Executive Director.
- Two-way communication is maintained throughout the process to ensure the whistle blower remains aware of the investigation's progress.
- The whistle blowing process is communicated to employees through regular awareness sessions. All details regarding the policy and the modalities pertaining to its operation are made available on the intranet.

Share Trading Policy

- The policy outlines the implications of 'insider trading' and the Group's recommendations in this regard.
- The policy advises all individuals connected to the Group and to whom this policy is applicable of the limitations placed by the Securities and Exchange Commission (SEC) Act of Sri Lanka and the Listing Rules of the Colombo Stock Exchange on those who intend to deal in the shares of the Company while in possession of unpublished price-sensitive information in relation to the Group and its businesses.

CORPORATE GOVERNANCE REPORT

The Company commits to be in compliance with all relevant laws, including anti-corruption laws. The Directors collectively make a personal commitment to uphold the Company's commitment to anti-corruption and be in compliance with the Company's code of conduct, including anti-corruption policies.

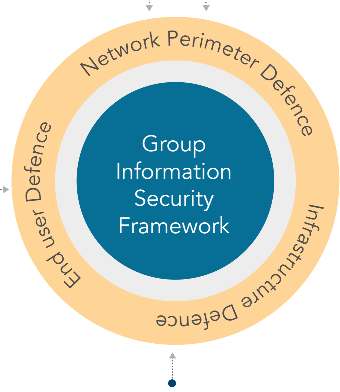
IT GOVERNANCE

The Board is of the opinion that information technology holds the potential to create opportunities and unlock enterprise value. Therefore, the Board demonstrates a commitment to safeguard the Group's information assets and operational systems, while investing extensively in cyber-risk management systems.

Investing in industry leading next generation family of firewalls including the 'Palo Alto' network security system to avoid a potential breach

Investing in next generation end point security systems for physical, virtual, cloud, and mobile endpoints and email

Investment in end user training and development to enhance awareness of potential implications of cyber threats and improve user adoption of system safeguards



Moving all business applications to 'cloud' infrastructure enabling a higher level of security including off-site Disaster Recovery Plans

Performing 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

Oversight

IT Governance is the ultimate responsibility of the Board. The function is discharged through the Audit Committee. The Director - Group IT and Process functions as the CISO (Chief Information Security Officer), and provides oversight to ensure the safety of the Group's digital assets.

Strategy Development

Digital strategy and cyber security are standard items on the agenda of Audit Committee meetings. Key concerns are escalated to the Board.

Strategy Implementation

The HHL Group IT Department is responsible for the implementation of the Group's digital strategy, while engaging in the formulation of IT policies and safeguarding the Group's digital assets against cyber threats.

SUSTAINABILITY GOVERNANCE AND REPORTING

The Board is committed towards integrating sustainability across the operations of the Hemas Group, and has therefore delegated such aspects within the Group Management Framework to the Board of Management. The Board of Directors has also delegated to the Group CEO and Managing Directors of each business unit the task of working alongside the Group Sustainability and Corporate Communications team to perform an internal materiality assessments to identify and manage material topics, while implementing the overarching Group policies, the Management Approach to the topics and their relevant SOPs. They are also responsible to drive the improvement of the Group's sustainability performance and prudently manage the impacts within the business.

During the year under review, the Board reviewed the sustainability assurance reports as well as the quarterly performance. The above included the review of ERM Process, Review of Sustainability Process, Review of CSR Process, and Review of Internal Audit Reports.

Stakeholder Engagement

The Board believes that open, continuous engagement with the Group's external and internal stakeholders builds greater degrees of trust, together with a deeper insight to their expectations and needs from the organisation. The Board has directed the management teams across the Group to adopt a proactive approach towards engaging and communicating with its stakeholders, under the purview of the Group CEO.

Refer pages 38 to 44 of the Annual Report to understand the Group's approach to Stakeholder Engagement.

SHAREHOLDER RELATIONS

The Group engages with its shareholders via multiple communication channels, namely:

- The Annual General Meeting (AGM)
- Regulatory reports
- A dedicated investor relations page on the Hemas website
- Announcements on the CSE

The Board remains conscious of the responsibility it holds towards the Group's stakeholders, and therefore ensures all information is disclosed in a transparent and fair manner, with an emphasis on integrity, timeliness and relevance to decision-making.

All information is vetted for its accuracy and communicated to avoid the creation of a false market. Accordingly, the Annual Report of the Company is reviewed by the Board and approved at a Board meeting prior to presenting same to the shareholders and all other stakeholders.

The Board's primary means of contact with its institutional shareholders is achieved via the Group's Chief Executive Officer and Group Chief Financial Officer, who lead the Investor Relations and Corporate Communications teams. These teams maintain regular communication with institutional shareholders and investment analysts.

Shareholders are further offered the opportunity to raise queries and submit their comments and suggestions to the Board through the Company Secretaries. All significant issues and concerns raised by shareholders are tabled before the Board alongside the corresponding views of the Management.

ANNUAL GENERAL MEETING

The notice of the AGM, the Annual Report and accounts and any other resolutions and relevant information that may be discussed at the AGM, are circulated among the shareholders a minimum of 15 working days prior to the AGM, which provides the shareholders with sufficient time to review the information prior to attendance.

Additionally, the digital version of the Annual Report is available on the corporate website www.hemas.com, under the tab titled Investor Relations.

In the event the Group proposes a separate resolution for a particular item of business, shareholders are offered the opportunity to vote in this regard. All shareholders are encouraged to exercise their voting rights, with voting procedures at the AGM circulated among shareholders in advance.

The Group relies on an effective mechanism to record and calculate all proxy votes lodged for each resolution. If a significant proportion of votes are cast against a specific resolution, the Board takes the necessary steps to understand the underlying reasons for these results and determine any corrective action to be taken.

The outcome of each resolution's vote is announced by the Chairman at the AGM and thereafter informed to the CSE following the AGM's conclusion. The Group's next AGM is scheduled to be held on 30th June 2023 at 3.30p.m. as a virtual AGM.

BUSINESS CONTINUITY PLANNING

The Board of Directors has actively reviewed the Business Continuity plans for the core businesses of the Group and is satisfied that business continuity plans in place are comprehensive and strong.

CORPORATE GOVERNANCE REPORT

STATEMENTS OF COMPLIANCE

The Board of Directors declares that the Company, including the Board of Directors, the Management and employees, are confident of their compliance with the principles of good governance as set out by the regulatory frameworks applicable to the Company, i.e., the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange and all other applicable regulations.

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	142
168 (1) (c)	Auditors' Report on Financial Statements.	Yes	Independent Auditor's Report	136
168 (1) (d)	Accounting policies and any changes therein.	Yes	Note 1 to 3 the Financial Statements	146 to 154
168 (1) (e)	Particulars of the entries made in the Interests Register.	Yes	Annual Report of the Board of Directors	117
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company.	Yes	Note 8 to the Financial Statements	158
168 (1) (g)	Corporate donations made by the Company.	Yes	Note 8 to the Financial Statements	158
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 on the Affairs of the Company	117
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered.	Yes	Note 8 the Financial Statements	158
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries.	Yes	Report of the Group Audit Committee	124
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board.	Yes	Annual Report of the Board of Directors on the Affairs of the Company	117

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 Directors on the Affairs of the Company	117
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Yes	Focus Areas	06
(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	219
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement.	Yes	Annual Report of Directors on the Affairs of the Company	117
(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 Directors on the Affairs of the Company	117
(vi)	Information pertaining to material foreseeable risk factors of the entity.	Yes	Risk Management	111
(vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Yes	Human Resources (HR) Report	60
(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	165 to 174
(ix)	Number of shares representing the entity's stated capital.	Yes	Note 22 to the Financial Statements	192
(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	219
(xi)	Financial ratios and market price information.	Yes	Ten year summary and Shareholder Information	218
(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	170 to 171
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	Not Applicable		-
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes.	Yes	Shareholder Information	193 to 194
(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	106 to 107
(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	131 to 132

CORPORATE GOVERNANCE REPORT

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	Corporate Governance Report	90
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent.	Yes	Corporate Governance Report	90
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence.	Yes	Corporate Governance Report	90
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	Corporate Governance Report Board Profiles	90 18
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	Corporate Governance Report	90
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	18
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	Annual Report of Directors on the Affairs of the Company	117
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director.	Yes	Corporate Governance	90
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee.	Yes	Human Resource and Remuneration Committee Report	127
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	127
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors.	Yes	Human Resource and Remuneration Committee Report	127
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 8 to the Financial Statements	127 158
7.10.6	Audit Committee (AC)	The Company shall have an AC.	Yes	Group Audit Committee Report	124

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.6(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom are independent.	Yes	Group Audit Committee Report	124
		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	124
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	124
		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		

CORPORATE GOVERNANCE REPORT

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
9.3.2	Related Party Transactions Review Committee	a). Details pertaining to Non-Recurrent Related Party Transactions.	Yes	Note 35 to the Financial Statements
		b). Details pertaining to Recurrent Related Party Transactions.	Yes	Note 35 to the Financial Statements
		c). Report of the Related Party Transactions Review Committee.	Yes	Report of the Related Party Transactions Review Committee
		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 Directors on the Affairs of the Company

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
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 Attendance
A.1.2	Role and Responsibilities of the Board.	Yes	Role of the Board
A.1.3	Act in accordance with laws of the country. Independent professional advice.	Yes	Compliance Informed Decision Making
A.1.4	Access to advice and services of the Company Secretary.	Yes	Clear Roles and Responsibilities - Company Secretary
A.1.5	Independent judgement.	Yes	Access to Information
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company.	Yes	Appointment/Re-election and Resignation of Directors
A.1.7	Calls for resolutions by at least 1/3rd of Directors.	Yes	Board Meetings
A.1.8	Board induction and Training.	Yes	Directors' Training
A.2	Chairman and CEO.	Yes	Division of Responsibility between the Chairman and CEO
A.3	Chairman's role in preserving good corporate governance.	Yes	Division of Responsibility between the Chairman and CEO
A.4	Availability of financial acumen.	Yes	Board Composition

Code Ref.	Requirement	Complied	Reference within the Report
A.5	Board balance.	Yes	Board Composition
A.5.1	The Board should include sufficient number of NEDs.	Yes	Board Composition
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
A.5.4	Annual declaration of independence by Directors.	Yes	Directors' independence
A.5.5	Annual determination of independence of NEDs.	Yes	Directors' independence
A.5.6	Alternate Directors.	Not Applicable	
A.5.7 and A.5.8	Senior Independent Director (SID).	No	
A.5.9	Annual meeting with NEDs.	Yes	Meeting of the Non-Executive Directors
A.5.10	Recording of dissent in minutes.	Yes	Board Meetings
A.6	Supply of Information.	Yes	Supply of Information
A.7	Appointments to the Board and Re-election.	Yes	Appointment/Re-election and Resignation of Directors
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference.	Yes	Nomination and Governance Committee Report
A.7.2	Annual assessment of Board composition.	Yes	Appointment/Re-election and Resignation of Directors
A.7.3	Disclosures on appointment of new directors.	Yes	Appointment/Re-election and Resignation of Directors
A.8	Directors to submit themselves for re-election.	Yes	Appointment/Re-election and Resignation of Directors
A.9	Appraisal of Board and Sub-Committee Performances.	Yes	Board and Sub-Committee Evaluation
A.10	Annual Report to disclose specified information regarding Directors.	Yes	Board Profiles Annual Report of the Directors on the Affairs of the Company
A.11	Appraisal of the CEO.	Yes	Evaluating the Performance of the Group CEO
B.	Directors Remuneration		
B.1	Establish process for developing policy on Executive and Director remuneration.		Remuneration Policy
B.2	Level and Make Up of Remuneration.	Yes	Remuneration Policy
B.3	Disclosures related to remuneration in Annual Report. - Remuneration Policy statement. - Aggregate Board remuneration paid. - HRRC report.	Yes	Human Resources and Remuneration Committee Report

CORPORATE GOVERNANCE REPORT

Code Ref.	Requirement	Complied	Reference within the Report
C.	Relations with Shareholders		
C.1	Constructive use of the AGM and Other General Meetings.	Yes	Annual Report of the Directors on the Affairs of the Company and the Group - Annual General Meeting (AGM)
C.2	Communication with shareholders.	Yes	Annual Report of the Directors on the Affairs of the Company and the Group - Shareholder Relations
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
D1.1	Balanced Annual Report.	Yes	Financial and Business Reporting
D.1.2	Balanced and understandable communication .	Yes	Financial and Business Reporting
D.1.3	CEO/CFO declaration.	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
D.1.4	Directors Report declarations.	Yes	Annual Report of the Board of Directors on the Affairs of the Company
D.1.5	Financial reporting statement on Board responsibilities. Statement on internal control.	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control
D.1.6	Management Discussion and Analysis.	Yes	Capital reports
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
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
D.3	Audit Committee.	Yes	Group Audit Committee Report
D.4	Related Party Transactions Review Committee.	Yes	Related Party Transactions Review Committee report
D.5	Code of Business Conduct and Ethics.	Yes	Code of Conduct and Ethics
D.6	Corporate Governance Disclosures.	Yes	Corporate Governance Report
E/F	Institutional and other investors		
	Institutional and other investors.	Yes	Relations with Shareholders
G	Internet of Things and Cyber security	Yes	Digital Oversight and Cyber Security
H	Principals of Sustainability Reporting	Yes	Sustainability Governance

RISK MANAGEMENT

PURPOSE

The Risk Management function at Hemas Holdings PLC (Group) plays a crucial role in upholding the organisation's core purpose of "Empowering families to live a better tomorrow." Through its integration into all operations, the function facilitates informed decision-making processes while also enabling the protection and improvement of value.

RISK CULTURE AT HEMAS HOLDINGS PLC

Amid the constantly evolving and unpredictable business environment, risk management has become a critical aspect for any organisation to ensure resilience and sustainability. The Group recognises the importance of effective risk management and has placed significant emphasis on it across all its operations.

The Group has established a strong culture of risk management, with the tone set by the Board and cascading down to all units and divisions. The Risk Team works in partnership with each of the Strategic Business Units (SBUs) and division to ensure that risk management is not just a compliance exercise but is embedded within the business culture. This approach encourages open, collaborative and active discussions among all stakeholders and helps to identify, evaluate, and mitigate risks in a proactive manner.

In the wake of disruptive events witnessed in recent years, including the COVID-19 pandemic and other economic, social, and political upheavals, the importance of risk management cannot be overstated. The Group recognises this and has ensured that the risk management function is well-resourced and equipped to handle any potential risks that may arise.

Through a robust risk management framework and a culture of risk awareness and ownership, the Group aims to continue empowering families to live a better tomorrow, while safeguarding its stakeholders and creating sustainable value for all.

RISK MANAGEMENT FRAMEWORK

The Group seeks to increase positive outcomes and opportunities, while minimising the occurrence and impact of negative shocks, thereby supporting the achievement of its objectives, and maintaining business continuity. The framework is developed in compliance with the ISO 31000:2018 standard and is implemented across the Group to ensure that all business risks are identified, analysed, and responded appropriately.

At the Group, risk management is primarily initiated from the departmental/divisional/SBU level. However, the approach may vary depending on the circumstances, and a top-down approach may be adopted if necessary.

Each department/division/SBU is responsible for understanding the relevant context and risk factors, identifying, assessing, treating, responding, monitoring, and reporting all risks related to their respective areas of responsibility. This approach ensures that risk management is embedded in the business culture, encouraging open, collaborative, and active discussions and compliance with risk owners to achieve the desired outcomes.

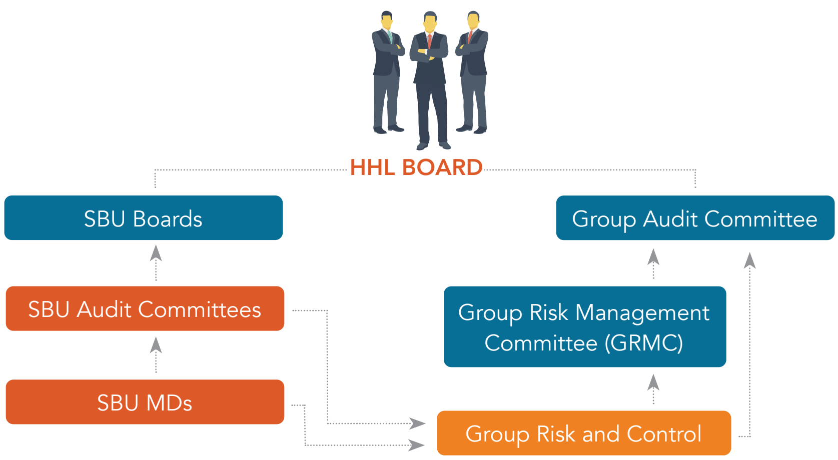
Risk Team

Activities for 2022/23

- The Risk Team collaborated with the members of the SBUs to identify and assess any risks that may be associated with the FOREX liquidity and depreciation, fuel crisis, tax hikes, COVID-19, and other potential factors that could impact business operations. The team assisted the SBU members in implementing measures to mitigate these risks and address any potential threats.
- The dissemination of risk awareness materials such as flyers, news, key risk trends, and other relevant information was carried out across the Group. The purpose of this was to keep all sectors informed about potential risks and any mitigating actions that could be taken.
- Conducting workshops for management with the aim of promoting effective risk management practices.

RISK MANAGEMENT STRUCTURE

The following roles and responsibilities are assigned to ensure the Group performs its risk-related functions efficiently, and in a timely manner.



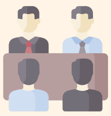
Refer the table on the next page for more details

RISK MANAGEMENT

Improvements to Risk and Governance Management in 2022/23

» Process improvements especially inclusion of Key Management Personnel.

» Enhancing monitoring of action plans for timely execution.

Governing Body/Team	Responsibilities
The Hemas Holdings Board 	• The management and disclosure of risks faced by Group. • The development and communication of risk strategy. • Ensure understanding of risk tolerance and how risk management affects daily decisions are cascaded from Board to line managers.
Group Audit Committee 	• Provides oversight of matters related to risk management, governance, accountability and advises the Board on matters that it deems important and/or requires action or attention. • Assisting the Board in carrying out their oversight duties and responsibilities. • Providing reasonable assurance to the Board on the adequacy of the Enterprise Risk Management (ERM) in meeting the Group's strategic objectives.
Group Risk Management Committee 	• Assisting the Board in carrying out their oversight duties and responsibilities. • Provide recommendation to the Board on the risk appetite, risk capacity, and risk management across the Group. • Review and assess the overall risk profile, risk exposure, risk plan and provide an oversight for the risk management activities of the Group and ensure these aspects are aligned with the Group's tolerance level and the risks are adequately identified and addressed. • Promotes risk culture throughout the Group and ensures the ERM processes and systems are effectively established and managed.
SBU Board 	• SBU Board is responsible for risk management and supports the responsibilities/functions of the Hemas Holdings Board.
SBU Audit Committee 	• The SBU Audit Committee provides a reasonable assurance on the adequacy of the risk management activities at the SBU Board Meeting. • Authorised to investigate or seek any information relating to any activity for appropriate and informed decision making.
SBU MD 	• Ensure all the risks are identified, analysed and managed to ensure the achievement of the company objectives.
Group Risk and Control team 	• The Group Risk & Control team will be involved in coordinating and promoting a risk management culture, enabling cross-functional sharing of information, providing guidance and tools relevant to the SBU's risk management, while monitoring compliance with the Group ERM framework, regulatory requirements and ensuring the completion of mitigation actions. • The Group Risk & Control team consists of 2 teams; - Internal Audit - Risk Team
Internal Audit Team 	• Evaluating the adequacy of risk management process, mitigating actions and overall internal controls.
Risk Team 	• The Risk Team provides support and guidance to the Management in identifying and managing risks, facilitating effective risk management, and supporting the activities of the GRMC and Board in establishing an efficient risk management process across the organisation.

THE RISK MANAGEMENT PROCESS

A comprehensive risk management process ensures existing, new and emerging risks are always addressed. The process spans aspects from context setting, risk identification to risk treatment, risk reporting, monitoring and review, and communication.

Communication and Consultation

» Risks are continuously communicated both internally and externally at a number of forums' including; SBU Audit Committee, SBU Board Meeting, Group Risk Management Committee (GRMC), Group Audit Committee (GAC), Group Board Meeting

» The above bodies hold the collective responsibility for managing risks across the Group, while ensuring that risk-taking activities are managed within tolerance limits.

Establish Context

The Group considers both external and internal factors when managing risk, setting the scope and risk criteria.

Risk Assessment

Risk Identification

» Risks are identified and analysed using various techniques such as risk reviews, risk workshops, risk discussions and internal checking. Changes to the existing risks, new and emerging risks are also identified during the process.

» The risks are identified in line with the following categories:

- Strategic
- Operational
- Financial

Risk Analysis

» Risks are analysed according to the likelihood and impact, based on either qualitative or quantitative measures or a combination of both. The Group ERM framework provides guidance on risk analysis.

Risk Evaluation

» These are then compared with the established risk criteria to determine the appropriate response to the identified risks. The evaluation process involves comparing the level of risk identified in the analysis with predetermined risk criteria, which can be in the form of risk thresholds or other relevant benchmarks. Based on this evaluation, a decision is made whether to respond to the risk or not.

Risk Treatment

» It is an iterative process that involves formulating and selecting risk mitigating options, planning, and implementing appropriate treatment actions and assessing the effectiveness of such treatment.

» It involves determining whether the residual risk is acceptable or further treatment action is required.

» Risk mitigation plans will include proactive, reactive actions to address the risks based on their impact and likelihood.

Risk Recording, Reporting, Monitoring and Review

» All risks and mitigation plans are recorded and updated in the risk register maintained by Risk Owner.

» Furthermore, the key risks are reported at Audit Committees and GRMC.

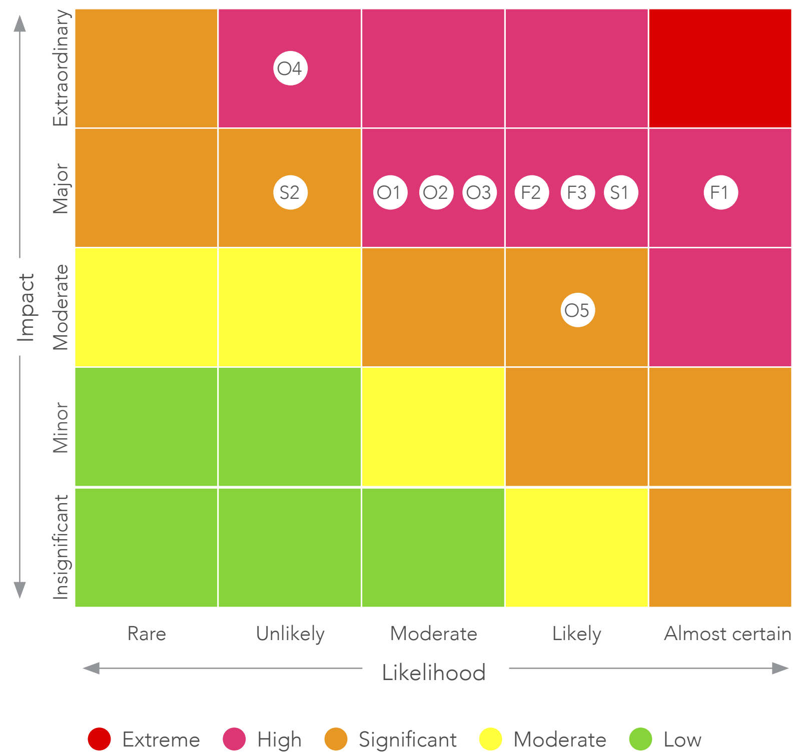
» The Risk Team is tasked with ensuring all approved risk mitigation strategies and treatment actions are applied throughout the Group.

» The Internal Audit Team will also provide support and feedback mechanism for monitoring and reviewing risks through risk-based internal audits.

RISK MANAGEMENT

RISKS IDENTIFIED DURING THE YEAR 2022/23

In line with the aforementioned risk management process, the Company arrived at the below risks. These risks were mapped in a risk matrix to determine the overall risk rating, based on impact and likelihood.



