



WINNER OF THE NATIONAL QUALITY AWARDS 2012



Lanka Hospitals was awarded ‘Winner’ in the Large Scale Healthcare category at the Sri Lanka National Quality Awards 2012, hosted by the Sri Lanka Standards Institution (SLSI). The award criteria is based on the Malcolm Baldrige National Quality Awards criteria used in the USA:

- **Leadership**
- **Strategic planning**
- **Customer focus**
- **Measurement, analysis and knowledge management**
- **Workforce focus**
- **Operations focus**
- **Results**

Accreditations/Certifications:

Full Lab Accreditation - ISO 15189 : 2007 standard

ISO 22000 : 2005 standard for food safety Management

A+/P1 (Stable)” by RAM Ratings for two consecutive years

JCI accreditation (in progress)

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For years we have been travelling the journey towards excellence. It has been a long and difficult road with many challenges along the way, yet today we know we can stand proud and truly claim our place at the top of the healthcare industry, as the “Winner” in the Large Scale Healthcare category at the Sri Lanka National Quality Awards 2012. As the only healthcare provider to win this award in the large scale healthcare category in 2012, we have set ourselves apart. Through our unique offering of nationally certified quality standards combined with what is by far the most affordable costs to our patients, we are setting the gold standard for the industry as a whole.

This report details the many ways in which we keep our promise to our patients - the pledge to offer the most affordable healthcare with state of the art technology and expertise, delivered in the same warm and caring manner that every patient has come to expect of us.

Lanka Hospitals. The Gold Standard of Healthcare.

FINANCIAL HIGHLIGHTS

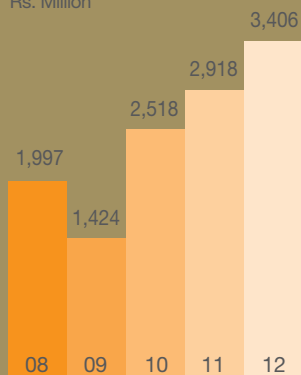
Rs. 3.4Bn
Revenue

16%
17%

Growth in PBT

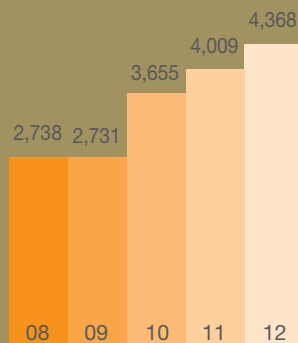
Revenue Growth

Rs. Million



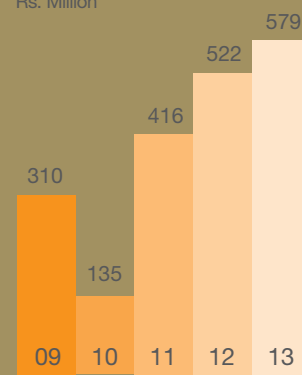
Revenue

Rs. Million



Total Assets

Rs. Million



Net cash flow from operating activities

Five Year Summary

	2012	2011	2010	2009 (9 Months)*	2008/09
Revenue	3,405,864,503	2,917,656,708	2,517,569,878	1,424,391,757	1,996,505,900
Profit before interest & tax	337,091,890	339,326,265	277,298,829	24,692,113	108,877,414
Profit after tax	386,056,467	436,617,791	289,143,723	7,243,970	41,126,810
Total assets	4,367,568,505	4,008,926,466	3,655,399,477	2,731,414,156	2,737,686,192
Net assets (Total equity excluding debts)	3,629,179,249	3,354,677,540	2,747,875,109	2,007,591,301	2,000,347,331
Annual revenue growth %**	17%	16%	33%	-5%	35%
Net cash flow from operating activities	578,975,022	521,872,749	415,578,722	135,405,161	310,074,763
EBITDA**	592,208,172	561,207,813	477,379,446	226,905,992	303,917,269

Profitability indicators**

Gross profit margin	55%	57%	56%	55%	57%
Operating profit margin	10%	12%	11%	2%	2%
Net profit margin	11%	15%	11%	1%	2%
Return on capital employed	12%	11%	11%	1%	3%

Liquidity & Debt Ratios**

Current ratio	3.11	2.67	1.77	1.15	0.77
Quick ratio	2.78	2.31	1.57	0.98	0.60
Gearing ratio	N/A	N/A	0.82	2.63	3.76
Interest cover	N/A	261.19	45.75	2.49	2.94

Equity**

Dividend per share	0.50	N/A	N/A	N/A	N/A
Dividend pay out	0.26	N/A	N/A	N/A	N/A
Earnings per share	1.73	1.95	1.29	0.04	0.18
Net assets per share	16.22	14.99	12.28	8.97	8.94

* The Company changed its balance sheet date from 31st March to 31st December.

** In arriving annual revenue growth in 2010 and 2009, revenue for 9 months has been extrapolated for comparison purpose.

VISION STATEMENT

"To be the foremost and preferred private healthcare facility in the country, which will serve the nation and her people to build a healthier community."

MISSION STATEMENT

"To maintain exceptional and compassionate quality while offering cost-effective healthcare solutions of international standards."

OUR PROMISE

"We believe that every person has the right to be treated with utmost respect and consideration. Therefore at Lanka Hospitals we care about our patients. We care about their families who are anxious and concerned. We care about our colleagues and how we as a team provide the best care to our patients. Because we care, we will be sincere, compassionate and sensitive to make a difference in the lives we touch!"



**LANKA
HOSPITALS**

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Executive Information

CHAIRMAN'S MESSAGE

As we look to the future, our intention is to physically expand our existing infrastructure. With the increasing requirement for medical services in Sri Lanka, the scope for healthcare is on the rise. However, the developing road infrastructure has now almost negated the need to expand outside of Greater Colombo, and therefore, our intention is to build an ultimate healthcare facility, in and around our existing city location.



Rs. 386Mn

Profit for the year



As your Chairman,
I am proud to claim
that Lanka Hospitals
as a corporate
has demonstrated
excellence during the
year under review, both
from an operational
and financial viewpoint.

Dear Shareholders, It is with great pleasure that I present to you the Annual Report and Audited financial statements of your company for the financial year 2012. I am confident that our shareholders will be pleased with the performance of the Company this financial year. Lanka Hospitals has applied its unique drive for success throughout the year, to perform exceptionally across its operations, limiting itself not only to commercial successes but also to augment the Sri Lankan healthcare offer.

As your Chairman, I am proud to claim that Lanka Hospitals as a corporate has demonstrated excellence during the year under review, both from an operational and financial viewpoint. Whilst our focus over the past few years has been to upgrade our services and infrastructure to be on par with global healthcare leaders, I truly believe that in 2012 we have been successful in realising this vision, and that today we are undisputedly world-class. Our focus on delivering excellence in medical care, coupled with our innate empathy for our customers needs, has been the pivot on which we have built not only a successful commercial healthcare enterprise but indeed, a model for replication in Sri Lanka and the region.

As an obvious progression of our vision to excel, we now look to expand our product base to an array of peripheral healthcare products and services through the formation of key international healthcare partnerships. As such, we have already taken a bold step towards repositioning diagnostic services in Sri Lanka, and have invested into the establishment of a state of the art laboratory service, which will bring to Sri Lanka a range of diagnostics tests that are currently unavailable in the country. Through the infusion of superior technology and know-how from our international partners, our intention is to establish a laboratory service that will be a referral centre in South Asia and amongst the best in the Asian region.

We are also sourcing and securing ways in which to facilitate knowledge expansion and I am pleased to note that through our international partnerships we have secured very valuable knowledge share opportunities in the area of research and development. As we look to the future, our intention is to physically expand our existing infrastructure. With the increasing requirement for medical services in Sri Lanka, the scope for healthcare is on the rise. However, the developing road infrastructure has now almost negated the need to expand outside of Greater Colombo, and therefore, our intention is to build an ultimate healthcare facility, in and around our existing city location.

In the year ahead, we look forward to getting accredited by the Joint Commission International, (JCI) as it will cement our position as a globally recognised healthcare provider of repute. It is essentially the stamp of class for quality in healthcare and thus will benchmark Lanka Hospitals amongst the best in the world.

Let me, once again this year; take this opportunity to reiterate that the Government of Sri Lanka remains passionate and committed towards its stake in The Lanka Hospitals Corporation PLC. Lanka Hospitals remains critical to the GoSL for many reasons; primarily its ability to provide world-class medical care whilst balancing the equation of affordability; and the role it plays in uplifting the general standard of living of our citizens. As is evident from the progress we have made so far, our strength of commitment and dedication towards your Company is unwavering. I, as your Chairman commit my full capacity towards continually developing Lanka Hospitals to be amongst the best in the global healthcare sphere. As Sri Lanka develops to be an emerging economic star, our vision is for Lanka Hospitals to lead in this drive for progressive development.

Sincere appreciations are due to my Board of Directors, the employees and of course to you our shareholders for being the pillar of strength and support that has sustained the challenging journey so far.

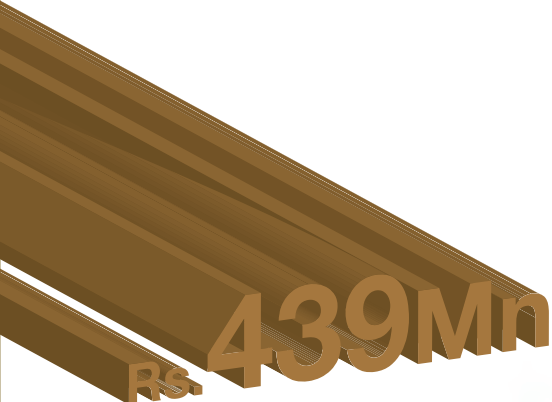


Gotabhaya Rajapaksa RWP RSP psc MSc
Chairman

28th March 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

2012 was in essence a year in which we consolidated our strategies put into action in the past four years, whilst continuing to build on critical areas in pursuit of achieving “threefold excellence”.



Rs. 439Mn

Profit before tax



The “Gold Standard” proposition is something that we at Lanka Hospitals can attribute to, given our numerous operational and clinical successes that have received recognition and accolades at the highest national and international fora.

Journeying towards “threefold excellence”

In the year 2012, our shareholders will be pleased to note that Lanka Hospitals continued on a sustained growth trajectory, clearly on target to achieve strategic objectives in the medium term.

2012 was in essence a year in which we consolidated our strategies put into action in the past four years, whilst continuing to build on critical areas in pursuit of achieving “threefold excellence”. Therefore, we intensified the momentum towards maintaining and building on the Company’s financial stability whilst retaining a position of strength through the offer of best in quality and best in price to our valued customers.

I am pleased to report that during the financial year, Lanka Hospitals made resolute steps towards achieving “threefold excellence”. Let me provide a succinct overview. Our shareholders will also find a more detailed analysis and discussion of these achievements and the challenges and shortfalls encountered over the year, in the Management Discussion & Analysis within this report.

The “Gold Standard” proposition

This year, as our shareholders would have noticed, we in our Annual Report take a strong proposition as the theme. The “Gold Standard” proposition is something that we at Lanka Hospitals can attribute to, given our numerous operational and clinical successes that have received recognition and accolades at the highest national and international fora.

This is all the more pertinent given our overwhelming achievement at the National Quality Awards in 2012. In fact, we are proud to have become the only healthcare provider in Sri Lanka to be awarded the “Winner” in the Large Scale Healthcare category at the Sri Lanka National Quality Awards 2012. We take this recognition humbly but are not reticent to note that the recognition is well placed. Indeed, over the past five years we have worked tirelessly and with dedication to create a Total Quality Management (TQM) culture at Lanka Hospitals. Thus, we believe that we have proven our commitment towards the integration of TQM to our everyday operational processes, making TQM part and parcel of how we do business. In this light, we are more than pleased to receive the highest award for quality performance, nationally, bestowed upon us.

It is not only this accolade that places us as the “Gold Standard” of healthcare in Sri Lanka. We are looked upon as a trendsetter in the industry and our efforts towards gaining the Joint Commission International (JCI) accreditation places us well ahead of the competition in terms of international best practice. Possibly it is this passion and vision to be a pioneer of state of the art healthcare that has established us a hub for knowledge expansion, not only in Sri Lanka but also across the Asian region.

In 2012 our clinical successes were many. Our Fertility Centre continued to be the foremost fertility facility in Sri Lanka, maintaining the largest market share. We are the only healthcare provider in the country to have accomplished in excess of 400 births in a span of 4 years. Our Fertility Centre has a 43% success rate in COH IVF cycle and is on par with the best IVF centres in the world. It is also the only Fertility Centre in the country to undertake IVF procedures on a daily basis, every single day of the year and the only lab to implement a bar code system for 100% accuracy in the IVF procedure. We were also the first to implement the vitrification methodology for embryo freezing to Sri Lanka. Our Renal Care centre remains the only private facility in Sri Lanka to have performed over 300 Renal Transplants whilst the Dialysis Unit of Lanka Hospitals performs the highest number of Dialysis per year in the private sector.

CHIEF EXECUTIVE OFFICER'S REVIEW

In fact, we are proud to have become the only healthcare provider in Sri Lanka to be awarded the “Winner” in the Large Scale Healthcare category at the Sri Lanka National Quality Awards 2012.

Our Surgical Department was the first in Sri Lanka, to introduce fixed tariffs for its surgical packages. In effect, we have revolutionized the healthcare system in Sri Lanka, bringing to the fore the affordability factor and the consideration of the customer by allowing patients know the entire cost of a procedure even before getting admitted to the hospital. This has surely created a new culture in healthcare provision, a culture that attunes the customers interests ahead of the healthcare providers. We are indeed, proud to have led this change.

In terms of accreditations, Lanka Hospitals is the only hospital in Sri Lanka to be awarded ISO 22000 thus, ensuring the safety of the food processing chain at every point, the first hospital laboratory to be awarded the ISO 15189 and the only hospital in Sri Lanka to be rated “A+/P1 (Stable)” by RAM Ratings for two consecutive years for the Hospital’s strong financial profile, liquidity and ongoing state support with the positive outlook for the private healthcare industry.

These are just a few of the points that make us unique and the undisputed “Gold Standard” in quality healthcare delivery in Sri Lanka.

Best in Quality

Our pursuit of quality is a consuming passion at Lanka Hospitals. We believe that quality should be embedded to every aspect of our operations and have made far-reaching efforts to encompass principles and processes that enhance the outcome of both clinical and non-clinical care. The commitment to maintain standards and raise the bar in medical care extends from all patient care professionals and the senior management, and transcends down to each and every employee in the organization. Assured by accreditation standards, patients are provided world-class treatment through our experienced medical and nursing staff, extensive measures taken for infection control, patient safety and quality improvement– all of which we strive to maintain at exceptional levels.

During the year quality improvements through incident reporting, collection and analysis of quality indicators and Kaizen activities supported our quest for sustainable and zero incident operations whilst also serving as a foundation for quality accreditation. Continuous education on the concepts of quality, adoption of work improvement teams and the Japanese 5S housekeeping practices have become a part of the quality culture at Lanka Hospitals where productivity and quality improvements are sought with dedication. In a bid to standardize all activities conducted at Lanka Hospitals, all procedures were documented in the form of Standard Operating Procedures. This includes medical and non-medical areas. Patients are greatly benefited by such an initiative as this helps to reduce variations in processes, thereby reducing the potential risks to the patient.

Lanka Hospitals became the first private hospital to achieve the ISO 22000:2005 certification for Food Safety Management Systems in 2012. We also once again received 5 out of 5 Crowns for Food Hygiene during the year. Lanka Hospitals is now well on its way to achieve ISO 14001:2004 certification for Environmental Management System by mid 2013, having laid the foundation to achieve this certification over the course of this financial year. Once implementation of the processes is complete and certification in place, we believe that this will be the foundation on which we can build a robust, sustainable and most importantly a prudent operational model for sustainable practice.

But most importantly, our shareholders will be pleased to note that our quality focus this year was directed towards setting a pathway to achieve Joint Commission International (JCI) standards accreditation, which is the ultimate gold standard for healthcare. JCI’s origins are from the USA but remain a truly international accreditation and are widely implemented in over 90 countries worldwide. It focuses on the improvement of safety and quality in the healthcare industry and has proved itself to be the Gold Seal in assuring patient safety due to its excessive emphasis on the importance of harm reduction to patients. The JCI standards

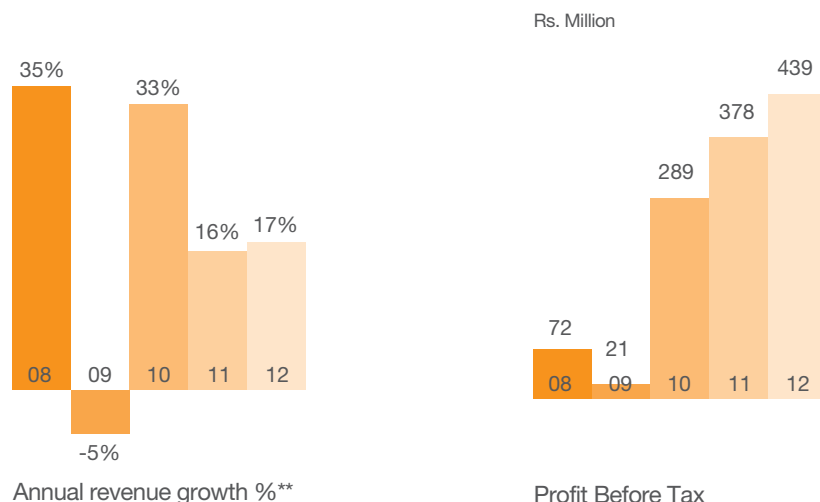
have solely been conceptualised for the healthcare industry, and therefore meet the unique requirements of the industry. We believe that it is the foundation for creating a holistic approach to quality of patient care and a means to perpetuate our drive for performance excellence, as the standards address both patient as well as organizational management centered criteria whilst being sensitive to local legal, religious and cultural factors. The hospital will be JCI ready for the final audit during the course of the upcoming financial year and believe that by doing so we will be setting new standards and a benchmark in quality healthcare in Sri Lanka. We are more than confident that the JCI accreditation will push Lanka Hospitals once step closer to its vision to be world-class and the “Best in Asia”.