Strategic

S1 People Risk

S2 Reputational Risk

Financial

F1 Risks due to High Inflation and Tax Hikes

F2 FOREX Liquidity Risk

F3 Credit Risk

Operational

O1 Energy Risk

O2 Business Probity Risk

O3 Cyber security Risk

O4 Business Interruption Risk

O5 Supply Chain Risk

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 Context & Impact to the Group	Risk Rating	Mitigating Actions
F1: Risks due to High Inflation and Tax Hikes An adverse impact on cost margins and consumer demand arising from inflation and tax hikes.	●	• Engaging in cost optimisation initiatives • Monitoring cost structures and implementing timely price revisions
F2: FOREX Liquidity Risk The potential for financial losses or a decline in performance due to FOREX liquidity.	●	• Engaging continuously with banks on FOREX requirements • Rationalising procurement of goods and services
F3: Credit Risk The possibility of losses arising from customer defaults attributable to economic pressures and constraints.	●	• An adherence to business-specific credit policies • Following stringent credit screening procedures • Strengthening partnerships with credit-worthy customers • Engaging in proactive recovery and collection practices • The development of a monitoring threshold for debt exposure at a Group level
S1: People Risk High levels of migration and attrition leading to disruptions in daily operations and the achievement of business targets.	●	• The identification of critical roles, while proactively engaging talent • Conducting a periodic review of remuneration levels with adjustments made to address changing dynamics where relevant
O1: Energy Risk Escalating energy costs and scarcity of fuel resulting in higher overheads and potential disruptions to business operations as well as increased emissions and carbon footprint by utilising fossil fuel based energy sources, contributing the climate change. Transition risks of moving to a low carbon operation in the midst of stakeholder expectations and rapid technology advances in the areas of renewable energy and low carbon strategies	●	• Pursuing a solar project at Group level • Maintaining adequate fuel stocks across businesses where feasible • Identifying alternative solutions for fuel sourcing • Comprehensive financial and non-financial evaluation undertaken prior to the implementation of initiatives to transition to a low carbon operations. R&D, and process improvements identified in tandem with capital expenditure made on green energy technology and green energy sources
O2: Business Probity Risk A potential increase of fraudulent activity due to the pressures surrounding the economic crisis.	●	• The presence of an active Whistle blowing Policy • Engaging in continuous monitoring and implementing process improvements by strengthening internal controls
O3: Cyber security Risk Cyber-attacks or the failure of data centres, resulting in the loss or theft of invaluable data and sensitive information, in addition to causing business disruption and reputational damages.	●	• The existence of a comprehensive cyber response plan • The establishment of a cyber security/information security function • The real-time monitoring of cyber security events with potential incidents notified for necessary action
O4: Business Interruption Risk Business Interruptions caused by man-made disastrous events and natural disasters stemming from physical risks relating to climate change, system malfunctions, fire and other natural disasters can impact profitability and operations, while causing physical harm to individuals.	●	• The establishment of an IT Disaster Recovery Plan • Ensuring an adequate insurance coverage is obtained • Conducting fire awareness sessions and audits, while establishing crisis management practices • Conducting sustainability assurance audits and providing recommendations for green initiatives

RISK MANAGEMENT

Risk Context & Impact to the Group	Risk Rating	Mitigating Actions
O5: Supply Chain Risk Supply chain disruptions due to the pandemic, the economic crisis, and the Russian invasion of Ukraine, physical risk relating to climate change impacting supply chains, could potentially result in delays and stoppages in operations, reputational damages, financial loss, and reduced profit margins.	Significant	• Consolidation of suppliers to drive efficiency, productivity, and continuity • Seeking out and utilising alternate sources for key raw materials • An access to supplier market insights to enable timely booking strategies • Broad basing supply chains to diversify risk of impacts to operations
S2: Reputational Risk Quality concerns, product failures or inferior services can result in adverse events, legal implications, media attention, and reputational damage.	Significant	• Providing employee training and development opportunities • The availability of an incident and complaint review system to enable corrective actions • Conducting self-inspections by cross-functional departments

Extreme High Significant Moderate Low

FUTURE PERSPECTIVE

Looking towards the future, the Group is committed to maintaining a comprehensive and effective approach to risk management. We will continue to prioritise the promotion of a strong risk awareness culture and emphasise the importance of communication and training programmes throughout the organisation. Additionally, we will remain vigilant in monitoring external and internal changes, leveraging advanced technologies such as AI to gain deeper insights into emerging risks. By doing so, we are confident in our ability to proactively identify, assess, and mitigate potential risks, while remaining competitive in the ever-evolving business environment.

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

GENERAL

The Directors have pleasure in presenting their Report and the Audited Financial Statements of the Company and the Group for the year ended 31 March 2023 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 No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (Listing Rules) and the Code of Best Practice of Corporate Governance 2017.

This Report was approved by the Board of Directors on 24 May 2023.

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's and CEO's Review, Financial Capital and Sector Integrated Reviews 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 page 111 of the Annual Report.

2. FUTURE DEVELOPMENTS

The Group intends to pursue its strategy of focusing on enhancing the performance of its core businesses of Consumer, Wellness and Healthcare segments and also drive growth in the Mobility segment and new businesses.

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 page 142 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 2023. The Auditors' Report on the Financial Statements is given on page 136 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 140 to 217 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 31 March 2023 was Rs. 113.9 Bn (2022 - Rs. 78.8 billion). An analysis of the income is given in Note 05 to the Financial Statements on page of this Annual Report.

6.2 Profit and Appropriations

The Profit Before Tax of the Group for the year ended 31 March 2023 was Rs. 7.8 Bn (2022 - Rs. 6.6 billion) and the Profit After Tax for the year ended 31 March 2023 was Rs. 5.1 Bn (2022 - Rs. 4.8 billion). Whilst the Group profit attributable to equity holders of the parent was Rs. 4.3 billion (2022 - Rs. 4.2 billion).

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

6.3 Dividend on Ordinary Shares

6.3.1 Interim Dividend

The Directors declared and paid an Interim Dividend of Rs.0.40 per Ordinary Share on 8 December 2022.

6.3.2 Final Dividend

The Directors recommend a Final Dividend for the year of Rs. 1.95 per Ordinary Share which will be payable on 24 July 2023 to Shareholders registered as at 6 July 2023. The Total Dividend for the year under review will then amount to Rs. 2.35 per Ordinary Share (2021/22- Rs. 4.35).

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.

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

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 9 to the Financial Statements on page 159 of the Annual Report.

8. RESERVES

The Group's total Reserves as at 31 March 2023 amounted to Rs. 30.6 Bn (2022 - Rs. 27.8 billion).

The movement of the Reserves are given on page 144 under Statement of Changes in Equity and in the Notes to the Financial Statements of the Annual Report.

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

The details of Property, Plant & 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 165 to 179 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 2023. 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 165 to 174 of the Annual Report.

11. INVESTMENTS AND ACQUISITIONS

The Group Investments and Acquisitions are detailed in Note 2.4 to the Financial Statements found on page 147 of the Annual Report.

12. DIVESTMENTS AND DISPOSALS

The Group divestments and disposals are detailed In Note 2.4 to the Financial Statements found on pages 146 to 147 of the Annual Report.

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 suppliers 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 Ten (10) 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 18 to 21 of the Annual Report.

The names of the persons who held office as Directors of the Company as at 31 March 2023 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

Executive Directors
Ms. K. A. C. Wilson - Chief Executive Officer

Independent Non-Executive Directors
Dr. S. A. B. Ekanayake - Deputy Chairman
Mr. A. S. Amaratunga
Mr. J. M. Trivedi
Mr. P. Subasinghe
Mr. R. P. Pathirana

During the year under review, Mr. R. P. Pathirana was appointed to the Board of Directors as an Independent Non-Executive Director w.e.f. 1 January 2023.

Mr. Sriyan de Silva Wijeyeratne, Executive Director resigned from the Board of Directors w.e.f. 31 August 2022.

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 four of the nine Non-Executive Directors meet the criteria for independence in terms of Rule 7.10.4 of the Listing Rules. Each of the Independent Directors has submitted a signed and dated declaration of his independence against the specified criteria.

The Board, taking account of all the circumstances, is of the opinion that Dr. S. A. B Ekanayake shall be deemed independent, notwithstanding the fact that he has served on the Board since 2013.

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 30 June 2023 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, Mr. I.A.H. Esufally, Mr. J. M. Trivedi and Ms. K. A. C Wilson 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. R. P. Pathirana retires and being eligible, offers himself for re-election, with the unanimous consent of the Board of Directors.

Mr. Abbas Esufally

Mr. A. N. Esufally who has completed 70 years of age and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007 offers himself for re-election, with the unanimous consent of the Board of Directors.

Mr. Ranil Pathirana

In terms of Articles 72 of the Articles of Association, Mr. R. P. Pathirana 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 Board of Management (BoM)

Information on Board Sub-committees is given under Corporate Governance and the related Sub-committee reports are given on pages 124 to 132 of this Annual Report.

In addition to the mandatory Board Sub-committees in operation, the Board of Management ("BoM") has been devolved with the responsibility of reviewing Group performance and providing oversight of Group's affairs.

The profiles of the members of the BoM 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 2023	No of Shares as at 31 March 2022
Mr. H. N. Esufally	2,291,640	2,291,640
Mr. A. N. Esufally	167,353	2,617,353
Mr. I. A. H. Esufally	7,086,284	7,086,284
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
Mr. P. Subasinghe	Nil	Nil
Ms. K. C. Wilson	Nil	Nil
Mr. S. de Silva Wijeyeratne	Nil	Nil
Mr. Ranil Prasad Pathirana	Nil	Nil

Directors' Interest in Ordinary Shares of the Company – Indirect

Name	No of Shares as at 31 March 2023	No of Shares as at 31 March 2022
AZ 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	91,427,333	91, 427, 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. Billiquis Esufally	725	725
Mr. Amaar Esufally	2,350,000	2,000,000
Ms. Zara Esufally	2,350,000	250,000
Ms. Sanya Subasinghe	2,300	2,300

15.5 Directors' remuneration and other Benefits

The Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31 March 2023 is given in Note 8 to the Financial Statements on page 159 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 31 March 2023, other than those disclosed on pages 210 to 213 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.

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

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) & (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

Mr. R. P. Pathirana - appointed w.e.f. 1st January 2023

Resignation of a Director

Mr. Sriyan de Silva Wijeyeratne - resigned w.e.f. 31st August 2022

b. Share Dealings of Directors

During the year under review, the directors' share dealings were as follows.

Mr Abbas Esufally disposed of 2,450,000 shares by way of gift

c. Change of other Directorships

- **Ms. Kasturi C Wilson**

Unicorn Investments (Private) Limited - resigned with effect from 08th August 2022

Forbes Air Services (Private) Limited - resigned with effect from 05th August 2022
- re-appointed with effect from 15th September 2022

Hemas Surgical and Diagnostics (Private) Limited - resigned with effect from 08th August 2022

Mazu Shipping (Private) Limited - resigned with effect from 08th August 2022

Healthnet International (Private) Limited - resigned with effect from 08th August 2022

Morlan (Private) Limited - resigned with effect from 08th August 2022

Magnicare (Private) Limited - resigned with effect from 08th August 2022

Board of National Development Bank PLC - appointed with effect from 1st October 2022

- **Mr. Abbas Esufally**

Jada Resort & Spa (Private) Limited - resigned with effect from 28th July 2022

Kalutara Luxury Hotel & Resort (Private) Limited - resigned with effect from 28th July 2022

- **Mr. Jyotindra Trivedi**

Spring Energy Pvt Ltd - resigned with effect from May 2022

Bluepine Energy Pvt Ltd - appointed with effect from February 2023

2. Subsidiaries of the Hemas Group

Hemas Manufacturing (Private) Limited -
Mr. Sriyan Joesph de Silva Wijeyeratne - resigned w.e.f. 31st August 2022

Ms. Sabrina Esufally - appointed w.e.f. 01st October 2022

Ms. Sabeen Fazli Alavi - appointed w.e.f. 01st December 2022

Hemas Hospitals (Private) Limited
Mr. Vajira Kulatilaka - appointed w.e.f. 01st January 2023

Hemas Pharmaceuticals (Private) Limited
Mr. Arun Gupta - appointed w.e.f. 15th September 2022

Unicorn Investments (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Mr. Sriyan Joesph de Silva Wijeyeratne - resigned w.e.f. 31st August 2022

Ms. Sabrina Esufally – appointed w.e.f. 31st August 2022

Hemas Marketing (Private) Limited
Mr. Sriyan Joesph de Silva Wijeyeratne - resigned w.e.f. 31st August 2022

Ms. Sabrina Esufally - appointed w.e.f. 31st August 2022

Forbes Air Services (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 05th August 2022

Mr. Gayan Viveka Udena Amerasinghe - resigned w.e.f. 03rd September 2022.

Ms. Kasturi C Wilson - appointed w.e.f. 15th September 2022

Hemas Trading (Private) Limited
Mr. Sriyan Joesph de Silva Wijeyeratne - resigned w.e.f. 31st August 2022

Ms. Sabrina Esufally - appointed w.e.f. 31st August 2022

Hemas Surgical and Diagnostics (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Hemas Transportation (Private) Limited
Mr. Halke Widanelage Amila Priyadarshana - resigned w.e.f. 01st January 2023.

Mazu Shipping (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Concept Ventures (Private) Limited
Ms. Anne Ruwani Nalinka Hettiarachchi - resigned w.e.f. 25th August 2022

Ms. Ramani Leilani Samarasundara - appointed w.e.f. 25th August 2022

Mr. Mohamed Rizny Faisal - appointed w.e.f. 25th August 2022

Ms. Halke Widanelage Amila Priyadarshana - resigned w.e.f. 01st January 2023.

Healthnet International (Private) Limited
Mr. Mohamed Rizny Faisal - appointed w.e.f. 08th August 2022

Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Ms. Anne Ruwani Nalinka Hettiarachchi - resigned w.e.f. 25th August 2022

Morlan (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Mr. Murtaza Abidhusein Hassanally Esufally - appointed w.e.f. 08th August 2022

Magnicare (Private) Limited
Ms. Kasturi C Wilson - resigned w.e.f. 08th August 2022

Mr. Ahmed Zalmi Fazeel - appointed w.e.f. 08th August 2022

Ecopower (Private) Limited
Incorporated on 9th September 2022
Mr. Murtaza Abidhusein Hassanally Esufally - appointed w.e.f. 9th September 2022

Mr. Ahmed Zalmi Fazeel - appointed w.e.f. 9th September 2022

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 exceeded 10% of the equity or 5% of the total assets as per 31 March 2023 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 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 2023 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 Section 9 of the listing rules of the Colombo Stock Exchange and the provisions of the Code relating to full disclosure of Related Party Transactions entered into during the Financial Year ended 31 March 2023.

The details of all Related Party Transactions carried out during the year are disclosed on page 210 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 2023.

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 2023 was Rs. 7.78 billion comprising of 596,043,425 ordinary shares (2022 -596,043,425 Ordinary Shares - Rs. 7.78 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 192 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 219 to 222 of this Annual Report and information relating to Earnings, Dividends and Net Assets per share is given in the Financial Highlights on pages 7 to 8 of the Annual Report. The twenty major shareholders of the Company as at 31 March 2023 are indicated on page 220 of this Annual Report.

20.1 Issue of Shares - ESOS

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

The details of the grants/vesting of ESOS since 2015 is given under Shareholder Information found on page 222 of the Annual Report.

20.2 Listed Debentures

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

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

The number of ordinary shares held by the Public as at 31 March 2023 was 35.080% of the Issued Capital of the Company.

The Company complies with the minimum public holding requirement as at 31 March 2023 as per section 7.6(iv) of the listing rules as follows:

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

Category	Float Adjusted Market Capitalisation	Public Holding Percentage	No of Public Shareholders	Option
Ordinary Shares	13,602,442,462	35.08	8,544	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 recommended a new Employee Share Option Scheme for approval of the shareholders, which was approved at the Extraordinary General Meeting held on 30 June 2021.

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 on the HR agenda.

The number of persons employed by the Company and its subsidiaries as at the year-end was 5,380.

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 30 to the Financial Statements.

26. CORPORATE DONATIONS

During the year, the Group made donations to charity amounting to Rs. 74.2 million (2022 - Rs. 15.7 million).

The information given above on donations, forms an integral part of the Report of the Board of Directors as required by Section 168 (1) (g) of the Companies Act.

27. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

28. ENVIRONMENTAL PROTECTION

28.1 The Environment

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities which have caused adverse effects on the environment and that the Company has complied with the relevant environmental regulations.

28.2 Sustainability Reporting

Sustainability practices have been built into every aspect of our businesses and we consider sustainability goals along with our operational and financial goals. Detailed information on our sustainability initiatives can be found on pages 42 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 32 to the Financial Statements on page 213 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 2.3 to the Financial Statement found on page 147 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 111 to 116 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 124 to 126 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 124 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 90 to 110 of the Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal controls.

33. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

34. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company Lawyers, there is no litigation currently pending against the Company, other than those disclosed in Note 33 to the Financial Statements, which will have a material impact on the reported financial results or future operations of the Company.

35. 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.

36. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY

The Auditors, Messrs. Ernst & Young were paid Rs. 18.5 million (Rs. 15.4 million in 2022) 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.

37. RELEVANT AUDIT INFORMATION

As at 24 May 2023, 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.

38. ANNUAL GENERAL MEETING

The 74th Annual General Meeting of the Company will be held on 30 June 2023, at 3.30p.m., as a Virtual AGM, emanating from the Registered Office of the Company, 'Hemas 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

39. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act, the Board of Directors hereby acknowledges 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 24, 2023

REPORT OF THE AUDIT COMMITTEE

In a challenging environment, the Audit Committee's role is to provide strong oversight and ensure that the Company is operating with integrity and transparency. This helps to maintain investor confidence and protect the Company's reputation.

AREAS OF FOCUS IN 2022/23

- Financial Reporting
- Internal Audit, Risks and Controls
- External Audit
- Compliance

PURPOSE/OBJECTIVES OF THE COMMITTEE

The role of Group Audit Committee (AC) is 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 also reviewing at a higher level the Financial Statements, interim reports and audit and management reports of those companies. 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 2022/23

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 (via a formal process) to the Audit Committee that the said Financial Statements for the year were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 and reflect the Company's performance for the period ended and state of affairs as at that date.

Composition and Attendance

Members		Attendance
Mr. A.S. Amaratunga *(Chairman)*	Independent Non-Executive Director	5/5
Mr. I. A. H. Esufally	Non-Executive Director	5/5
Mr. J. M. Trivedi	Independent Non-Executive Director	2/4*
Mr Ranil Pathirana		1/1*

Independent Non-Executive Director
Non-Executive Director
Director/Group CEO

* Mr. Ranil Pathirana was appointed as a member of the Committee w.e.f. 1st January 2023, and Mr. J. M. Trivedi stepped down from being a member of the Committee w.e.f. 1st January 2023

Attendees by Invitation

Group Chief Executive Officer (CEO),
Group Chief Financial Officer (CFO),
Chief Risk and Control Officer (CRCO),
Director, Group Finance and Treasury
Head of Group Finance, Consolidation

External Auditors, Internal Auditors who carried out outsourced assignments and other officials of the Group attended meetings on a needs basis.

Secretary to the Committee

Mr. Jeewantha Sanjeewa
Chief Risk and Control Officer

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 both 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.

Regular going concern assessments were carried out by Management after considering the potential financial implications due to economic condition of Sri Lanka. 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 were 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 compliance with laws and regulations.

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.

In order to improve the efficiency of the SBU AC meetings and alignment across the Group, an AC forum was held with the participation of all the AC chairpersons among other invitees. Based on discussions and ideas of the forum, necessary steps have been taken to further improve systems and processes.

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 – to review the Audit Plan at the audit planning and scoping stage, to discuss the interim audit issues to take proactive actions prior to the final reporting, and to discuss the Audit Results report on completion of the audit prior to the AC approving the financial statements. The Audit Completion Report discussed the areas of improvements in internal controls and the other matters which in the opinion of the auditors require the attention of the management in the ensuing financial reporting period. The Audit Committee also met the auditors on a needs basis to discuss specific matters. Further, the AC reviewed the overall quality of the audit process and the independence of the auditors.

Key Responsibilities

- Review of controls in the preparation and presentation of the Financial Statements and ensuring the adequacy of disclosures in accordance with the Sri Lanka Accounting Standards.
- Exercising oversight responsibilities in relation to compliance of published financial reports with the Companies Act No. 07 of 2007, other legal and regulatory requirements, reporting standards and good governance.
- Monitoring and reviewing 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 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 was not 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

The 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 19, 2023

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE 2022/23

The main focus of the Committee during the year was to review the key talent management process of the Group, assess succession depth for critical roles and establish a robust framework for performance goal setting for Group CEO and Senior Management that is aligned to the Company's strategic goals

PURPOSE/OBJECTIVES OF THE COMMITTEE

The objective of the Human Resources and Remuneration Committee ("the Committee") is to ensure that consistent and robust human resource policies including a remuneration framework are adopted and practiced for Executive Directors as well as all others in the Group.

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 meets once a quarter and the Chairman of the Committee convenes special meetings of the Committee if circumstances warrant.
- During the year under review the Committee met five times and the attendance of the members at these meetings is indicated in this report.
- The quorum required for meetings of the committee is two.
- All matters for determination at Committee Meetings is decided by a majority of the members present and voting.

ACTIVITIES IN 2022/23

Succession Planning and Talent Management

Succession planning, and talent management continued to be a key area of focus in the deliberations of the Committee during the year under review. The Committee conducted in depth talent reviews covering critical roles of the Group, the incumbents in such roles and the potential successors.

Rewards and Remuneration

The Committee also dedicated adequate time 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 and entrepreneurship.

During the year under review, the Committee;

- considered the performance of the Chief Executive Officer and the Executive Directors against the set goals and targets, and determined the basis of revising their increments, bonuses and other performance-based incentives during the year under review.

Directors Emoluments are disclosed in Note 8 to the Financial Statements for the year ended 31 March 2023 found on page 159 of the Annual Report.

Organisation Transformation

The Committee also reviewed progress on culture change within the organisation in alignment with the organisational strategy and transformation plan.

Policy Review

During the year under review, the Committee reviewed the HR performance indicators including health

Composition and Attendance

The Committee consists of three Non-Executive Directors, the majority of whom are independent. During the year under review, there were no changes in the membership of the Human Resources and Remuneration Committee and the composition of the Committee 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	5/5
Mr. A. S. Amaratunga	Independent Non-Executive Director	5/5
Mr. H.N. Esufally	Non-Executive Director	5/5

Independent Non-Executive Director
Non-Executive Director
Director/Group CEO

The profiles of the members are found on pages 18 to 20 of the Annual Report.

Attendees by Invitation

Mr. Murtaza Esufally (Non-Executive Director), Ms. Kasturi C. Wilson (Chief Executive Officer) and Mr. Ravi Jayasekera (Chief People Officer)

Secretary to the Committee

Hemas Corporate Services (Private) Limited

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE 2022/23

and safety of the employees of the Group and deliberated on the ESOS proposed to be offered to the employees.
Further, the Committee deliberated on the process and guidelines on performance goal setting applied across the Group in driving performance and entrepreneurship.

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 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. A. Ekanayake
Chairman of the Human Resources and Remuneration Committee

Colombo, Sri Lanka
May 8, 2023

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 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 all components of the remuneration and all other benefits of the executive directors.
- 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 programmes
- Career Progression planning for managerial level and above

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE 2022/23

The main focus of the Committee during the year was to review the structure and composition of the Board and ensure the required balance of knowledge and expertise for the Board and, strengthen the overall governance standards of the Group.

OBJECTIVE 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, and also to review, evaluate and recommend changes to the Company's Corporate Governance Framework in line with the Code of Best Practice ("Code").

ACTIVITIES IN 2022/23

Improve Board effectiveness

During the year, the Committee reviewed the Governance Roadmap of the Group and ways to improve Board effectiveness within the Group. In light of the above, the Committee also reviewed the role of the Board Sub Committees.

Review the structure and the composition of the Board

The Committee reviewed the structure and composition of the Company and its subsidiaries, and new candidates were evaluated by the Committee. Accordingly, recommendations were made to the Board for new appointments to the Board. During the year under review, the Board appointed Dr. Anura Ekanayake as the Deputy Chairman of the Board of Directors w.e.f. 1st January 2023.

Further, the Board appointed Mr. Ranil Pathirana as an independent non-executive director w.e.f. 1st January 2023.

Board Evaluation

The Committee reviewed the results of the Board Evaluation of the Company and discussed the governing structure of the Company.

In terms of strengthening the governance structure within the subsidiaries of the Group, the committee also reviewed the progress of the follow-up action plans arising from the results of the Board Evaluation of the subsidiaries of the Group.

Board Succession

During the year under review, the progress and performance of the Chief Executive Officer and the new heads of businesses was regularly reviewed by the Committee.

Re-election of Directors

The Committee decided to recommend Mr. I.A.H. Esufally, Mr. J. M. Trivedi and Ms. Kasturi C Wilson, 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 2023.

The Committee also decided to recommend the re-appointment of Mr. A. N. Esufally who has completed 70 years of age and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007.

The Committee further recommends the re-appointment of Mr. Ranil Pathirana, 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, the majority of whom are independent. The Board Chairman attends the meetings by invitation.

During the year under review, there were no changes to the composition of the Committee.

The Committee met four 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	4/4
Mr. A.N. Esufally	Non-Executive Director	4/4
Mr. J. M. Trivedi	Independent Non-Executive Director	4/4

Independent Non-Executive Director
Non-Executive Director
Director/Group CEO

The profiles of the Directors are found on pages 18 to 20 of the Annual Report.

Secretary to the Committee

Hemas Corporate Services (Private) Limited

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE 2022/23

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 under review.

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. A. Ekanayake
Chairman of the Nomination and Governance Committee

Colombo, Sri Lanka
May 23, 2023

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 Directors and provides feedback to the Chairman of the Board on board effectiveness.
- To monitor compliance with the Corporate Governance Guidelines.
- Ratification of Subsidiary Board appointments 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 2022/23

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, ensure regulatory compliance, good governance and accurate reporting, and protect the interests of the shareholders and other stakeholders.

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.

PURPOSE/OBJECTIVES OF THE COMMITTEE

The main objective of the Committee is to exercise on behalf of the Board, oversight of all Related Party Transactions of Hemas Holdings PLC (the Company) and its listed subsidiary companies, and to ensure compliance with respect to the Code of Best Practice on Related Party Transactions (RPT), issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

The Committee meetings are held on a quarterly basis. In addition to the above, special meetings are convened to review any non-recurrent transactions, as required.

ACTIVITIES IN 2022/23

During the year under review, the Committee discharged its duties in compliance with the Terms of Reference. Accordingly, all RPTs of the Company have been reviewed by the Committee and comments and observations have been communicated to the Board. The Committee has exercised oversight on behalf of the Board, on all RPTs of the Company 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.

During the financial year 2022/23, the Committee has met five times in total. The minutes of all Related Party Transactions Review Committee meetings were 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 Committee further exercised oversight on all RPTs of the Company to ensure adherence to the established practices and processes within the company in terms of the RPT manual of the company.

The pricing methodology adopted by the Company and its subsidiaries were also reviewed by the Committee to ensure that the transactions are in compliance with the regulatory requirements and are carried out at arm's length.

The Committee reviewed the Annual RPT Declarations of the Key Management Personnel and the Heads of Finance of the subsidiary companies and has communicated the comments/ observations to the Board of Directors.