Engagement and structured feedback are core components of our feedback system which is integral in our Quality Assurance programme and we strive to engage with our core stakeholders consistently; i.e. patients and service providers. We commissioned a professional research in 2012 to study and gauge customer satisfaction, and to gain further insight into gaps and shortfalls in our service offer. We are pleased of the research outcomes, particularly as 83% of our customers were highly satisfied and would recommend Lanka Hospitals to friends and relatives whilst a further 70% mentioned that they will persuade their friends and relatives who seek treatments at other hospitals to convert to Lanka Hospitals.

All our substantive efforts over the past few years have been in pursuit of offering superior healthcare to our customers and most importantly towards positioning Sri Lanka’s healthcare industry a notch higher. We believe that we are now the benchmark for TQM in the healthcare industry and have become a centre for knowledge sharing with both a bevy of local institutions and international healthcare and non-healthcare stakeholders are engaging with us consistently for observational studies, knowledge share and training throughout the year.

Financial Stability and Operational Intent

During the reporting period we consolidated our momentum of growth and came perceptibly closer towards accomplishing our vision to be a world-class healthcare provider. We continued to make headway in shifting our market position to a “leader” in many areas in the provision of healthcare.



CHIEF EXECUTIVE OFFICER'S REVIEW

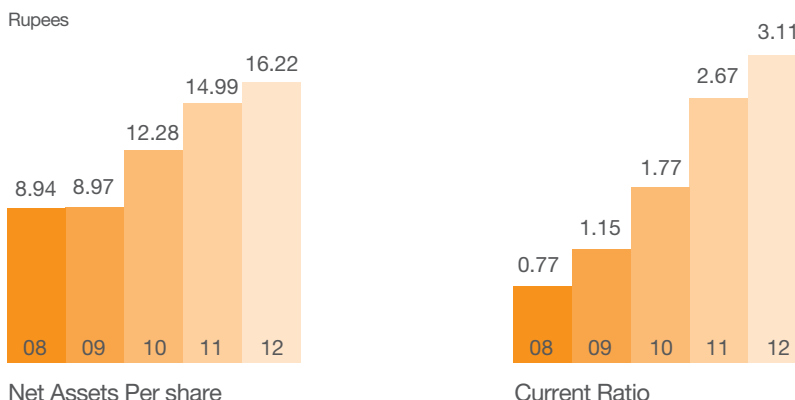
All our substantive efforts over the past few years have been in pursuit of offering superior healthcare to our customers and most importantly towards positioning Sri Lanka's healthcare industry a notch higher.

As in the previous financial year, our key strategic intent in 2012 was to essentially derive higher revenue intensity. Towards this end, the Hospital undertook a number of strategic initiatives to drive revenue whilst also deriving efficiencies. As a cumulative outcome of the strategies executed over the past four years and the cumulation of operational efficiencies and financial reforms undertaken from 2009/2010 to date merged to deliver greater financial return. Lanka Hospitals during the reporting period posted commendable returns, demonstrating a revenue growth of 17% and a growth in profit before tax of 16%. The Hospital posted higher revenue intensity with the ratio of income from all of our centres of excellence and revenue centres demonstrating marked and substantive increases.

Strategic initiatives aimed at revenue growth translated into realistic enablers of revenue enlargement for the Hospital during the year and I am more than confident that going forward, as a result of these initiatives we will witness further strengthening of financial stability in the form of growth in not only revenue, profits & liquidity, but also in shareholder value creation. Already, this financial year we have recorded strong growth in all of these areas and I believe that our continued focus and adoption of a progressive management approach will be the key to our continued successes in the future.

During the financial year, The Lanka Hospitals Corporation PLC recorded a turnover of Rs. 3,406 million against Rs. 2,918 million in the previous year. Commendably, profit before tax rose to Rs. 439 million as opposed to Rs. 378 million in 2012. Operational Profit for the same period stood at Rs. 337 million.

But possibly the greatest achievement by far is the fact that despite our commendable financial performance this year, we remained the most cost effective city hospital serving a larger cross section of society. Lanka Hospitals plays a critical role in the nation's strategy to provide world-class medical care whilst balancing the equation of affordability and accessibility for all Sri Lankans. We continued to maintain our loyal and long standing customers during the year whilst attracting a diverse client base from all socio-demographics and geographics of Sri Lanka. Our international client base continues to be on the rise and we have acquired a name for ourselves, as a reputed referral centre for specialized clinical needs whilst also being a strong provider of general medical care. During the year 2012 we experienced a large inflow of specialist doctors from different specialties wanting to engage with the hospital for both out-patient practice and in-patient care. This is a resounding code of confidence by Sri Lanka's medical fraternity on our key competencies; affordability, superior care and the advanced facilities that we offer.



In 2012, our core operational intents were to place strong focus on the clinical side of the business, achieve medical superiority and to introduce new technology. We continued to move with purpose and focus, to further achieve our overall strategy of procuring higher revenue per bed/day. On the surgical front, theater utilization grew by an impressive 39% whilst total number of surgeries upped by 5% during the year. Concerted focus on surgical care with the objective of driving higher revenue intensity has proved to be a prudent and judicious strategy towards overcoming the issues of seasonality that has been a long-standing challenge to the healthcare industry. In our case, this strategy has proved to be key to achieving consistency in revenue and in 2012; we witnessed with surety the demonstrative outcomes of this strategy.

During the financial year, revenue from OPD witnessed a commendable growth of 20%, and this is in essence proof of Lanka Hospital's strategy for market penetration propelled by affordability as the key driver. Likewise, our Laboratory services and diagnostics recorded a demonstrative revenue growth of 20% for the third consecutive year. As the most cost effective city hospital, we have strategically penetrated almost all viable Socio Economic Classes (SEC) whilst also attracting a client base from around the country. Our operational and marketing strategies have enabled us to open markets that were otherwise restrictive due to barriers such as accessibility and affordability.

In pursuit of maintaining consistency in medical superiority, we continued to invest into upgrading of technology. As a result of our concerted intention to maintain our medical technology on par with global standards, we continued to procure the latest upgrades. Our own IT infrastructure was significantly enhanced during the year to support our drive towards operational excellence. In 2012, we made a bold and well calculated decision to invest towards the latest Hospital Information System (HIS), and in the financial period under review, Lanka Hospitals has been progressively implementing different facets of this state of the art HIS, which will be the bedrock for greater operational efficiencies and information decimation in the years ahead. The HIS will facilitate open interaction between doctors, customers and the Hospital, therefore not only enhancing the communication process but also opening up windows of information for greater engagement and decision-making, for all users. In particular, we believe that the HIS will redefine the doctor-customer-hospital relationship in Sri Lanka, as accessibility to secure medical records online, at the touch of a button will enhance the overall experience and whilst facilitating diagnosis and care. Equally important will be the role of HIS in management decision-making support, and we believe that by having the ability to drill down on quantifiable data and Key Performance Indicators, coupled with the provision of better controls will better facilitate our drive for operational excellence. As a healthcare institution that is driven by technology, we believe we will have the advantage of process superiority, as streamlined processes will deliver greater convenience to customers, removing ambiguity and sharpening our focus on operational performance.

During the financial year, we also launched a tri-lingual and fully interactive web site and our intention in the upcoming financial year, is to further leverage IT as a platform for continuous stakeholder interaction. Currently under development are a number of mobile apps to enhance reach and interaction between customers and Lanka Hospitals and we are hopeful of launching these in the year ahead.

I am pleased to note that it is as a direct outcome of these strategic and operational initiatives, that Lanka Hospitals has been in a position to enhance shareholder wealth creation. This financial year marks the second consecutive year in which we are able to reward our shareholders with significant dividends.

CHIEF EXECUTIVE OFFICER'S REVIEW

Strategic initiatives aimed at revenue growth translated into realistic enablers of revenue enlargement for the Hospital during the year and I am more than confident that going forward, as a result of these initiatives we will witness further strengthening of financial stability in the form of growth in not only revenue, profits & liquidity, but also in shareholder value creation.

HR as driver of excellence

At Lanka Hospitals our people take centre stage. We are conscious of the need to create a culture of continuous enterprise-wide learning that encourages dialogue, sharing of knowledge and individual pursuit of innovation within the context of our strategy and vision. We believe that this permits the Company to create a scenario that enables every employee to work towards a common goal, across functions.

In 2002, Lanka Hospitals Corporation Ltd introduced to Sri Lanka the most advanced healthcare facility under the Apollo Hospitals brand. In 2012, a decade later, Lanka Hospitals continues to lead Sri Lanka's healthcare industry as it journeys to realize a vision "to be the best in Asia". Importantly, within these ten years of operations, we recognise that it is our people who have journeyed with us over the decade, growing together towards a shared vision.

Thus at a celebratory ceremony, held at Water's Edge, during the financial year we sought to felicitate and recognise those behind the success of Lanka Hospitals. At the event we felicitated employees who have walked with us over the past ten years and those who have been at our side for over five years. Our employees, we believe are our family at Lanka Hospitals. They have worked tirelessly over the years in striving to achieve not just our commercial objectives but to consistently be responsible, caring and to diligently deliver our promise to care with passion to those who are the most important element in our existence – our customers.

We are of course also extremely appreciative of the role played by consultants and the medical professionals in paving the way for greater successes and growth at Lanka Hospitals. It is their dedication, constructive criticism and expertise that have brought Lanka Hospitals to a position of leadership today.

Future Outlook

We look to the future with enthusiasm and confidence. Indeed, if our recent past is reflective of the successes in store for our immediate future, then our shareholders can without doubt expect to witness tremendous growth in the medium term.

In the immediate future, Lanka Hospitals will continue to focus on maintaining medical superiority, quality and care. Affordability will remain a key driver of growth and therefore, we will continue to focus our energies towards remaining competitive by offering the best in price in the healthcare industry. Financial stability and shareholder interests will of course be an area of priority.

In achieving these broad objectives our intention will be to:

- further expand and increase capacity – in response to the growing demand for in-patient services.
- further expand laboratory services – through the introduction of a new business model for lab and diagnostics with an intention to broaden the scope of operations, specializations and uplifting of standard procedures to comply with requirements and recommendations of the College of American Pathology. The new lab services will offer tests that are currently unavailable in Sri Lanka and will greatly facilitate the medical fraternity in their overall clinical management.

- further penetrate the market including the provision of accessibility to deep rural pockets through the presence of a strong laboratory network.
- Introduction of new departments for lab and diagnostics which will for the first time be available in Sri Lanka
- Reduce turnaround time with the introduction of a very efficient logistics model and standard of procedures deemed world class.
- further expand theatre facilities – focus on surgical care and surgical facilities will be enhanced. Specialist theatres for neurosciences and orthopedics are currently under construction.
- be JCI accredited in 2013/2014 – open the doors to the world in terms of marketability, as the JCI accreditation will place Lanka Hospitals on par with the best global healthcare providers. This will facilitate medical tourism and act as a key decision-maker for international customers. The accreditation will place Sri Lanka as an emerging yet serious healthcare provider on the global healthcare map. This initiative will enhance patient safety and quality of medical care across the board.
- further improve service standards – perpetuate service excellence in clinical and non-clinical through continuous improvement.
- further establish the brand locally & internationally – to be seen as an exemplary healthcare brand that positions not only Lanka Hospitals but also Sri Lanka as an emerging healthcare hub.

Appreciation

In summary, I must note my appreciation to our Chairman who has envisioned a strategy of promise for not only Lanka Hospitals but also for the nation and her people, to the esteemed Board of Directors who have collectively given sound direction and guidance to achieve that vision and of course to the Lanka Hospitals team that has worked relentlessly to realize our corporate objectives. We remain firmly committed to our customers and to our shareholders and are greatly appreciative of the partnership of the medical fraternity in our journey towards “threefold excellence” in maintaining leadership and upholding our position as the veritable “Gold Standard” in healthcare for Sri Lanka and the region.



Lakith Peiris
Chief Executive Officer

28th March 2013

MEDICAL SERVICES DIRECTOR'S REVIEW

In 2012 we continued to demonstrate excellence in transplant programs, and we enhanced our performance in neurosurgery and gastroenterology whilst across the board, all our centres of excellence performed with exception.

Our journey towards Joint Commission International Accreditation has been one that has required exceptional dedication from all employees.



It is indeed commendable that Lanka Hospitals is considered as a successful practical case for further study by the rest of the corporate community.

The year 2012 has been a year of great operational accomplishment for Lanka Hospitals. It has been a year in which we have been wholly recognised for our accomplishments and our strategic endeavours in giving to the people of Sri Lanka and the region, a healthcare service that is world-class.

Driven by a two-fold strategy of quality yet affordable care, Lanka Hospitals has continually focused on initiatives aimed towards creating a friendly and caring service atmosphere that is based on an ethos of quality consciousness. This strategy for a pervasive culture of quality, and the establishment of effective linkages between clinical and non-clinical areas has been the foundation on which, I believe, we have been recognised as the “Winner” in the Large Scale Healthcare category at the Sri Lanka National Quality Awards 2012. Indeed, this is an accolade of great significance to Lanka Hospitals, and one that is a basis for our future drive for growth.

The crux of our corporate philosophy is built on mutual respect, transparency and governance and we believe that these are the fundamentals in earning respect from stakeholders. As a service oriented organisation we have laid strong focus on service excellence. We exercise a strong incident reviewing culture, which has assisted us to be more transparent in our care giving, thus enabling us to be more flexible towards customers needs and conscious of the affordability of our services. This overall belief in mutual respect has enabled us to at all times sustain our professionalism across all areas of operations.

It is indeed commendable that Lanka Hospitals is considered as a successful practical case for further study by the rest of the corporate community. Recognized as a centre of knowledge for quality management, Lanka Hospitals continues to be a hub for knowledge-sharing not only in the healthcare sector but also as an organic corporate. In 2012 we continued to attract both local and overseas knowledge-sharing study teams through numerous counter-part programmes.

In 2012 we continued to demonstrate excellence in transplant programs, and we enhanced our performance in neurosurgery and gastroenterology, whilst across the board all our centres of excellence performed with exception. Our journey towards Joint Commission International (JCI) accreditation has been one that has required exceptional dedication from all employees. With majority of processes in place, I am confident that in the upcoming financial year, the hospital will be JCI ready for the final audit, thus becoming a healthcare service provider on par with global leaders in the industry.

In the year ahead, we are focusing our resources towards the creation of a centre of excellence in oncology. Process wise, we will further develop on existing procedures; a formal management system for public complaints is in the offing, we will further enhance patient safety, and look to restructure our medical services with a view to form closer bonds with our patients, for better patient care management. Plans are also underway to reorganise the nursing training school to enhance the quality of nursing education. Infrastructure-wise, in 2013, Lanka Hospitals will inaugurate a new theatre facility for neurosurgery and orthopedics. Thus, it will be apparent to our shareholders that, despite our successes and the accolades that we have received, our intention is to continue in pursuit of greater successes and higher realms of excellence.

During this financial period, we have proven our capability to consistently progress, developing our service offer whilst performing exceptionally from an operational perspective. In the years ahead these capabilities will transform to core competencies, giving Lanka Hospitals the edge to be an international centre of repute for healthcare.



Dr Wimal Karandagoda
Director Medical Services

28th March 2013

BOARD OF DIRECTORS

LEFT TO RIGHT

Dr. Gamini Wickremasinghe, Dr. Nalaka Godahewa,
Mr. Gotabhaya Rajapaksha, Mr. A.M. De Alwis, Mr. Malvinder Mohan
Singh, Mr. Shivinder Mohan Singh, Dr. Bandula Wijesiriwardena,
Prof. Dayasiri Fernando, Dr. Nihal Jayathilaka, Mr. P.A. Lionel

Not in the Picture - Mrs. Roshini Cabraal, Mr. Sunil Godhwani





BOARD OF DIRECTORS

Mr. Gotabhaya Rajapaksa RWP RSP psc MSc

Secretary to the Ministry of Defence & Urban Development

Mr. Gotabhaya Rajapaksa is the Secretary to the Ministry of Defence & Urban Development, having assumed office in November 2005. In this capacity he guided the Sri Lankan Armed Forces to victory against the separatist terrorism of the Liberation Tigers of Tamil Eelam (LTTE), thereby ending the conflict that had riven Sri Lanka for three long decades. Since the end of the war, his portfolio of responsibilities has been expanded to include oversight of urban development in Sri Lanka. He has been the Chairman of Lanka Hospitals since August 2009.

The son of former Deputy Speaker of Parliament Hon. D. A. Rajapaksa, Mr. Gotabhaya Rajapaksa studied at Ananda College, Colombo, before joining the Sri Lanka Army in 1971. He underwent officer cadet training at the prestigious Military Academy at Diyatalawa, and subsequently completed the Young Officers Course at Rawalpindi and the Mid-Career Course at Quetta, Pakistan. Mr. Rajapaksa completed his Staff Course at the Defence Services Staff College in Wellington, India, in 1983, and obtained his Masters Degree in Defence Studies from the University of Madras in the same year. He underwent advanced training in Counter Insurgency and Jungle Warfare at Assam, India, and graduated in Advanced Infantry Training from the Infantry School at Fort Benning, USA later in his career.

During his time in the Army, Mr. Rajapaksa commanded many anti-terrorist operations in the North and East of Sri Lanka at crucial times during the conflict. Amongst these, his command of the 1st Battalion of the Gajaba Regiment in the vital Vadamarachchi Operation in 1987, and his participation in Operation Thirvidhabalaya in 1990 to rescue the Jaffna Peninsular from terrorist control are particularly noteworthy. Mr. Rajapaksa was Coordinating Officer of the Matale District and Commanding Officer of the 1st Battalion, Gajaba Regiment from 1989 to 1990. He then served as the Coordinating Officer of the Welioya area from 1990 to 1991, and was subsequently appointed the Deputy Commandant of Sir John Kotelawala Defence University in 1991.