During the year under review, the Committee obtained independent legal, financial and technical advice as required in the Committee's deliberations.

All recurrent Related Party Transactions of the company during the financial year 2022/23 were reviewed and approved by the Committee. The aggregate value of the recurrent related party transactions did not exceed 10% of the gross revenue/income of the Company during the year.

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)

The composition of the Committee is in compliance with the Listing Rules of the Colombo Stock Exchange.

Members		Attendance
Mr. A. S. Amaratunga (Chairman of the Committee)	Independent Non-Executive Director	5/5
Mr. I. A. H. Esufally	Non-Executive Director	5/5
Ms. K. A. C. Wilson	Director/Group CEO	4/5

Independent Non-Executive Director
Non-Executive Director
Director/Group CEO

The profiles of the members are found on pages 18 to 20 of the Annual Report.

Attendees by Invitation

Group Chief Financial Officer, Director Group Finance and Treasury and Head of Group Finance and Treasury

Secretary to the Committee

Hemas Corporate Services (Private) Limited

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE 2022/23

Therefore, a requirement to make a disclosure in terms of Section 9.3.2(b) of the Listing Rules of the CSE has not arisen during the year under review.

The Committee also reviewed and approved the non-recurrent Related Party Transactions of the Company during financial year 2022/23. 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. Therefore, a requirement to make a disclosure in terms of Section 9.3.2(a) of the Listing Rules of the CSE did not arise.

The Board of Directors declares that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions.

EVALUATION OF THE COMMITTEE

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee during the year 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 the Colombo Stock Exchange
- The Shareholder interests are safeguarded
- Fair and transparent and on commercial terms

Mr. A.S. Amaratunga
Chairman of the Related Party Transactions Review Committee

Colombo, Sri Lanka
May 22, 2023

Key Responsibilities

» Defining 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 standardised documentation that should be used by the companies in the Group when presenting the RPT information to the Committee.

The Numbers Behind

OUR SUCCESS

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors (Board) of the Company is responsible for the adequacy of the Company's system of internal controls and for reviewing its design and effectiveness regularly. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatements of losses or frauds.

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The BoM assists the Board in the implementation of the Board's policies and procedures on Risk and Control by identifying potential risks and its implications; and in the design, operation and monitoring of the suitable internal controls to mitigate and control such risks identified.

Further, the Board has established various committees, such as the Audit Committee, Human Resources and the Remuneration Committee and Related Party Transactions Review Committee to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

The Directors are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors M/s. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the Financial Statements together with all financial records and related data and expressed their opinion, which appears as reported by them on pages 136 to 139 of this Report.

The Directors are responsible for:

- preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable laws and regulations;
- preparing Financial Statements which give a true and fair view of the state of affairs as at the Balance Sheet date and the profit or loss for the period then ended of the Company and the Group in accordance with SLFRSs and LKASs;
- keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company enabling them to ensure that the Group Financial Statements comply with applicable laws and regulations;
- establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process; and
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities; and maintaining the integrity of the statutory and audited information available to the public.

  In addition, the Directors consider that, in preparing the Financial Statements:

- suitable accounting policies have been selected and applied consistently;
- judgments and estimates made have been reasonable and prudent;
- the Financial Statements comply with IFRS as adopted for use in Sri Lanka (SLFRSs/LKASs);
- all Accounting Standards which they consider applicable have been followed in preparing the Parent Company Financial Statements; and
- it is appropriate that the Group and Parent Company Financial Statements have been prepared on a "Going Concern" basis.

The Directors also confirm that to the best of their knowledge, the Financial Statements are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group taken as a whole; and this Directors' Report contains a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Hemas Corporate Services (Private) Limited
Secretaries

May 24, 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF HEMAS HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Hemas Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the 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 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Assessment of Impairment of Goodwill and Brands Intangible assets include an amount of LKR. 3.1 Bn relating to goodwill and brands as further detailed in Note 15 to the financial statements. Assessment of impairment of goodwill and brands was a key audit matter due to; • The degree of assumptions, judgements and estimates associated with deriving the estimated future cash flows used for value-in-use calculations. Key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the value-in-use calculations and estimated cash flows, long term growth rates and discount rate including the potential impact of the current economic conditions.	**Our audit procedures were based on the best available information up to the date of our audit report and included the following:** • We gained an understanding of how management has developed its estimation of future cash flows which included the consideration of the impacts of current economic conditions. • We checked the calculations of the discounted cashflows. • We assessed the reasonableness of significant assumptions including long term growth rates and discount rate. • We tested the completeness and accuracy of the underlying data used and performed sensitivity analysis of significant assumptions to evaluate the effect on the value-in-use calculations. • We have assessed the adequacy of the disclosures made in Note 15 in the financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Provision for Impairment on Trade Receivables As detailed in Note 21 to the financial statements, Trade receivables as of 31 March 2023 amounted to LKR.17.2 Bn net of provision for impairment of LKR.563 Mn representing 18% of the total assets of the Group. This was a key audit matter due to: • Materiality of the trade receivable balance • The degree of management judgments and assumptions associated with evaluating the probability of recoverability including the impact of current economic conditions.	Our audit procedures were based on the best available information up to the date of our audit report and included the following: • We obtained an understanding of and evaluated the process used by the management to assess impairment of trade receivables. • We assessed the reasonableness of the age analysis of trade receivables by referring to the source documents and the assumptions and judgements used by the management including the impact of current economic conditions. • We assessed the adequacy of the provision made. • We have also assessed the adequacy of the disclosures made in Note 21 to the financial statement.
Existence and Carrying Value of Inventory As at 31 March 2023, the carrying value of inventory amounted to LKR 28.6 Bn after considering a provision of LKR 415 Mn for slow moving and obsolete inventory as disclosed in Note 20 to the financial statements. Existence and carrying value of inventory was a key audit matter due to: • Materiality of the reported amount, which represents 29% of the Group's total assets. • Inventory being held at multiple locations. The existence of inventory is verified by management through a combination of physical inventory counts performed throughout the year on a cyclic basis and as at the year-end. • Judgements applied by the management in determining the provision for slow-moving, non-moving and obsolete inventory on account of expiry dates, spoilages, shelf life and other industry factors.	Our audit procedures included the following: • Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the period end. • Understood the process followed by the management for valuation of inventory and assessed the reasonableness of management judgments applied in determining provision for slow-moving and obsolete inventory. Our assessment included the basis applied to identify expiry dates and determine inventory spoilages, shelf life and other industry factors. • Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items. • We also evaluated the adequacy of the disclosures in Note 20 to the financial statements.

OTHER INFORMATION INCLUDED IN THE 2023 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.

May 24, 2023
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Revenue from Contracts with Customers	5	113,939,574	78,830,849	993,811	885,849
Cost of Sales		(82,146,714)	(56,981,187)	-	-
Gross Profit		31,792,860	21,849,662	993,811	885,849
Other Operating Income	6	720,052	1,098,803	3,012,525	2,419,939
Selling and Distribution Expenses		(8,268,449)	(6,434,673)	-	-
Administrative Expenses		(12,881,174)	(9,206,084)	(1,162,965)	(1,061,211)
Share of Results of Equity Accounted Investees (Net of Tax)	17	(400,138)	(525,064)	-	-
Operating Profit		10,963,151	6,782,644	2,843,371	2,244,577
Finance Cost	7	(4,109,544)	(486,251)	(557,848)	(56,822)
Finance Income	7	911,393	351,787	209,798	12,820
Profit Before Tax	8	7,765,000	6,648,180	2,495,321	2,200,575
Income Tax Expenses	9	(2,696,317)	(1,813,714)	(84,048)	(345,333)
Profit for the Year		5,068,683	4,834,466	2,411,273	1,855,242
Attributable to:					
Equity Holders of the Parent		4,268,855	4,248,553		
Non-Controlling Interests		799,828	585,913		
		5,068,683	4,834,466		
		LKR	LKR		
Earnings Per Share					
Basic Earnings Per Share	10	7.16	7.12		
Diluted Earnings Per Share	10	7.15	7.12		
Dividend Per Share	11	2.35	4.35		

The Accounting Policies and Notes on the Pages 146 to 217 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Profit for the Year		5,068,683	4,834,466	2,411,273	1,855,242
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)					
Net Movement on Hedges		(5,109)	82,384	-	-
Exchange Differences on Translation of Foreign Operations		(119,563)	536,307	-	-
Share of Other Comprehensive Loss of Equity Accounted Investees	17	(530,570)	(44,247)	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)					
Net Gain/(Loss) on Financial Assets at FVOCI		(15,507)	11,419	705	2,103
Actuarial Gain/(Loss) on Defined Benefit Plans		(104,369)	53,847	(11,264)	1,214
Revaluation of Land and Buildings		851,080	1,640,242	-	-
Share of Other Comprehensive Income of Equity Accounted Investees	17	1,651,379	170,001	-	-
Other Comprehensive Income for the Year, Net of Tax		1,727,341	2,449,953	(10,559)	3,317
Total Comprehensive Income for the Year, Net of Tax		6,796,024	7,284,419	2,400,714	1,858,559
Attributable to:					
Equity Holders of the Parent		5,973,760	6,657,104		
Non-Controlling Interests		822,264	627,315		
		6,796,024	7,284,419		

The Accounting Policies and Notes on the Pages 146 to 217 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	19,912,878	18,006,908	60,543	62,434
Investment Properties	13	2,310,150	2,100,161	1,065,305	851,300
Right-of-Use Assets	14	995,097	1,177,653	-	56,223
Intangible Assets	15	3,311,373	3,295,464	49,484	50,282
Investment in Subsidiaries	16	-	-	17,999,897	17,592,558
Investment in Equity Accounted Investees	17	702,063	85,088	-	-
Lease Receivables	18	122,186	125,306	-	-
Other Non-Current Financial Assets	19	181,515	210,100	13,928	14,023
Deferred Tax Assets	9	87,366	85,621	-	-
		27,622,628	25,086,301	19,189,157	18,626,820
Current Assets					
Inventories	20	28,602,360	16,807,120	-	-
Trade and Other Receivables	21	25,456,335	19,771,795	1,026,689	291,958
Tax Recoverable		323,854	328,811	32,433	6,288
Lease Receivables	18	22,761	59,520	-	-
Other Current Financial Assets	19	139,171	359,197	536,063	1,132
Cash and Short Term Deposits	28	16,330,774	13,894,926	23,712	90,348
		70,875,255	51,221,369	1,618,897	389,726
TOTAL ASSETS		98,497,883	76,307,670	20,808,054	19,016,546
EQUITY AND LIABILITIES					
Equity					
Stated Capital	22	7,776,111	7,776,111	7,776,111	7,776,111
Other Capital and Revenue Reserves	23	119,164	159,834	340,515	381,185
Other Components of Equity	23	6,541,635	4,446,109	1,564	(293,619)
Retained Earnings		23,967,649	23,205,732	9,595,631	8,856,168
Equity Attributable to Equity Holders of the Parent		38,404,559	35,587,786	17,713,821	16,719,845
Non-Controlling Interests		715,842	919,517	-	-
Total Equity		39,120,401	36,507,303	17,713,821	16,719,845
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	24	5,449,482	3,092,910	692,000	-
Other Financial Liabilities	25	275,505	276,538	-	-
Deferred Tax Liability	9	2,901,176	1,723,527	239,951	147,963
Employee Benefit Liability	26	1,198,963	991,714	79,692	66,507
		9,825,126	6,084,689	1,011,643	214,470
Current Liabilities					
Trade and Other Payables	27	29,625,732	27,165,394	776,928	795,540
Income Tax Liabilities		969,224	803,617	-	96,925
Other Financial Liabilities	25	2,949,482	2,272,299	-	-
Interest Bearing Loans and Borrowings	24	11,739,284	2,678,177	570,240	1,188,944
Bank Overdraft	28	4,268,634	796,191	735,422	822
		49,552,356	33,715,678	2,082,590	2,082,231
TOTAL EQUITY & LIABILITIES		98,497,883	76,307,670	20,808,054	19,016,546

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

Zalmi Fazeel
Group 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 C. Wilson
Group Chief Executive Officer

The Accounting Policies and Notes on the Pages 146 to 217 form an integral part of these financial statements.

May 24, 2023
Colombo

STATEMENT OF CHANGES IN EQUITY (GROUP)

	Attributable to Equity Holders of the Parent									
			Other Components of Equity							
	Stated Capital	Other Capital and Revenue Reserves	Revaluation Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Hedge Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 April 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
Profit for the Year	-	-	-	-	-	-	4,248,553	4,248,553	585,913	4,834,466
Other Comprehensive Income	-	-	1,738,320	564,953	11,419	43,714	50,146	2,408,551	41,402	2,449,953
Total Comprehensive Income	-	-	1,738,320	564,953	11,419	43,714	4,298,699	6,657,104	627,315	7,284,419
Share Based Payments	-	40,988	-	-	-	-	-	40,988	-	40,988
Transfer Due to the Expiry of ESOS	-	(61,960)	-	-	-	-	61,960	-	-	-
Interim Dividend Paid - 2021/22	-	-	-	-	-	-	(1,729,983)	(1,729,983)	-	(1,729,983)
Final Dividend Paid - 2020/21	-	-	-	-	-	-	(864,992)	(864,992)	-	(864,992)
Subsidiary Dividend Paid to Non-Controlling Interest	-	-	-	-	-	-	-	-	(413,314)	(413,314)
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	(19,482)	(19,482)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	(279,543)	(279,543)	-	(279,543)
Adjustment in Respect of Changes in Group Holding	-	-	-	-	-	-	(34,989)	(34,989)	15,485	(19,504)
Disposal of Subsidiaries	-	-	(2,249)	(96,182)	-	25,208	(22,959)	(96,182)	(833,391)	(929,573)
As at 31 March 2022	7,776,111	159,834	4,373,663	642,174	(330,746)	(238,982)	23,205,732	35,587,786	919,517	36,507,303
Adjustment for Surcharge Tax levied under Surcharge Tax Act							(1,548,726)	(1,548,726)	(119,604)	(1,668,330)
As at 01 April 2022	7,776,111	159,834	4,373,663	642,174	(330,746)	(238,982)	21,657,006	34,039,060	799,913	34,838,973
Profit for the Year	-	-	-	-	-	-	4,268,855	4,268,855	799,828	5,068,683
Other Comprehensive Income	-	-	2,472,170	(119,563)	(15,507)	(536,052)	(96,143)	1,704,905	22,436	1,727,341
Total Comprehensive Income	-	-	2,472,170	(119,563)	(15,507)	(536,052)	4,172,712	5,973,760	822,264	6,796,024
Share Based Payments	-	6,772	-	-	-	-	-	6,772	-	6,772
Transfer Due to the Expiry of ESOS	-	(47,442)	-	-	-	-	47,442	-	-	-
Transfer	-	-	-	-	294,478	-	(294,478)	-	-	-
Final Dividend - 2021/22	-	-	-	-	-	-	(1,163,265)	(1,163,265)	-	(1,163,265)
Interim Dividend - 2022/23	-	-	-	-	-	-	(238,618)	(238,618)	-	(238,618)
Subsidiary Dividend Paid to Non-Controlling Interest	-	-	-	-	-	-	-	-	(442,800)	(442,800)
Reclassification of Non-Controlling Interest to be Acquired	-	-	-	-	-	-	-	-	(463,535)	(463,535)
Fair Value Changes in Non-Controlling Interest to be Acquired	-	-	-	-	-	-	(213,150)	(213,150)	-	(213,150)
As at 31 March 2023	7,776,111	119,164	6,845,833	522,611	(51,775)	(775,034)	23,967,649	38,404,559	715,842	39,120,401

The Accounting Policies and Notes on the Pages 146 to 217 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 31 March 2021	7,776,111	402,157	(295,722)	9,532,727	17,415,273
Profit for the Year	-	-	-	1,855,242	1,855,242
Other Comprehensive Income	-	-	2,103	1,214	3,317
Total Comprehensive Income	-	-	2,103	1,856,456	1,858,559
Share Based Payments	-	40,988	-	-	40,988
Final Dividend - 2020/21	-	-	-	(864,992)	(864,992)
Transfer due to the Expiry of ESOS	-	(61,960)	-	61,960	-
Interim Dividend Paid - 2021/22	-	-	-	(1,729,983)	(1,729,983)
As at 31 March 2022	7,776,111	381,185	(293,619)	8,856,168	16,719,845
Adjustment for Surcharge Tax levied under Surcharge Tax Act	-	-	-	(11,627)	(11,627)
As at 01 April 2022	7,776,111	381,185	(293,619)	8,844,541	16,708,218
Profit for the Year	-	-	-	2,411,273	2,411,273
Other Comprehensive Income	-	-	705	(11,264)	(10,559)
Total Comprehensive Income	-	-	705	2,400,009	2,400,714
Share Based Payments	-	6,772	-	-	6,772
Transfer due to the Expiry of ESOS	-	(47,442)	-	47,442	-
Transfer	-	-	294,478	(294,478)	-
Final Dividend - 2021/22	-	-	-	(1,163,265)	(1,163,265)
Interim Dividend Paid - 2022/23	-	-	-	(238,618)	(238,618)
As at 31 March 2023	7,776,111	340,515	1,564	9,595,631	17,713,821

The Accounting Policies and Notes on the Pages 146 to 217 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Profit Before Taxation		7,765,000	6,648,180	2,495,321	2,200,575
Adjustments for,					
Depreciation	12	1,219,933	1,091,858	20,587	21,672
Amortisation of Right-of-Use Assets	14	306,120	292,945	56,223	56,223
Gain on Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets	6	(57,332)	(29,049)	(14,226)	(14,885)
Gain on Fair Value Adjustment of Investment Properties	13	(207,889)	(158,062)	(214,005)	(122,500)
Amortisation and Impairment of Intangible Assets	15	76,387	76,543	25,960	31,657
Provision/ (Reversal) for Obsolete and Slow-moving Stocks	20	88,032	(34,574)	-	-
Provision/ (Reversal) for Impairment of Trade and Other Receivables	21	114,715	46,470	10,651	(4,829)
Net (Gain)/ Loss on Disposal of Non-Current Investments		-	(272,496)	(65,950)	-
Exchange (Gain)/ Loss on Foreign Currency Borrowings	24	-	719	-	-
Share Based Payment Expense	23	6,772	40,988	(40)	8,956
Finance Cost	7	4,109,544	486,251	557,848	56,822
Finance Income	7	(911,393)	(351,787)	(209,798)	(12,820)
Investment Income	6	-	-	(2,706,034)	(2,251,470)
Share of Results of Equity Accounted Investees (Net of Tax)	17	400,138	525,064	-	-
Provision for Employee Benefit Liability	26	214,422	186,059	13,635	11,666
Operating Cash Flows before Working Capital Changes		13,124,449	8,549,109	(29,828)	(18,934)
Working Capital Adjustments					
(Increase)/Decrease in Inventories		(11,883,271)	(1,492,722)	-	-
(Increase)/Decrease in Trade and Other Receivables		(5,798,756)	(6,732,003)	4,069	(11,520)
Increase/(Decrease) in Trade and Other Payables		2,460,338	9,622,749	(31,400)	262,528
Increase/(Decrease) in Other Non-Current Financial Liabilities		(1,033)	(790)	-	-
Cash Generated from Operations		(2,098,273)	9,946,343	(57,159)	232,074
Finance Cost Paid	7	(3,957,360)	(320,834)	(556,063)	(52,396)
Finance Income Received	7	905,381	348,388	209,600	12,450
Income Tax Paid		(2,290,117)	(1,788,714)	(110,303)	(228,776)
Surcharge Tax Paid		(1,668,330)	-	(11,627)	-
Employee Retirement Benefit Paid	26	(153,004)	(132,847)	(16,254)	(21,804)
Net Cash flows from/(used in) Operating Activities		(9,261,703)	8,052,336	(541,806)	(58,452)
Investing Activities					
Purchase of Property, Plant and Equipment	12	(1,419,730)	(1,531,239)	(24,171)	(12,054)
Purchase of Intangible Assets	15	(71,771)	(102,033)	-	(375)
Acquisition of/Investment in Subsidiaries		-	-	(1,228,889)	(894,900)
Proceeds from Disposal of Subsidiaries		-	1,646,759	1,150,000	-
Net Change in Financial Assets		(26,068)	68,284	(784,749)	370,648
Dividend Received from Equity Accounted Investees		104,400	72,000	-	-
Proceeds from Disposal of Property, Plant and Equipment/ Investment Properties/Intangible Assets		105,002	114,113	19,701	17,752
Investment Income Received		-	-	1,939,051	2,251,470
Net Cash flows from/(used in) Investing Activities		(1,308,167)	267,884	1,070,943	1,732,541
Financing Activities					
Interest Bearing Loans and Borrowings (Net)	24	11,441,695	(508,131)	71,511	797,071
Proceeds (to) Non-Controlling Interest		-	(19,503)	-	-
Dividends Paid to Equity Holders of the Parent	11	(1,401,883)	(2,594,975)	(1,401,883)	(2,594,975)
Dividends Paid to Non-Controlling Interest		(442,800)	(413,314)	-	-
Net Cash flows from/(used in) Financing Activities		9,597,012	(3,535,923)	(1,330,372)	(1,797,904)
Net Increase/(Decrease) in Cash and Cash Equivalents		(972,858)	4,784,297	(801,235)	(123,815)
Net Foreign Exchange Difference		(63,737)	360,399	-	-
Cash and Cash Equivalents at the Beginning of the Year	28	13,098,735	7,954,039	89,525	213,340
Cash and Cash Equivalents at the End of the Year	28	12,062,140	13,098,735	(711,710)	89,525

The Accounting Policies and Notes on the Pages 146 to 217 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 (CSE) 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.

Corporate information is presented in page 234 of this Annual Report.

1.2 Principal Activities and Nature of Operations

The Company directs investment activities and provides advisory services to other companies in the Group. The principal activities of the Subsidiaries, Joint Ventures and Associates with their business activities are disclosed in Note 35 to the Financial Statements.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.3 Consolidated Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2023 comprises of Hemas Holdings PLC ('the Company') and all its Subsidiaries (Collectively referred to as the "Group" and individually as "Subsidiaries") whose Financial Statements have been consolidated therein.

1.4 Components 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.

1.5 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.

1.6 Date of Authorisation for Issue

The Consolidated Financial Statements of Hemas Holdings PLC for the year ended 31 March 2023 were authorised for issue, in accordance to a resolution of the Board of Directors on 24 May 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed together with the relevant individual notes in the subsequent pages. The Group has consistently applied the accounting policies outlined with each note.

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 Preparation & 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.

Items	Basis of Measurement	Note No	Page
Land and buildings recognised as Property, Plant and Equipment	Measured at cost at the time of acquisition and subsequently carried at fair value at the date of revaluation	Note 12	165
Land and building recognised as Investment Property	Measured at cost at the time of acquisition and subsequently carried at fair value	Note 13	172
Financial Instruments reflected as Fair value through Profit or Loss (FVPL) / Fair value through Other Comprehensive Income (FVOCI)	Measured at fair value	Note 19	183
Retirement Benefit Obligation	Measured at the present value	Note 26	199

2.3 Going Concern

The Management has made an assessment on the Group's ability to continue as a going concern based on the most recent information available and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

Considering a wide range of factors including history of profitable operations, strong liquidity position, availability of stable external funding sources, defensive cashflows and the initiatives taken to strengthen risk monitoring, the Management is satisfied that the going concern basis is appropriate. Group has strictly adhered to the guidelines and directions issued by the Governments and Central Banks in which the Group operates.

The Group's national long-term rating of 'AAA (lka)'; Outlook Stable has been affirmed for the fourth consecutive year by Fitch Ratings, indicating the Groups strength in navigating the current economic headwinds.

2.4 Business Combinations

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 fair value of acquisition date 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 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 2023.

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

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 set out in Note 25 to these financial statements.

Common Control Transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

No entries are recognised in Profit and Loss on the Consolidated Financial Statements arising from common control transactions.

2.5 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.

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)
Hemascorp (Pvt) Ltd (Formerly known as Kyannmar Pharmaceutical Limited.)	Subsidiary	Singapore	US Dollar (USD)

2.6 Materiality, Aggregation, Offsetting and Rounding

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 as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.

Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

2.7 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.

2.8 Other significant accounting policies

The following accounting policies, which the Group has continuously applied, are regarded important yet are not covered in any other sections.

2.8.1 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to 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.

2.8.2 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.

2.8.3. Foreign currency translation, foreign currency 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).

2.8.4 Foreign Operations

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their Statement of Profit or Loss is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

2.9 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 30 - Financial Risk Management
- Note 30 - Sensitivity Analysis

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 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting judgements, estimate and assumptions are as follows:

Note No	Description	Page No.
2.4	Business Combination: whether the Group has de facto control over an investee.	147
5	Revenue Recognition – estimate of expected returns. Revenue Recognition: whether revenue is recognised over time or at a point in time.	155
9	Deferred Taxes: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.	159
12 & 13	Valuation of land and buildings under Property, Plant & Equipment and Investment Property.	165-172
14	Right-of-Use Assets and Lease Liabilities – estimating the incremental borrowing rate.	174
15	Impairment of non-financial assets including intangible assets: key assumptions underlying recoverable amounts.	176
17	Equity Accounted Investees: whether the Group has significant influence over an investee.	180
19	Fair value measurement of financial instruments.	183
22	Share based payments.	192
25	Valuation of Non-Controlling Interest Put Option.	199
26	Employee benefit liability: key actuarial assumptions.	199
33	Recognition and Measurement of Provisions and Contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.	213

3 STANDARD ISSUED 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.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2023.

Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by,

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements 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
- Disclosures
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4 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. The Group has now organised its business units into four reportable operating segments based on their products and services. The activities of each of the operating business segments of the Group are detailed in the Note 35 in these financial statements.