During his military career, Mr. Gotabhaya Rajapaksa received a commendation from the Commander of the Army for his bravery in action. He was also awarded the President's Commendation letter by former President J R Jayewardene and decorated with the Rana Wickrama Padakkama and the Rana Sura Padakkama medals for valour in combat by former Presidents R Premadasa and D B Wijetunga.

Following a successful career of twenty years in the Sri Lanka Army, Mr. Rajapaksa obtained a Masters Degree in Information Technology from the University of Colombo. He subsequently worked as the Unix System Administrator of the prestigious Loyola Law School in the United States of America. He returned to Sri Lanka to take up his appointment as the Secretary to the Ministry of Defence, following the election of his brother, His Excellency Mahinda Rajapaksa, as the President of Sri Lanka.

Ms. Roshini S. Cabraal

Ms. Roshini Cabraal is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka. She was appointed to the Board of Lanka Hospitals on 24th May 2010. Currently she is serving as the Deputy Chairperson of Lanka Hospitals. She has over 30 years experience in Financial Management and Financial Consultancy Services. Her professional career started at James Finlay & Co (Colombo) Ltd where she was involved in financial aspects of the Insurance Division and other subsidiaries. She had a six year career at KPMG Ford Rhodes Thornton & Co as a Management Consultant. She was also Head of Finance at International Infrastructure Development Consortium (Pvt) Ltd and International Education Systems (Pvt) Ltd and thereafter Head of the Consultancy Division of Capital Reach Holdings (Pvt) Ltd.. She currently works as an independent management consultant.

Dr. Nalaka Godahewa

Dr. Nalaka Godahewa is the Chairman of the Securities and Exchange Commission of Sri Lanka and also the Chairman of Colombo Land Development Company Ltd.. He has been a member of the Board of Lanka Hospitals since August 2009. His previous work assignments include Chairman Tourism Development Authority and Managing Director of Sri Lanka Insurance, Director of Seylan Bank and CEO of MAS overseas operations. Dr. Godahewa is academically and professionally qualified in the multiple fields of Engineering, Marketing and Finance. He holds a PhD from the University of South Australia, a BSc (Hons) degree in Electronics and Telecommunication Engineering from the University of Moratuwa, and an MBA from the University of Sri Jayewardenepura. He is also a Chartered Management Accountant (UK), a Certified Management Accountant (Aus) and a Chartered Marketer (UK). Dr. Godahewa is the President of the Sri Lanka Branch of the Institute of Certified Management Accountants of Australia. He also serves on the boards of Urban Development Authority, Sri Lanka Handicrafts Board and Sri Lanka Catering (Pvt) Ltd as an Independent Director.

Mr. A. M. Mohan De Alwis

Mr. Mohan De Alwis, the Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Limited and Management Services Rakshana (Pvt) Limited, has wide and diversified managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand, Hayleys PLC, Star Garments Limited and Smart Shirts Limited. He has over 30 years of experience in the mercantile sector. He was appointed to the Board of Lanka Hospitals on 24th May 2010.

Mr. De Alwis holds a Bachelor of Commerce degree from the University of Kelaniya, an MBA from the University of Colombo and is a Certified Management Accountant (Australia).

He is the Chairman of Ceylon Asset Management Co. (Pvt) Limited and the Executive Director of Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Limited, and also the Director of Seylan Bank PLC, Ceybank Asset Management Company Limited, Sri Lanka Insurance Resorts & Spas (Pvt) Limited, Taprobane Hotels & Spa (Pvt) Ltd, Helanco Hotels & Spa (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, and Canwill Holdings (Pvt) Ltd.

Vidyajyothy Professor Dayasiri Fernando

Professor Dayasiri Fernando is the Chairman of the Public Service Commission. He was the former Dean and the founder Professor of Surgery of the Faculty of Medical Sciences, of the University of Sri Jayewardenepura. He was also a Member of the Council and Senate of the University. He has acted for the Vice Chancellor on many occasions. He was appointed to the Board of Lanka Hospitals on 30th October 2009.

He graduated with an MBBS from the University of Colombo with Honors and was awarded the Gold Medal for Operative Surgery. He qualified as a surgeon obtaining both FRCS (England) and FRCS (Edinburgh). He further qualified as a Gastroenterology Surgeon being awarded the Smith & Nephew Fellowship from London and pioneered the establishment of Gastroenterology and G.I Endoscopy as a specialty in Sri Lanka. As an academic he has trained many surgeons and was an examiner at the MD (Surgery) and MBBS examinations of all the universities of Sri Lanka. He served on many academic bodies both locally and internationally including the Governing Councils of Gastroenterology and GI Endoscopy of the Asia Pacific Region. He was the President of the College of the Surgeons of Sri Lanka in 1998 and was the Founder President of the Sri Lanka Society of Gastroenterology. He was a member of the Sri Lanka Medical Council from 2007-2010. He is a member of the Board of Governors of St. Thomas' College.

For his contribution to Medicine, he was awarded Honorary Fellowships by the College of Surgeons of Sri Lanka, College of Physicians and the College of General Practitioners. He has served on many Presidential Commissions, including the Public Service Commission and the Public Service Salaries Commission and was awarded national honours, both "Vidyajyothy" & "Vishwaprasadini".

BOARD OF DIRECTORS

Dr. Gamini Wickramasinghe

Dr. Gamini Wickramasinghe formerly held the positions of Chairman of both the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and thereafter Chairman of Bank of Ceylon and Property Development PLC. He was appointed to the Board of Lanka Hospitals on 1st July 2010.

He holds a Masters Degree in System Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered Management Institute (FCMI) UK, and a Fellow of the British Computer Society (FBCS). He has over a decade of extensive senior level experience obtained in the United Kingdom and Belgium. He returned to Sri Lanka in 1983 and founded the Informatics Group of Companies, one of the largest software development companies in the country. He currently functions as its Chairman.

As a dedicated agriculturist Dr. Wickramasinghe ventured into agriculture and agronomy whilst Informatics owns an 1000-acre alternative crop plantation situated in the Mahaweli System 'C'.

Mr. P. A. Lionel

Mr. P A Lionel was appointed as Deputy General Manager (Investment Banking) in October 2010, Deputy General Manager (Investment & Human Resource) in August 2011 and Deputy General Manager (International, Treasury & Investment) in March 2012. He joined the bank's service in December 1983. He was appointed to the Board of Lanka Hospitals on 1st July 2010. Counting over 27 years experience in banking and financial services, Mr. Lionel has specialised in the areas of Treasury, International Operations and Investments and has been involved in managing Liquidity, Assets and Liabilities, fund raising activities, Risk Management in relation to Treasury and Cross Border funding. Additionally, he has a flair for developing and marketing Treasury Products. He held the position of CEO of the Primary Dealer Unit of the Bank and headed the Treasury and Investment Unit. He received broad exposure and extensive training in Treasury Management and Dealing activities in London from 1988 to 1989. He served as Head of Treasury at the BOC Branch in Karachi.

He is a Non-Executive Director on the Board of Property Development (Private) Limited since 2009. He is also a member of the Governing Board of the Institute of Bankers Sri Lanka (IBSL), an Alternate Director of Ceybank Asset Management Ltd since 2006 and was appointed as a Director on the Board of Lanka Securities (Pvt) Ltd in the year 2012. Presently he is the First Vice President of the Sri Lanka Forex Association. Mr. Lionel obtained his Bachelor of Arts degree from the University of Colombo, Sri Lanka in 1980.

Mr. Malvinder Mohan Singh

Mr. Malvinder Mohan Singh has significant business interests in the Healthcare, Financial Services and Insurance sectors. He is the Executive Chairman of Fortis Healthcare (India) Limited, a leading healthcare player in India and the Asia Pacific. He was appointed to the Board of Lanka Hospitals on 24th March 2011. Mr. Malvinder incubated and established Fortis Healthcare Limited, in the late 1990's. Since then, he has been instrumental in transforming it into a leading healthcare delivery company in India and more recently in Asia, as the largest emerging healthcare organisation.

Previously, he was Chairman, MD and CEO of Ranbaxy Laboratories. He was instrumental in the coming together of Ranbaxy and Daiichi Sankyo, to create the fifteenth largest pharmaceutical company in the world – a move seen as a game-changer by industry experts.

In the Financial Services and Insurance sectors, Mr. Malvinder has business interests through Religare Enterprises. As Chairman of the company till 2010, he evolved Religare's strategy of creating an integrated financial services organization in India and an emerging global asset management platform.

Mr. Malvinder is a member of the Board of Visitors at the Fuqua School of Business (Duke University, USA) and the Board of the Indian Council for Research on International Economic Relations (ICRIER). He was a member of the first batch of the Young Global Leaders initiative of the World Economic Forum. A graduate in Economics, he earned his MBA from the Fuqua School of Business, Duke University, USA.

Mr. Shivinder Mohan Singh

Mr. Shivinder Mohan Singh is Executive Vice Chairman at Fortis Healthcare Limited, a leading, integrated healthcare delivery provider in the Pan Asia-Pacific region. Fortis' healthcare verticals span primary healthcare, speciality day care, diagnostics and hospitals, with an asset base in 10 countries, many of which represent the fastest-growing healthcare delivery markets in the world. He is also one of the principal promoters of Religare Enterprises Limited, Super Religare Laboratories Limited, Fortis Clinical Research Limited and serves as a Director on the Board of Religare Technologies Limited. He was appointed to the Board of Lanka Hospitals on 24th March 2011. He was one of the key promoters of global pharma major Ranbaxy Laboratories and a director on its board.

Mr. Shivinder has done his MBA with specialisation in health sector management from the Duke University Business School, USA. His significant contribution to Indian Healthcare is widely acknowledged. His strategy for Fortis, and its execution, has been recognised by the Harvard Business School as a case study. He is an alumnus of Doon School and an Honours Graduate in Mathematics from St. Stephens College, Delhi. He is actively involved in many industry bodies leading various new initiatives in FICCI (Federation of Indian Chambers of Commerce and Industry), Aspen India and All India Management Association (Aima). Mr. Shivinder is also on the board of visitors of Duke University Business School.

Mr. Sunil Godhwani

Mr. Sunil Godhwani is the Chairman and Managing Director, Religare Enterprises Limited (REL). He is a man with a vision to create a global business of excellence, and he is the inspiration to all as he spearheads the company's management and global operations, strategising and directing it through its next phase of growth. He was appointed to the Board of Lanka Hospitals on 24th March 2011.

He has given strategic direction to Religare's growth since his joining in 2001 and has been a key force in giving birth to Religare's current shape and form globally. Under his able leadership, Religare is well poised to be a leading emerging markets financial services group. He brings to the company strong leadership skills, vigor and a passion for excellence. He believes in nurturing a culture that is entrepreneurial, result oriented, customer focused and based on teamwork. He has been instrumental in establishing Religare's vast network and shaping the Company's strategies in India and abroad.

Prior to joining Religare, Mr. Godhwani has had a diverse and wide-ranging experience of over two decades in managing large scale businesses. He also serves as Director on the Boards of various group companies like SRL Limited, Religare Macquarie Wealth Management Limited, AEGON Religare Life Insurance Company Limited, Ligare Voyages Limited, Fortis Healthcare Limited and other subsidiaries/ Group companies of Religare. A powerful orator and a great motivator, Mr. Godhwani has been honored with many awards and accolades globally. Born in New Delhi, India, Mr. Godhwani completed his schooling from the prestigious St. Columba's School, post which he went abroad to pursue his higher studies. He holds a B. Sc. Degree in Chemical Engineering and a M.Sc. in Industrial Engineering & Finance from Polytechnic Institute of New York.

BOARD OF DIRECTORS

Dr. Bandula Wijesiriwardena

Dr. Bandula Wijesiriwardena is a consultant physician in internal medicine. He holds MBBS (Colombo), MD (Colombo), and MRCP (UK) degrees. After a distinguished career in the government service of over 33 years of which 24 years was as a consultant, he left the Ministry of Health to work full-time in the private sector. Now he works as a consultant physician in internal medicine at Lanka Hospitals and Durdans Hospital - two of the leading hospitals in the country. Having worked in many parts of the country, he is widely experienced. He has taught many undergraduates from the faculties of medicine, Ragama, Sri Jayewardenepura and Colombo and trained postgraduates from the Postgraduate Institute of Medicine (PGIM), Colombo. He held many positions at the PGIM; chief examiner selection examination for MD (Medicine), chief examiner for MD (medicine), chairman, MCQ core group, member, AAAED (academic affairs, accreditation, examinations and discipline) committee. He was the president of the Ceylon College of Physicians in 2005.

Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College Of Physicians, the use of which spread island wide with the subsequent involvement of the Ministry of Health. He was able to continue an active academic career while working as a busy physician both in the state and private sectors. He has many publications to his credit in both national and international peer reviewed journals. Dr. Wijesiriwardena received a Presidential award for his clinical research in 2000. In recognition of his contribution to the field of medicine, Dr. Wijesiriwardena was awarded Honorary Fellowships by The Ceylon College of Physicians, Royal Australasian College of Physicians and Colleges of Medicine of South Africa. He is also a Fellow of the American College of Physicians. Dr. Wijesiriwardena was appointed to the Board of Lanka Hospitals on 27th February 2012.

Dr. Nihal Jayathilaka

Dr. Jayathilaka is currently the Secretary to the Ministry of Health. He has been a member of Sri Lanka Medical Association and a founder office bearer and Council Member of the College of Medical Administration of Sri Lanka. He was an active member of Food Security and Cost of Living Control Committee which was headed by H.E. the President. He was also a Board Member representing Ministry of Health at National Authority on Tobacco and Alcohol and Ex-Board of Director for National Insurance Trust Fund. He was awarded the Fellowship by the Sri Lanka College of Administrators in 2009. Dr. Jayathilaka has graduated MBBS from the University of Colombo in 1982 and has obtained MSC-Medical Administration from Post Graduate Institute of Medicine, Colombo in 1995. He was appointed to the board of Lanka Hospitals on 20th September 2012.

Mr. Vishal Bali

(Alternate Director to Mr. Malvinder Mohan Singh)

Mr. Vishal Bali is Group CEO for Fortis Healthcare, which operates an integrated healthcare delivery network across 10 countries in the Asia Pacific. Fortis Healthcare is the fastest growing healthcare delivery organisation in Asia Pacific with a base of 74 hospitals, 12,000 beds, 580 primary care centres, 188 specialty day care centres, 190 diagnostic centres and a human capital strength of 23,000 people. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011.

Mr. Vishal has dedicated more than two decades in building global healthcare delivery organizations and his previous assignments include spearheading the growth of Wockhardt Hospitals as one of the largest specialty hospital chains in India as its CEO & MD. His expertise in successfully integrating healthcare strategy, operations and management through information technology has set industry benchmarks.

Mr. Vishal completed his Bachelors in Science and Masters in Business Administration from Bombay University and completed an advanced program in hospital management from Boston. He sits on the board of leading healthcare organisations and is an invited member of the Strategic Initiatives group of Joint Commission International, US and on the Global Agenda Healthcare Council of the World Economic Forum. His keen interest in education and globalisation of healthcare takes him to

leading Healthcare Education Institutes and Business Schools globally, which includes a case study at the Harvard Business School. He is an active member of various Industry bodies and globally recognised industry public speaker.

Mr. Balinder Singh Dhillon

(Alternate Director to Mr. Shivinder Mohan Singh)

Mr. Balinder Singh Dhillon is an Executive Director with the Fortis Healthcare Group. He serves on various Company Boards including as an Executive Director of Fortis Healthcare Limited, a company listed on the Bombay Stock Exchange and the National Stock Exchange of India.

Having worked as counsel in practice and with corporate houses such as Hindustan Unilever Limited and INTRIA Items Inc., (a wholly owned subsidiary of CIBC Bank, Canada), he has more than 21 years of experience in corporate law, governance, risk management, and strategic planning and implementation. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011 and served on the Board up to 6th March 2013.

Mr. Balinder has in the past been associated with corporate boards including those of Ranbaxy Laboratories Ltd, an India listed multi-billion dollar multinational pharmaceutical company and Parkway Holdings Ltd, a Singapore listed healthcare services company.

Mr. Balinder graduated from the Punjab University and is a member of the Institute of Company Secretaries of India and the Bar Council of India. He holds a Master of Laws degree from McGill University, Canada. As a member of the Law Society of Upper Canada, he completed his accreditation under a Certificate of Qualification equivalent to a Graduate of Law through the Law Faculty, University of Toronto, Canada.

Dr. Amit Varma

(Alternate Director to Mr. Sunil Godhwani)

Dr. Amit Varma currently operates as President Health Care, Religare Enterprises and Director, Critical Care Medicine, Fortis Escorts group of Hospitals, India. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011 and served on the Board up to 1st December 2012. Having completed his MBBS and MD from University of Delhi, Dr. Varma further completed his residency from the State University of New York and went on to pursue fellowships in critical care at the University of Pittsburgh Medical Center, and sub specialized in cardiac critical care at the Cleveland Clinic. Alongside this, he also attended courses for an Executive MBA at the University of Chicago.

Dr. Varma joined Fortis Healthcare and continues to perform multiple administrative and clinical roles. He currently runs the integrated critical care services for Fortis Healthcare ICU network, which today comprises of a strong 300 beds and helps in formulation of medical strategy.

At Religare from 2009, Dr. Varma is actively engaged in all healthcare initiatives of the company, playing an advisory and steering role, overlooking and further initiating all healthcare related businesses, providing medical expertise, insight and credibility in all healthcare related verticals such as Health Insurance venture, Healthcare IT, Super Religare Labs and Religare Wellness. He also sits on the Board and Investment committee of the 125\$ million Milestone Religare Private Equity fund.

Mr. Ramesh Krishnan

(Alternate Director to Mr. Sunil Godhwani)

Mr. Ramesh Krishnan is Vice President of Integration and Growth with Fortis International and has been responsible for the Post Merger Integration of all the international assets that Fortis acquired. Mr. Ramesh's remit also includes the growth initiatives (organic and inorganic) that Fortis Healthcare pursues internationally. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th December 2012.

BOARD OF DIRECTORS

A chemical engineer from Annamalai University, chidambaram and an MBA in international business from Indian Institute of Foreign Trade, New Delhi, Mr. Ramesh has more than 18 years of professional experience behind him in multiple functions including business development, M&A, post-merger integration, strategic planning and program management.

Mr. Ramesh joined Fortis in July 2010 initially to lead the post-merger integration of Wochardt Hospitals that Fortis acquired in India. He has then handled the integrations of Quality Healthcare in Hong Kong, SRL Diagnostics in Dubai, Radlink diagnostics in Singapore and Hoan My Medical Corporation amongst other assets that Fortis acquired internationally. Prior to joining Fortis, Mr. Ramesh has held leadership roles in the pharma, food and chemical industries including organisations such as Piramal Healthcare, Tilda Rice and Aurobindo Pharma.”

Dr. Daphne Khoo Hsu Chin

(Alternate Director to Mr Shivinder Mohan Singh)

Dr. Daphne Khoo completed her medical training at the National University of Singapore. She trained in Endocrinology at the Singapore General Hospital and the Cleveland Clinic Foundation, USA. From 2004 to 2011 she was Head of Endocrinology at the Singapore General Hospital. Concurrently she was also Director of Clinical Governance and Quality Management at Singapore Health Services. She has held leadership positions in the areas of Clinical and Service Quality, Enterprise Risk, Patient Safety and Chronic Disease Management, in Singapore's latest healthcare cluster. She is a past president of the Association of Women Doctors, Singapore, the Endocrine and Metabolic Society, Singapore and the ASEAN Federation of Endocrine Societies. She has published widely and was conferred the Nagataki Distinguished Scientist Award from the Asia- Oceania Thyroid Association in 2007. Dr. Khoo was an adjunct Associate Professor with the Duke- National University of Singapore Medical School.

Dr. Khoo joined Fortis Healthcare as the Global Chief Medical Officer in October 2011. In that capacity she has oversight responsibility for the medical affairs function in the group. She also serves on the Boards of various Fortis subsidiaries. She was appointed to the Board of Lanka Hospitals as an Alternate Director on 28th March 2013.

Dr. T.R.C. Ruberu

Dr. Ruberu is the former Secretary to the Ministry of Health Sri Lanka and the Administrative Head and Chief Accounting Officer of the same Ministry and also the Principal Advisor to the Minister of Health on all matters of Health Policy and Administration. He was appointed to the Board of Lanka Hospitals on 24th May 2010 and served as a member of the Board up to 30th July 2012.

Dr. Ruberu graduated from the University of Colombo, Faculty of Medicine in 1982 within the second class upper division. Subsequently he specialized in ENT and held appointments as Consultant ENT Surgeon in Ragama, Galle and Colombo National Hospitals. He holds MBBS, MS (ENT) FRCS (England) degrees. Subsequently, Dr. Ruberu obtained an MBA in healthcare from the University of Manipal, India. Dr. Ruberu has been an undergraduate and postgraduate lecturer and trainer in ENT and examiner for the MS degree programme. He was a member of the Board of Study in ENT of PGIM and held the post of Chairman until his current appointment. Further, he is a past president of the College of Otorhinolaryngologists of Sri Lanka.

He pioneered the establishment of the Cochlear Implant programme in Sri Lankan hospitals. He has immensely contributed to the field of managing hearing impairments, locally and internationally. His interest in contributing to the development and advancement of health services gave him the opportunity to hold the post of Secretary of Health.

STRATEGIC COMMITTEE



LEFT TO RIGHT

Mr. Chaaminda Kumarasiri (*Chief Financial Officer*), Dr. K. T. Iraivan (*Deputy Director Medical Services*), Mr. A. C. Jayakody (*Deputy General Manager – Marketing*), Mr. Lakith Peiris (*Chief Executive Officer*), Mr. Sudarshana Ekanayake (*Assistant General Manager – HR*), Dr. W. Karandagoda (*Director Medical Services*), Mr. P. V. Sapumal Nishantha Jayatissa (*Assistant General Manager – ICT*)

MANAGEMENT TEAM



LEFT TO RIGHT

Mr. Lakith Peiris (*Chief Executive Officer*), Mr. P. V. Sapumal Nishantha Jayatissa (*Assistant General Manager – ICT*), Ms. S. A. Clarice Wahid (*Confidential Secretary to CEO*), Mr. N. K. Dharmasiri Silva (*Manager – Catering*), Dr. K. T. Iraivan (*Deputy Director Medical Services*), Ms. Niroshini Ganegoda (*Medical Officer in Charge - Renal Transplant Unit*), Mr. Asela Senevirathne (*Manager – Operations*)



LEFT TO RIGHT

Mr. M. R. M. Nizwer (*Manager – Internal Audit*), Ms. Sujeewa P. Subasinghe (*Assistant Manager – Facilities*), Dr. W. M. S. Rathnapriya (*Medical Superintendent*), Dr. Lasantha Karunasekara (*HOD of Surgical Care Unit*), Mr. Dunstan B. de. S. Ginige (*Senior Manager – Facilities*), Dr. Rasika Adasuriya (*Medical Officer In charge of Pre Admission Counselling and Financial Information*), Mr. A. C. Jayakody (*Deputy General Manager – Marketing*)



LEFT TO RIGHT

Mr. W. A. D. M. Ranjana Gunathilaka (*Manager – Quality Accreditation*), Ms. Renuka Herath (*Manager Credit & Insurance*), Wing Commander B. M. R. K. Chandrasekara (*Manager – Security, Communication & Transport*), Dr. Harsha Goonathilaka (*Assistant Manager – Diagnostics*), Mr. M. G. M. Irfan (*Biomedical Engineer*), Ms. W. A. S. M. Menike Rajapaksha (*Chief Matron*), Mr. Sarath A Vidanagamage (*Assistant Manager – Administration*)



LEFT TO RIGHT

Mr. P. V. Ariyathilaka (*Manager – Engineering & Maintenance*), Mr. Chaaminda Kumarasiri (*Chief Financial Officer*), Dr. W. Karandagoda (*Director Medical Services*), Ms. Nuwanthi Gunawardana (*Manager – Legal*), Mr. Michael Carlyle Ranathunga (*Senior Executive – Facilities*), Mr. Sudarshana Ekanayake (*Assistant General Manager – HR*), Commander H. U. Silva (*Manager – Project*)



MANAGEMENT DISCUSSION & ANALYSIS

A MULTITUDE OF FACTORS PROPEL DEMAND FOR PRIVATE HEALTHCARE. IT IS EXPECTED THAT KEY DRIVERS OF DEMAND FOR THIS COMPONENT OF THE SECTOR WILL CONSISTENTLY GROW THE POTENTIAL FOR PRIVATE HEALTHCARE.

1. The Broader Perspective: Macro Healthcare Sector Diagnosis

1.1 The changing face of Sri Lanka's healthcare

Over the past decade Sri Lanka has been well on track to achieving its Millennium Development Goals in healthcare with public and private infrastructure expanding with laudable investment into the sector. Public healthcare has undergone tremendous reforms with an extensive network of public health units and hospitals spread across the country. There have also been additional initiatives in the Northern and Eastern provinces to expand and upgrade the existing healthcare infrastructure and the authorities have taken the challenge to pilot reforms to the existing healthcare model.

However, demand for healthcare continues to override supply and as a result the scope for private healthcare remains positive. Demographic and epidemiological transitions in the structure of the population remain key to the growing demand for healthcare needs. These same structural changes define the challenges for Sri Lanka's healthcare in the medium term.

Despite Sri Lanka enjoying exceptional health outcomes in maternal and child health, there are visible disparities in health outcomes with regard to Non Communicable Diseases (NCD) and elderly care. Research backs the need for further investment in health, especially from the perspective of the emerging burden due from NCDs and geriatric care to avoid resultant socio-economic consequences.

The Health Master Plan (2007-2016) for Sri Lanka estimates that the total health expenditure as a percentage of GDP by 2015 will be 4.5 – 5% (medium) and 6.7% (high). This is based on various assumptions and projections but it appears that the emerging NCD burden and the ageing population were not adequately taken into account and if factored in more robustly, the requirement is likely to be much higher.

1.2. Drivers of Private sector healthcare

A multitude of factors propel demand for private healthcare. It is expected that key drivers of demand for this component of the sector will consistently grow the potential for private healthcare. First on the list of drivers are demographic changes such as the increasingly ageing population and the rising prevalence of non-communicable diseases, coupled with increasing health awareness amongst people. Whilst these will drive demand for healthcare as a whole, existing constraints of capacity, limited availability of specialty treatment and disparities in service quality in the public sector healthcare offer provides ample room for expansion of private sector healthcare services. Additionally, inadequate capacity for laboratory services in the public sector has compelled patients to seek these services in the private sector, thereby providing private hospitals with alternative revenue sources.

An increasingly sedentary lifestyle, rapid urbanisation and an ageing population have increased the prevalence of NCDs in Sri Lanka. According to the World Health Organisation (WHO), NCDs such as heart disease, asthma, cancer and diabetes account for nearly 85% of ill health, disability and early death in Sri Lanka. Furthermore, changes in lifestyles have contributed towards intensifying risk factors of NCDs such as obesity, increased alcohol consumption and unhealthy diets. Although an increase in NCDs is common with demographic and epidemiological transitions, it poses a challenge to Sri Lanka's public healthcare sector. This is exacerbated by the fact that NCDs typically require specialised treatments, which entail longer hospital stays, a continuing challenge for public healthcare. The private sector is, therefore, poised to benefit from the resulting anticipated demand for treatment of NCD. Also expected to drive demand for private healthcare is an increasing health awareness and tendency for people to seek medical treatment when needed.

MANAGEMENT DISCUSSION & ANALYSIS

The crux of future sustainable business in the private sector is wedged on the need for each player to provide good quality of care, preservation of the brand name and brand values, coupled with ongoing investment into enhancement of infrastructure and technology.

The private healthcare sector remains intensely competitive. The enhanced capacities over the past five years has served to intensify competitive pressures and will continue to do so over the medium to longer term. Although occupancy levels in the main private hospitals in the capital are still estimated to be good at around 80%, pronounced increases in room capacity could result in price competition among players. However, the private healthcare industry remains favourable to existing players with goodwill, reputation and familiarity of service playing a key role in future market development. Industry risks therefore, are balanced by the growth potential of the sector, driven primarily by rising health awareness amongst the public and the limitations of the public healthcare system, consistent demand, high entry barriers and a degree of flexibility in pricing.

However, the crux of future sustainable business in the private sector is the need for each player to provide good quality of care, preservation of the brand name and brand values, coupled with ongoing investment into enhancement of infrastructure and technology.

1.3 Medical tourism: the opportunities

Sri Lanka has long held a strong reputation for ayurvedha and has gained exposure across the world as a heaven for medical tourism. However, with the advances in healthcare infrastructure and specialist resources in contemporary medicine, Sri Lanka has the potential to offer itself as a convincing hub for conventional healthcare.

Sri Lanka has gained this advantage, as health travel has gained acceptance as a real solution to the high cost of healthcare in the United States, Europe and other parts of the developed world. Medical tourism is the choice a patient makes to travel outside one's area of residence to obtain medical treatment and healthcare and is a viable option for individuals without insurance or those needing medical procedures that insurance may not cover including elective procedures such as cosmetic, dental and plastic surgery. Therefore, medical tourism offers an attractive alternative to rising healthcare costs.

With tourism on the rise, Sri Lanka's private healthcare sector faces a latent opportunity to further expand its scope of business. In 2012, Sri Lanka welcomed in excess of 1 million tourists of which 44.3% originated from Europe, a strong 'traditional' market for the destination and an untapped potential market for the healthcare sector.

In making itself ready for international patients, the private healthcare sector must pursue strategies to position themselves on par with global healthcare providers. In this respect, accreditation and compliance with global medical standards such as the Joint Commission International (JCI), which is widely accepted as the Gold Standard in medical care, will go a long way towards reputation building of not just that individual entity but more so for the entirety of Sri Lanka's healthcare industry.

2. Narrowing it Down: Our Strategies

2.1 Becoming world-class: pursuing the Gold Standard

However, as the undisputed leader in the private healthcare sector, our core intention during the year was to realise our vision to be the 'best in Asia'. Towards this, we worked with dedication to comply with the Gold Standard in healthcare, the JCI accreditation and at the conclusion of the reporting period, have implemented diverse programs across the business function, incorporating every employee and modulating every business process to comply with the stringent requirements of the JCI.

It is expected that during the course of the upcoming financial year, Lanka Hospitals will be JCI ready for the final audit, thereby becoming the only Sri Lankan healthcare provider to be JCI accredited. As a truly international accreditation that is widely implemented in over 90 countries worldwide, it focuses on the improvement of safety and quality in the healthcare industry and has proven itself to be the Gold seal in assuring patient safety due to its excessive emphasis on the importance of harm reduction to patients. The JCI standards have solely been conceptualised for the healthcare industry by the representatives of the global healthcare industry and therefore meet the unique requirements of the industry.

As the JCI standard addresses both patient-centred and organisational management activities, whilst also being sensitive to local legal, religious and cultural factors, it proves to be a holistic approach in creating performance excellence and is therefore fully aligned to Lanka Hospitals' strategic intent.

JCIA ensures patient safety through a combination of approaches. Standards defined include access and continuity of care; patient and family rights; assessment of the patient; care of patients including the care for high risk patients; medication management with strict focus on narcotics, concentrated electrolytes and look alike - sound alike drugs; aspects of surgery and anesthesia and patient and family education. These direct patient centred standards are supported by standards for quality improvement in the activities of the hospital, infection prevention and control, facility safety, governance and leadership, staff qualification and education and standards for management and communication of information.



MANAGEMENT DISCUSSION & ANALYSIS



Activities taken up by the Hospital in 2012 towards JCIA includes a complete facility and system audit to identify gaps that need to be filled, documentation of work procedures and protocols and assigning a spearheading team to drive the JCI programme at Lanka Hospitals.

Extending its emphasis on patient safety, the JCIA has a special focus on a few key areas. One such area is the reduction of patient harm that arises from miscommunication during verbal/telephone orders and during the communication of critical/panic values. Another is the reduction of patient falls in a hospital. Also focus on is reduction of patient harm that arises from the inability to identify the patient correctly (most importantly) before giving medicine or blood/blood product, taking a sample for diagnostic purposes, and doing any treatment/procedure. Another key area is the reduction of patient harm that arises from wrong site-wrong procedure-wrong patient during surgery.

As a key stakeholder, the healthcare provider is assured of a great benefit through these standards. Consultants are ensured the safety of the patients under their care. For example, the employees are properly trained and are available, equipment is in proper condition and available, documentation supports care and are retrievable, guidelines standardises practices, facility is safe, amongst others. Likewise, all employees are safe as each activity conducted by them is supported by a system that minimises human error to a greater extent.

The JCIA standards foster a culture that is open to learning from mistakes. As work towards JCIA progresses, employees are expected to move away from the blame culture and to openly report their mistakes in order to have processes corrected. Quality improvement tools (such as brainstorming, Pareto analysis, Failure Mode Effect analysis etc), have further supported this. Employees are trained to use them to work on Quality Improvement Projects in small teams.

Through this systematic approach, i.e. seeing each activity as part of a process, work is streamlined and therefore fosters a chain effect in ultimately reducing cost of medical care to patients as well.

Thus, it is evident that this mix of standards will work towards ensuring patient safety/benefit across the entire continuum of patient care in a hospital. With the alignment to these standards, Lanka Hospitals aspires to provide a benchmark to other healthcare providers of the country and thereby catalyzing an entire paradigm shift in Sri Lanka's Healthcare provision. Opening up avenues for medical tourism, through this internationally recognised and accepted standard, Sri Lanka will make its mark along with such similar counterparts in the Asian region.

Activities taken up by the Hospital in 2012 towards JCIA includes a complete facility and system audit to identify gaps that need to be filled, documentation of work procedures and protocols and assigning a spearheading team to drive the JCI programme at Lanka Hospitals. In addition to this, measures were taken to improve patient identification, patient falls and pain management in both pediatric and adult patients.

The JCI standards require training and awareness of employees in job specific (such as nursing assessment, nursing procedures, conscious sedation) and non-specific (life support, disaster management, patient rights) areas. Therefore training plans were formulated for 2012 and 2013. These training and awareness sessions were implemented organisation-wide.

An initiative to review the availability and safety of all medical equipment was initiated. These included a look at availability ratios, implementation of checklists for pre-use as well as maintenance and the employee knowledge in the use of equipment. Facility improvements were also a part of this initiative where many fire systems, engineering and bio-medical engineering aspects were corrected/ correction initiated.

Lanka Hospitals recognises that a sizeable effort lies ahead in successfully achieving full accreditation. A plan has been formulated in order to make this a progressive and sustainable task and the Hospital is on target to achieve accreditation in the forthcoming financial year.

THE HOSPITAL'S PHILOSOPHY OF "COMPASSIONATE CARE, QUALITY AND SAFETY" IS THE FULCRUM OF OUR OPERATIONS. THEREFORE, QUALITY IS DEEPLY EMBEDDED TO EVERY ASPECT OF OUR OPERATIONS AND THE HOSPITAL HAS MADE FAR-REACHING EFFORTS TO ENCOMPASS PRINCIPLES AND PROCESSES THAT ENHANCE THE OUTCOME OF BOTH CLINICAL AND NON-CLINICAL CARE.