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 Group 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		Mobility		Others		Group	
Year ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revenue										
Segmental Revenue - Gross	47,791,469	31,097,394	70,352,109	50,206,888	1,668,147	2,101,922	1,326,686	1,210,288	121,138,411	84,616,492
Intra Segmental Revenue	(196,573)	(336,073)	(5,682,848)	(4,036,830)	(26,389)	(29,662)	(146,774)	(143,904)	(6,052,584)	(4,546,469)
Segment Revenue	47,594,896	30,761,321	64,669,261	46,170,058	1,641,758	2,072,260	1,179,912	1,066,384	115,085,827	80,070,023
Inter Segmental Revenue	-	-	(1,742)	(80,911)	-	(117,717)	(1,144,511)	(1,040,545)	(1,146,253)	(1,239,174)
Total Revenue	47,594,896	30,761,321	64,667,519	46,089,147	1,641,758	1,954,543	35,401	25,839	113,939,574	78,830,849
Results										
Segmental Results	5,870,621	3,017,224	4,747,673	3,602,122	1,336,248	1,278,419	(799,141)	(748,119)	11,155,400	7,149,646
Finance Cost	(1,459,049)	(242,624)	(2,212,257)	(375,607)	(93,242)	161,341	(344,996)	(29,361)	(4,109,544)	(486,251)
Finance Income	279,411	137,488	353,561	97,836	282,674	98,328	(4,253)	18,135	911,393	351,787
Change in Fair Value of Investment Properties	-	-	-	-	-	-	207,889	158,062	207,889	158,062
Share of Results of Equity Accounted Investees (net of tax)	-	-	-	-	40,861	29,288	(440,999)	(554,352)	(400,138)	(525,064)
Profit/(Loss) Before Tax	4,690,983	2,912,088	2,888,977	3,324,351	1,566,541	1,567,375	(1,381,501)	(1,155,635)	7,765,000	6,648,180
Income Tax	(982,585)	(450,660)	(773,093)	(617,675)	(536,380)	(305,458)	(404,259)	(439,921)	(2,696,317)	(1,813,714)
Profit / (Loss) for the Year	3,708,398	2,461,428	2,115,884	2,706,676	1,030,161	1,261,917	(1,785,760)	(1,595,556)	5,068,683	4,834,466
Attributable to:										
Equity Holders of the Parent	3,248,568	2,225,579	2,036,132	2,647,593	769,915	970,937	(1,785,760)	(1,595,556)	4,268,855	4,248,553
Non-Controlling Interests	459,830	235,849	79,752	59,083	260,246	290,980	-	-	799,828	585,913
	3,708,398	2,461,428	2,115,884	2,706,676	1,030,161	1,261,917	(1,785,760)	(1,595,556)	5,068,683	4,834,466

4 SEGMENTAL INFORMATION (CONTD.)

Information based on the primary segments (Business Segment)

	Consumer Brands		Healthcare		Mobility		Others		Group	
As at 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Assets and Liabilities										
Non-Current Assets										
Property, Plant and Equipment	5,385,962	4,754,402	9,960,147	10,191,775	19,768	25,240	1,377,582	120,618	16,743,459	15,092,035
Right-of-Use Assets	138,474	206,882	787,451	905,345	54,992	82,986	14,179	82,211	995,097	1,277,424
Investment Properties	2,100	-	-	-	-	-	5,389,105	4,878,462	5,391,205	4,878,462
Other Non-Current Financial Assets	286,805	24,552	190,518	216,058	-	-	68,083	116,311	545,406	356,921
Other Non-Current Assets	2,827,790	3,092,696	1,506,413	1,470,550	1,251,784	60,758	25,504,178	24,399,717	31,090,165	29,023,721
Segmental Non-Current Assets	8,641,131	8,078,532	12,444,529	12,783,728	1,326,544	168,984	32,353,127	29,597,319	54,765,331	50,628,563
Deferred Tax Assets	-	-	-	-	-	-	-	-	87,366	85,621
Eliminations/Adjustments	-	-	-	-	-	-	-	-	(27,230,070)	(25,627,883)
Total Non-Current Assets									27,622,628	25,086,301
Segmental Current Assets										
Other Current Financial Assets	53,324	21,470	1,170,435	1,078,275	130,145	1,768,669	2,156,945	1,340,158	3,510,849	4,208,572
Segmental Current Assets	23,285,127	16,977,985	43,161,913	28,344,685	3,849,990	6,306,967	1,971,950	1,587,577	72,268,980	53,217,214
Tax Recoverable	-	-	-	-	-	-	-	-	323,854	328,782
Eliminations/Adjustments	-	-	-	-	-	-	-	-	(5,228,429)	(6,533,199)
Total Current Assets									70,875,255	51,221,369
Total Assets									98,497,883	76,307,670
Non-Current Liabilities										
Segmental Non-Current Liabilities	820,398	539,076	5,425,320	3,601,560	80,285	100,806	800,574	110,822	7,126,577	4,352,263
Other Non-Current Financial Liabilities	-	145	40	928	465	465	275,000	275,000	275,505	276,538
Deferred Tax Liability	-	-	-	-	-	-	-	-	2,901,176	1,723,527
Eliminations/Adjustments	-	-	-	-	-	-	-	-	(478,132)	(267,639)
Total Non-Current Liabilities									9,825,126	6,084,689
Current Liabilities										
Segmental Current Liabilities	12,497,652	9,582,928	32,358,421	21,368,672	2,942,023	4,402,046	3,064,412	1,990,976	50,862,508	37,344,622
Income Tax Liability	-	-	-	-	-	-	-	-	969,224	805,053
Eliminations/Adjustments	-	-	-	-	-	-	-	-	(2,279,376)	(4,433,997)
Total Current Liabilities									49,552,356	33,715,678
Total Liabilities									59,377,480	39,800,367
Total Segment Assets	31,979,582	25,077,987	56,776,877	42,206,688	5,306,679	8,244,620	36,482,022	32,525,054	130,545,160	108,054,349
Total Segment Liabilities	13,318,050	10,122,149	37,783,781	24,971,160	3,022,773	4,503,317	4,139,986	2,376,798	58,264,590	41,973,424
Other Segmental Information										
Acquisition Cost of Property Plant and Equipment	493,651	403,908	844,819	1,046,183	7,749	52,167	73,511	28,981	1,419,730	1,531,239
Depreciation of Segmental Assets	421,168	361,173	706,138	563,813	12,219	85,984	80,408	80,888	1,219,933	1,091,858
Provision for Retirement Benefit	80,634	69,190	109,687	94,123	6,191	7,822	17,910	14,925	214,422	186,059
Impairment and Amortisation of Intangible Assets	11,289	5,264	38,811	36,983	208	2,494	26,079	31,803	76,387	76,543
Amortisation of Right-of-Use Assets	94,438	77,390	185,892	168,983	25,790	38,389	-	8,182	306,120	292,945

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

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. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added tax.

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Goods Transferred at a Point in Time	105,386,767	70,154,744	-	-
Services Transferred Over Time	8,552,807	8,676,105	993,811	885,849
	113,939,574	78,830,849	993,811	885,849

The different business segments of the Group are in the course of providing a variety of goods and services to its customers. 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 HPC 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.

Accounting Judgement, Estimate and Assumption

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).

Variable Consideration

Some revenue contracts in the Consumer and Healthcare sector in the Group provide customers with a right to return, rebate, discounts and consideration payable to the customers. These give rise to 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.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD.)

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 services.
- Inventory risk before or after the specified goods has been transferred to the customer
- The discretion in establishing the price for the specified goods or the services.

Based on the above factors if the Group concludes that it has control over the goods before transferring it to the customer, the Group acts as the principal in which case revenue will be recognised at gross and if the Group does not have the control over the goods before transferring it to the customer, it will recognise revenue on the contract on net basis as an agent.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

Certain revenue contracts especially in Consumer and Healthcare sector include a right of return, rebates and customer incentives that rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

The most likely amount method is used for those contracts with 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 goods or the services.
- The customer has legal title to the goods or the services.
- The entity has transferred physical possession of the goods or the services.
- The customer has the significant risks and rewards of ownership of the goods or the services.
- The customer has accepted the goods or the services.

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.

Geographical Segmentation of Revenue from Contracts with Customers

The geographic information analyse the Group's revenue by the business units country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of the Strategic Business Units (SBUs).

	Group		Company	
Year ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lanka	110,040,753	75,682,142	993,811	885,849
Asia (Excluding Sri Lanka)	3,898,821	3,148,707	-	-
	113,939,574	78,830,849	993,811	885,849

The disaggregation of the Group's revenue from contracts with customers is set out in Note 4 to these financial statements.

6 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.

	Group		Company	
Year ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Gain on Disposal of Non-Current Investments	-	287,483	65,950	-
Gain on Disposal of Property Plant & Equipment/Intangible Assets	57,332	29,049	14,226	14,885
Change in Fair Value of Investment Properties	207,889	158,062	214,005	122,500
Rental Income	7,923	6,906	-	-
Commission Income	5,087	4,034	-	-
Foreign Exchange Gain	137,003	464,093	7,541	27,400
Dividend Income from Investments in ;				
- Related Parties	-	-	2,706,028	2,251,466
- Other	42	9	6	4
Sundry Income	304,776	149,167	4,769	3,684
	720,052	1,098,803	3,012,525	2,419,939

7 FINANCE COST AND INCOME

Accounting Policy

Finance income comprises of interest income and unwinding of fair value differences on financial assets measured at amortised cost.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the Statement of Profit or Loss.

Finance costs comprise of interest expense on borrowings, Interest expense on other financial liabilities, Finance Charges on Lease Liabilities and Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs, depending on whether foreign currency movements are in a net gain or net loss position.

7 FINANCE COST AND INCOME (CONTD.)

Year ended 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
7.1 Finance Income				
Interest Income on Loans and Receivables				
-Related Parties	-	-	206,505	5,788
-Others	905,381	348,388	3,095	6,662
Total Interest Income	905,381	348,388	209,600	12,450
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	6,012	3,399	198	370
Total Finance Income	911,393	351,787	209,798	12,820
7.2 Finance Cost				
Interest Expense on Overdrafts	1,423,168	29,366	178,731	714
Interest Expense on Loans and Borrowings				
- Related Parties	-	-	237,202	50,128
- Others	2,344,214	412,899	140,130	1,554
Foreign Exchange Loss on Foreign Currency Borrowings	161,809	(148,931)	-	-
Interest Expense on Other Financial Liabilities	27,500	27,500	-	-
Finance Charges on Lease Liabilities	151,071	163,635	1,785	4,426
Total Interest Expense	4,107,762	484,469	557,848	56,822
Unwinding of Fair Value Differences on Financial Assets Measured at Amortised Cost	1,782	1,782	-	-
Total Finance Cost	4,109,544	486,251	557,848	56,822
Net Finance Cost	(3,198,151)	(134,464)	(348,050)	(44,002)

8 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 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Staff Expenses	9,073,581	7,040,007	393,446	332,925
Directors Emoluments	447,477	417,016	118,011	95,885
Costs of Defined Employees Benefits,				
- Defined Benefit Plan Cost - Gratuity	214,422	186,059	13,635	11,666
- Defined Contribution Plan Cost - MSPS/EPF/ETF	577,850	503,162	40,437	30,451
Depreciation	1,219,933	1,091,858	20,587	21,671
Amortisation of Right of Use Assets	306,120	292,945	56,223	56,223
Amortisation of Intangible Assets	76,387	76,543	25,960	31,657
Auditors' Remuneration				
- Audit	18,532	15,410	2,486	2,318
- Non Audit	22,545	6,321	8,055	1,529
Legal Fees	19,092	12,008	-	-
Donations	74,164	15,729	57,451	11,864
Provision/(Reversal) for Obsolete and Slow-moving Stocks	88,032	(34,574)	-	-
Provision/ (Reversal) for Impairment of Trade Receivables	170,741	46,470	10,651	(4,829)
Net Loss/ (Gain) on Disposal of Subsidiaries	-	(272,496)	(65,950)	-
Transport Cost	568,694	489,578	-	-
Advertising Cost	1,681,030	1,245,920	-	-

9 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:

9 TAXES (CONTD.)

- 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.

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.

Year ended 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Current Income Tax					
Current Income Tax Charge	9.1	2,342,785	1,788,481	-	320,704
Adjustment in Respect of Income Tax of Prior Years		(12,963)	23,188	(12,767)	(3,525)
Tax on Dividends		135,350	-	-	-
ESC Written off		-	1,750	-	-
Deferred Tax Charge/(Reversal)					
Relating Origination and Reversal of Temporary Differences	9.2	231,145	295	96,815	28,154
		2,696,317	1,813,714	84,048	345,333

9.1 Reconciliation Between Income Tax Expenses and Accounting Profit

Year ended 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Accounting Profit Before Tax	7,765,000	6,648,180	2,495,321	2,200,575
Intra Group Adjustments/Share of Results of Joint Ventures/Associates	400,138	525,064	-	-
Intercompany Dividend Income	1,825,446	2,587,094	-	-
Income not Subject to Income Tax	(2,229,339)	-	(3,007,972)	(52,249)
Exempt Profit	(529,511)	(458,154)	-	-
Aggregate Disallowed Expenses	4,741,562	4,260,845	237,207	373,732
Aggregate Allowable Expenses	(2,797,764)	(4,606,979)	(34,531)	(269,450)
Adjustment for Tax Losses	-	18,669	-	-
Taxable Profit /(Loss)	9,175,532	8,974,719	(309,975)	2,252,607
Standard Rates	1,891,941	1,342,981	-	12,813
Concessionary Rates	450,844	445,500	-	307,891
Current Income Tax Charge	2,342,785	1,788,481	-	320,704

9.2 Deferred Tax Charge/(Reversal)

9.2.1 Deferred Tax Charge/(Reversal) Recognised through;

Year ended 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Statement of Profit or Loss				
Charge/ (Reversal) Arising on During the Year Movement	100,043	295	45,229	28,154
Charge/ (Reversal) Due to Change in Tax Rates	131,102	-	51,586	-
	231,145	295	96,815	28,154
Other Comprehensive Income				
Charge/ (Reversal) Arising on During the Year Movement	603,018	355,212	(4,827)	383
Charge/ (Reversal) Due to Change in Tax Rates	338,948	-	-	-
	941,966	355,212	(4,827)	383

9 TAXES (CONTD.)

9.2.2 Deferred Tax Charge/(Reversal) Relate to the Following;

	Group		Company	
Year ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revaluation of Investment Properties to Fair Value	129,184	19,998	117,740	25,620
Accelerated Depreciation for Tax Purposes	386,633	(6,761)	(6,722)	(6,715)
Employee Benefit Liability	(92,805)	(3,259)	(7,946)	2,759
Losses Available for offset Against Future Taxable Income	(218,639)	(81,598)	-	-
Net Impact from Right-of-Use Asset and Lease Liability	(37,210)	(5,751)	317	(700)
Others	63,982	77,666	(6,574)	7,190
	231,145	295	96,815	28,154

9.3 Deferred Tax Assets and Liabilities

	Group			
	Deferred Tax Assets		Deferred Tax Liabilities	
As at 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance at the Beginning of the Year	85,621	144,281	1,723,527	1,363,032
Recognised through Profit or Loss	(43,012)	48,135	188,133	48,430
Recognised through Other Comprehensive Income	(28,807)	(42,714)	913,159	312,498
Transfer	76,357	(1,494)	76,357	(1,494)
Recognised through Changes in Equity	(2,793)	9,923	-	1,061
Disposal of Subsidiaries	-	(72,510)	-	
Balance at the End of the Year	87,366	85,621	2,901,176	1,723,527

	Company	
	Deferred Tax Liabilities	
As at 31 March	2023 LKR '000	2022 LKR '000
Balance as at Beginning of the Year	147,963	119,426
Recognised through Profit or Loss	96,815	28,154
Recognised through Other Comprehensive Income	(4,827)	383
Balance at the End of the Year	239,951	147,963

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

	Group		Company	
As at 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revaluation of Land and Buildings to Fair Value	2,523,721	1,466,129	-	-
Revaluation of Investment Properties to Fair Value	144,412	81,787	285,082	167,342
Accelerated Depreciation for Tax Purposes	926,715	505,245	(8,250)	(1,528)
Employee Benefit Liability	(331,253)	(217,215)	(23,907)	(15,961)
Losses Available for Offset Against Future Taxable Income	(254,841)	(81,594)	-	-
Net Impact from Right-of-Use Asset and Lease Liability	(58,541)	(11,302)	-	(317)
Others	(136,403)	(105,144)	(12,974)	(1,573)
	2,813,810	1,637,906	239,951	147,963

9.4 Tax Losses Carried Forward

Unutilised carry forward Group tax losses as at 31 March 2023 is LKR 1.1 Bn. (Provisional) (2022 - LKR 386Mn)

9.5 Applicable Tax Rates

As per the Inland Revenue Act No.24 of 2017 and amendments thereto, all Group companies which are resident in Sri Lanka are liable to Income Tax at 30% w.e.f 01 October 2022, upto 30 September 2022 - 24% (2021/22 - 24%) 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.

9.5.1 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

9.5.2 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
Manufacturing Sector	On gains and profits from manufacturing	18%	Upto 30 September 2022
Healthcare Sector	Healthcare services	14%	Upto 30 September 2022

Company	Applicable Tax Law	Tax Rate
Hemas Consumer Brands (Pvt) Ltd.	Income Tax Ordinance of 1984	30.0%
Hemas Consumer Products (Pvt) Ltd.	Income Tax ordinance 2001 (IT-2)	30.0%
Hemas Consumer Brands India (Pvt) Ltd.	Income Tax Act India	25.0%
Hemascorp (Pvt) Ltd. (Formerly Known as Kyannmar Pharmaceuticals (Pvt) Ltd.)	Income Tax Act Singapore	17.0%

9.6 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022, each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that Group of companies that have earned a taxable income in excess of LKR 2,000 million for the year of assessment 2020/2021 is liable for a surcharge tax at the rate of 25% on the taxable income of each entity within that group. As a result, the Group and the Company have been identified as having respective surcharge tax liabilities of LKR 1.7 Bn and LKR 11.6 Mn.

Based on the Addendum to Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on the 10 August, 2022, the surcharge tax has been recognised as an opening adjustment to the equity as of 1 April 2022 in the statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 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,

10.1 Basic Earnings Per Share

	Group	
Year ended 31 March	2023	2022
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings Per Share (LKR '000)	4,268,855	4,248,553
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	596,546	596,546
Basic Earnings Per Share	7.16	7.12

10.2 Diluted Earnings Per Share

	Group	
Year ended 31 March	2023	2022
Amount Used as the Numerator:		
Profit for the Year Attributable to Ordinary Shareholders for Diluted Earnings Per Share (LKR '000)	4,268,855	4,248,553
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Diluted Earnings Per Share	597,276	596,890
Diluted Earnings Per Share	7.15	7.12

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 Option Scheme.

11 DIVIDEND PER SHARE (DPS)

11.1 Dividends Paid

	Group	
Year ended 31 March	2023 LKR '000	2022 LKR '000
Declared and Paid During the Year		
Dividends on Ordinary Shares;		
Final Dividend - 2021/2022 (2022-2020/2021)	1,163,265	864,992
Interim Dividend - 2022/2023 (2022-2021/2022)	238,618	1,729,983
Total Dividend	1,401,883	2,594,975

11.2 Dividend Per Share

Year ended 31 March	Group 2023 LKR	2022 LKR
Final Dividend - 2021/2022 (2022-2020/2021)	1.95	1.45
Interim Dividend - 2022/2023 (2022-2021/2022)	0.40	2.90
Total Dividend	2.35	4.35
Dividend Payout	33%	61%

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.

Revaluation

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 each reporting date.

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%
Computer Hardware	25% - 33%
Motor Vehicles	16% - 25%

Buildings on Leasehold Land are depreciated over the remaining useful life or lease period which ever is lower.

12 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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.

Impairment of Property, Plant & Equipment

At each reporting date, the Group evaluates whether there is indications that an asset may be impaired. If there is any such indication, or if annual impairment testing is required for an asset, the Group estimates the asset's recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Estimated future cash flows are discounted to present value using a pre-tax discount rate that incorporates current market assessments of the time value of money and the risks specific to the asset when determining value in use. Impairment losses are recorded in the income statement, with the exception that impairment losses in respect of previously revalued property, plant, and equipment are recorded against the revaluation reserve through the statement of other comprehensive income to the extent that they reverse a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Revaluation of land and buildings

Accounting Judgement, Estimate and Assumption

Fair value of the Land Buildings are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Land Buildings are appraised in accordance with LKAS 16, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values. A sensitivity analysis on these assumptions is included in Note 12.1.3

12.1 Group

As at 31 March	Freehold Land	Freehold Buildings	Buildings on Leasehold Land	Plant and Machinery	Furniture, Fittings & Other Equipment	Motor Vehicles	Capital Work-in-Progress	Total 2023	Total 2022
	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	4,281,937	3,702,786	4,605,240	5,267,966	5,211,678	860,494	345,509	24,275,610	23,613,532
Additions	31,015	52,807	25,144	329,850	760,113	28,082	192,719	1,419,730	1,531,239
Disposal of Subsidiaries	-	-	-	-	-	-	-	-	(2,554,068)
Increase due to Revaluations	567,657	766,507	499,971	-	-	-	-	1,834,135	1,959,239
Transfers due to Revaluations	-	(128,199)	(135,067)	-	-	-	-	(263,266)	(199,802)
Disposals	-	-	-	(55)	(253,662)	(136,686)	-	(390,403)	(283,832)
Foreign Currency Translation Difference	(54,798)	(1,148)	-	(4,238)	(2,382)	(9,522)	-	(72,088)	211,853
Transfers and Reclassifications	(2,100)	27,017	(19,324)	263,587	6,792	-	(278,930)	(2,958)	(2,551)
Balance at the End of the Year	4,823,711	4,419,770	4,975,964	5,857,110	5,722,539	742,368	259,298	26,800,760	24,275,610
Accumulated Depreciation/Impairment									
Balance at the Beginning of the Year	-	-	-	2,217,162	3,438,801	612,739	-	6,268,702	6,073,837
Charge for the Year	-	128,199	135,683	386,217	497,746	72,088	-	1,219,933	1,091,858
Disposal of Subsidiaries	-	-	-	-	-	-	-	-	(520,235)
Transfers due to Revaluations	-	(128,199)	(135,067)	-	-	-	-	(263,266)	(199,802)
Disposals	-	-	-	-	(247,984)	(77,950)	-	(325,934)	(201,953)
Foreign Currency Translation Difference	-	-	(616)	(3,358)	(2,532)	(4,930)	-	(11,436)	27,546
Transfers and Reclassifications	-	-	-	-	(117)	-	-	(117)	(2,549)
Balance at the End of the Year	-	-	-	2,600,021	3,685,914	601,947	-	6,887,882	6,268,702
Carrying Value									
At the End of the Year	4,823,711	4,419,770	4,975,964	3,257,089	2,036,625	140,421	259,298	19,912,878	
At the Beginning of the Year	4,281,937	3,702,786	4,605,240	3,050,804	1,772,877	247,755	345,509	18,006,908	

12 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.1.1 Following Companies have stated their properties at revalued amounts. The surplus arising from the revaluation was transferred to Revaluation Reserve.