2.2 Journeying towards 'Best in Quality'

The Hospital's philosophy of 'compassionate care, quality and safety' is the fulcrum of our operations. Therefore, quality is deeply embedded in every aspect of our operations and the Hospital has made far-reaching efforts to encompass principles and processes that enhance the outcome of both clinical and non-clinical care.

As a result of this pervasive dedication to quality, Lanka Hospitals in 2012 was awarded Winner in the Large Scale Healthcare category at the Sri Lanka National Quality Awards, hosted by the Sri Lanka Standards Institution (SLSI). The Hospital remains the only private sector healthcare provider in Sri Lanka to hold the accolade of the Winner in 2012 after a lapse of nearly two decades.

The award is of great significance to Lanka Hospitals, as it is deemed the fruit of labour towards inculcating a quality consciousness across the organisation, embracing the quality concepts in how it does business. The award is the highest national award presented in the country for performance excellence in quality and is based on the Malcolm Baldrige National Quality Awards criteria used in the USA. The main evaluation criteria found in this framework are leadership, strategic planning, customer and market focus, measurement analysis and knowledge management, workforce focus, process management and performance results.



MANAGEMENT DISCUSSION & ANALYSIS

DURING THE FINANCIAL YEAR UNDER REVIEW, LANKA HOSPITALS ALSO CONTINUED TO RETAIN ITS 5 CROWNS IN THE “CROWNS FOR FOOD HYGIENE” PROGRAMME LAUNCHED BY THE IND-EXPO CERTIFICATION A JOINT VENTURE BETWEEN THE CEYLON NATIONAL CHAMBER OF INDUSTRIES (CNCI) AND THE NATIONAL CHAMBER OF EXPORTERS (NCE).

In 2012, Lanka Hospitals further strengthened the service delivery by becoming the first healthcare provider in Sri Lanka to conform to and be accredited with the ISO 22000:2005 standard for Food Safety Management. Lanka Hospitals completed the assurance process successfully to receive the ISO 22000:2005 Food Safety System Certification by its assessors Control Union.

The ISO 22000:2005 Food Safety System Certification is the highest and most recognised food-related certification in the world and integrates the principles of the Hazard Analysis and Critical Control Point (HACCP) system to eliminate the presence of food-borne hazards in food at the point of consumption. Since food safety hazards can occur at any stage in the food chain, ISO 22000:2005 assists towards management and control through the combined effort of all parties across the food chain.

Though widely applied by food centric industries and the hospitality industry, the Hospital recognised the need to introduce ISO 22000:2005 to its food chain because the Hospital considers food and food safety as critical to its overall service delivery. The Hospital's catering resource is a major component of the main service delivery even through it is a non-core function. Through the introduction of a Food Safety Management System that fully complies with the requirements of ISO 22000:2005, Lanka Hospitals effectively enhanced the quality and safety of food for patients at the time of consumption.

The certification is considered another step towards realising the vision to be the best in Asia. By instituting ISO 22000:2005, the Hospital has not only enhanced the systems towards food safety in food production and storage but also effectively backward integrated the quality assurance practices to suppliers. This ensures that we continue to offer a safe and nutritious meal to our patients and meet their diverse dietary needs.

During the financial year under review, Lanka Hospitals also continued to retain its 5 Crowns in the 'Crowns for Food Hygiene' Programme launched by the Ind-Expo Certification a joint venture between the Ceylon National Chamber of Industries (CNCI) and the National Chamber of Exporters (NCE). In the preceding financial year, Lanka Hospitals attained the accolade of being the first in the healthcare industry to achieve 5 Crowns, surpassing major operators in the hospitality industry.

During the year, Lanka Hospitals also laid the foundation for compliance with ISO 14001:2004 Certification for Environmental Management System. This series of standards specifies requirements for an environmental management system and will enable the Hospital to develop and implement policies and objectives in stewardship of environmental and sustainability agendas. The standard applies to those environmental aspects that the organization identifies as those that it can control, and those that it can influence. By end of the current reporting period, the Hospital completed over 80% of compliance requirements and looks to achieve certification by Q2 of the forthcoming financial year.



Lanka Hospital's Laboratory Services continued to be certified with the ISO 15189:2007 standard - an internationally renowned set of quality standards, specifically designed to facilitate and affirm particular requirements for quality and competence in medical laboratories. Being certified by these ISO standards enables Lanka Hospitals to provide a level of quality that can be measured globally and is maintained and assessed by the Sri Lanka Accreditation Board (SLAB) locally. With the aim of ensuring a high level of quality and reliability, the Lanka Hospitals Laboratory maintains internal standards, receiving advice on a regular basis from experts in relevant fields and through participating in external quality assurance programs in clinical laboratory testing such as RIQAS, National STD/AIDS Control Program, National Blood Transfusion Services, Bacteriology EQAS programs of MRI, Inter Laboratory comparisons and PT with the Sri Lanka Accreditation Board (SLAB).



THE
GOLD
STANDARD OF
MEASUREMENT,
ANALYSIS &
KNOWLEDGE
MANAGEMENT

1. Continuous Process Innovation Through TQM

The continued application of TQM approaches and initiatives has consistently supported the achievement of the Hospitals' operational objectives and has been a fundamental pillar in its pursuance to be the 'best in quality' under the strategy to pursue 'threefold excellence'.

In the year under review, the commitment to maintain standards and raise the bar in medical care extended across the Lanka Hospitals team, from all patient care professionals and senior management, transcending down to each and every employee in the organisation. Continuous education and engagement of staff on the concepts of quality, adoption of work improvement teams/ quality circles and the Japanese 5S housekeeping practices, Kaizen as well as protocols and procedures have become a part of the quality culture. Lanka Hospitals had fully integrated the principles and practices of 5S and Kaizen across the business function of the hospital at the end of the previous financial year. Therefore in 2012, focus was laid on sustaining this initiative with 60 active Work Improvement Teams in the Hospital. The infusion of TC3 training established a 'total customer care culture' across the organisation.

During the financial year, efforts were made to give precedence and recognition to the staff for their commitment to the Hospital's journey towards excellence in quality. As such, the Hospital Quality Awards was hosted to complement National Quality Week which was celebrated under the theme 'Less waste, better results: standards increase efficiency' on the 8th to the 14th of October in 2012. The best Work Improvement Team (WIT) was selected from Medical, Medical Support Services and Administrative Support Services categories. A poster competition



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and other staff appreciation programmes were held throughout the National Quality Week celebrations.

The Hospital holds Patient Safety Committee meetings on a monthly basis. This is an important forum where all incidents and concerns related to patient safety are discussed. The committee is chaired by the Director Medical Service along with Medical Superintendent and Chief Matron, Chief Engineer, Housekeeping Executives, Infection Control Unit representatives, Medical Officers, Quality Assurance etc. to ensure that representation from both medical and non-medical areas are present to make the best decisions to ensure patient safety.

In a bid to engage and satisfy various stakeholders, a rigorous feedback mechanism is in operation at Lanka Hospitals. This covers in-patients as well as out-patients, with specialised attention given to some departments such as Lanka Health Check Department, Out-patient Pharmacy, etc. The monthly analysis conducted with these valuable data is used to appreciate staff, improve processes and make management decisions. During the financial year under consideration, a satisfaction survey of franchised sample collection centres was also conducted.

2. Hub for knowledge management

The School of Nursing at Lanka Hospitals follows the curriculum set by the Ministry of Health covering both theory and practical training whilst the ethos of compassionate care is ingrained in every participant. The practical training is based on the simulation models in the demonstration rooms and practical clinical training at the hospital, with daily interaction with patients. The course is conducted over a period of three years and the medium of instruction is English. The Nursing School comprises of the Nursing Principal, who is both internationally and government qualified, and four government qualified tutors, some of whom have international certifications in some specialties. The Nursing School issues a Diploma in General Nursing. The Hospital's School of Nursing continued its educational programs in 2012 for 145 students, comprising of three batches and plans are underway to recruit a further 100 nursing students.

Through the Lanka Hospitals Medical Services Staff Training Centre during the year, 60 nurses underwent advanced surgical nursing training focused on pre and post recovery regarding surgery, whilst a further 40 underwent training on advanced medical nursing training. The Hospital also conducted a training programme for 180 nurses on cannulation. Nurses were also exposed to training in medical equipment handling, infection control, quality care, nursing care and Diabetic management and nutrition. Theatre nurses followed a workshop on urology instruments conducted by the College of Surgeons.

Given that Lanka Hospitals is undoubtedly the industry benchmark in many areas, its reputation as a point in case for observational studies and as a centre for knowledge share has grown over the years. Therefore, Lanka Hospitals continues to facilitate and entertain a plethora of interested parties varying from participants in the healthcare industry to educational institutes, other industry participants and international stakeholders.

As such, the Hospital facilitated international training programmes under the Asia –Africa Knowledge Co-creation Programme focused on TQM in healthcare services. Some professional and academic institutions are dependent on the Hospital's Quality Systems as the centre of their TQM curricula and it supports Government Hospitals, District Hospitals, the Navy Hospital and the Ministry of Health to create greater exposure to TQM and performance enhancement programmes.



The Hospital also supports national and international healthcare institutions in creating awareness and education and to enhance these institutions resource bases through knowledge sharering. We continue to facilitate programme at the Sri Lanka Institute of Development Administration (SLIDA), Post Graduate Institute of Management (PGIM), University of Moratuwa, University of Peradeniya, University of Colombo, University of Kelaniya, Ceylon Hotel School, Monash University – Malaysia Campus as well as schools across the country. The Hospital is also an a resource point for HRM undergraduates, where training programmes and on-the-job training sessions are conducted for these students of many universities.

International medical school graduates of the Indira Gandhi Memorial Hospital of the Ministry of Health, Faculty of Nursing, Male undergo a month long training at Lanka Hospitals subsequent to their final examinations. The Hospital also facilitated international training in medical and surgical care in disaster management situations for Maldivian and Bangladeshi medical teams.

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3. Measuring stakeholder satisfaction

In determining stakeholder satisfaction with regard to customer satisfaction a comprehensive monthly evaluation of in-patient and out-patient feedback was analysed and used as a base for corrective measures throughout the year. A presentation was prepared taking into account all in-patient feedback comments and such details were discussed at the managers' meeting.

In addition, a special patient satisfaction survey was conducted at the out patient pharmacy to measure post purchase satisfaction levels to improve services.

A survey on the satisfaction level of franchise sample collection centres was conducted, their satisfaction levels were measured and areas to improve on were identified and communicated to the relevant departments.

During the year a research was commissioned through a professional research agency to determine customer satisfaction level among the in-patient segment. A qualitative research, the survey looked at repeat and non repeat customers together with comparison of response with the Hospital's Department heads to understand the levels of customer satisfaction and to understand the importance of each department. The research indicated that 83% of customers are very likely to recommend the Hospital to others, with 70% likely to persuade a friend or family to seek the services of Lanka Hospitals who is likely to go to a competitor hospital, The research therefore directly re-affirmed the Hospital's strategy towards best in quality medical care.



1. Offer of Quality Medical Care

1.1 Centres of excellence

During the financial year, Lanka Hospitals continued the development of key strategic pillars identified in the preceding financial years as specialist centres of excellence. This strategy aims to develop certain core areas of specialisation with a view to establish Lanka Hospitals as the best in fertility, heart care, surgical care, renal care, emergency services, diagnostic services and mother & baby care. Achievement of milestones in all of these specialist centres have demonstratively positioned Lanka Hospitals amongst the best in region in terms of the care given, the technology and the capabilities of the specialist medical teams. The Centres continued to be allocated fresh resources and invested into in terms of medical technology during the year, thus enhancing their capabilities in providing superior medical solutions. The success of the Hospital's centres of excellence is most significantly demonstrated through clinical success rates. The Hospital's Fertility Centre continues to benchmark its performance against global standards and the Renal Care Centre undertakes the highest number of dialysis procedures in Sri Lanka. The Centre undertook the highest number of Laparoscopic donor nephrectomies during the financial year, conducted amongst private healthcare providers in the country.

Through the implementation of systems to better accommodate customer grievances and suggestions through greater customer interaction processes, the Hospital has been better equipped to formulate more responsive care for patients. Similarly, through technology enhancements and upgrades to the cardiac centre, surgical department, renal care and emergency, the Hospital has resolutely established its leadership in medical care and positioned itself as a centre of excellence not only in Sri Lanka but also within the region. The Hospital's offer of quality patient care has visibly garnered trust not only amongst our customers but also amongst the most reputed medical professionals in Sri Lanka. As a result, we have witnessed a steady growth in patronage of the Hospitals services by patients, whilst the Hospital's portfolio of 'best in class' doctors and consultants have enlarged significantly in the year under review. In addition, Lanka Hospitals retains leadership in technology for diagnostic and medical care. It remains amongst the most sophisticated healthcare providers in the provision of state-of-the-art medical technology.

1.2 Best in medical technology, infrastructure & practices

Upgrading of infrastructure and resources has enabled Lanka Hospitals to establish itself as a referral centre. This is evident by the fact that there is a perceptible growth in the number of eminent and upcoming surgeons who have shifted their practice to Lanka Hospitals. Due to consultant confidence, the Hospital saw a marked shift in surgical preference with a growing base of consultant surgeons opting to utilise the surgical services of Lanka Hospitals even in cases where patients are located outstation. Overriding factors for this shift are better theatre and surgical facilities, better medical technology for diagnostics, affordability and excellence in post-surgical care.

Most healthcare providers in Sri Lanka who specialise in surgical care are handicapped by the lack of resources in-house, for complementary tertiary care. This inadequacy invariably affects the surgical outcome. Lanka Hospitals recognises these drawbacks in the conventional model of surgical specialisation and offers a unique model of twin surgical specialisation through a dedicated surgical care unit with the offer of a range of tertiary care resources available around-the-clock within the Hospital premises. This offer of exacting surgical care with complementary tertiary care, sets Lanka Hospitals on a higher paradigm in offering solutions that best fit patients as well as surgeons.



Lanka Hospitals operates a dedicated and complete surgical unit and has over the past two years been pursuing numerous strategies to enhance its offer of pre-operative and post-operative care. The unit comprises of facilities ranging from:

- *Dedicated surgical OPD* consisting of six consultation rooms designed to international standards supported by a surgical secretariat and a dressing room.
- *Surgical ward dedicated to surgical patients* are established in two wings. One is based on the 6th floor and comprises of private single-room facilities whilst the other is a general ward. The surgical ward will be further expanded over the course of this year with addition of another wing due to the increasing popularity of the Hospital for surgical care.
- *Dedicated Surgical Intensive Care Unit (SICU)*, located in the ICU complex is reserved only for surgical patients and caters to post-operative care required under all surgical specialisations. SICU nursing staff specialise in post-operative surgical care and undergo continuous and intensive surgical care training. At the SICU, nursing care is one to one and patients receive adequate privacy and security due to the presence of single room cubicles that are equipped with the latest monitoring facilities to monitor invasive and non-invasive parameters. In addition, the Nurse's Station is equipped with central monitoring, enabling nurses and medical staff to monitor all patients 24/7.

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- *High dependency beds-currently 2 HDU beds are allocated in the SICU with lower costs and the same monitoring facilities for patients for whom monitoring is needed overnight.*

Lanka hospitals is in the process of setting up a larger HDU due to increasing popularity.

- *Emergency mini theatre is a dedicated theatre to serve the surgical needs of Emergency Services. It is equipped with a theatre bed and lighting and has been designed with the intention to maintain sterile conditions, with a separate dressing and scrub area for patients and surgeons. The theatre is allocated for minor surgical operations that require local anesthesia such as removal of sebaceous cysts, Lymphomas, excision of lumps, removal of foreign bodies, biopsies bone marrow aspirations as well as surgical dressings. Theatre staff have prior experience in the main theatre complex and are well versed with surgical protocols. The mini theatre is also a convenience for patients who are now able to undergo less complicated surgical procedures without admission to the Hospital.*
- *State-of-the-art diagnostic facilities including the latest laparoscopy equipment and two endoscopy suites – that offer high definition endoscopy to facilitate gastro-enterology surgical needs – as well as the most updated technology in MRI, DEXA scanning amongst others. New technology has been introduced to the Hospital ranging from small, high precision instruments to major diagnostic and surgical technology.*
- *New theatre facilities –with the increasing surgical numbers Lanka hospital is opening a new high-end theatre in May 2013 which will be upgraded to be the most advanced*





Neuro-ortho Theatre in Sri Lanka by August 2013. This is expected to be the most modern and state of the art facility for this particular surgical specialisation in not only Sri Lanka but also the region.

- *Surgeon resources* at the Hospital are one of the best in the country largely due to the unique mix of resident as well as visiting surgeons. Lanka Hospitals portfolio of 'best in class' surgeons and consultants makes it the undisputed choice for surgical care amongst patients.
- *Surgical staff* are trained and transformed to be the best surgical care team in the country. Specialist training is given for all levels of care providers with a view to enhance expertise in specialist pre and post-operative care.

Lanka Hospitals is one of the few healthcare providers in Sri Lanka to undertake surgical care for patients of all ages from paediatric to geriatric. The Hospital specialises in procedures from the conventional to minimal invasive and offers all major surgical spectrums from post Neurosurgical (spinal and brain), Orthopaedic (post TKR, hip replacements, acute poly trauma), General Surgery (Laprotomies, post liver resections, thyroidectomies, wheepls, APRs) to Onco surgeries, Cardiac, ENT surgeries, OMF and cosmetic. The Hospital recently upgraded facilities for Urology with the addition of the latest uro-resectoscope, advanced laser for stone removal and ultra thin uretoscopes and is currently able to handle the most advanced urology cases. In the surgical sub-specialisations of Vascular and ENT, Lanka Hospitals offers facilities and resources that are on par with global healthcare leaders.

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In terms of best practices, Lanka Hospital follows standard operating procedures for the surgical department and was the first private sector healthcare provider in Sri Lanka to initiate the WHO surgical safety check list in general theatres. Continuous surgical training for staff by consultant surgeons/anaesthetists in all surgical wards, theatres and ICUs is a norm and the Hospital follows strict infectious control measures in theatres and has as a result maintained a zero level infection in theatres while maintaining international norms for surgical site Infection rates.

1.3 Expanding Laboratory services to be amongst the best globally

Given the market opportunity (as pointed out in the macro outlook of section 1.1-1.3 of this MD&A), Lanka Hospitals in 2012 has initiated the ground-work to develop state-of-the-art Reference Laboratory services in partnership with one of the most reputed global lab services and diagnostics companies. Through the introduction of a new business model for lab and diagnostics, Lanka Hospitals looks to broaden its scope of operations in those areas. The proposed business model will introduce new diagnostic specialisations and will uplift the standard procedures to comply with requirements and recommendations of the College of American Pathology (CAP). The new lab services will offer around 340 new tests that are currently not offered by any Sri Lankan lab. This service will greatly facilitate the medical fraternity in overall clinical management of their patients.

It will assist Lanka Hospitals to further penetrate the market including the provision of accessibility to deep rural pockets through the presence of a strong laboratory network, therefore creating greater accessibility for quality medical care to patients outside of city limits. Seven new departments; Molecular Biology, New Born Screening, Allergy, Liquid Cytology, Flow Cytometry, Cytogenesis, HLA Typing will be commissioned, thus enhancing the quality of medical care and shortening the diagnosis time in critical illnesses. This initiative will further position Lanka Hospitals as the provider of the best medical care in Sri Lanka.

1.4 Customer facilitation

Customer facilitation plays a cohesive role in the overall quality of medical care and as such, a dedicated customer care team is designated to fulfill the task of enhancing customer service and facilitation across the entire spectrum of the hospital's service offer. Additionally, the customer care team acts as a one-point contact for the corporate sector, undertakes VIP facilitation, and conducts feedback analysis and initiates prompt action on feedback received.

The Hospital also recognises the need to facilitate the treatment of patients through the offer of support services for financial assistance. Towards this end, Lanka Hospitals continued to partner with the National Insurance Trust Fund to serve as the preferred hospital for Agrahara medical insurance policy holders. Customers who are Agrahara policyholders are better facilitated through a dedicated counter at the Hospital's enquiries area, as are customers who are beneficiaries of the Presidential Fund. Furthermore, in a quest to equitably serve every Sri Lankan national and to facilitate the right of choice, Lanka Hospitals in the year under review introduced over 50 customised surgical packages, thus provisioning greater accessibility to the Hospitals' medical expertise.

2. Journeying towards 'Best in Price'

2.1 Affordability and accessibility

High accessibility to private sector healthcare has been the norm amongst patients who are of sound socio-economic circumstances and is a pervasive trend in most healthcare systems around the world. However, in Sri Lanka the associated increase in the costs for health by the patient is inherently regressive, and has created a scenario of inequity and social exclusion in availing of quality healthcare services despite the availability of a robust public sector healthcare system, due to over demand.

During the period under review, Lanka Hospitals furthered its proposition of value and enhanced accessibility to a broader target audience with a strategic view to create a scenario of affordable healthcare. As such during the year under review Lanka Hospitals continued to focus on a value-based pricing strategy whereby the hospital pitched its price levels by offering the best value despite its service offering being superior to that of the competition. Benchmarked against the best in the region, Lanka Hospitals continues to place a superior product on offer without losing its vision to cater to a greater cross-section of society through accessible healthcare.

Towards this end, the Hospital in 2012 enlarged its surgical package portfolio to exceed over 50 packages with predetermined cost structures thus eliminating the uncertainty of treatment cost, that otherwise causes stress and concern for patients. These surgical packages gives control to patients and their families to choose financial options that best suit them, whilst also ensuring that they receive the very best of services in healthcare. This strategy has demonstrated high returns during the year and has served as the key catalyst in attracting a broader spectrum of patients to Lanka Hospitals. There has been an evident migration of middle-income earners who have sought the Hospital's services with the assurance of affordable yet quality healthcare, especially for surgical purposes. It has also been evident that due to the strategy, Lanka Hospitals has effectively transitioned those who placed their faith in public health sector to Lanka Hospitals, thereby effectively reducing the burden on public healthcare, enabling the State to cater to those in real need of free healthcare.

Nevertheless, the strategy has had no impact on the upper income, more discerning customer base that the Hospital continues to cater to. Notably, the impact of the overseas healthcare providers on the local healthcare industry has diminished, and industry players such as Lanka Hospitals witnessed a marked increase in patronage by patients who have otherwise depended on the services of international healthcare providers.



1. Strengthening Financial Returns

The key strategic intent during the financial year was to essentially derive higher revenue intensity. Towards this end, the Hospital undertook a number of strategic initiatives to drive revenue whilst also driving efficiencies. The main focus of the entire Hospital team therefore was to further strengthen the financial returns to stakeholders during the year.

Tremendous investment into the further development of surgical sub-specialties was focal in 2012, with the intention of readying Lanka Hospitals to actively undertake quaternary care and to be considered a referral centre for surgical care in the region. From an operational perspective, further investment into the surgical area was deemed as core in enlarging the revenue intensity, given that in the area of surgery value per bed is significantly higher. Moreover, the strategy has assisted towards overcoming the effects of seasonality that normally plagues the healthcare sector. From a reputation perspective, the investments are also expected to lead the way in enhancing confidence in Lanka Hospitals amongst customers as well as consultants.

Plans are also underway and investments made towards the establishment of a theatre for orthopaedics and neurosurgery. These investments indicate the promise of significant returns and a sharpening of revenue intensity as a direct outcome of these strategic initiatives in the upcoming financial year.

2. Support Pillars

2.1 Marketing

During the year marketing remained a focal pillar in driving the momentum of growth. Marketing has been the live-wire for the Hospital's successes in the past five years, and has been instrumental in changing the dynamics of healthcare marketing in the industry. A cohesive strategy that coupled communications with direct marketing has been a key strategy, and this approach has enabled Lanka Hospitals to change perceptions whilst building brand equity. With the systematic use of ATL and BTL tools, Lanka Hospitals has firmly positioned itself in the minds of the target consumer, as the best healthcare facility in the country thereby achieving positive recall and brand association.

In addition, the Hospital has successfully enhanced its service offer to be appealing to a wider target audience whilst maintaining its niche, tailor-made positioning. Across the board SEC penetration is an achievement that is unique to the Hospital and testimony to its strategic marketing and communication efforts.

During the year, the Hospital launched the 'Family of Reasons' brand building campaign specifically targeting a broad SEC segment. With the family concept targeting each member in a family, LH positioned the hospital as the most dependable, trusted, passionate, luxurious and technologically advanced hospital in the country.

New segments and markets were successfully reached during the year with emphasis on growth from the North and East provinces. Participation in an array of key trade fairs such as the Medicare Exhibition, Colombo, Jaffna Trade Fair, Arogya Exhibition and other trade fairs enlarged the potential target base for the Hospital. To effectively capture the latent target with the intention to convert interest into action, the Hospital has conducted free medical camps among potential clientele.

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To leverage on the growing incidence of NCDs (refer macro outlook in section 1.1 and 1.2 of this MD&A), Lanka Hospitals conducted educational sessions on Diabetes coinciding with the World Diabetes Day. At these sessions a free health checkup was offered for all registered participants. Likewise, over 12 health talk sessions were conducted for corporate clients during the year. Corporate tie-ups grew significantly as a result of tailor-made solutions offered to meet each corporate clients' specific needs. In 2012 the Hospital renewed contracts with over 300 corporate clients and the Hospital currently holds a 60% share of the corporate market in Sri Lanka.

Promotions were held with all key credit cards companies/service providers operating in the country whilst a special promotional campaign was conducted for potential clients both in Sri Lanka and Maldives interested in the services of the Hospital's Fertility Centre. This was launched to celebrate the birth of Lanka Hospitals' 400th IVF baby.

The Hospital's retail business expanded with the Hospital operating 8 pharmacies in key locations outside of its premises. In addition, medical centres at the Central Bank, Bank of Ceylon and Sri Lanka Insurance Corporation continued to be managed by the Hospital. The sample collection centre network grew to 120 locations in Colombo and its suburbs of which three such collection centers remained under the direct management of the Hospital.

In the sphere of doctor relations, the Hospital took leadership in the sponsoring of Annual Academic Sessions of all consultant associations. Promotions were carried out at consultants events/ associations such as Heart Walk and public awareness programmes whilst knowledge

sharing training sessions was also carried out for consultants. Lanka Hospitals conducted 14 continuous medical education programmes to doctors in Colombo and outstations in 2012.

In the international marketing arena, the international client portfolio grew to an approximate 12 – 15% of the total in Patient base. The Maldivian Government recognised Lanka Hospitals as a referral centre and has extended their Government insurance scheme 'Aasanda' for medical treatment afforded to the Maldivian patients at Lanka Hospitals. Approximately 55% of Maldivian patients who seek foreign medical treatments are referred to Lanka Hospitals and this increased trust was the foundation for the establishment of a Lanka Hospitals Information Centre in the Maldives. Web and print campaigns in the Maldives were instrumental in creating awareness on the Lanka Hospitals Information Centre in the Maldives.

To better facilitate the growing base of Maldivian patients and their families, Lanka Hospitals in 2012 recruited a Assistant Manager (Maldivian patient facilitation) for the purpose of in Patient facilitation services with a view to provide personal assistance to all Maldivian patients. An evident increase in the number of patients from India and western countries mainly for kidney transplants and other extensive medical treatments was witnessed, with growth propelled by medical superiority and pricing factors. The Hospital witnessed an increase in overall foreign patients coming in for kidney transplants, cosmetic surgery, health checks and fertility treatment. Additionally, credit facilities were offered for more than 20 embassies whilst the Hospital also formed alliances with authorised international tour agents and local agents for medical tourism. Alliances were formed with more than 50 foreign insurance companies to facilitate services for international clients.

2.2 Information Technology

Lanka Hospitals in 2012 invested in the implementation of a state-of-the-art hospital information system (HIS). The HIS will be the base for an interactive platform so that the patients, doctors and hospital are inter-linked and is capable of handling electronic medical records comprehensively. It is also compatible with HL7 (Health level 7), which will further facilitate integration with 3rd-party systems. During the year, the Hospital also launched a tri-lingual website with interactive functionality. The website allows customers to engage with the Hospital with ease and will be the front-end for further interactivity once the HIS is fully implemented. Thus, via the website, patients will have the ability to access diagnostic information in a secure manner such as test results and also view personal medical records. In appreciation for the need for data security, the Hospital implemented a state of the art IT security system at the perimeter level to safeguard the internal systems from possible external threats.

All the retail pharmacy chain operations were fully automated during the reporting period, allowing all operations to be supported with extensive reporting and monitoring capabilities guaranteeing quality service.

2.3 Human Capital

Lanka Hospitals acquired and implemented a Human Resource Information System (HRIS) to manage the human resources function of the organisation efficiently. The HRIS has the capability to maintain employment records of all staff members and to make use of it to collect metrics surrounding the firm's staffing, compensation and benefits activities. One of the key benefits of utilising the HRIS from a business perspective stems from its data cataloging capabilities and the ability of the system to deliver reports speedily and accurately.

MANAGEMENT DISCUSSION & ANALYSIS



The system typically holds all information surrounding the firm's human resources initiatives and maintains an up-to-date index of electronic copies of each employee's paperwork. Some of the key administrative functions of HR such as the staff Attendance record management, leave management, overtime management and salary and benefit administration are managed through HRIS. The next logical step was the implementation of employee self-service (ESS) interfaces as a means for collecting and disseminating HR data. Employee self-service, as the name implies, has further reduced the administrative workload in the HR department by allowing employees to have updated access to their records. It has become easier to see how a successfully implemented HRIS is moving away from a data input and storage device toward a fully operative decision-analysis too.

All employees now have direct access to the system and at any time could view their personal information, attendance records, performed overtime hours, benefits, leave utilisation, salary details amongst others. Employees no longer have to visit the HR department to apply for leave, as they are now able to do so through the system and obtain approval.

In summary, it can be deduced that through the proper management of HR data, the Hospital is now able to perform calculations with undisputed effects on the business as a whole. It is an information resource that is not only critical for HR decision making but also in strategic decision-making.

During the financial year, in the area of HR, further modulations were made to the performance management system, whereby every employee's contribution towards the growth of Lanka

Hospitals was assessed. Improvements were made to the 360 appraisal system to better identify key areas for personal development of employees and standard operating procedures in HRM and HR policy development was augmented throughout the financial year.

KPI's were set for each department where the Head of the Department together with his/her team have to work towards achieving the numbers. The rewards and annual increments to each employee are based on the results achieved. This system serves as an important tool for realizing organisational goals by implementing competitive HR strategies. It helps in aligning and integrating the objectives with the KPI's in an organisation both vertically and horizontally across all job categories and levels and thus helps in driving all the activities right from the bottom level towards one single goal. It has proved to be a positive influence on job satisfaction and employee loyalty.

Training and development remained high on the HR agenda especially from the perspective of the need for talent development to meet future talent requirements of the hospital. As such 20,367 man-hours of training were completed during the year through a carefully planned and well-implemented training calendar. A total of 203 training programs were conducted in-house and employees were sent for 12 external training programs. Of these, 93 programs were focused on achieving clinical excellence and 80 for uplifting operational excellence, whilst 29 focused on service excellence.

The entirety of the nursing staff were provided with special training to reach higher competency levels in varied areas of specialisations under renowned medical professionals/resource personnel in addition to the mandatory training undertaken on a regular basis. The medical officers were also exposed to knowledge sharing with a view to keep abreast of latest developments in medical care. Given the need for articulate English language skills, 125 pre-identified staff were selected for a 3-month English course conducted inhouse by the Delmege Academy of language and Skills.

Top and middle management were exposed to 'skill set' training with the intention to create amongst department heads a deeper understanding of themselves and of others, thereby enhancing their emotional quotient for more balanced decision making. Demonstrative of Lanka Hospitals career development opportunities is the fact that during the financial year, 83 staff members were promoted to roles with greater scope and responsibility.

New employee induction programs, social welfare activities such as the annual cricket encounter, staff get-together, Christmas caroling, Wesak bakthi gee and lantern competition, as well as numerous community action-CSR activities with high employee volunteerism, served to create better employee relations.



THE
GOLD
STANDARD OF
OPERATIONS
FOCUS

1. Centres of Excellence: proof of the Gold Standard

1.1 Fertility Centre

Lanka Hospitals Fertility Centre is equipped with the latest and most comprehensive, technologically advanced equipment and offers a wide array of fertility procedures. But most importantly, our sensitive and compassionate team is supportive all the way.

We have celebrated many milestones including the birth of the 400th In Vitro Fertilization (IVF) baby in September 2012 with 100 ongoing pregnancies by that time. This has made us the most successful fertility centre in Sri Lanka with a 43% success rate in COH IVF cycles, establishing us on par with the best IVF centres in the world. Introduced for the first time to Sri Lanka the procedure known as Embryo cryopreservation also termed vitrification, enhances the success rates of frozen embryo implantation.

Our Centre was established at an investment exceeding Rs. 30 million and is equipped with the latest technology for Assisted Reproduction Techniques.

Services on offer – IUI, IVF/ICSI, Embryo Vitrification, Testicular Sperm Aspiration Technique, Frozen Embryo Transfer.



MANAGEMENT DISCUSSION & ANALYSIS

Achievements in 2012 -

- Celebrated the birth of the 400th baby.
- Implemented bar code system for information accuracy; is the first IVF laboratory in Sri Lanka to do so.

1.2 Kidney Care Centre

The Kidney Care Centre at Lanka Hospitals offers comprehensive and specialised care for kidney disease and renal related problems that may eventually lead to the need for transplantation.

The Centre is recognised as a leader in renal care and provides a spectrum of services ranging from dialysis to kidney transplantation. The Centre performs more transplants than any other private hospital in Sri Lanka, and is focused on performing more cadaveric and paediatric transplants. Lanka Hospitals offers a unique combination of specialist teams comprising of the best and most respected nephrologists and surgeons in the country.

The Lanka Hospitals Kidney Transplant Unit at the Kidney Care Centre has six different teams performing transplants regularly for both pediatric and adult kidney transplants. This unit has the ability to carry out Laparoscopic Donor Nephrectomy, where kidneys from donors can be removed with the smallest of cuts. The hospital also has a separate transplant ICU, with dedicated doctors and nurses 24 hours a day. The unit has the ability to carry out both live and cadaveric transplants.

Services on offer – 24 Hour Haemodialysis Services, Peritoneal Dialysis Services, Continuous Replacement Renal Therapy (CRRT Services), Laparoscopic Donor Nephrectomy, live and cadaveric kidney transplantation.

Achievements in 2012 -

- 79 kidney transplants.
- 10,640 dialysis treatments conducted.
- Highest number of donor nephrectomies conducted during 2012 in the private sector healthcare system.
- 5 laparoscopic donor nephrectomies conducted during the year.

1.3 Heart Centre

The Lanka Hospitals Heart Centre is a centre of excellence that offers the best cardio-thoracic care available in Sri Lanka and is a facility that is on par with global standards. The Centre offers cutting edge cardiac and thoracic care under the supervision of the finest Sri Lankan and internationally trained professionals available in Sri Lanka. The thoracic keyhole surgery offered at the Centre is not available at any other hospital in Sri Lanka and the Centre is the first and only heart care facility in the country to launch the state-of-the-art Allura Xper FD10 Flat Panel Cath Lab with the most up to date technology – a first of its kind in Sri Lanka.