Professional Valuer : Perera Sivaskantha & Co

Name of Company / Location	No of Buildings	Extent	Method	Range of Estimates for Unobservable Inputs Estimated price per perch / Estimated price per square foot/ Estimated discount rate	Valuation LKR '000	Date
Hemas Manufacturing (Pvt) Ltd.						
Land at Dankotuwa		16A-0R-12.8P	Market Comparable Method	LKR 145,000 - 150,000	367,952	3/31/23
Buildings at Dankotuwa	13	202,585 Sq. ft.		LKR 3,500 - 9,500	991,258	
			Depreciation rate	25%		
Land at Industrial Property at Welisara		1A-0R-33.12P	Market Comparable Method	LKR 1,300,000	251,055	3/31/23
Buildings at Industrial Property at Welisara	3	55,094 Sq.ft.		LKR 3,500 - 9,500	259,470	
			Depreciation rate	45%		
Hemas Pharmaceuticals (Pvt) Ltd.						
Land at Hendala, Wattala		1A-0R-17.8P	Market Comparable Method	LKR 1,250,000	222,250	3/31/23
Warehouse Building at Hendala, Wattala	2	37,863 Sq. ft.		LKR 4,750 - 9,500	224,780	
Hemas Hospitals (Pvt) Ltd.						
Buildings on Leasehold Land at Wattala	2	120,133 Sq.ft.	Investment Method	7%	1,029,000	3/31/23
Hemas Capital Hospital (Pvt) Ltd.						
Buildings on Leasehold Land at Thalawathugoda	2	60,512 Sq.ft.	Investment Method	7%	656,200	3/31/23

Name of Company / Location	No of Buildings	Extent	Method	Range of Estimates for Unobservable Inputs Estimated price per perch / Estimated price per square foot/ Estimated discount rate	Valuation LKR '000	Date
Morison Limited.						
Land at Aluthmawatha		27.78 P	Investment Method	7%	148,500	3/31/23
Building at Aluthmawatha	1	21,930 Sq.ft.			124,900	
			Depreciation rate	42.5%		
Land at Aluthmawatha		1R 19.15 P	Investment Method	6.5%	319,165	3/31/23
Building at Aluthmawatha	1	21,901 Sq.ft.			125,835	
Building on Leasehold Land at Pitipana, Homagama		113,310 Sq. ft.	Investment Method	8.5%	3,272,794	3/31/23
Morlan (Pvt) Ltd.						
Land at Pethiyagoda, Kelaniya		7A 3R 7P	Market Comparable Method	LKR 125,000 - 800,000	881,250	3/31/23
Building at Pethiyagoda, Kelaniya	13	83,686 Sq.ft.		LKR 2,500 - 10,750	382,250	
			Depreciation rate	55%		
Atlas Axillia Co. (Pvt) Ltd.						
Land at Peliyagoda		28.94 P	Market Comparable Method	LKR 1,750,000	50,600	3/31/23
Land at Peliyagoda		1A 3R 19.5 P		LKR 2,800,000	821,213	
Building at Peliyagoda	3	92,291 Sq.ft.		LKR 4,000 - 8,000	352,267	
			Depreciation rate	62.5%		
Building at Kandy	2	8,577 Sq. ft.	Market Comparable Method	LKR 450 - 2,000	15,795	3/31/23
Building at Kerawalapitiya	1	11,164 Sq. ft.	Market Comparable Method	LKR 325 - 13,250	35,936	3/31/23
Sanctuary Resorts Wilpattu Lanka (Private) Limited.						
Land at Wanathawilluwa		42A 3R 25.17P	Market Comparable Method	LKR 825,000	36,500	3/31/23
Professional Valuer : Ahsan Manzur & Company						
Hemas Consumer Brands (Pvt) Ltd.						
Land at Bhadurpur, Bangladesh		466.63 Decimals	Market Comparable Method	LKR 600,000 - LKR 700,000	497,293	3/31/23

12 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

12.1.2 Details of the Investment Properties used by the Group companies are as follows:

Name of Company / Location	No of Buildings	Extent	Method	Range of Estimates for Unobservable Inputs Estimated price per perch / Estimated price per square foot/ Estimated discount rate	Valuation Rs '000	Date
Hemas Holdings PLC						
Freehold Property at Welisara						
Land		1A-3R-8P	Market Comparable	LKR 1,250,000 - 1,350,000	364,016	3/31/23
Building	4	67,300 sq.ft.	Method	LKR 4,750 - 9,500	346,754	
			Sensitivity	+5% - 364 Mn		
				-5% - 329.4 Mn		
			Depreciation rate	42.5%		
Freehold Property at Hendala						
Land		2R-4.13P	Market Comparable	LKR 2,000,000	160,200	3/31/23
Building	1	2,960 sq.ft.	Method	LKR 5,750	8,085	
			Sensitivity	+5% - 8.4 Mn		
				-5% - 7.7 Mn		
			Depreciation rate	52.5%		
Hemas Developments (Pvt) Ltd.						
Freehold Property at Braybrooke Place						
Land		1R-10P	Investment Method		724,500	3/31/23
Building	1	99,372 Sq.ft.	- Gross monthly rental	LKR 290	1,477,500	
			-Rate of return	6%		
			Sensitivity	+10% - 2,422 Mn		
				- 10% - 2,180 Mn		
			Depreciation rate	35%		

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	Estimated fair value would increase (decrease) if; • Price per perch increases/ (decreases) • Price per square foot increases /(decreases)
Investment Method		
This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Gross monthly rental Years from purchase (Present value of 1 unit per period) Void Period	Estimated fair value would increase (decrease) if; • Gross Annual Rental increases/(decreases) • Years from Purchase increases /(decreases) • Void Period increases / (decreases)

12.1.4 Carrying Value

	Group	
	2023 LKR '000	2022 LKR '000
At Cost	**5,693,432**	5,416,945
At Valuation	**14,219,446**	12,589,963
	19,912,878	18,006,908

12.1.5 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	
	LKR '000	LKR '000	2023 LKR '000	2022 LKR '000
Freehold Land	869,063	-	**869,063**	869,063
Building on Freehold Land	5,127,582	1,109,589	**4,017,993**	4,083,307
Building on Leasehold Land	4,463	3,692	**771**	856
	6,001,108	1,113,281	**4,887,827**	4,953,226

12.1.6 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR 1,420 Mn (2022-LKR 1,531 Mn) by means of cash.

12.1.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 2,972 Mn (2022-LKR 2,231Mn).

12.1.8 Details of the assets pledged as a security for liabilities are given in Note 34 to these financial statements.

12.2 Company

	Furniture and Fittings	Office Equipment	Computer Hardware	Motor Vehicles	Total 2023	Total 2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or Valuation						
Balance at the Beginning of the Year	80,332	33,905	108,624	94,832	**317,693**	318,854
Additions	9,259	4,806	10,106	-	**24,171**	12,054
Disposals	(1,462)	(2,420)	(112)	(11,300)	**(15,294)**	(13,215)
Balance at the End of the Year	88,129	36,291	118,618	83,532	**326,570**	317,693
Accumulated Depreciation						
Balance at the Beginning of the Year	70,487	25,613	94,360	64,799	**255,259**	243,934
Charge for the Year	3,148	2,563	7,424	7,452	**20,587**	21,672
Disposals	(1,364)	(2,222)	(112)	(6,121)	**(9,819)**	(10,347)
Balance at the End of the Year	72,271	25,954	101,672	66,130	**266,027**	255,259
Carrying value						
At the End of the Year	15,858	10,337	16,946	17,402	**60,543**	
At the Beginning of the Year	9,845	8,292	14,264	30,033	**62,434**	

12.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of LKR 24Mn (2022-LKR 12Mn) by means of cash.

12.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying value of LKR 216Mn (2022-LKR 198 Mn).

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.

A sensitivity analysis on these assumptions is included in Note 13.1.1

13.1 Group

	2023 LKR '000	2022 LKR '000
At the Beginning of the Year	2,100,161	1,942,099
Transfers	2,100	-
Change in Fair Value	207,889	158,062
At the End of the Year	2,310,150	2,100,161
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(324)	(282)
Net Loss Arising from Investment Properties Carried at Fair Value	(324)	(282)

Professional Valuer : Perera Sivaskantha & Co

13.1.1 Details of Investment Properties

Professional Valuer : Perera Sivaskantha & Co

Name of Company / Location	No of Buildings	Extent	Method	Range of Estimates for Unobservable Inputs		Valuation	Date
				Estimated price per perch / Estimated price per square foot/ Estimated discount rate	Sensitivity	LKR '000	
Hemas Holdings PLC							
Freehold Land at Tangalle		1A-2R-26.06P	Market Comparable Method	LKR 700,000	+10% - LKR 205 Mn	186,250	3/31/23
					-10% - LKR 168 Mn		
Peace Haven Resorts Limited.							
Freehold Land at Tangalle		19A-2R-34.16P	Market Comparable Method	LKR 550,000 - 650,000	+ 10% -LKR 2,036 Mn	1,851,000	3/31/23
					- 10% - LKR 1,666 Mn		
Mowbray Hotels Limited.							
Land at Kandy		32A-1R-29P	Market Comparable Method	LKR 50,000		259,500	3/31/23
Buildings at Kandy	3	11,134 Sq.ft.		LKR 4,000 - 4,750		11,300	
			Sensitivity		+ 5% - LKR 11.9 Mn		
					- 5% -LKR 10.7 Mn		
Atlas Axillia Co. (Pvt) Ltd.							
Land at Morahela - Balangoda		0A – 1R – 30.70P	Market Comparable Method	LKR 27,500 - 30,000		2,100	3/31/23

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.

13.2 Company

	2023 LKR '000	2022 LKR '000
At the Beginning of the Year	851,300	728,800
Change in Fair Value	214,005	122,500
At the End of the Year	1,065,305	851,300
Rental Income Derived from Investment Properties	24,377	24,591
Direct Operating Expenses Generating Rental Income (Including Repair and Maintenance)	(877)	(4)
Direct Operating Expenses that did not Generate Rental Income (Including Repair and Maintenance)	(75)	(313)
Net Profit Arising from Investment Properties Carried at Fair Value	23,425	24,274

13 INVESTMENT PROPERTIES (CONTD.)

13.2.1 Details of Investment Properties

Professional Valuer : Perera Sivaskantha & Co

Name of Company / Location	No of Buildings	Extent	Method	Range of Estimates for Unobservable Inputs		Valuation	Date
				Estimated price per perch / Estimated price per square foot/ Estimated discount rate	Sensitivity	LKR '000	
Freehold Property at Welisara							
Land		1A-3R-8P	Market Comparable Method	LKR 1,250,000 - 1,350,000	+5% - LKR 364 Mn	364,016	3/31/23
Building	4	67,300 sq.ft.		LKR 4,750 - 9,500	-5% - LKR 329 Mn	346,754	
Freehold Property at Hendala							
Land		2R-4.13P	Market Comparable Method	LKR 2,000,000	+5% - LKR 8.5 Mn	160,200	3/31/23
Building	1	2,960 sq.ft.		LKR 5,750	-5% - LKR 7.7 Mn	8,085	
Freehold Property at Tangalle							
Land		1A-2R-26.06P	Market Comparable Method	LKR 700,000	+10% - LKR 205 Mn -10% - LKR 168 Mn	186,250	3/31/23

14 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.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset is 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.

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 2023.

14.1 Right-of-Use Assets

Carrying Value	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the Beginning of the Year	1,177,653	1,878,697	56,223	-
Additions	126,076	187,004	-	112,446
Amortisation	(306,120)	(292,945)	(56,223)	(56,223)
Disposal of Subsidiaries	-	(609,128)	-	-
Transfers	(2,512)	14,025	-	-
At the End of the Year	995,097	1,177,653	-	56,223

Right-of-Use Assets represent land and buildings.

14 RIGHT-OF-USE ASSETS (CONTD.)

14.2 Lease Liabilities

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the Beginning of the Year	1,303,108	1,366,446	57,544	-
Additions	122,163	174,080	-	112,446
Disposal of Subsidiaries	-	(3,924)	-	-
Interest Expense	151,071	163,635	1,785	4,426
Payments	(344,204)	(419,554)	(59,329)	(59,328)
Exchange difference	(3,512)	22,425	-	-
At the End of the Year	1,228,626	1,303,108	-	57,544
Current	200,832	210,198	-	57,544
Non-Current	1,027,794	1,092,910	-	-
Total	1,228,626	1,303,108	-	57,544

The following are the amounts recognised in the Statement of Profit or Loss.

	Group		Company	
Year ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Amortisation Expense of Right-of-Use Assets	306,120	292,945	56,223	56,223
Interest Expense on Lease Liabilities	151,071	163,635	1,785	4,426
Expense Relating to Short Term Leases and Low Value Assets	112,489	128,796	-	-

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.

Useful economic lives, Amortisation / Impairment

The useful lives of Intangible Assets are assessed as either finite or indefinite.

Intangible Assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the Intangible Asset may be impaired. The amortisation period and the amortisation method for an Intangible Asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on Intangible Assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the Intangible Assets.

Intangible Assets with infinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable. If not, the change in useful life from infinite to finite is made on a prospective basis. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU 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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTD.)

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. (18% - 33%) (2022 - 14% -18%).	Increases By 1%	-7.6%	No Impact
		Decreases By 1%	9.0%	No Impact
Long-Term Growth Rate for Cash Flows for Subsequent Years	Based on historical growth rate and business plan. (3%- 5%) (2022 - 2% - 5%)	Increases By 1%	5.3%	No Impact
		Decreases By 1%	-4.5%	No Impact
Inflation Rate	Based on the current inflation rate and the percentage of the total cost subject to the inflation.			

Above assumptions are affected by expected future market and future economic conditions

15.1 GROUP

	Software	Brands	Goodwill on Consolidation	Total 2023	Total 2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost					
Balance at the Beginning of the Year	684,669	1,150,721	2,107,436	3,942,826	3,866,046
Additions	71,771	-	-	71,771	102,033
Transfers	25,162	-	-	25,162	(4,589)
Foreign Currency Translation Difference	(3,584)	-	-	(3,584)	11,730
Disposal of Subsidiaries	-	-	-	-	(32,394)
Disposals	(6,664)	-	-	(6,664)	-
Balance at the End of the Year	771,353	1,150,721	2,107,436	4,029,510	3,942,826
Accumulated Amortisation/Impairment					
Balance at the Beginning of the Year	480,652	166,710	-	647,362	576,428
Amortisation	76,387	-	-	76,387	76,543
Disposal of Subsidiaries	-	-	-	-	(16,541)
Foreign Currency Translation Difference	(3,526)	-	-	(3,526)	10,932
Disposals	(2,086)	-	-	(2,086)	-
Balance at the End of the Year	551,427	166,710	-	718,137	647,362
Carrying Value					
At the End of the Year	219,926	984,011	2,107,436	3,311,373	
At the Beginning of the Year	204,017	984,011	2,107,436	3,295,464	

The aggregate carrying amount of goodwill allocated to each unit is as follows ;

	2023	2022
	LKR '000	LKR '000
Morison Limited	259,288	259,288
Atlas Axillia Company (Pvt) Ltd.	1,848,148	1,848,148
	2,107,436	2,107,436

15.2 Company

	Software	
	2023 LKR '000	2022 LKR '000
Cost		
Balance at the Beginning of the Year	254,468	254,093
Additions	-	375
Transfers	25,162	
Balance at the End of the Year	279,630	254,468
Accumulated Amortisation		
Balance at the Beginning of the Year	204,186	172,529
Amortisation	25,960	31,657
Balance at the End of the Year	230,146	204,186
Carrying Value	49,484	50,282

16 INVESTMENT IN SUBSIDIARIES

Accounting Policy

Investment in Subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the Statement of Profit or Loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

	Direct Holding		Direct Investment	
	2023	2022	2023 LKR '000	2022 LKR '000
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	914,295
Hemas Pharmaceuticals (Pvt) Ltd.	100%	100%	213,331	213,331
Hemas Surgicals and Diagnostics (Pvt) Ltd.	100%	100%	273,957	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%	372,024	292,024
Atlas Axillia Co. (Pvt) Ltd.	75%	75%	5,658,706	5,658,706
Morison Limited.	0%	0%	126	126
Morlan (Pvt) Ltd.	-	100%	-	894,850
Magnicare (Pvt) Ltd.	100%	100%	50	50
Hemascorp (Pvt) Ltd. (Formerly known as Kyannmar Pharmaceuticals (Pvt) Ltd).	100%	100%	127,789	127,789
Ecopower (Pvt) Ltd.	100%	-	663,310	-
Hemas Marketing (Pvt) Ltd.	100%	-	273,517	-
Hemas Trading (Pvt) Ltd.	100%	-	35,362	-
			18,304,333	17,896,994
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)	(292,024)
			(304,436)	(304,436)
Total			17,999,897	17,592,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Share of losses are recognised only to the extent that the investment becomes zero.

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.

	Note	2023 LKR '000	2022 LKR '000
Investment in Joint Ventures	17.1	679,810	-
Investment in Associates	17.2	22,253	85,088
		702,063	85,088

	Share of Profit or Loss		Share of Other Comprehensive Income	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Investment in Joint Ventures	(440,999)	(554,352)	1,121,182	125,754
Investment in Associates	40,861	29,288	(373)	(229)
	(400,138)	(525,064)	1,120,809	125,525

17.1 Investment in Joint Ventures

	Holding			
	2023	2022	2023 LKR '000	2022 LKR '000
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			(1,920,299)	(1,479,300)
Cumulative Other Comprehensive Income Accruing to the Group			1,188,711	67,902
			(731,588)	(1,411,398)
Carrying Amount of the Investment			679,810	-

Summarised Financial Information of Joint Ventures

	2023 LKR '000	2022 LKR '000
Group Share of Joint Venture's Statement of Financial Position;		
Current Assets	457,495	1,108,630
Non-Current Assets	5,073,350	2,711,895
Current Liabilities	(740,690)	(738,366)
Non-Current Liabilities	(4,110,345)	(3,500,222)
Share of Losses Not Recorded	-	418,623
Carrying Amount of the Investment	679,810	-
Group Share of Joint Venture's Statement of Profit or Loss;		
Share of the Joint Venture Revenue	883,649	685,887
Share of the Joint Venture Losses Before Tax	(437,153)	(550,323)
Share of the Joint Venture Losses After of Tax	(440,999)	(554,352)
Share of the Joint Venture Other Comprehensive Income		
To be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	(530,570)	(44,247)
Not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	1,651,752	170,230

Details of the Commitments and Contingencies are given in Note 33 to these financial statements.

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTD.)

17.2 Investment in Associates

	Holding			
	2023	2022	2023 LKR '000	2022 LKR '000
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.	36%	36%	132,028	132,028
			178,028	178,028
Cumulative Loss Accruing to the Group Net of Dividend			(115,487)	(53,025)
Cumulative Other Comprehensive Income Accruing to the Group			(704)	(331)
Impairment of Investment in Associate			(39,584)	(39,584)
Carrying Amount of the Investment			22,253	85,088

Summarised Financial Information of Associate

	2023 LKR '000	2022 LKR '000
Group Share of Associates' Statement of Financial Position;		
Current Assets	107,932	251,730
Non-Current Assets	2,041	1,710
Current Liabilities	(84,005)	(165,613)
Non-Current Liabilities	(3,716)	(2,739)
Carrying Amount of Associates	22,253	85,088
Group Share of Associates' Statement of Profit or Loss;		
Share of the Associate Revenue	77,882	40,346
Share of the Associate Profits Before Tax	59,068	33,878
Share of the Associate Profits After of Tax	40,861	29,288
Share of the Associate Other Comprehensive Income		
Not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)	(373)	(229)

Details of the Commitments and Contingencies are given in Note 33 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 are recognised over the term of the lease based on the effective interest rate method.

	2023 LKR '000		2022 LKR '000	
	Gross Investment in Lease	Present Value of Minimum Lease Receipts	Gross Investment in Lease	Present Value of Minimum Lease Receipts
Non-Current - Between One to Five Years	129,446	122,186	129,960	125,306
Current	30,630	22,761	66,400	59,520
	160,076	144,947	196,360	184,826

19 FINANCIAL INSTRUMENT

Accounting Policy

Recognition and Initial Measurement

A financial instrument is any contract 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

- 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.

19 FINANCIAL INSTRUMENT (CONTD.)

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 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 2023
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 assets 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 Dollar borrowing can be identified as the hedged item, the CCS can be identified as the hedge instrument and interest rate risk and exchange rate risk can be identified as the hedged risk.

The economic relationship between the hedged item (currency outflows for repayments of foreign currency loan) and the hedging instrument (inflows from cross currency SWAP) is such that it moves in an opposite direction as a result of the common underlying or hedged risk.

The Group has established a hedge ratio of 1:1 between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. Moreover, the hedge effectiveness is set at 100% as per the contractual terms where the fair value change in the hedge instrument is 100% efficient in offsetting the fair value change of the liability.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

19 FINANCIAL INSTRUMENT (CONTD.)

Impairment of Financial Assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

Financial Assets

		Group		Company	
	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Total Non-Current	19.1	181,515	210,100	13,928	14,023
Total Current	19.2	139,171	359,197	536,063	1,132
Total Financial Assets		320,686	569,297	549,991	15,155

19.1 Other Financial Assets - Non Current

		Group		Company	
	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Investment In Equity Securities	19.1.2	68,283	114,069	12,357	11,652
Loans to Company Employees		44,781	25,194	1,571	2,371
Refundable Deposits		68,451	70,837	-	-
		181,515	210,100	13,928	14,023

19.1.2 Investment In Equity Securities - Non Current

(a) Quoted

Group	No. of Shares		Carrying Value		Fair Value	
	2023	2022	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Overseas Realty (Ceylon) PLC	1,000	1,000	16	16	16	16
Eden Hotels Lanka PLC	127	127	2	2	2	2
Galadari Hotels PLC	1,500	1,500	22	22	22	22
CT Holdings PLC	10,934	10,934	1,657	1,657	1,657	1,657
CIC Holdings PLC	296	296	11	11	11	11
Royal Palm Beach Hotels PLC	85	85	1	1	1	1
Hayleys PLC	13	13	1	1	1	1
Lankem Ceylon PLC	50	50	1	1	1	1
John Keells Holdings PLC	2,377	2,377	332	345	332	345
Mercantile Shipping Company PLC	484,334	484,334	-	-	-	-
Dolphin Hotel PLC	2,069,955	2,069,955	66,239	62,264	66,239	62,264
			68,283	64,319	68,283	64,319
Company						
Overseas Realty (Ceylon) PLC	500	500	8	8	8	8
John Keells Holdings PLC	2,081	2,081	291	302	291	302
Mercantile Shipping Company PLC	484,334	484,334	-	-	-	-
Dolphin Hotel PLC	376,808	376,808	12,058	11,342	12,058	11,342
			12,357	11,652	12,357	11,652

(b) Unquoted

Group	No. of Shares		Carrying Value	
	2023	2022	2023 LKR '000	2022 LKR '000
Jada Resorts and Spa (Pvt)Ltd.	-	29,086,200	-	-
Digital Healthcare Solutions (Pvt) Ltd - Preference Shares	3,950,000	3,950,000	-	-
Acorn Ventures (Pvt) Ltd	-	4,975,000	-	49,750
			-	49,750
Company				
Jada Resorts and Spa (Pvt)Ltd.	-	29,086,200	-	-
			-	-
Total				
Group			68,283	114,069
Company			12,357	11,652

19 FINANCIAL INSTRUMENT (CONTD.)

19.2 Other Financial Assets - Current

		Group		Company	
	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Loans to Company Employees		136,210	60,249	1,313	1,132
Loans Due From Related Parties	19.2.1	-	-	534,750	-
Derivative Assets		-	298,848	-	-
Other Investments		-	100	-	-
Refundable Deposits		2,961	-	-	-
		139,171	359,197	536,063	1,132

19.2.1 Loans Due From Related Parties

		Company	
	Relationship	2023 LKR '000	2022 LKR '000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	534,750	-
		534,750	-
Current		534,750	-
Non-current		-	-

Terms and Conditions

Security - Unsecured

Repayment -To be Repaid on Demand

Interest - Based on Market Rates (AWPLR + Margin)

19.3 Financial Assets and Liabilities by Categories

		Group		Company	
As at 31 March	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Financial Assets					
Financial Assets at Amortised Cost					
Trade and Other Receivables (Excluding Advance and Prepayments)	21	22,153,559	17,289,425	971,028	251,613
Other Financial Assets					
Loans to Company Employees	19	180,991	85,443	2,884	3,503
Loans Due from Related parties	19	-	-	534,750	-
Refundable Deposits	19	71,412	70,837	-	-
Other Investments	19	-	100	-	-
Cash and Short Term Deposits	28	16,330,774	13,894,926	23,712	90,348
Financial Assets at FVOCI					
Equity Share Investment	19	68,283	114,069	12,357	11,652
Derivative Assets	19	-	298,848	-	-
Financial Liabilities					
Loans & Borrowings					
Interest Bearing Loans and Borrowings	24	15,960,140	4,467,979	865,000	-
Loans Due to Related Parties	24	-	-	397,240	1,131,380
Lease Liability	14	1,228,626	1,303,109	-	57,544
Trade and Other Payables	27	29,625,732	27,165,394	776,928	795,540
Bank Overdraft	28	4,268,634	796,181	735,422	822
Other Financial Liabilities					
Preference Shares	25	275,000	275,000	-	-
Rent Deposits/Advances	25	505	1,538	-	-
Put Option over Non-Controlling Interests	25	2,949,482	2,272,299	-	-

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.
- 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 - Weighted Average Basis.
- Goods In Transit and Other Stocks - at Actual Cost.
- Medical Supplies - Weighted Average Basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

20 INVENTORIES (CONTD.)

As at 31 March	Group 2023 LKR '000	Group 2022 LKR '000
Raw Materials	5,207,398	2,868,650
Work In Progress	369,596	266,452
Finished Goods & Other Stocks	22,290,334	12,823,017
Goods In Transit	1,150,261	1,176,198
Less: Provision for Obsolete and Slow-moving Stocks	(415,229)	(327,197)
	28,602,360	16,807,120

21 TRADE AND OTHER RECEIVABLES

As at 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Trade Receivables					
- Related Parties	21.2	-	-	159,631	156,240
- Others		17,807,862	14,329,370	2,487	11,038
		17,807,862	14,329,370	162,118	167,278
Less: Allowance for Impairment					
- Related Parties		-	-	(43,677)	(32,104)
- Others	21.1	(562,619)	(570,233)	(927)	(1,849)
		(562,619)	(570,233)	(44,604)	(33,953)
		17,245,243	13,759,137	117,514	133,325
Other Receivables					
- Related Parties	21.3	-	-	67,129	75,694
- Others		5,231,803	3,530,288	792,084	42,594
Less: Allowance for Impairment		(323,487)	-	(5,699)	-
Advances and Prepayments		3,302,776	2,482,370	55,661	40,345
		25,456,335	19,771,795	1,026,689	291,958

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
2023	17,807,862	15,442,388	1,182,352	170,669	349,701	125,162	537,589
2022	14,329,370	8,102,756	3,805,615	822,549	435,274	470,883	692,293

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
2023	162,118	103,244	5,104	307	1,121	3,223	49,119
2022	167,278	72,215	9,113	23,977	10,670	2,162	49,142

21.1 Movements in the allowance for impairment of Trade Receivables;

	Group			Company		
	Individually Impaired LKR '000	Collectively Impaired LKR '000	Total LKR '000	Individually Impaired LKR '000	Collectively Impaired LKR '000	Total LKR '000
As at 1 April 2021	163,025	643,866	**806,891**	-	38,783	**38,783**
Charge for the Year	-	88,071	**88,071**	-	(4,829)	**(4,829)**
Disposal of Subsidiary	(163,025)	(119,963)	**(282,988)**	-	-	-
Write off	-	(41,601)	**(41,601)**	-	-	-
As at 31 March 2022	-	570,233	**570,233**	-	33,953	**33,953**
Charge/ (Reversal) for the Year	-	170,741	**170,741**	-	10,651	**10,651**
Recovered during the year	-	(122,329)	**(122,329)**	-	-	-
Write off	-	(56,026)	**(56,026)**	-	-	-
As at 31 March 2023	-	562,619	**562,619**	-	44,604	**44,604**

21.2 Trade Dues From Related Parties

		Company	
	Relationship	2023 LKR '000	2022 LKR '000
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	9,655	3,098
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	556	145
Hemas COE (Pvt) Ltd.	Subsidiary	-	1,870
Hemas Hospitals (Pvt) Ltd.	Subsidiary	4,418	7,464
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	1,991	2,286
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Subsidiary	9,870	9
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	27,767	55,341
Forbes Air Services (Pvt) Ltd.	Subsidiary	263	253
Hemas Developments (Pvt) Ltd.	Subsidiary	41	62
FAR Shipping Agency Lanka (Pvt) Ltd.	Associate	136	129
Hemas Transportation (Pvt) Ltd.	Subsidiary	107	581
P H Resorts (Pvt) Ltd.	Joint Venture	6,136	5,690
Morison Limited.	Subsidiary	1,378	536
Hemas Maritime (Pvt) Ltd.	Subsidiary	4	99
Hemas Consumer Brands (Pvt) Ltd.	Subsidiary	95,662	77,989
Evergreen Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	23	21
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	1,362	509
Mazu Shipping (Pvt) Ltd.	Subsidiary	19	145
Lifeconnect Solutions (Pvt) Ltd.	Subsidiary	243	10
Healthnet International (Pvt) Ltd.	Subsidiary	-	1
		159,631	156,240

21 TRADE AND OTHER RECEIVABLES (CONTD.)

21.3 Other Dues From Related Parties

		Company	
	Relationship	2023 LKR '000	2022 LKR '000
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	47,501	41,545
Hemas Development (Pvt) Ltd.	Subsidiary	7	30
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	617	420
Forbes Air Services (Pvt) Ltd.	Subsidiary	45	6
Hemas COE (Pvt) Ltd.	Subsidiary	-	419
Hemas Surgicals and Diagnostics (Pvt) Ltd.	Subsidiary	73	33
Hemas Hospitals (Pvt) Ltd.	Subsidiary	4,472	13,760
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	433	-
FAR Shipping Agency Lanka (Pvt) Ltd.	Associate	24	5
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	322	2,415
Leisure Asia Investments Ltd.	Subsidiary	-	18
Hemas Transportation (Pvt) Ltd.	Subsidiary	50	1,223
Evergreen Shipping Agency Lanka (Pvt) Ltd.	Subsidiary	58	9
Hemas Maritime (Pvt) Ltd.	Subsidiary	-	1
Morison Limited.	Subsidiary	7,931	6,345
Lifeconnect Solutions (Pvt) Ltd.	Subsidiary	76	-
Hemas Consumer Brands (Pvt)Ltd.	Subsidiary	4,759	4,199
Mazu Shipping (Pvt) Ltd.	Subsidiary	3	-
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	758	5,265
		67,129	75,694

22 STATED CAPITAL

22.1 Fully Paid Ordinary Shares

	2023		2022	
	Number	LKR '000	Number	LKR '000
Balance at the Beginning of the Year	596,546,025	7,776,111	596,546,025	7,776,111
Balance at the End of the Year	596,546,025	7,776,111	596,546,025	7,776,111

22.2 Rights, Preferences and Restrictions of Classes of Capital

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

22.3 Share Based Payment Scheme

Accounting Policy

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The Group applies SLFRS 2, Share based payments in accounting for employee remuneration in the form of shares.