The Centre remains the only facility capable of performing the entire range of all complicated heart surgeries for children and adults, and remains the only hospital to have performed cardiac surgery on both a 7-year-old and a 77-year-old within the same day.

The Centre features the latest equipment and technology combined with a specialist team of Sri Lankans as well as an international cardiac care team, including cardio-thoracic surgeons,

paediatric surgeons, adult and paediatric cardiologists, an in-house cardiac anaesthesiologist, a highly trained clinical perfusionist, a well-trained and professional cardiac nursing team – all who ensure the best possible clinical outcome for the patient. We are the only private hospital in Sri Lanka with all local cardiac surgeons operating in collaboration with foreign cardiac surgeons.

The centre also possesses a dedicated Cardiac Intensive Care Unit equipped with specially trained cardiac nurses and high tech equipment. The centre also has a dedicated cardiac surgical operating theatre, a fully equipped Cath Lab and a Blood Bank, whilst it also offers emergency angiograms and coronary angioplasty (primary angioplasty).

Services on offer – Minimally invasive valve procedures, Beating Heart Surgery, Video Assisted Thoracoscopy Surgery (VATS) or Minimal Access Thoracic Surgery, Chest Wall Resection and Sleeve Resection for Cancer, Redo Coronary Artery Bypass Graft, Hypertrophy Cardiomyopathy (HOCM) Interventional cardiological procedures, Angioplasty, Stent placements, Device closure, Valvuloplasty, Placement of pacemakers and implantable cardio defibrillators for abnormal heart rhythms, Cardiac Total Revascularisation, Aortic Dissection, Valve/Arterial Switch Procedures, Atrial Septal Defect (ASD) & VSD, Tetralogy of Fallot (TOF) and many more.

Achievements in 2012 –

- 27% increase in cardiothoracic surgeries over 2011.
- 18% increase in cardiothoracic surgery revenue over 2011.

1.4 Surgical Department

We are one of the few healthcare providers in Sri Lanka to undertake surgical care for patients of all ages from pediatric to geriatric. The Hospital specialises in procedures from the conventional to minimally invasive and offers all major surgical spectrums.

We were the first in Sri Lanka to understand the issues of affordability for customers and to ease the burden we offer over 50 pre-designed surgical packages that are applicable to over 80% of the surgeries and are packaged at costs that are significantly below market prices.

Services on offer – general surgeries with dedicated unit, SICU, surgical wards

Achievements in 2012

- 8000 surgeries conducted during 2012.
- Highest number of spinal surgeries conducted in private hospitals in 2012- 458 surgeries.
- Average theatre utilisation ratio maintained at 50% with an average increase of 175 hours of surgery per month.
- Initiation of a new high end general theatre.
- Commenced construction of advanced neuro-ortho theater in Sri Lanka that is to be commissioned in April 2013.
- Surgical department has excelled in pre /intra/ post operative care, earning the confidence of surgeons patronising LH. This has led to a pragmatic shift in LH performing Major GI/Liver/ Neuro/Vascular cases.
- Further expansion of surgical packages to suit the general population and positioning LH as the most cost-effective surgical centre in the private sector.
- SICU- has averaged more than 60% bed occupancy by December 2012, in the first year after commissioning.

MANAGEMENT DISCUSSION & ANALYSIS

- Witnessed a unique blend of resident and visiting surgeons where the residents use theatres during working and after 4pm full utilisation is by the visiting surgeons.
- A 24/7 on call roster is maintained for all major sub specialties with 24-hour anesthetists cover.
- Achieved a significant volume growth in surgical sub-specialties like.
 - ENT- 18% YOY
 - Neurosurgery-32% YOY
 - General surgery-29% YOY
 - Urology-20% YOY

1.5 Gastroenterology

Lanka Hospitals Gastroenterology Department is a self-contained unit specialising in the diagnosis and treatment of gastro-intestinal, hepatology disorders and is headed by a team of consultant gastroenterologists and surgeons. The unit is equipped with the latest high definition, narrow band imaging scopes and carries out a range of diagnostic and therapeutic procedures. The Gastroenterology Department was reorganised in the year 2012 and is being patronised by the most eminent Gastroenterologist in the country.

Services on offer – Upper Gastro-Intestinal Endoscopy, Colonoscopy, Bronchoscopy, Argon Plasma Coagulation, Capsule Endoscopy, ERCP, Variceal Banding, Hemorrhoid Therapy, Endotherapy and all Biopsy procedures.

Achievements in 2012 -

- Technological enhancements are on par with the world's best.
- Latest fully fledged HD Endoscopy unit.
- Performing Capsule endoscopy- 1st private sector major city hospital to own a unit.
- Argon plasma coagulation with intra operative accessories- The gold therapy in gastric ulcer bleeding and procedure related bleeding which is not available in any other private sector hospital.
- Volume growth of 54% YOY.
- Revenue growth of more than 40% YOY.

1.6 Laboratory Services

Lanka Hospitals Laboratory Services is a fully-fledged, ISO 15189 accredited medical laboratory services for all routine and special diagnostic tests, 24 hours a day, all year round. It was the first hospital in Sri Lanka to be certified with the ISO: 15189 standard.

Being accredited to the ISO standard enables Lanka Hospitals to provide a level of quality that can be measured globally and is maintained and assessed by the Sri Lanka Accreditation Board (SLAB). With the aim of ensuring a high level of accuracy and consistency, the Lanka Hospitals Laboratory maintains internal standards, receiving advice on a regular basis from experts in relevant fields and through participating in external quality assurance programs in clinical laboratory testing such as RIQAS UK, National STD/AIDS control programs, National Blood Transfusion services, Bacteriology EQAS programs of MRI, Inter Laboratory comparisons and PT with the Sri Lanka Accreditation Board (SLAB).

Services on offer – Biochemistry, Hematology, Clinical Pathology, Histopathology, Cytopathology, Cryobiology, Immunology and Genetics.

Achievements in 2012 –

- Participated in Bio-Rad hematology program from Bio-Rad laboratories, UK.
- Expanded scope of ISO accreditation by adding another set of tests with higher complexity under the disciplines of Microbiology, biochemistry, and hematology.
- Renewed the ISO 15189 accreditation for the next 3 years.

1.7 Emergency Services

Emergency Services is a critical support service to the rest of the clinical and medical services available at the Hospital. The Hospital offers 24-hour Emergency care all year round, and has a team of highly qualified doctors and well experienced nurses who attend to the needs of both walk-in patients and ambulance evacuees to the hospital. They are also supplemented by a team of 24-hour on-call specialists who have access to a dedicated 24-hour mini theatre for minor surgeries.

Services on offer – modern fleet of ambulances, a nationwide ambulance pick up service, 24 hour air ambulance service, 24-hour emergency care, 24-hour Specialist team, 24-hour mini theatre, services on par with an ICU.

Achievements in 2012 –

- 2 Brand new state-of-the-art ambulances added to the existing fleet of ambulances.
- 34% increase in Emergency revenue over 2011.
- 17% increase in number of emergency cases over 2011.
- 53% increase in emergency admissions over 2011, reflects the quality of emergency care and establishes Lanka Hospitals as the most preferred hospital for emergency treatment.

1.8 Radiology & Imaging Sciences

Lanka Hospitals operates a fully fledged imaging unit, 24 hours, with full time radiologists both local and foreign, assisting towards ensuring a quality and precise diagnostic process. The unit is equipped with the full range of imaging equipment with the latest technology used in radiology from Magnetic Resonance Imaging (MRI), Computed Tomography (CT), to Ultra-sound scans including 4D ultrasound technology.

Services on offer – X-Ray, MRI, CT, Ultra-sound, DEXA Scan.

Achievements in 2012 –

- 2 full time consultant radiologists specialised in MRI, CT and all radiological procedures dedicated to the unit.
- Obtained a state of the art 4D Ultrasound scan machine, a first for Sri Lanka.

1.9 Mother & Baby Care Centre

Lanka Hospitals' Mother and Baby Care clinic provides total and convenient care from conception, through pregnancy and delivery, to post-natal and paediatric treatment (up to 14 years' of age). This unique concept of trusted medical attention for the family is a special service provided by Lanka Hospitals. With leading Sri Lankan and internationally qualified Consultant Gynecologists, Obstetricians and Pediatricians providing world-class care, the Mother and Baby Clinic is a busy and popular one in a bright and cheerful atmosphere.

The Centre is equipped with a play area, dedicated OPD for Obstetrics and Gynecology, Paediatrics and has a dedicated mother and baby ward designed to provide the right ambience for birthing, and bonding amongst parents in the early stage of post natal recovery. The dedicated neo-natal ICU in 2010 delivered great care to a large number of babies recovering from premature birth. The Paediatric component of the Centre has an active vaccination link where the best brands and A-grade vaccinations are available.

Services on offer – from conception, through pregnancy and delivery, to post-natal and pediatric treatment.

1.10 Dental Clinic

Our Clinic provides preventive, cosmetic, prosthetic and periodontal dentistry and also performs more complex oral surgeries. We are one of the few centres in Sri Lanka that have the full spectrum of diagnostic techniques including Orthopantomogram (OPG) a panoramic scanning dental X-ray that facilitates a full 180-degree view of the upper and lower jaw.

The Centre manned by a team of foreign and local as well as full time and visiting dental experts have vast experience and specialises in implant, aesthetic and reconstructive dentistry. The Prosthodontists who have specialised in these procedures restore oral function by creating prostheses and restorations.

The Centre has the services of an Oral and Maxillofacial surgeon who has specialised in treating the anatomical areas of the mouth, jaws and the face, as well as associated structures. The Dental Clinic also specialises in Paediatric Dentistry providing specialist services on preventive dentistry for children.

1.11 Eye Clinic

With a dedicated team of local and foreign consultant ophthalmologists, highly trained nurses and access to the most up-to-date technology, our Eye Clinic is the only private eye clinic in Sri Lanka to offer a complete range of services in one central location.

Both foreign and local internationally trained ophthalmologists, supported by the very latest technologies, are on hand. We provide you with a comprehensive range of eye surgery care, professional laser treatment and a round the clock emergency treatment.

1.12 ENT Centre

Our ENT Centre has broken new ground in many complex ENT procedures. We provide specialised ENT care with comprehensive ENT therapy and surgery under one roof.

Our ENT Centre is a trail blazing and pioneering department that has set the benchmark for this field of medicine in Sri Lanka. We pioneered a bilateral cochlear implant in 2010 where the patient received cochlear implants to both ears in one simultaneous surgery.

1.13 Cosmetic Clinic

Our Cosmetic Clinic is a primary and referral specialty clinic offering a wide range of plastic and cosmetic surgical procedures. As a unique and difficult area of expertise, the clinic handles not just repair after injury or burns, but also purely reconstructive surgery. All the Clinic's surgeons are registered and licensed plastic surgeons affiliated to reputed international medical organisations.

Blood Bank

As the heart of the hospital, the Blood Bank gives life. Being the critical unit that all other departments depend on, the focus of our Blood Bank is to provide an adequate supply of safe and high quality blood and blood components, saving lives as we do so.

Our Blood Bank was established in 2002 and has grown since to an astounding 26,243 donors who donate regularly. We are tied up with the National Blood Transfusion service, and have the distinct advantage of being able to access rare blood groups at short notice whenever the need arises.

1.14 Nuclear Medicine Center

Our Nuclear Medicine Department pioneered Nuclear Medicine imaging amongst private sector hospitals in Sri Lanka. We are equipped with a state-of-the-art Dual Detector Gamma Camera (SIEMENS-E Cam), a first and the only one of its kind in Sri Lanka.

We remain the only private healthcare centre in Sri Lanka to offer Nuclear Medicine for diagnostic, therapeutic and preventive maintenance. Our Nuclear Medicine Centre has been set up – despite the very high costs of investment – with the primary aim of providing better services to the public and to ensure that Sri Lankans have access to this specialty of medicine and medical imaging. A full time consultant specialised in nuclear medicine overlooks the unit and assists patients ranging from paediatric through a cross-section of ages.

1.15 Allergy Clinic

We operate a dedicated and comprehensive Allergy Clinic, which is the first of its kind in Sri Lanka's private healthcare industry. We offer a personalised and comprehensive service to diagnose and manage allergies including allergic conjunctivitis, eye allergies, eczema and urticaria and skin allergies. We also offer for the first time in Sri Lanka, skin allergy tests such as skin scratch tests and allergy blood tests.

Our team of consultants comprise of skin specialists, ENT surgeons, chest physicians, paediatricians and allergy specialists all of who serve as resource consultants. India's Christian Medical College and USA's International Asthma Services have trained the dedicated staff at our Allergy Clinic.

1.16 Health Check

Our Health Check Clinic offers a range of health screenings as a proactive lifestyle choice for the early detection of critical diseases. The concept of a dedicated area for a health check provides a convenient and efficient service.

Our Health Check Clinic offers services both at the Hospital as well as through mobile services at external premises.

MANAGEMENT DISCUSSION & ANALYSIS

Services on offer –

Diabetic Follow-up Investigation

Fasting blood sugar, HbA1C, Lipid profile and many more tests.

Healthy Living Package

ECG, Fasting blood sugar, Lipid profile and many more tests.

Lanka Cancer Screening Package – Female/ Male

Serum tests, Ultra sound, Mammogram and many more tests.

Lanka Children Health Screening

Consultation with an ENT specialist, Eye specialist and more than 8 tests.

Lanka Diabetic Check

Fasting Blood sugar, HbA1C, Consultation with an Eye specialist and more than 12 tests.

Lanka Executive Heart Check

2D Echo, Liver profile, Consultation with a Cardiologist and more than 15 tests.

Lanka Pre Marital Screening Package – Female / Male

Cholesterol, ELISA tests, Consultation with a Gynecologist/ Physician and more than 14 tests.

Lanka Screening Package for Senior Citizens – Female/ Male

Consultations with an ENT specialist, Eye specialist, physician and more than 16 tests.

Lanka Stroke Prevention Health Check

2D Echo, Consultations with an Eye specialist, Neuro specialist and more than 14 tests.

Lanka Well Women Check

Pap Smear, Mammogram, Consultation by a Gynecologist and many more tests.

Lanka Whole body check – Female/ Male

Consultations with an ENT specialist, Eye specialist, Physician and more than 19 tests.

Renal Donor Screening Package

Cholesterol-serum, Creatinine-serum, Ultra sound and more than 16 tests.

Achievements in 2012 –

- Increased number of total health checkups by 67% over 2011.
- Increased number of corporate health checkups by 132% over 2011.

CORPORATE SOCIAL RESPONSIBILITY



AS A RESPONSIBLE CORPORATE CITIZEN, WE CONTINUE TO STRATEGICALLY ALIGN OUR CORPORATE OBJECTIVES WITH BROADER SOCIETAL OBJECTIVES. WE OPERATE WITH DUALITY OF FOCUS, DRIVEN TO DELIVER NOT ONLY THE COMMERCIAL ASPECTS BUT ALSO TO MEET CHANGING SOCIETAL NEEDS IN THE REALM OF HEALTHCARE.

Today's most pressing sustainability challenges impact all of us, both as individuals and as business leaders. Lanka Hospital's dedication to creating a sustainable healthcare system is mirrored by our commitment to run our operations in an environmentally sustainable way. This stems from our commitment to help create a healthier nation.

At Lanka Hospitals we aim to conduct business in a way that's sustainable in the long-term for our shareholders and all stakeholders. By integrating environmental, social and corporate sustainability principles into the way we do business, we hope to ensure a healthy, vibrant company and resources for generations to come.

As a responsible corporate citizen, we continue to strategically align our corporate objectives with broader societal objectives. We operate with duality of focus, driven to deliver not only the commercial aspects but also to meet changing societal needs in the realm of healthcare.

Environmental Responsibility

1. Energy Efficiency

Climate change has emerged as an urgent and catastrophic issue of the new millennium. Climate change has the capacity to produce severe consequences for human health, providing an opportunity and a call to action for the healthcare sector to play a role in climate change mitigation.

The healthcare sector, globally, ranks second as the prolific energy consumer. Energy use in medical facilities is highly intensive. In fact, hospitals expend approximately twice as much total energy per square foot as traditional corporate offices. The fact that healthcare institutions hospitals in particular operate unending hours means energy consumption is often continual.

In Sri Lanka, energy consumption in healthcare remains unaccounted for. However, as the leader in healthcare service provision, we at Lanka Hospitals are more than aware of the need for energy efficiency.

As such, during the financial year 2012, efforts were made towards contracting the overall energy consumption as that against the consumption patterns for the previous financial year. To realize this objective, the Hospital implemented an energy management system, involving the interaction and dedication of all employees. Overseen and given direction by the Energy Steering Committee that consists of management members, Lanka Hospitals in the year under review implemented specific phases of the energy management system.

The hospital also made concerted efforts towards building the capacities with respect to employees on energy management through intensive training and development conducted with the assistance of the Sri Lanka Energy Managers' Association and the Sri Lanka Sustainable Energy Authority.

An energy audit was completed as a preliminary step towards the implementation of the energy management system during the first quarter of the financial year. The Hospital is currently exploring the many options available in implementing the recommendations give by the energy audit report.

The Hospital has also initiated a process of collecting energy related data of electrical sub meters and formulated reporting system; allowing for a mechanism to measure and forecast the hospital's energy consumption in various scenarios. Through the execution of these mentioned initiatives the hospital has successfully reduced the consumption of energy during the reporting period.

2. Infection Control Strategies

In view of preventing and reducing healthcare-associated infections, the World Health Organization launched the 'Global Patient Safety Challenge' with the theme, "Clean Care is Safer Care". We at Lanka Hospitals believe in keeping up with the international standards of health care and take all efforts to keep the health care associated infection rate to a minimum by following good infection control practices.

The Infection Control Plan in the hospital has two primary goals; firstly to reduce the risk of health-care associated infection to the patient, and secondly to protect the health-care worker and other visitors to the hospital from potentially infectious agents.