Equity-Settled Transactions

The cost of Equity-Settled Transactions is recognised, together with a corresponding increase in other Capital Reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense 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 (ESOS) - 2015

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	Date of Expiry
Grant 1	27.07.2015	3,053,750	82.00	1 Year	3 Years	27.07.2019
Grant 2	27.07.2016	3,008,750	87.50	1 Year	3 Years	27.07.2020
Grant 3	27.07.2017	3,420,000	149.50	1 Year	3 Years	27.07.2021
Grant 4	27.07.2018	3,491,250	108.81	1 Year	3 Years	27.07.2022
Grant 5	27.07.2019	4,115,000	69.00	1 Year	3 Years	27.07.2023
Grant 6	27.07.2020	2,630,758	60.00	1 Year	3 Years	27.07.2024

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 are equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vested after period of one year from the date of grant and it depends on the performance criteria and time criteria. The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the share options were granted.

The exercise period for each option granted is three years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

22 STATED CAPITAL (CONTD.)

Employee Share Option Scheme (ESOS) - 2021

The Board of Directors, with the approval of principal of the Colombo Stock Exchange, and authorised by the shareholders at an Extraordinary General Meeting dated 30 June 2021, to create a Employee Share Option Scheme (ESOS) to offer 13,500,000 ordinary shares being 2.26% of the total issued and fully paid ordinary voting shares of the Company. The ESOS 2021 is applicable to Eligible Employees, who are employees of a company in the Hemas Group (i.e. the Company and subsidiaries of the Company as identified by the Board whose employees are eligible to participate in the Scheme)

	Date of Grant	No of Shares Granted	Grant Price (LKR)	Vesting Period	Exercise Period	Date of Expiry
Grant 1	20.07.2021	3,538,112	82.46	1 Year	5 Years	20.07.2027
Grant 2	20.07.2022	3,071,647	43.84	1 Year	5 Years	20.07.2028

	Group		Company	
Year Ended 31 March	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Total expense arising from Share-Based Payment Transactions	6,772	40,988	(40)	8,956

Movement During the Year

	Group			
Year Ended 31 March	2023		2022	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	9,148,593	81.09	8,323,488	95.64
Granted During the Year	3,071,647	43.84	3,538,112	82.46
Expired During the Year	(2,032,822)	108.81	(2,034,796)	149.50
Cancelled during the Year	(2,333,368)	-	(678,211)	-
Outstanding at the End of the Year	7,854,050	58.94	9,148,593	81.09
Exercisable at the End of the Year	4,782,403	68.63	5,658,499	80.24

	Company			
Year Ended 31 March	2023		2022	
	No of Shares	WAEP*	No of Shares	WAEP*
Outstanding at the Beginning of the Year	1,847,733	80.12	1,468,674	103.48
Granted During the Year	638,542	43.84	782,596	82.46
Transfers during the year	-	-	371,875	60.00
Expired During the Year	(368,016)	108.81	(482,458)	149.50
Cancelled during the Year	(586,542)	-	(292,954)	-
Outstanding at the End of the Year	1,531,717	56.48	1,847,733	80.12
Exercisable at the End of the Year	576,675	70.47	1,113,155	78.58

*WAEP - Weighted Average Exercise Price (LKR)

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.

	2021		2015	
	Grant 1	Grant 2	Grant 6	Grant 5
Dividend Yield (%)	2.82	6.92	2.47	2.47
Expected Volatility (%)	1.85	2.19	1.77	1.73
Risk Free Interest Rate (%)	8.04	26.51	6.57	9.83
Expected Life of Share Options (Years)	6	6	4	4
Weighted Average Share Price at the Date of Exercise of these Options (LKR)	82.46	43.84	60.00	69.00
Weighted Average Remaining Contractual Life for the Share Options Outstanding (Years)	4.3	5.3	2.3	1.3
Weighted Average Fair Value of Options Granted During the Year (LKR)	27.12	20.29	14.47	20.97
Exercise Price for Options Outstanding at the End of the Year (LKR)	82.46	43.84	60.00	69.00

23 RESERVES

23.1 Other Capital and Revenue Reserves

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance at the Beginning of the Year	159,834	180,806	381,185	402,157
Provision / (Reversal) for Share-Based Payment	6,772	40,988	(40)	8,956
Charge from Group Companies	-	-	6,812	32,032
Transfer to Retained Earnings	(47,442)	(61,960)	(47,442)	(61,960)
Balance at the End of the Year	119,164	159,834	340,515	381,185

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.

23 RESERVES (CONTD.)

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		Total
				Cash Flow Hedge	Cross Currency Swap	
	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000	LKR 000
As at 1 April 2021	2,637,592	173,403	(342,165)	(219,476)	(88,428)	2,160,926
Other Comprehensive Income	1,738,320	564,953	11,419	(49,823)	93,537	2,358,406
Disposal of Subsidiary	(2,249)	(96,182)	-	25,208	-	(73,223)
As at 31 March 2022	4,373,663	642,174	(330,746)	(244,091)	5,109	4,446,109
Other Comprehensive Income	2,472,170	(119,563)	(15,507)	(530,943)	(5,109)	1,801,048
Transfer	-	-	294,478	-	-	294,478
As at 31 March 2023	6,845,833	522,611	(51,775)	(775,034)	-	6,541,635

Company	Fair Value Reserve
	LKR 000
As at 1 April 2021	(295,722)
Other Comprehensive Income	2,103
As at 31 March 2022	(293,619)
Other Comprehensive Income	705
Transfers	294,478
As at 31 March 2023	1,564

24 INTEREST BEARING LOANS AND BORROWINGS

		Group		Company	
		2023	2022	2023	2022
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Term Loans	24.1	15,960,140	4,467,979	1,262,240	1,131,380
Lease Liability	14.2	1,228,626	1,303,108	-	57,544
		17,188,766	5,771,087	1,262,240	1,188,924

Movement of Interest Bearing Loans and Borrowings

	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance at the Beginning of the Year	5,771,087	6,455,518	1,188,944	275,000
Cash Movement				
Obtained During the Year	35,177,824	8,651,153	5,243,240	1,343,400
Repayments	(23,391,925)	(8,739,730)	(5,112,400)	(487,000)
Lease Payment	(344,204)	(419,554)	(59,329)	(59,328)
Non Cash Movement				
Leases Obtained	122,163	174,080	-	112,446
Interest on Leases	151,071	163,635	1,785	4,426
Disposal of Subsidiaries	-	(754,806)	-	-
Exchange Differences through Statement of Profit or Loss	-	719	-	-
Exchange Differences through Other Comprehensive Income	(297,251)	240,072	-	-
Balance at the End of the Year	17,188,765	5,771,087	1,262,240	1,188,944
Non-Current	5,449,482	3,092,910	692,000	-
Current	11,739,284	2,678,177	570,240	1,188,944
	17,188,766	5,771,087	1,262,240	1,188,944

24.1 Details of Interest Bearing Loans and Borrowings

Company	Lending Institution	Nature Of Facility	Interest Rate	Repayment Terms	2023 LKR '000	2022 LKR '000
Hemas Pharmaceuticals (Pvt)Ltd.	Hatton National Bank PLC	Short Term Loan	AWPLR Based Rate	Repayable in May 2023	4,890,000	-
	The Hongkong & Shanghai Banking Corporation	Short Term Loan	COF plus Margin	Repayable in 12 installments starting from March 2023	916,667	-
	The Hongkong & Shanghai Banking Corporation	Term Loan	3 Months LIBOR plus Margin	Repayable in Dec 2022	-	747,490
Morison Limited	The Hongkong & Shanghai Banking Corporation	Term Loan	COF plus Margin	Repayable in 36 installments	-	27,778
	Commercial Bank	Term Loan	Fixed	Repayable in 48 installments starting from June 2023	2,000,000	2,000,000
	Hatton National Bank PLC	Short Term Loan	AWPLR Based Rate	Repayable in May 2023	788,000	-
	Commercial Bank	Short Term Loan	AWPLR Based Rate	Repayable in August 2023	400,000	-
Atlas Axillia Co.(Pvt) Ltd.	Hatton National Bank PLC	Short Term Loan	AWPLR Based Rate	Repayable in May 2023	750,000	-
	The Hongkong & Shanghai Banking Corporation	Short Term Loan	COF Based Rate	Repayable in April 2023	1,627,794	1,692,710
Hemas Surgicals & Diagnostics (Pvt) Ltd.	DFCC Bank	Term Loan	Fixed	Repayable in 60 installments starting from April 2023	1,200,000	-
Lifeconnect Solutions (Pvt) Limited	DFCC Bank	Term Loan	Fixed	Repayable in 60 installments starting from April 2023	1,140,000	-
Hemas Manufacturing (Pvt) Ltd.	The Hongkong & Shanghai Banking	Short Term Loan	AWPLR Based Rate	Repayable in 6 installments	716,667	-
	Deutsche Bank	Short Term Loan	AWPLR Based Rate	Repayable in 4 months	378,072	-
	Nations Trust Bank	Short Term Loan	AWPLR Based Rate	Repayable in 2 months	250,000	-
Hemas Consumer Brands (Pvt) Ltd.	The Hongkong & Shanghai Banking Corporation	Short Term Loan	Fixed	Repayable in June 2023	37,940	-
Hemas Holdings PLC	The Hongkong & Shanghai Banking Corporation	Term Loan	Fixed	Repayable in 60 installments starting from April 2023	865,000	-

24 INTEREST BEARING LOANS AND BORROWINGS (CONTD.)

24.2 Company

	Note	Company 2023 LKR '000	Company 2022 LKR '000
Interest Bearing Loans & Borrowings-Non Current			
Bank Loans		692,000	-
		692,000	-
Interest Bearing Loans & Borrowings-Current			
Loans due to Related Parties	24.2.1	397,240	1,131,400
Bank Loans		173,000	-
Lease Liability	14.2	-	57,544
		570,240	1,188,944

24.2.1 Loans due to Related Parties

Subsidiaries	As at 01.04.2022 LKR '000	Obtained During the Year LKR '000	Repayments LKR '000	As at 31.03.2023 LKR '000	Non-Current LKR '000	Current LKR '000
Hemas Developments (Pvt) Ltd.	761,400	274,240	(853,400)	182,240	-	182,240
Hemas COE (Pvt) Ltd.	165,000	-	(165,000)	-	-	-
Hemas Corporate Services (Pvt) Ltd.	25,000	-	(25,000)	-	-	-
Hemas Manufacturing (Pvt) Ltd.	-	70,000	(70,000)	-		
Hemas Transportation (Pvt) Ltd.	-	1,000,000	(1,000,000)	-		
Leisure Asia Investments Ltd.	-	10,000	(10,000)	-		
Hemtours (Pvt) Ltd.	180,000	99,000	(64,000)	215,000	-	215,000
	1,131,400	1,453,240	(2,187,400)	397,240	-	397,240

	As at 01.04.2021 LKR '000	Obtained During the Year LKR '000	Repayments LKR '000	As at 31.03.2022 LKR '000	Non-Current LKR '000	Current LKR '000
Total Loans due to Related Parties	275,000	1,343,400	(487,000)	1,131,400	-	1,131,400

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.

25.1 Other Financial Liabilities - Non Current

	Company	
As at 31 March	2023 LKR '000	2022 LKR '000
Preference Share*	275,000	275,000
Rent Deposits/Advances	505	1,538
	275,505	276,538

* 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

	Company	
As at 31 March	2023 LKR '000	2022 LKR '000
Put Option over Non-Controlling Interests	2,949,482	2,272,299
	2,949,482	2,272,299

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.

26 EMPLOYEE BENEFIT LIABILITY (CONTD.)

As at 31 March	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Balance at the Beginning of the Year		991,714	1,032,978	66,507	78,004
Acquisition/ (Disposal) through Subsidiaries		-	(25,898)	-	-
Charge for the Year	26.1	214,422	186,059	13,635	11,666
Actuarial (Gain)/Loss	26.2	145,831	(68,578)	16,091	(1,597)
Benefits Paid		(153,004)	(132,847)	(16,254)	(21,804)
Transfers During the Year		-	-	(287)	238
Balance at the End of the Year		1,198,963	991,714	79,692	66,507

26.1 Post Employee Benefit Expenses for

Year ended 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Current Service Cost	97,717	114,431	5,654	5,591
Past Service Cost	-	(9,477)	-	(165)
Interest Cost	116,705	81,105	7,981	6,240
	214,422	186,059	13,635	11,666

26.2 Actuarial (Gain)/Loss

Year ended 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Actuarial (Gains)/Losses on Obligations;				
Due to Change in Demographic Assumptions	-	(22,940)	-	(1,016)
Due to Change in Financial Assumptions	29,843	(179,004)	1,759	(10,711)
Due to Experience adjustment	115,988	133,366	14,332	10,130
	145,831	(68,578)	16,091	(1,597)

Messrs. K.A. Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used are as follows:

	2023	2022
Demographic Assumptions		
Retirement Age	60 Years	60 Years
Financial Assumptions		
Discount Rate Assumed (%)	18.0	12.0
Future Salary Increase (%)	15.0	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.

Assumed Changes in Financial Assumptions

31 March 2023	Group		Company	
	Effect on Statement of Comprehensive Income LKR '000	Employee Benefit Liability LKR '000	Effect on Statement of Comprehensive Income LKR '000	Employee Benefit Liability LKR '000
If Discount Rate Increases By 1%	(41,569)	41,569	(2,454)	2,454
If Discount Rate Decreases By 1%	36,542	(36,542)	2,627	(2,627)
If Salary Increment Rate Increases By 1%	45,942	(45,942)	2,674	(2,674)
If Salary Increment Rate Decreases By 1%	(41,502)	41,502	(2,538)	2,538

31 March 2022	Group		Company	
	Effect on Statement of Comprehensive Income LKR '000	Employee Benefit Liability LKR '000	Effect on Statement of Comprehensive Income LKR '000	Employee Benefit Liability LKR '000
If Discount Rate Increases By 1%	(35,672)	35,672	(2,213)	2,213
If Discount Rate Decreases By 1%	38,869	(38,869)	2,379	(2,379)
If Salary Increment Rate Increases By 1%	39,797	(39,797)	2,435	(2,435)
If Salary Increment Rate Decreases By 1%	(37,102)	37,102	(2,302)	2,302

26.4 Following payments are the expected payments to the define benefit plan for the future years:

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Years From the Current Period				
1st Following Year	**207,161**	172,221	**12,958**	10,937
2nd Following Year	**213,957**	155,057	**12,961**	10,586
3rd Following Year	**204,822**	165,837	**12,416**	10,097
4th Following Year	**220,332**	147,377	**15,721**	9,073
5th Following Year	**178,541**	141,089	**12,081**	10,179
Sum of Years 6 to 10	**903,749**	496,985	**68,954**	41,512
Sum of Years 11 and above	**1,695,773**	587,390	**59,171**	21,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 TRADE AND OTHER PAYABLES

	Note	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Trade Payables					
- Others		19,213,807	20,008,381	-	-
Other Payables			-		
- Related Parties	27.1	-	-	161,576	163,526
- Others		5,119,242	3,651,628	172,997	178,209
Sundry Creditors including Accrued Expenses		5,260,190	3,478,802	420,078	437,438
Dividend Payable-Unclaimed		32,493	26,583	22,277	16,367
		29,625,732	27,165,394	776,928	795,540

27.1 Non Trade Dues to Related Parties

	Relationship	Company 2023 LKR '000	Company 2022 LKR '000
Hemas Corporate Services (Pvt) Ltd.	Subsidiary	3,946	2,446
Hemas Pharmaceuticals (Pvt) Ltd.	Subsidiary	127,789	127,873
Hemas Manufacturing (Pvt) Ltd.	Subsidiary	3,169	274
Hemtours (Pvt) Ltd.	Subsidiary	3,932	1,261
Hemas COE (Pvt) Ltd.	Subsidiary	2,092	1,156
Hemas Developments (Pvt) Ltd.	Subsidiary	11,082	15,876
Hemas Hospitals (Pvt) Ltd.	Subsidiary	589	10,814
Hemas Capital Hospital (Pvt) Ltd.	Subsidiary	-	5
Hemas Transportation (Pvt) Ltd.	Subsidiary	-	2,646
Concept Venture (Pvt) Ltd.	Subsidiary	8,006	-
Morison Limited.	Subsidiary	-	1,137
Atlas Axillia Company (Pvt) Ltd.	Subsidiary	971	38
		161,576	163,526

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.

28.1 Favourable Balances

As at 31 March	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Cash and Bank Balance	9,509,547	9,229,743	23,712	48,502
Fixed Deposits and REPO Investments	5,152,306	4,665,183		41,846
Restricted Bank Balance	1,668,921	-	-	-
	16,330,774	13,894,926	23,712	90,348

28.2 Unfavourable Balances

	Group 2023 LKR '000	Group 2022 LKR '000	Company 2023 LKR '000	Company 2022 LKR '000
Bank Overdraft	(4,268,634)	(796,191)	(735,422)	(822)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	12,062,140	13,098,735	(711,710)	89,525

29 FAIR VALUE

Accounting Policy

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole

Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FAIR VALUE (CONTD.)

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 2023, 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 arrangement
- Note 12 - Property, Plant and Equipment
- Note 13 - Investment Properties
- Note 19 - Financial Instruments

29.1 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 2023	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	68,283	68,283	-	-
Non-Financial Assets Measured at Fair Value					
Land and Buildings	12	14,219,446	-	-	14,219,446
Investment Properties	13	2,310,150	-	-	2,310,150

31 March 2022	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	64,319	64,319	-	-
Un-Quoted Equity Shares	19	49,750	-	-	49,750
Derivative Assets	19	298,848	-	298,848	-
Non-Financial Assets Measured at Fair Value					
Land and Buildings	12	12,589,963	-	-	12,589,963
Investment Properties	13	2,100,161	-	-	2,100,161

Company

31 March 2023	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	12,357	12,357	-	-
Non-Financial Assets Measured at Fair Value					
Investment Properties	13	1,065,305	-	-	1,065,305

31 March 2022	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	11,652	11,652	-	-
Un-Quoted Equity Shares	19	-	-	-	-
Non-Financial Assets Measured at Fair Value					
Investment Properties	13	851,300	-	-	851,300

29.2 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 31 March 2022	49,750	-
Disposal	(49,750)	-
As at 31 March 2023	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FAIR VALUE (CONTD.)

29.3 Non-Financial Assets Measured at Fair Value

	Group		Company
	Land and Buildings LKR '000	Investment Properties LKR '000	Investment Properties LKR '000
As at 1 April 2021	10,223,242	1,942,099	728,800
Recognised in Profit or Loss	(231,172)	158,062	122,500
Recognised in Other Comprehensive Income	2,138,961	-	-
Purchased / Acquisition	66,317	-	-
Transfers	2,011,492	-	-
Disposal of Subsidiaries	(1,618,877)	-	-
As at 31 March 2022	12,589,963	2,100,161	851,300
Recognised in Profit or Loss	(263,882)	207,889	214,005
Recognised in Other Comprehensive Income	1,778,805	-	-
Purchased / Acquisition	108,966	-	-
Transfers	5,593	2,100	-
As at 31 March 2023	14,219,445	2,310,150	1,065,305

30 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.

30.1 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 2023 and 2022.

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 short 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.

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:

		Effect on Profit before tax (LKR 000)	
	Increase / (Decrease) in basis points	Group	Company
2023	+150	(160,758)	(5,959)
	-150	160,758	5,959
2022	+150	(25,806)	(16,971)
	-150	25,806	16,971

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	
	5% Movement	
	Strengthening LKR '000	Weakening LKR '000
USD	(420,706)	420,706
EURO	452	(452)
GBP	(2,103)	2,103
TAKA	(75,142)	75,142

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.

30.2 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.

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.

30 FINANCIAL RISK MANAGEMENT (CONTD.)

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 homogeneous groups and assessed for Impairment collectively. The calculation is based on expected loss approach with forward looking Expected Credit Loss (ECL) approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19.

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.

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 2023	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	-	-	11,538,451	4,421,688	-	15,960,139
Lease Liability	-	35,599	199,403	791,809	306,715	1,333,526
Other Financial Liabilities	2,949,482	-	-	275,505	-	3,224,987
Trade and Other Payable	-	28,080,777	-	-	-	28,080,777
Bank Overdraft	4,268,634	-	-	-	-	4,268,634
	7,218,116	28,116,376	11,737,854	5,489,002	306,715	52,868,062

As at 31 March 2022	On Demand LKR '000	Less than 3 Months LKR '000	3 to 12 Months LKR '000	1 to 5 Years LKR '000	> 5 Years LKR '000	Total LKR '000
Interest Bearing Loans and Borrowings	-	-	1,862,979	2,604,999	-	4,467,978
Lease Liability	-	51,120	237,073	962,580	379,061	1,629,834
Other Financial Liabilities	2,272,299	-	-	276,538	-	2,548,837
Trade and Other Payable	-	28,684,151	-	-	-	28,684,151
Bank Overdraft	796,191	-	-	-	-	796,191
	3,068,490	28,735,271	2,100,052	3,844,117	379,061	38,126,991

Company

As at 31 March 2023	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	397,240	43,250	129,750	692,000	-	1,262,240
Trade and Other Payable	-	748,953	-	-	-	748,953
Bank Overdraft	735,422	-	-	-	-	735,422
	1,132,662	792,203	129,750	692,000	-	2,746,615

As at 31 March 2022	On Demand LKR '000	Less than 3 Months LKR '000	3 to 12 Months LKR '000	1 to 5 Years LKR '000	> 5 Years LKR '000	Total LKR '000
Interest Bearing Loans and Borrowings	1,131,400	-	-	-	-	1,131,400
Lease Liability	-	13,617	40,851	-	-	54,468
Trade and Other Payable	-	789,448	-	-	-	789,448
Bank Overdraft	822	-	-	-	-	822
	1,132,222	803,065	40,851	-	-	1,976,138

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%.

		Group	
	Note	2023 LKR '000	2022 LKR '000
Interest Bearing Borrowings	24	17,188,766	5,771,087
Bank Overdraft	28	4,268,634	796,191
Debt		21,457,400	6,567,278
Equity Attributable to Equity Holder of the Parent		38,404,559	35,587,786
Non-Controlling Interests		715,842	919,517
Total Equity		39,120,401	36,507,303
Equity and Debt		60,577,801	43,074,581
Gearing Ratio		35%	15%

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 2023 and 31 March 2022.

31 RELATED PARTY DISCLOSURES

Refer Note 35 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.

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, 2023. 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 2023 Audited Financial Statements, which required additional disclosures in the Annual Report under the Colombo Stock Exchange Listing Rule 9.3.2 and the Transactions under the Securities and Exchange Commission Directive issued 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, 2023.

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 & 19.2.1 to these financial statements respectively.

31.1 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 33 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.

Company

	Subsidiaries		Joint Ventures/ Associates		Other		Total	
Nature of Transaction	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Services Rendered	852,351	731,847	-	-	149	148	852,500	731,994
Bank Guarantee Fees	-	-	24,805	14,678	-	-	24,805	14,678
IT Charges	208,627	174,837	1,569	1,716	1,692	1,770	211,888	178,323
Rent	27,513	26,559	-	-	-	-	27,513	26,559
Loan Interest Income	206,505	5,788	-	-	-	-	206,505	5,788
Loans Granted to Subsidiaries	(3,263,964)	(396,900)	-	-	-	-	(3,263,964)	(396,900)
Loans Repaid by Subsidiaries	2,479,214	767,548	-	-	-	-	2,479,214	767,548
Loan Interest Expense	(237,197)	(50,128)	-	-	-	-	(237,197)	(50,128)
Receipt of Services	(84,449)	(136,308)	-	-	-	-	(84,449)	(136,308)
Shared Service Fee	(13,119)	(12,557)	-	-	-	-	(13,119)	(12,557)
Purchase of Goods	(69)	(722)	-	-	-	-	(69)	(722)
Loans Obtained from Subsidiaries	1,453,240	1,343,400	-	-	-	-	1,453,240	1,343,400
Loans Repaid to Subsidiaries	(2,187,400)	(487,000)	-	-	-	-	(2,187,400)	(487,000)

The provision made for on accounts of related party receivables is disclosed in Note 21 to these financial statements

Details of Transactions

Entity	Nature of Transaction	2023 LKR '000	2022 LKR '000
Hemas Manufacturing (Pvt) Ltd.	Services Rendered	213,901	190,735
	IT Charges	83,929	66,855
	Rental Income	27,513	25,994
	Purchases	(53)	(508)
	Interest Expense	(105)	-
	Treasury Loans Granted	(526,964)	-
	Treasury Loans Repaid	526,964	-
	Treasury Loans Obtained	70,000	-
	Treasury Loans Repaid	(70,000)	-
Hemas Pharmaceuticals (Pvt) Ltd.	Services Rendered	573,234	481,587
	IT Charges	42,945	40,783
	Interest Income	120,188	2,420
	Treasury Loans Obtained	-	2,420
	Repayment of Treasury Loan	-	2,420
	Treasury Loans Granted	(1,684,750)	(341,000)
	Repayment of Treasury Loan	1,150,000	496,648
Hemas Hospitals (Pvt) Ltd.	Services Rendered	3,585	2,688
	IT Charges	15,727	11,578
	Receipt of Services	(283)	(52,180)
Hemas Capital Hospital (Pvt) Ltd.	IT Charges	10,402	7,651
	Services Rendered	1,167	871
Forbes Air Services (Pvt) Ltd.	Services Rendered	218	168
	IT Charges	3,573	2,941
Hemtours (Pvt) Ltd.	Interest Expense	(44,523)	(5,274)
	Treasury Loans Obtained	99,000	290,000
	Treasury Loans Repaid	(64,000)	(110,000)
FAR Shipping Agency Lanka (Pvt) Ltd.	IT Charges	1,296	1,274
	Services Rendered	362	288
Hemas Transportation (Pvt) Ltd.	IT Charges	1,058	808
	Treasury Loans Obtained	1,000,000	-
	Treasury Loans Repaid	(1,000,000)	-
	Interest Expense	(22,104)	-
	Receipt of Services	-	(2,278)
	Services Rendered	83	33
Spectra Logistics (Pvt) Ltd.	IT Charges	-	3,523
	Services Rendered	-	264
	Rental Income	-	565
Hemas Developments (Pvt) Ltd.	Services Rendered	424	359
	IT Charges	42	28
	Interest Expense	(137,671)	(39,516)
	Rental Expense and Service Charges	(70,620)	(63,507)
	Receipt of Services	(10,131)	(16,175)
	Treasury Loans Obtained	274,240	530,400
	Repayment of Treasury Loan	(853,400)	(44,000)

31 RELATED PARTY DISCLOSURES (CONTD.)

Entity	Nature of Transaction	2023 LKR '000	2022 LKR '000
Hemas COE (Pvt) Ltd.	Services Rendered	2,785	2,932
	IT Charges	24,344	19,954
	Interest Expense	(29,092)	(4,233)
	Shared Services Expenses	(13,119)	(12,557)
	Treasury Loans Obtained	-	485,000
	Repayment of Treasury Loan	(165,000)	(320,000)
Hemas Corporate Services (Pvt) Ltd.	IT Charges	1,652	1,235
	Interest Expense	(3,087)	(1,105)
	Interest Income	7,415	8
	Services Rendered	665	502
	Services Obtained	(1,898)	(2,168)
	Treasury Loans Obtained	-	38,000
	Repayment of Treasury Loan	(25,000)	(13,000)
	Treasury Loans Granted	-	(1,900)
	Repayment of Treasury Loan	-	1,900
Morison Limited.	Services Rendered	489	919
	Interest Income	-	2,668
	Purchase of Goods	-	-
	Treasury Loans Granted	-	(200,000)
	IT Charges	4,194	3,516
P H Resorts (Pvt) Ltd.	IT Charges	1,569	1,716
	Corporate Guarantee Fees	24,805	14,678
Hemas Maritime (Pvt) Ltd.	IT Charges	62	89
	Services Rendered	-	56
Mazu Shipping (Pvt) Ltd.	IT Charges	256	332
	Services Rendered	8	10
Atlas Axillia Company (Pvt) Ltd.	IT Charges	7,321	4,006
	Treasury Loans Granted	(225,000)	-
	Repayment of Treasury Loan	225,000	-
	Interest Expense	(130)	-
	Interest Income	1,338	-
	Services Rendered	493	158
	Purchases	(373)	(213)
Spectra Integrated Logistics (Pvt) Ltd.	IT Charges	-	786
	Services Rendered	-	119
Hemas Consumer Brands Pvt Ltd.	IT Charges	11,516	9,152
Evergreen Shipping Agency Lanka (Pvt) Ltd.	IT Charges	123	24
	Services Rendered	139	124
Hemas Mandalar Pharmaceuticals Limited.	IT Charges	-	248
Peace Haven Resorts (Pvt) Ltd.	Services Rendered	3	2
Hemas Surgicals & Diagnostics (Pvt) Ltd.	Services Rendered	54,647	49,984
	Interest Income	77,564	692
	Treasury Loans Granted	(827,250)	(54,000)
	Repayment of Treasury Loan	827,250	69,000
Healthnet International (Pvt) Ltd.	IT Charges	68	4
Lifeconnect Solutions (Pvt) Ltd.	IT Charges	119	49
	Services Rendered	148	47
Leisure Asia Investments (Pvt) Ltd.	Treasury Loans Obtained	10,000	-
	Repayment of Treasury Loan	(10,000)	-
	Interest Expense	(484)	-

Group

Company	Relationship	Name of Director	Nature of Transaction	2023 LKR '000	2022 LKR '000
PH Resorts (Pvt) Ltd.	Joint Venture	A.N. Esufally	Services Rendered	1,569	1,971
			Corporate Guarantee Charges	24,805	14,678
ET Properties (Pvt) Ltd.	Key Management Personnel	A.N. Esufally	Services Rendered	282	257
			Sale of Goods	-	302
		I.A.H. Esufally	Rent & Utilities	(29,338)	(25,103)
Printcare PLC	Key Management Personnel	A.N. Esufally	Services obtained	(22,518)	(17,876)
Chemanex PLC	Key Management Personnel	S. A. B. Ekanayake	Purchase of Goods	(46,100)	(8,334)
			Sale of Goods	-	133
Jada Resort & Spa (Pvt) Ltd.	Key Management Personnel	A.N. Esufally	Services obtained	541	-

31.2 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Short Term Benefits	447,477	417,016	110,915	96,852
Post Employment Benefit	28,945	27,744	7,096	6,336
Share Based Payment	-	-	-	-

(b) Transactions, Arrangements and Agreements Involving Key Management Personnel

There were no significant transactions had taken place involving Key Management Personnel & their close family members.

32 EVENT AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a final dividend of LKR 1.95 per share for the financial year ended 31 March 2023 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 24 July 2023.

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 2023.

Other than those mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

33 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.

33 COMMITMENTS AND CONTINGENCIES (CONTD.)

33.1 Capital Commitments

	2023 LKR '000	2022 LKR '000
Hemas Hospitals (Pvt) Ltd.	155,933	246,605
Hemas Manufacturing (Pvt) Ltd.	-	100
	155,933	246,705

33.2 Other Commitments/ Contingencies

(a) Hemas Holdings PLC

- The Company has provided a Corporate Guarantee to PH Resorts (Pvt) Limited for USD 10.5 Mn (Equivalent to LKR 3,465 Mn) 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.

  The Tax Appeals Commission provided determinations against company for the year of assessment 2009/10 and the company filed a case against such determinations at the Court of Appeal which is ongoing. 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 2023 in this regard.

- The Company has obtained a guarantee from The Hongkong and Shanghai Banking Corporation Limited favouring The Hongkong and Shanghai Banking Corporation Limited- India for the credit facility amounting to USD 160,000.

- The company has obtained a guarantee from the Nations Trust bank PLC favouring The Director General of Customs for the credit facility amounting to LKR 20 Mn.

(c) Hemas Pharmaceutical (Pvt) Ltd.

The Company has provided corporate guarantee to Hemas Surgical & Diagnostics (Pvt) Ltd (Subsidiary) for LKR 395 Mn in favour of The Hongkong and Shanghai Banking Corporation Limited.

(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 2023 in this regard.

  The Company has given a bank guarantee of LKR 30.1 Mn to Tax Appeals Commission with respect to the above tax appeal.

- The company has obtained a guarantee from the Nations Trust bank PLC favouring State Pharmaceutical Corporation for the credit facility amounting to LKR 1.5 Mn.

(e) Atlas Axillia Company (Pvt) Ltd.

- The Department of Inland Revenue has issued Income Tax assessments for the years of assessment 2015/2016, 2016/2017 and 2018/2019 for which the company has duly appealed. Currently the appeal is pending hearing by the Commissioner General. The Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, hence above assessments will not have any material adverse impact on the financial statements and no provisions have been made in the financial statements for the year ended 31 March 2023 in this regard.

(f) Evergreen Shipping Agency Lanka (Private) Limited.

- The Company has obtained a guarantee from Standard Chartered Bank favouring The Chairman, Sri Lanka Ports Authority for the credit facility amounting to LKR 160.5 Mn.

- The Company has obtained a guarantee from Standard Chartered Bank favouring The Director General of Merchant Shipping amounting to LKR 500,000 for Shipping license.

(g) Mazu Shipping (Private) Limited.

- The Company has obtained a guarantee from Standard Chartered Bank favouring The Chairman, Sri Lanka Ports Authority for the credit facility amounting to LKR 500,000.

(h) Forbes Air Services (Pvt) Ltd .

- The Company has obtained a guarantee from Standard Chartered Bank favouring The Director General of Civil Aviation for the credit facility amounting to LKR 215.8 Mn.

- The Company has obtained a guarantee from Standard Chartered Bank favouring Emirates for the operations amounting to LKR 2.5 Bn.

(i) Hemas Surgicals & Diagnostics (Pvt) Ltd.

- The Company has obtained a guarantee from The Hongkong and Shanghai Banking Corporation Limited favouring The Health System Enhancement Project for the credit facility amounting to USD 13,914.

Other than stated above there were no material contingent liabilities pertaining to employees and industrial relations.

34 ASSETS PLEDGED

There were no assets have been pledged as security for liabilities as at the reporting date.

35 GROUP COMPANIES

For the period under review Hemas Holdings PLC operates in three industry segments; Consumer Brands, Healthcare, and Mobility. More information of the Group brands and the market served can be found on page 55.

The holding company is located at No. 75, Braybrooke Place, Colombo 02. The Group has considered all its subsidiary and associate companies numbering 40 in capturing its financial performance. For the purpose of reporting on its sustainability performance, the Group has considered 19 companies which are the legal entities and for which the Group is accountable and has management control. The 21 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. These are either non-operational entities, investment entities, companies only holding lands, companies that are office based or overseas operations that have been excluded this year for sustainability reporting.

The companies included in the financial reporting boundary are listed below, with the companies that are not included in the sustainability reporting boundary marked clearly with an identifier against such entities. Any company that are merged or acquired are considered within the sustainability reporting boundary, unless they fall within the exclusions noted above. Information from all companies within the sustainability reporting boundary use Group-wide materiality assessment methodology, Group level policies, Management Approaches, a common data collection and analysis IT platform, and similar SOPs for sustainability data gathering. The sustainability information is consolidated by the central Group Sustainability and Corporate Communications Division of the Group to ensure consistency of approach.

35 GROUP COMPANIES (CONTD.)

Name /Principle Place of Business/Country of Incorporation	Relationship	Effective Holding 2023	Effective Holding 2022	Principal Activities	Board Members
CONSUMER BRANDS					
Hemas Manufacturing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Husein Esufally, Kasturi Chellaraja Wilson, V. S. Sitaram, Asanga Ranasinghe, Suresh Shah, Sabrina Esufally, Sabeen Fazli Alavi
Hemas Marketing (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Trading & Distribution of Consumer Products	Sabrina Esufally, Zalmi Fazeel
Hemas Trading (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Import and sale of Food Products	Sabrina Esufally, Zalmi Fazeel
Hemas Consumer Brands (Pvt) Ltd.* Rupayan Centre, 6th Floor, 72, Mohakhali C-A,Dhaka-1212 Bangladesh	Subsidiary	100%	100%	Manufacturing and Trading of Consumer Products	Kasturi Chellaraja Wilson, Subir Chowdhury, Naveedul I. Khan, Reazul Chowdhury, Muallem Choudhury, Sabrina Esufally,
Hemas Consumer Products (Pvt) Ltd.* No 1418, BRR Tower, I.I Chundrigar Road, Karachi, Pakistan.	Subsidiary	100%	100%	Trading of Consumer Products	Husein Esufally, Steven Mark Enderby, Roy Gnankaran Joseph
Hemas Consumer Brands India (Pvt) Ltd.* No 1865, Rajdanga Main Road, The Chambers,6th Floor, Room No-605, Kolkata-700107 India.	Subsidiary	100%	100%	Trading of Consumer Products	Kasturi Chellaraja Wilson, Asaratharaman Kannan
Unicorn Investment (Pvt) Ltd. * No. 75, Braybrooke Place, Colombo 02 Sri Lanka	Subsidiary	100%	100%	Research and Development Services	Sabrina Esufally, Dimuthu Jayasinghe
Morison Limited No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	96%	96%	Importing and Distribution of Consumer Products	Murtaza Esufally, Kasturi Chellaraja Wilson Dinesh Athapaththu, Zalmi Fazeel, Arundathi Rajakarier, Ranjan Chakravarti, Dr. Sanjit Singh Lamba
Atlas Axillia Co.(Pvt) Ltd. 96, Parakrama Road, Peliyagoda Sri Lanka.	Subsidiary	75%	75%	Manufacturing and trading of all kinds of school and office stationery.	Husein Esufally, Kasturi Chellaraja Wilson, Asitha Samaraweera, Nirmal Madanayake (Alt. Director-A.R Rasiah)
HEALTHCARE					
Hemas Pharmaceuticals (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Distribution of Pharmaceutical Products	Murtaza Esufally, Kasturi Chellaraja Wilson, Jude Fernando, Zalmi Fazeel, Stuart Chapman, Coralie Pietersz, Arun Gupta, Sakina Imtiaz Esufally
Hemas Surgicals & Diagnostics (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Distribution of Healthcare Products	Jude Fernando, Zalmi Fazeel
Hemas Hospitals (Pvt) Ltd. No 389, Negombo Road, Wattala Sri Lanka	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally, Kasturi Chellaraja Wilson, Sabrina Esufally, Dr. Lakith Peiris, Zalmi Fazeel, Dr. Uma Kadamboor, Dr. Gershu Paul, Vajira Kulatilaka.
Hemas Capital Hospital (Pvt) Ltd. No. 647, Pannipitiya Road, Thalwathugoda Sri Lanka.	Subsidiary	85%	85%	Hospital Services	Murtaza Esufally, Kasturi Chellaraja Wilson, Dr. Lakith Peiris
Morison Limited No 75 Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	96%	96%	Manufacturing, Importing and Distribution of Pharmaceuticals and Medical Aid	Murtaza Esufally, Kasturi Chellaraja Wilson, Dinesh Athapaththu, Zalmi Fazeel, Arundathi Rajakarier, Ranjan Chakravarti, Dr. Sanjit Singh Lamba
Healthnet International (Pvt) Ltd.* No. 25, Elibank Road, Colombo 05 Sri Lanka.	Subsidiary	100%	100%	Online Pharmacy Services	Jude Fernando, Nissanka Asitha, Rizny Faisal
Lifeconnect Solutions (Private) Limited* No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Import and Distribution of Pharmaceuticals, Surgical and Diagnostics and other Products	Jude Fernando, Asitha Nissanka, Zalmi Fazeel, Athapaththu Mudiyanselage Dinesh Kumar Athapaththu
MOBILITY					
FAR Shipping Lanka (Pvt) Ltd. * No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Kasturi Chellaraja Wilson
FAR Shipping Agency Lanka (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Associate	36%	36%	Shipping Agents	Kasturi Chellaraja Wilson, Yu Yongjun, Samitha Mohan Perera, Tuan Mushin Kitchilan, Namal Perera
Hemas Transportation (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Investment Holding Company	Imtiaz Esufally, Kasturi Chellaraja Wilson, Zalmi Fazeel, Mushin Kitchilan

Name /Principle Place of Business/Country of Incorporation	Relationship	Effective Holding 2023	Effective Holding 2022	Principal Activities	Board Members
Hemas Maritime (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01 Sri Lanka.	Subsidiary	100%	100%	Break Bulk Casual Callers & Cargo Handling	Imtiaz Esufally, Mushin Kitchilan
Evergreen Shipping Agency Lanka (Pvt) Ltd. Level 9, "Parkland", No:33, Park Street, Colombo 02. Sri Lanka.	Subsidiary	60%	60%	Break Bulk Casual Callers & Cargo Handling	Imtiaz Esufally, Kasturi Chellaraja Wilson, Zalmi Fazeel, Huey Chuan Hseih, Yen-I-Chang
Mazu Shipping (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01 Sri Lanka.	Subsidiary	100%	100%	Shipping Agents	Imtiaz Esufally, Mushin Kitchilan
Forbes Air Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka	Subsidiary	100%	100%	GSA Emirates Airline	Husein Esufally, Imtiaz Esufally, Murtaza Esufally, Abbas Esufally, Kasturi Chellaraja Wilson, Mushin Kitchilan
Morlan (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Warehousing	Murtaza Esufally, Zalmi Fazeel
OTHER					
Hemas Corporate Services (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Corporate Secretaries	Kasturi Chellaraja Wilson, Zalmi Fazeel, Peshala Fernando
Hemas Developments (Pvt) Ltd. No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Property Development	Abbas Esufally, Zalmi Fazeel
Hemas COE (Pvt) Ltd. No:36, Hemas Building, Sir Razeek Fareed Mawatha, Colombo 01 Sri Lanka.	Subsidiary	100%	100%	Financial & Accounting BPO	Kasturi Chellaraja Wilson, Zalmi Fazeel
Concept Ventures (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Investment Holding	Ramani Samarasundara, Rizny Faisal
Hemtours (Pvt) Ltd.* No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Destination Management Services	Abbas Esufally, Kasturi Chellaraja Wilson, Zalmi Fazeel
Leisure Asia Investments Ltd.* No. 75, Braybrooke Place, Colombo 02 Sri Lanka.	Subsidiary	100%	100%	Investment Holding Company	Husein Esufally, Abbas Esufally, Imtiaz Esufally
Mowbray Hotels Ltd.* No. 75, Braybrooke Place, Colombo 02 Sri Lanka	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Zalmi Fazeel, Jayantha Panabokke, Shantha Kurumbalapitiya
PH Resorts (Pvt) Ltd. * No. 75, Braybrooke Place, Colombo 02 Sri Lanka	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 Sri Lanka	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
Peace Haven Resorts Ltd. * No. 75, Braybrooke Place, Colombo 02 Sri Lanka	Subsidiary	100%	100%	Hotel Property	Abbas Esufally, Shantha Kurumbalapitiya
Hemascorp (Private) Limited* 531A Upper Cross Street, #04-98, Hong Lim Complex, Singapore	Subsidiary	100%	100%	Distribution of Pharmaceutical Products	Kasturi Chellaraja Wilson, Sabrina Esufally, Zalmi Fazeel, Tan Diliang (Chen Diliang)
Magnicare (Pvt) Ltd. * No. 75, Braybrooke Place, Colombo 02	Subsidiary	100%	100%	Investment Holding Company	Murtaza Esufally, Zalmi Fazeel
Ecopower (Pvt) Ltd. * No. 75, Braybrooke Place, Colombo 02 Sri Lanka	Subsidiary	100%	-	Solar Power Generating Company	Murtaza Esufally, Zalmi Fazeel
Pulz Solutions (Pvt) Ltd.* 8th Floor, Concept Nursery, SLIIT, New Kandy Road, Malabe. Sri Lanka	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 Sri Lanka.	Associate	20%	20%	Providing digital Logistics Services	Yeshanth Gunewardena
VulcanD (Pvt) Ltd.* 570, Gothatuwa Watta, Baddegama, Galle Sri Lanka.	Associate	20%	20%	Development of Health related technology based products.	Dimuthu Lakmal, Ayesha Rathnayake

* These companies have been excluded for sustainability reporting purposes

TEN YEAR SUMMARY

Year Ended 31 March LKR 000	2023	2022	2021	2020	2019	2018 Restated	2017	2016	2015 Restated	2014 Restated
Operating Results										
Group Revenue	113,939,574	78,830,850	64,500,748	60,043,490	64,082,154	49,874,384	43,404,452	37,976,564	32,496,953	27,259,281
Gross Profit	31,792,860	21,849,662	19,416,707	19,147,684	21,477,549	17,706,958	16,741,841	14,128,153	11,388,000	9,391,232
Operating Profit	10,963,151	6,782,644	6,060,661	3,531,779	5,661,325	4,245,095	4,783,801	3,943,929	3,371,176	3,284,215
Profit Before Taxation	7,765,000	6,648,180	5,669,910	2,840,724	5,093,140	4,392,336	5,086,894	4,074,369	3,094,939	3,192,344
Taxation	2,696,317	1,813,714	1,523,051	1,356,706	1,413,904	1,441,523	1,333,044	1,148,399	704,200	469,673
Profit After Taxation	5,068,683	4,834,466	3,342,026	1,362,707	3,679,236	2,950,813	3,753,850	2,925,970	2,390,739	2,722,671
Profit Attributable to the Parent	4,268,855	4,248,553	3,253,350	1,235,717	3,369,279	2,687,457	3,491,478	2,653,208	1,927,051	2,409,276
Equity & Liabilities										
Stated Capital	7,776,111	7,776,111	7,776,111	7,734,054	7,734,054	5,960,450	5,741,038	5,722,837	1,600,603	1,600,603
Other Reserves	6,660,799	4,605,943	2,341,732	1,606,005	1,867,941	2,097,672	2,262,995	2,081,186	1,327,720	1,492,495
Retained Earnings	23,967,649	23,205,732	21,777,539	18,574,233	18,496,649	17,420,761	16,907,218	14,187,670	12,730,653	11,207,426
Non-Controlling Interests	715,842	919,517	1,542,904	3,560,170	3,771,078	3,590,445	3,217,800	2,661,619	2,263,623	3,329,111
Non-Current Liabilities	9,825,126	6,084,689	5,869,395	9,696,699	6,105,593	6,817,837	3,195,557	4,236,430	4,244,615	4,322,629
Current Liabilities	49,552,354	33,715,678	24,286,707	23,209,256	24,774,085	21,811,416	15,993,943	13,437,433	12,271,106	10,174,363
	98,497,883	76,307,670	63,594,388	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627
Assets										
Non Current Assets	27,622,628	25,086,301	25,739,662	28,726,781	26,241,984	25,664,398	18,849,704	17,618,989	16,258,408	18,638,910
Current Assets	70,875,255	51,221,369	37,854,726	35,653,636	36,507,416	32,034,183	28,468,847	24,708,186	18,179,912	13,487,717
	98,497,883	76,307,670	63,594,388	64,380,417	62,749,400	57,698,581	47,318,551	42,327,175	34,438,320	32,126,627
Cash Flows										
Net cash flows from operating activities	(9,261,703)	8,052,336	6,539,456	1,589,246	1,813,421	5,782,146	3,005,374	4,250,945	3,329,052	2,686,659
Net cash flows from / (used in) investing activities	(1,308,167)	267,884	(1,110,675)	(2,499,723)	(2,197,332)	(7,357,605)	(2,209,008)	(952,068)	173,714	(4,761,053)
Net cash flows from / (used in) financing activities	9,597,012	(3,535,923)	(1,772,351)	833,566	(1,135,168)	(3,291,577)	(1,087,290)	2,693,583	(164,953)	1,668,232
Net increase / (decrease) in cash and cash equivalents	(972,858)	4,784,297	3,656,430	(76,911)	(1,519,079)	(4,867,036)	(290,924)	5,992,460	3,337,813	(406,162)
Capital Expenditure	1,419,730	1,531,239	1,820,200	3,042,111	2,644,095	2,416,892	1,827,820	1,100,899	1,187,533	2,648,407
Key Indicators										
Earnings Per Share (LKR)	7.16	7.12	5.46	2.07	5.65	4.52	6.10	4.71	3.74	4.68
Dividends Per Share (LKR)	2.35	4.35	0.40	1.45	4.93	1.85	1.40	1.10	1.10	0.75
Dividend Cover (No. of Times)	3.05	1.62	13.64	1.43	1.15	2.44	4.36	4.28	3.40	6.05
Dividend Payout (%)	32.8	61.1	7.3	70.0	87.3	40.9	23.0	23.4	29.4	16.0
Interest Cover (No. of Times)	2.77	7.26	9.87	3.68	5.41	6.87	9.21	7.70	7.33	7.15
Net Asset Per Share (LKR)	64.38	59.66	53.47	46.83	47.14	44.32	43.50	38.41	30.39	27.75
Current Ratio (No. of Times)	1.43	1.52	1.60	1.50	1.47	1.47	1.78	1.84	1.48	1.33
Gearing (%)	35.4	15.2	17.2	23.2	18.2	19.7	16.0	18.5	26.9	25.9
ROE (%)	13.4	13.8	10.3	4.3	12.1	10.3	14.2	13.7	13.4	17.0
Asset Turnover (No. of times)	1.2	1.0	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.8
Debt : Equity (No. of times)	0.55	0.18	0.21	0.30	0.22	0.25	0.19	0.23	0.37	0.35
Debt : Total Asset (No. of times)	0.22	0.09	0.11	0.15	0.11	0.12	0.11	0.13	0.19	0.19
Investor Information										
Market Price (LKR)	65.00	46.20	83.40	56.20	75.00	124.90	108.70	80.60	73.70	37.70
Shares in issue (000)	596,546	596,546	596,546	596,043	596,043	574,934	572,733	572,545	515,290	515,290
Market Capitalisation (LKR Mn.)	38,775	27,560	49,752	33,497	44,703	71,809	65,256	46,147	37,977	19,426
52-Week Market Share Price High (LKR)	70.00	87.00	107.00	86.70	127.00	154.90	110.00	99.80	89.90	42.20
52-Week Market Share Price Low (LKR)	39.00	45.40	54.00	55.10	73.50	108.00	81.00	71.00	37.70	26.70

SHAREHOLDER INFORMATION

1. ANALYSIS OF SHAREHOLDERS AS AT 31-MAR-2023

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1000 Shares	5,223	1,795,572	0.30	23	7,964	0.00	5,246	1,803,536	0.30
1001 to 10,000 Shares	2,397	8,260,758	1.38	31	106,299	0.02	2,428	8,367,057	1.40
10,001 to 100,000 shares	646	18,621,311	3.12	30	1,169,565	0.20	676	19,790,876	3.32
100,001 to 1,000,000 shares	126	37,015,832	6.21	10	3,463,749	0.58	136	40,479,581	6.79
Over 1,000,000 Shares	28	445,669,985	74.71	13	80,434,990	13.48	41	526,104,975	88.19
Total	8,420	511,363,458	85.72	107	85,182,567	14.28	8,527	596,546,025	100.00

2. CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	8,086	81,978,809
Institutional	441	514,567,216
	8,527	596,546,025

3. SHARE TRADING

	2023	2022
Market Price		
Highest Price	70.00	87.00
Lowest Price	39.00	45.40
As at year-end (Rs.)	65.00	46.20
No. of Trades	3,504	50,317
No. of Shares Traded	31,575,702	114,525,195
Value of Shares Traded (Rs. Mn)	1,996	8,262
Market Capitalisation (Rs. Mn)	38,775	27,560

4. COMPUTATION OF PUBLIC SHAREHOLDING

	2023 No of shares
Issued Share Capital as at 31 March	596,546,025
Less	
Parent Company	-
Subsidiaries of Parent	-
Directors' Shareholding (a)	15,709,910
Spouses of Directors and Chief Executive Officer	-
Key Management Personnel	-
Close Family Members (b)	7,553,900
Controlling Interest (c)	364,012,855
Over 10% Holding	-
Public Holding	209,269,360
Public Holding as a % of issued Share Capital	35.080%
Total Number of Shareholders	8,560
Number of Persons Holding Shares Excluded when Computing Public Holding %	16
Number of Shareholders representing the Public Holding	8,544

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

	List of 20 Major Shareholders as at 31 March	2023		2022	
		No. of shares	%	No. of shares	%
1	A Z HOLDINGS (PRIVATE) LIMITED	94,092,305	15.77	94,092,305	15.77
2	AMAGROUP (PVT) LTD	91,427,333	15.33	91,427,333	15.33
3	SARAZ INVESTMENTS (PRIVATE) LIMITED	89,565,277	15.01	89,565,277	15.01
4	BLUEBERRY INVESTMENTS (PVT) LTD	88,927,940	14.91	88,927,940	14.91
5	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	18,829,504	3.16	7,146,662	1.20
6	BBH-KOPERNIK GLOBAL ALL-CAP FUND	16,019,905	2.69	16,019,905	2.69
7	BBH-KOPERNIK GLOBAL ALL-CAP EQUITY FUND	12,263,194	2.06	12,263,194	2.06
8	J.B.COCOSHELL (PVT) LTD	8,784,879	1.47	1,280,997	0.21
9	RUBBER INVESTMENT TRUST LTD A/C NO 01	7,339,008	1.23	7,543,333	1.26
10	MR. I.A.H. ESUFALLY	7,086,284	1.19	7,086,284	1.19
11	BBH-TUNDRA SUSTAINABLE FRONTIER FUND	7,001,928	1.17	4,001,928	0.67
12	MR. M.A.H. ESUFALLY	6,164,633	1.03	6,164,633	1.03
13	MR. H.H. ABDULHUSEIN	5,500,000	0.92	5,500,000	0.92
14	MELLON BANK N.A-UNITED TECHNOLOGIES CORP. MASTER	5,488,757	0.92	5,488,757	0.92
15	MR. M.J. FERNANDO	5,448,160	0.91	5,448,160	0.91
16	CB LONDON S/A VERDIPAPIRFONDET HOLBERG RURIK	5,289,130	0.89	5,289,130	0.89
17	INVENCO CAPITAL PRIVATE LIMITED	3,997,109	0.67	96,868	0.01
18	CEYLON INVESTMENT PLC A/C # 02	3,706,719	0.62	6,450,208	1.08
19	JPMSE LUX-FRANKLIN TEMPLETON INVESTMENT FUNDS	3,381,145	0.57	-	-
20	BBH-KOPERNIK GLOBAL ALL-CAP MASTER FUND,LP	3,252,575	0.55	3,252,575	0.55

a) **Directors' Shareholding**

	31 March 2023	31 March 2022
A.N. ESUFALLY	167,353	2,617,353
H.N. ESUFALLY	2,291,640	2,291,640
I.A.H. ESUFALLY	7,086,284	7,086,284
M.A.H. ESUFALLY	6,164,633	6,164,633
DR. S.A.B. EKANAYAKE	--	--
A.S. AMARATUNGA	--	--
J.M. TRIVEDI	--	--
K.A.C. WILSON	--	--
P. SUBASINGHE	--	--
R. PATHIRANA	--	-
TOTAL	15,709,910	18,159,910

b) **Close Family Members**

	31 March 2023	31 March 2022
Z. ESUFALLY	2,350,000	250,000
AMAAR ESUFALLY	2,350,000	2,000,000
SABRINA ESUFALLY	259,170	259,170
ADAM ESUFALLY	259,170	259,170
R.H. ESUFALLY	259,170	259,170
BILLIQUIS I. ESUFALLY	725	725
SAKINA IMTIAZ ESUFALLY	2,073,365	2,073,365
S. SUBASINGHE	2,300	2,300
TOTAL	7,553,900	5,103,900

c) **Controlling Interest**

	31 March 2023	31 March 2022
A Z HOLDINGS (PRIVATE) LIMITED	94,092,305	94,092,305
SARAZ INVESTMENTS (PRIVATE) LIMITED	89,565,277	89,565,277
BLUEBERRY INVESTMENTS (PVT) LTD	88,927,940	88,927,940
AMAGROUP (PVT) LTD	91,427,333	91,427,333
TOTAL	364,012,855	364,012,855

Employee Share Option Plan as At 31 March 2023

	Date of Grant	Employee Category	Shares Granted	Expiry date	Option Grant Price (Rs.)	Exercised	Cancelled		Expired	Outstanding			End/Current price
							Due to Resignation	Due to Performance		Total	Vested	Unvested	
ESOS Scheme - 2015*													
Grant 4	27.07.2018		3,491,250	26.07.2022	108.81	-	15,000	1,443,428	2,032,822	-	-	-	108.81
		Executive Directors	687,500			-	-	170,075	517,425	-	-	-	
		Senior Executives	2,803,750			-	15,000	1,273,353	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	630,193	-	1,924,065	1,924,065		60.00
		Executive Directors	547,188			-	-	166,423	-	380,765	380,765		
		Senior Executives	2,083,570			-	76,500	463,770	-	1,543,300	1,543,300		
ESOS Scheme - 2021													
Grant 1	20.07.2021		3,538,112	19.07.2027	82.46	-	457,959	1,923,427	-	1,156,726	1,156,726		82.46
		Executive Directors	778,815			-		673,515	-	105,300	105,300		
		Senior Executives	2,759,297			-	457,959	1,249,912	-	1,051,426	1,051,426		
Grant 2	20.07.2022		3,071,647	19.07.2028	43.84	-		-	-	3,071,647	-	3,071,647	43.84
		Executive Directors	526,500			-		-	-	526,500	-	526,500	
		Senior Executives	2,545,147			-	-	-	-	2,545,147	-	2,545,147	

* ESOS Scheme - 20215 - Grant 01, 02 & 03 was expired prior to the 01 April 2022.

INDEPENDENT ASSURANCE REPORT

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HEMAS HOLDINGS PLC

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 its Integrated Annual Report for the year ended 31 March 2023 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 46, 66 and 199 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards.

Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The criteria applied for this assurance engagement:

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website 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 (Revised) 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.

Management of the Company's responsibility for the Report

The management of the Company is responsible for selecting the criteria, and for the preparation and presentation and self-declaration of the information contained in the Report in accordance with the given criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the information, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

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 given criteria. This Report is made solely to the Company in accordance with our engagement letter dated 15 May 2023. 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 of Ethics for Professional Accountants issued by CA Sri Lanka,

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances. Key assurance procedures included:

- Agreed the information on financial performance as disclosed on pages 46, 66 and 199 of the Report to audited financial statements
- Validated the information presented and checked the calculations performed by the organisation through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff

- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.

- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Limitations and considerations

Social, Natural and Intellectual capital management data/ information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

The information on financial performance as specified on pages 46, 66 and 199 of the Report are properly derived from the audited financial statements for the year ended 31st March 2023.

Nothing has come to our attention that causes us to believe that the information presented in the Report are not fairly presented, in all material respects, in accordance with the relevant criteria.

Ernst & Young

May 24, 2023
Colombo

GRI CONTENT INDEX

Statement of use	Hemas Holdings PLC has reported in accordance with the GRI Standards for the period April 1, 2022 to March 31, 2023
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
GRI 2: General Disclosures 2021	2-1 Organisational details	234	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.				
	2-2 Entities included in the organisation's sustainability reporting	5,215-217					
	2-3 Reporting period, frequency and contact point	5,6					
	2-4 Restatements of information	5					
	2-5 External assurance	5,38,223-224					
	2-6 Activities, value chain and other business relationships	4,76,78					
	2-7 Employees	60				Goal 1	
	2-8 Workers who are not employees	60				Goal 5 Goal 8 Goal 10	
	2-9 Governance structure and composition	91				Goal 8 Goal 16	
	2-10 Nomination and selection of the highest governance body	94,129-130					
	2-11 Chair of the highest governance body	94					
	2-12 Role of the highest governance body in overseeing the management of impacts	103					
	2-13 Delegation of responsibility for managing impacts	103					
	2-14 Role of the highest governance body in sustainability reporting	6,40					
	2-15 Conflicts of interest	95-96					
	2-16 Communication of critical concerns	40,95					
	2-17 Collective knowledge of the highest governance body	97					
	2-18 Evaluation of the performance of the highest governance body	97,127-128					
	2-19 Remuneration policies	97					
	2-20 Process to determine remuneration	66					
	2-21 Annual total compensation ratio	66					
	2-22 Statement on sustainable development strategy	13-14					

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
	2-23 Policy commitments	38				Goal 8 Goal 16	
	2-24 Embedding policy commitments	38					
	2-25 Processes to remediate negative impacts	38,61					
	2-26 Mechanisms for seeking advice and raising concerns	41					
	2-27 Compliance with laws and regulations	67					
	2-28 Membership associations	77				Goal 17	
	2-29 Approach to stakeholder engagement	41-42					
	2-30 Collective bargaining agreements	63				Goal 8	1,3
Material Topics							
GRI 3: Material Topics 2021	3-1 Process to determine material topics	43	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.				
	3-2 List of material topics	43-44					
Economic Performance							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					
Gri 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	46				Goal 1 Goal 8 Goal 10	
	201-2 Financial implications and other risks and opportunities due to climate change	115-116					
	201-3 Defined benefit plan obligations and other retirement plans	66,199				Goal 1 Goal 8 Goal 10	
	201-4 Financial assistance received from government	-	201-4 a,b,c	Not applicable	The Group does not receive any assistance from the Government		
Anti-Corruption							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 16	10

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	61					
	205-2 Communication and training about anti-corruption policies and procedures	-	GRI 205-2 a,b,c,d,e	Information unavailable/ incomplete	Communication on anti-corruption is a mandatory requirement in the Group onboarding process for all employees, who signs a Hemas Way document that provides guidelines and relevant information on bribery and corruption. As a result, the training is not tracked by the Group.		
	205-3 Confirmed incidents of corruption and actions taken	-	GRI 205-3 a,b,c,d	Confidentiality constraints	The maintains confidentiality regarding confirmed incidents of corruption and the actions taken to protect ongoing investigations and ensure the safety of individuals involved. While transparency is valued, this approach aims to strike a balance between disclosure and safeguarding sensitive information.		
Energy							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 7	8
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	69				Goal 12 Goal 13	
	302-2 Energy consumption outside of the organisation	-	GRI 302-2 a,b,c	Not applicable	The Group does not track this information at present		
	302-3 Energy intensity	69					
	302-4 Reduction of energy consumption	-	GRI 302 - 4 a,b,c,d	Not applicable	This information is partially reported		
	302-5 Reductions in energy requirements of products and services	-	GRI 302 - 5 a,b,c	Not applicable	The Group does not track this information at present		
Water and Effluents							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 6 Goal 12	8
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	72					
	303-2 Management of water discharge-related impacts	71					
	303-3 Water withdrawal	71					
	303-4 Water discharge	72					
	303-5 Water consumption	71					

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
Emissions							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 7 Goal 12 Goal 13	8
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	69					
	305-2 Energy indirect (Scope 2) GHG emissions	69					
	305-3 Other indirect (Scope 3) GHG emissions	-	GRI 305-3 a,b,c,d,e,f,g	Information unavailable/ incomplete	The Group does not track this information at present		
	305-4 GHG emissions intensity	69					
	305-5 Reduction of GHG emissions	69					
	305-6 Emissions of ozone-depleting substances (ODS)	-	GRI 305-6 a,b,c,d	Not applicable	The Group does not track this information at present		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	GRI 305-7 a,b,c	Not applicable	The Group does not track this information at present		
Waste							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 12 Goal 14 Goal 15	8
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	73					
	306-2 Management of significant waste-related impacts	73					
	306-3 Waste generated	74					
	306-4 Waste diverted from disposal	-	GRI 306-4 a,b,c,d,e	Information unavailable/ incomplete	The Group does not track this information at present		
	306-5 Waste directed to disposal	-	GRI 306 -5 a,b,c,d,e	Information unavailable/ incomplete			
Enviromental Compliance							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 12	8
GRI 307: Environmental Compliance 2016	307 -1 Non-compliance with environmental laws and regulations	67				Goal 13	
Employment							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					3,6

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	61				Goal 10	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	GRI 401-2 a, b	Not applicable	All employees of the Group including its full time and part-time/temporary employees are provided benefits that is in line with the relevant labour laws in the country		
	401-3 Parental leave	-	GRI 401-3 a.b.c.d.e	Information unavailable/ incomplete	While the Group has in place a robust parental leave policy that exceeds the legal requirement, this indicator is partially reported and information to be found on page 62		
Occupational Health and Safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	64				Goal 3 Goal 8	3,6
	403-2 Hazard identification, risk assessment, and incident investigation	64					
	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	64					
	403-6 Promotion of worker health	64					
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64					
	403-8 Workers covered by an occupational health and safety management system	-	GRI 403-8 a,b,c	Information unavailable/ incomplete	The Group does not track this data at present		
	403-9 Work-related injuries	64				Goal 3 Goal 8	
	403-10 Work-related ill health	-	GRI 403-10 a,b,c,d,e	Information unavailable/ incomplete	The Group does not track this data at present		
Training and Education							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 5 Goal 8	

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	65					6
	404-2 Programs for upgrading employee skills and transition assistance programs	-	GRI 404-2 a,b	Information unavailable/ incomplete	The Group does not track this data at present		
	404-3 Percentage of employees receiving regular performance and career development reviews	66					
Freedom of Association and Collective Bargaining							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 8	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	63					
Child Labour							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 8 Goal 16	
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	61					5
Forced or Compulsory Labour							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 8	
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	61					4
Local Communities							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 11	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	77-79				Goal 1 Goal 2 Goal 6 Goal 10 Goal 11 Goal 17	
	413-2 Operations with significant actual and potential negative impacts on local communities	-	GRI 413-2 a	Not applicable	The Group has in place processes to identify any community grievances and has not identified any operations with significant negative impacts on local community		
Customer Health and Safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	-	GRI 416-1 a	Not applicable	The Group does not track this data at present		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	76					

GRI Standard/ Other Source	Disclosure	Location	Omission			UNSDG	UNGC 10 Principals
			Requirement(S) Omitted	Reason	Explanation		
General Disclosures							
Marketing and Labelling							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	58					
	417-2 Incidents of non-compliance concerning product and service information and labelling	76					
	417-3 Incidents of non-compliance concerning marketing communications	76					
Customer Privacy							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	76					
Socio Economic Compliance							
GRI 3: Material Topics 2021	3-3 Management of material topics	38-39,44				Goal 16	
GRI 419 : Social Economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	8-77					

ALIGNMENT TO TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Disclosure		Location
Governance	(a) Describe the board's oversight of climate related risks and opportunities.	39-40
	(b) Describe management's role in assessing and managing climate related risks and opportunities.	39-40
Strategy	(a) Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term	116
	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	115
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	39
Risk Management	(a) Describe the organisation's processes for identifying and assessing climate related risks	111,113
	(b) Describe the organisation's processes for managing climate related risks.	116
	(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	113
Metrics and Targets	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	69,71-73
	(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	68-69
	(c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	67-74

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, tax, depreciation, amortisation.

EFFECTIVE RATE OF TAXATION
Income tax over Profit Before tax.

EQUITY
Equity attributable to Equity Holders of the Parent.

GEARING
Debt divided by the sum of equity, non controlling interests and debt.

INTEREST COVER
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.

NOTICE OF MEETING

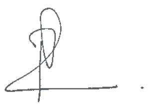
NOTICE IS HEREBY GIVEN THAT the Seventy Fourth Annual General Meeting (AGM) of Hemas Holdings PLC will be held as a Virtual AGM, emanating from the Registered Office, 'Hemas House' No. 75, Braybrooke Place, Colombo 2, on Friday, 30th day of June 2023 at 3.30 p.m. for the following purposes;

AGENDA

1. To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2023 together with the Reports of the Directors and Auditors thereon.
2. To re-elect, Mr. I. A. H. Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
3. To re-elect, Mr. J. M. Trivedi who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
4. To re-elect, Ms. K. A. C. Wilson who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.
5. To pass the following Ordinary Resolution set out below to re-appoint as Director Mr. A. N. Esufally who has completed 70 years of age and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007.

   "RESOLVED that Mr. A. N. Esufally who has completed 70 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. A. N. Esufally."
6. To re-elect, Mr. R. P. Pathirana who retires in terms of Article 72 of the Articles of Association, as a Director.
7. To declare a final dividend of Rs. 1.95 per Ordinary Share as recommended by the Board.
8. To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.
9. To authorise the Directors to determine and make donations to Charity.

By order of the Board of,
HEMAS HOLDINGS PLC



Hemas Corporate Services (Private) Limited
Secretaries

24 May 2023

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, has decided to hold the Annual General Meeting (AGM) as a virtual AGM in conformity with the regulatory provisions of the Company and, the listing rules and the guidelines of the Colombo Stock Exchange.
- Shareholders who wish to participate in the Annual General Meeting through the Online Platform are kindly requested to complete and forward the Annexure 1 to the Annual Report, to the email address peshalaf@hemas.com with the email subject titled "Hemas Holdings PLC AGM 2023" 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 will be physically present at the Registered Office.
- Voting on the items listed in the Agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.
- Shareholders who wish to appoint a member of the Board of Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy, in such event the email address of the proxyholder will not be required.
- Shareholders may send their questions/ comments on the items listed in the Agenda of the Notice Convening the AGM by email to 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 the online platform.

CORPORATE INFORMATION

LEGAL FORM

A Limited Liability Company incorporated in Sri Lanka and listed on the Colombo Stock Exchange on 15th October 2003

DATE OF INCORPORATION

10th December 1948

DATE OF RE-REGISTRATION

30th May 2007

COMPANY RE-REGISTRATION NUMBER

P Q 6

ACCOUNTING YEAR END

31 March

REGISTERED OFFICE

'Hemas House'
No. 75, Braybrooke Place,
Colombo 2.
Telephone: +94 11 4731731
Website: www.hemas.com

DIRECTORS

H. N. Esufally (Chairman)
Dr. S. A. B. Ekanayake (Deputy Chairman)
K.C. Wilson (Group CEO)
A. N. Esufally
I. A. H. Esufally
M. A. H. Esufally
A. S. Amaratunga
J. M. Trivedi
P. Subasinghe
R. P. Pathirana

AUDIT COMMITTEE

A. S. Amaratunga – Chairman
I. A. H. Esufally
R. P. Pathirana

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Dr. S. A. B. Ekanayake – Chairman
H. N. Esufally
A. S. Amaratunga

NOMINATION AND GOVERNANCE COMMITTEE

Dr. S. A. B. Ekanayake – Chairman
J. M. Trivedi
A. N. Esufally

RELATED PARTY TRANSACTION REVIEW COMMITTEE

A. S. Amaratunga – Chairman
I. A. H. Esufally
K.C. Wilson

SECRETARIES

Hemas Corporate Services (Private) Limited
'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
Fax: +94 11 2573609
Email: sspsec@sltnet.lk

INVESTOR RELATIONS

Hemas Holdings PLC
'Hemas House' No. 75, Braybrooke Place,
Colombo 2
Telephone: +94 11 4731731 Email: ir@hemas.com

AUDITORS

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

LAWYERS TO THE COMPANY

Group Legal
Hemas Holdings PLC
'Hemas House' No. 75, Braybrooke Place, Colombo 2
Telephone: +94 11 4731731

BANKERS

Bank of Ceylon
Citibank N. A
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
The Hong Kong & Shanghai Banking Corp. Ltd
Union Bank PLC

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
Dr. Sumitha Anura Bandara Ekanayake of Nugegoda	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
Mr. Amitha Shaktha Amaratunga of Colombo 7	whom failing
Mr. Jyotindra Manibhai Trivedi of Colombo 2	whom failing
Mr. Prabhash Subasinghe of Colombo 4	whom failing
Mr. Ranil Prasad Pathirana of Rajagiriya	

as *my/our Proxy to *speak and /to vote for *me/us on *my/our behalf at the Seventy Fourth Annual General Meeting (AGM) of Hemas Holdings PLC to be held as a virtual AGM on Friday, 30th day of June 2023 at 3.30 p.m. emanating from the Registered Office at 'Hemas House' No. 75, Braybrooke Place Colombo 2 and at any adjournment thereof.
I/We hereby authorise my/our proxy to vote for me/us and on my/our behalf in accordance with the preferences indicated below:

		For	Against
1.	To receive and consider the Statements of Accounts of the Company and of the Group for the Year ended 31st March 2023 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect, Mr. I. A. H. Esufally who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.		
3.	To re-elect, Mr. J. M. Trivedi who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.		
4.	To re-elect, Ms. K. A. C. Wilson who retires by rotation in terms of Article 84 of the Articles of Association, as a Director.		
5.	To pass the following Ordinary Resolution set out below to re-appoint as Director Mr. A. N. Esufally who has completed 70 years of age and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007. "RESOLVED that Mr. A. N. Esufally who has completed 70 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. A. N. Esufally."		
6.	To re-elect, Mr. R. P. Pathirana who retires in terms of Article 72 of the Articles of Association, as a Director.		
7.	To declare a final dividend of Rs. 1.95 per Ordinary Share as recommended by the Board.		
8.	To re-appoint M/s Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
9.	To authorise the Directors to determine and make donations to charity.		

*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 Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association /Statutes.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. The completed Form of Proxy should 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:	
Proxy holder's telephone number (residence/work):	
Proxy holder's mobile number:	
Email address to which the online 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
74th Annual General Meeting - 2023

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 Signature and Date	1st Joint holder Signature and Date	2nd Joint Holder Signature and Date

FORM OF REQUEST

Date:
Hemas Corporate Services (Private) Limited
'Hemas House' No. 75, Braybrooke Place, Colombo 2

Dear Sirs/ Madam,

HEMAS HOLDINGS PLC -

REQUEST FOR A PRINTED COPY OF THE ANNUAL REPORT 2022/23

I wish to obtain a printed copy of the Annual Report 2022/23 of Hemas Holdings PLC.

I will collect a copy from your Office

Please hand over copy to bearer

(Name of bearer...)

Please mail a copy to my address given below

Full name of Shareholder	
NIC/Passport no./ Company Registration no.	
Correspondence Address	
Contact number	

……………..……………………
Signature of Shareholder

Designed & produced by

emagewise

Printing by Softwave Printing and Packaging (Pvt) Ltd
Photography by Dhanush De Costa

'Hemas House'
No. 75, Braybrooke Place, Colombo 2.
Telephone: +94 11 4731731
Website: www.hemas.com