The entire organization is committed to this effort under the guiding force of the Infection Control Team and the Infection Control Committee together with the mandate of the management.

Our activities are based on WHO Guidelines on Hand Hygiene, ongoing activities on blood and body fluid safety, safer clinical practices, equipment and work environment safety, waste management, surveillance of hospital practices by regular audits, supplemented by continued medical education of the staff.

Hospital associated infection (HAI) rates on surgical site infections, catheter related blood stream infections, catheter associated urinary tract infections, and ventilator-associated pneumonia are monitored through continuous and ongoing data collection and analysis, the results of which are to be used for necessary planning and implementation of corrective actions.

The Central Sterile Supply Department (CSSD) undertakes the critical task of cleaning, sterilization and packing the medical equipment. All non-critical items that come into contact with intact skin, instruments or the environment are subjected to disinfection or sterilization and are first cleaned using detergent and water. Domestic cleaning adopted by the hospital is of a high standard, which is sufficient for most parts of the premises.

THE INFECTION CONTROL PLAN IN THE HOSPITAL HAS TWO PRIMARY GOALS; FIRSTLY TO REDUCE THE RISK OF HEALTH-CARE ASSOCIATED INFECTION TO THE PATIENT, AND SECONDLY TO PROTECT THE HEALTH-CARE WORKER AND OTHER VISITORS TO THE HOSPITAL FROM POTENTIALLY INFECTIOUS AGENTS.

AT LANKA HOSPITALS THE BELIEF IS THAT SUSTAINABILITY IS AN INTEGRAL ASPECT OF THE BUSINESS. BY EMBEDDING AND ALIGNING SUSTAINABLE PRACTICE TO ITS OPERATIONAL PROCESS, THE HOSPITAL LOOKS TO SUSTAIN AND SAFEGUARD THE INTERESTS OF CUSTOMERS, EMPLOYEES, SUPPLIERS, THE COMMUNITY, AND SHAREHOLDERS.

Only chemicals, which have been approved by Lanka Hospitals, are used in hospital practice. All chemical solutions are used and discarded according to the manufacturer's recommendations.

Hospital waste management is applicable to all hospital personnel. It is estimated that in most of the health care settings, about 85% of the waste generated is non hazardous, about 10% is infectious waste and 5% non-infectious but hazardous waste. All types of waste are segregated at the point of generation itself.

The different types of biomedical infectious waste are human anatomical waste, microbiology laboratory waste, human blood and body fluid waste and waste-sharps. These are segregated in designated colour-coded bins lined with polyethylene bags and are disposed through an accepted outsourced company.

The non-infectious but hazardous cytotoxic chemical waste consists of drugs that inhibit or prevent the functions of cells, which are used in treating neoplastic or other conditions. This type of waste is collected and sent for high temperature incineration.

Non-infectious Waste is treated as household waste and is collected in black plastic lined bins. It includes waste papers, kitchen waste, packing material etc. This category of waste does not need any pre-treatment and is handed over as general waste to the municipal waste management squad.

Social Responsibility

As the largest private sector healthcare provider in Sri Lanka and given its association with the Government of Sri Lanka, Lanka Hospitals during the year aligned its CSR focus on creating greater public awareness on the need for a healthy community. The Hospital recognises that the long-term economic viability of the nation depends on the productivity of its people, and as such made headway into changing behaviour, and extending assistance to provide information for good health.

At Lanka Hospitals the belief is that sustainability is an integral aspect of the business. By embedding and aligning sustainable practice to its operational process, the Hospital looks to sustain and safeguard the interests of customers, employees, suppliers, the community, and shareholders. This is underscored by the Hospitals commitment to ensuring affordable yet excellent healthcare through the best in medical treatment and facilities to the hundreds of thousands of patients who seek treatment and healing.

Medical camp and Dengue awareness campaign: Sri Parakrama Bahu Vidyalaya, Narahenpita

A Dengue awareness programme and a Medical camp were organized at Sri Parakrama Bahu Vidyalaya, Narahenpita facilitating more than 400 students and 40 teachers. Medical screenings along with an eye screening was carried out for the students and a health check screening conducted for teachers. Partnering with the programme, Lanka Hospitals Wellness Club donated a computer for the benefit of the school children. A medical professional conducted a medical talk on dengue in an effort to create greater awareness on the disease. Leaflets and posters were distributed among the school with informative tips on dengue.

Dengue awareness programme in collaboration with 'Project RUN' Mother Sri Lanka

Mother Sri Lanka is a collaborative effort of the public, non-governmental and the private sectors in the country leveraging on the strengths in each sector with leadership and direction from the President's Office. The campaign aims to bring together diverse perspectives in an inclusive manner with empowerment and development as a goal in the long run. Project RUN



Dengue awareness & medical camp at Sri Parakrama Bahu Vidyalyaya, Narahenpita.

is named after the acronyms of the three components, Responsible citizenship, Unity, and National pride. It is a unique concept where children are encouraged and empowered to make a difference through inspired action.

Lanka Hospitals collaborated with Mother Sri Lanka 'Project Run', to distribute more than 5000 dengue awareness brochures and 2000 posters amongst schools in rural Sri Lanka.

'Shramadana campaign' – Dengue Kills

Lanka Hospitals organized yet another 'Shramadana' focused on the theme 'Dengue Kills' in October 2012 to combat the rising incidence of the deadly disease. With the fullest corporation of the Civil Defense Force and 150 civil personnel together with more than 200 staff members of Lanka Hospitals, the campaign turned out to be a major success. The Shramadana covered the Narahenpita police area.

'Shramadana campaigns': Cleaner Working Environment

Lanka Hospitals organized a Shramadana campaign in the hospital premises on 19th February 2012 under the theme 'Cleaner Working Environment'. Staff from all the departments actively participated and effective teamwork cemented the success of the initiative.

Community Clean up project and Dengue awareness programme

Lanka Hospitals organized a 'Community Clean up Project' with the support of Civil Defence Force, Police Community Unit, Narahenpita, Civil Defence Committee – Kirula, Grama Niladhari "Kirula", Medical Office of Health, Divisional Secretarial Office – Thimbirigasyaya and Bodhiraja Society – Narahenpita. The objective of this project was to keep the surrounding environment clean and to develop awareness on Dengue among the community.

Prior to the event, banners and brochures were distributed among the community to develop awareness on this project. Dengue awareness posters were displayed on notice boards.



Active participation of staff for the Shramadana campaign

Parent Crafting programme – Continuing the same

Lanka Hospitals understands that preparing for a baby is a wonderful, enriching experience that can also be rather daunting for new parents. As a passionate caregiver, the Hospital continued to operate its novel educational programme aimed at enhancing knowledge of new parents to be, through the provision of information from pre natal to post natal care of both mother and baby. The intention of the Hospital has been to utilise the programme as a conduit to change perceptions regarding parenthood and role of each parent in the healthcare and development of the baby. In addition, the programme serves to create a sound platform in enhancing the health of mothers and babies.

The programme held free of charge for new parents and new parents in the making, is held on a regular basis, every last Sunday of the each month. During the year over 185 parents actively participated in the programme. Structurally the Parent Crafting programme consists of components that address both psychological as well as technical aspects of parents from addressing attitudinal requirements, mother's health and nutritional awareness, physical exercise during and after pregnancy as well as the overall health and development of the baby. The programme has been extremely successful in changing the role of the father in parenting; by effectively garnering support from the father in the early days post natal. Issues such as post natal depression and dealing with changes in both the mother's as well the father's lives has been openly discussed, facilitating greater empathy towards parenthood and the changes it entails.

The programme also provides a comprehensive cover of matters relating to breast-feeding, nutritional needs of baby at varying stages of development, weaning and introduction to solid foods as well as healthcare issues such as immunization. Through the programme parents are able to interactive discussions with Gynecologists & Pediatricians.

Call for Action on World Diabetes Day

On 14th November 2012, to commemorate World Diabetes Day, Lanka Hospitals together with leading consultant physicians conducted two separate programmes targeting both the medical fraternity as well as the public at large. Organised by Lanka Hospitals Department of Nursing and the Patient Education Centre, the event was specifically a key component of the Hospitals' community outreach and an important aspect of its overall sustainability strategy.

CORPORATE SOCIAL RESPONSIBILITY

The World Diabetes Day initiative falls within the sphere of an overall strategy by Lanka Hospitals to create a change in lifestyles, stemming the propagation of Diabetes across Sri Lanka's society. The programmes were held at the Hospitals' Auditorium and for the morning session, Lanka Hospitals welcomed in excess of 150 participants comprising of medical and nursing fraternity from both private and public sector healthcare establishments. Chief guest Dr. Bandula Wijesiriwardane, Senior Consultant Physician and Director of Lanka Hospitals, presented a lecture on the treatment of Diabetes whilst Dr. Ranjuka Ubayasiri, Consultant Vascular and Transplant Surgeon shared valuable insight into Diabetic foot care and Prof. Varsha, Consultant Clinical Nutritionist spoke on the nutritional aspects in the control of Diabetes.

The evening session was well received by the general public and saw in excess 250 participants registering and attending the programme. The participants were educated on the disease by Dr. Malith Atapattu, Senior Medical Officer and Supervisor of the Hospitals' Patient Education Centre who gave insight into the disease with a discussion based lecture on "What is Diabetes Mellitus", whilst Ms. Gangani Ranasinghe, Nursing Officer spoke on Diabetic foot care and Dr. Priyankara Jayawardena, Consultant Physician who spoke to the participants on "How to live with Diabetes Mellitus". Participants for this session were able to undergo free medical tests including random blood tests, HBA1C test, calculation of Body Mass Index and Eye check ups to determine their health status. The participants were also given a dossier of information on Diabetes whilst the Hospital also partnered with Nestle Lanka to provide a special diabetic meal for participants of both the sessions. Additionally, the programme's effects were multiplied to a more diverse target through e-mailers, flyers, and posters and through interaction at workplaces across Sri Lanka.

60+ Elderly Care Programme

Lanka Hospitals continued to offer special healthcare package for customers over the age of 60 with the intention of providing elderly care through pre-emptive diagnosis and management of issues arising from old age. Thus, in celebration of International Elders day, Lanka Hospitals offered a special health check package for all Senior Citizens.



Call for action on World Diabetes Day

Ageing is a natural process that requires preparation for social, psychological and physical challenges. As the human body ages it becomes more susceptible to diseases.

The 60+ elderly care programme provides knowledge on the biological and physiological changes associated with ageing, the social and emotional changes that occur as a consequence and better explores the common problems related to ageing as well as giving insight to female age-related conditions.

The 60+ elderly care programme explores each participants nutrition patterns, exercise regimes, medication, rest and sleep patterns as well the assessment of risk factors and their management especially in the areas of obesity, diabetes, arthritis, bone fracture and heart disease.

The programme and the healthcare package resonates Lanka Hospital's move towards meeting the changing needs of healthcare in Sri Lanka. Sri Lanka also experiencing a demographic transition, reflected in the increased population of those aged 60-plus. Population forecasts predict a doubling of the country's ageing population by 2040 (24.4%) compared to 2010 (12.1%) as life expectancy increases (due to improved island-wide preventive and curative health services) and fertility rates decline rapidly.

Bringing cheer to inmates of Ranaviru Sevana – Katana

Lanka Hospitals visited inmates of Ranaviru Sevana, Katana, in the month of October 2012 to spread cheer and distribute donations valued in excess of Rs.100, 000. The Hospital's staff collected the donations on a voluntary basis. A Medical camp was organized to coincide with the visits. The staff of Lanka Hospitals, who displayed an array of talents in the form of music and singing, creating an evening of cheerful camaraderie, entertained all the inmates.



Bringing cheer to inmates of Ranaviru Sevana – Katana

RISK MANAGEMENT

Lanka Hospitals is in the business of providing cost effective, quality health care solutions that are of international standards. This involves careful and vigilant handling of processes, equipment and people. We are cognizant of the fact that even a minute mistake or deviation could cost a life or negatively affect the trust, confidence and satisfaction of our stakeholders. Thus, we place great emphasis on the maintenance of a robust risk management framework to identify, assess and manage risks well in advance in order to maximize opportunities and to minimize negative outcomes.

During 2012, we designed and implemented a robust Enterprise Risk Management (ERM) system which had the capability to identify healthcare related risks and to manage them in an efficient manner.

Accordingly, the management has taken the following key steps towards introducing a comprehensive ERM system at Lanka Hospitals.

- Developed a Policy on ERM and an ERM structure as a formal governing mechanism to carry out the related activities of the ERM initiative at Lanka Hospitals.
- The structure consists of the ERM committee and different sub committees namely; Clinical Review Committee, Patient Safety Committee, Infection Control Committee, Ethical Committee, Credential Committee and Facility Management and Safety Committee.

All the above committees and sub committees meet formally on a regular basis to take necessary actions, making sure that the interests of all Lanka Hospitals stakeholders are safeguarded with maximum possible ways without any hindrance to achieving its objectives.

- Designed the respective Charters of the ERM committee and Safety committee which elaborate the mandate and the framework for those committees.
- Carried out an extensive initial risk survey with the guidance of a reputed Risk Consultancy firm that had identified the hazardous and business continuity risks of Lanka Hospitals. In this regard the ERM committee facilitated and acted in the capacity of catalysts, in assisting to conduct initial interviews with all Departmental Heads to identify specific risks relating to their departments. Upon analyzing the risks a risk rating was carried out by way of assessing the impact and probability of occurrence. At the conclusion of these risk assessments, the Corporate Risk Profile of Lanka Hospitals was developed.
- Majority of these identified risks have been treated during 2012 for the satisfaction of the Management by the respective Head of Departments as the custodians of such risks. The remaining risk items will be addressed as special projects during 2013 within the set target dates.

CORPORATE GOVERNANCE

1. The Corporate Governance Philosophy of Lanka Hospitals

Caring has always been the pinnacle of our success at Lanka Hospitals. We have cared, cured, and changed the lives of countless patients, both Sri Lankan and foreign. Our caring nature in what we do is the guiding philosophy of how we conduct ourselves at Lanka Hospitals. We are able to do this again and again successfully as a result of how we are directed and controlled, i.e. our Corporate Governance framework. We have nurtured a culture of integrity, fairness, accountability, transparency and consistency in all that we do to ensure that we are at the forefront of our industry establishing the gold standard of healthcare. Our success is not only reflected by superior financial performance, as seen in the financial statements, but also in other non-financial dimensions by achieving number of accolades in terms of superior quality.

Our approach to Corporate Governance is indeed effective and efficient and complies with the leading codes and guidelines to ensure long term results, a sustainable organisation, while fulfilling our promises to all our stakeholders.

As a result, today, we are not only seen as a leading socially responsible corporation but also as a well-governed city hospital in the private healthcare industry.

2. Statement of Compliance

We declare that the practices below are adopted and practiced by Lanka Hospitals, in order to comply with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities and Exchange Commission (SEC) of Sri Lanka and also the Listing Rules on Corporate Governance published by the Colombo Stock Exchange (CSE).

3. Code of Best Practice on Corporate Governance

The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities and Exchange Commission (SEC) of Sri Lanka in 2008 highlights the following key areas for effective corporate governance.

- A. The Board of Directors
- B. Directors Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit
- E. Institutional Investors
- F. Other Investors

The extent of our adherence to the Code of Best Practice on Corporate Governance issued jointly by the ICASL and SEC can be furnished as follows.

A. The Board of Directors

Composition of the Board and Attendance at Board Meetings

The Lanka Hospitals Board of Directors comprises of 12 Directors as at 31st December 2012. All the Directors are Non-Executive Directors and of which 7 Directors are Independent and 5 Directors are Non- Independent. As at the date of the Annual Report the Board comprises of 12 Non-Executive Directors, with 8 Independent and 4 Non- Independent Directors. Changes to the Board during the accounting period and the subsequent changes after the accounting period are more fully explained in the table 'composition of the Board of Directors' on page 79. The names of the Directors who held office in the company during the accounting year and as at the date of the Annual Report and their profiles are set out on page 20 to page 26.

The Board meets at regular intervals and conducted 8 Board meetings during the 12 month period from 1st January 2012 to 31st December 2012. Details of the attendance at Board Meetings are furnished on page 78.

Responsibilities of the Board

The Board of Directors are responsible for ensuring that the company is headed in the right direction and acknowledge their responsibility to provide quality healthcare service. Directors are equipped with a balance of skills and experience appropriate to run a profitable and high quality healthcare service.

Further the Board is responsible to:

- Maximise shareholder value.
- Formulate, implement, and monitor the company's Corporate Strategy
- Approve the annual budget and evaluate the performance against the budget and Key Performance Indicators.
- Approve interim financial statements before it is published.
- Ensure that effective systems are in place to safeguard the integrity of information, internal controls, and risk management.
- Sanction major investments/ projects in accordance with the given criteria and parameters.
- Ensure compliance with laws, regulations and ethical standards.
- Ensure effective remuneration policies are in place to enhance employee commitment and motivation.
- Fulfill other board functions/ responsibilities which are vital, given the scale, nature, and complexity of the matter in concern.

Company Secretary

The service and advice of the Company Secretary is made available to Directors where necessary. The company secretary is responsible to keep the Board informed of new laws, regulations and other requirements coming into effect, which are relevant to them as individual directors and collectively to the Board.

Chairman and Chief Executive Officer

There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. Lanka Hospitals has a clear division of responsibilities at the head of the company, i.e. the post of Chairman and Chief Executive Officer are headed by two different individuals. This will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

Chairman's Role

The chairman is responsible for the efficient conduct of Board proceedings and to ensure inter-alia that:

- The effective participation of all Non- Executive Directors are secured.
- All Directors are encouraged to effectively contribute for the benefit of the company.
- The views of the Directors on issues under consideration are ascertained.

- The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders.

Financial Acumen

The Board includes Senior Chartered / Management Accountants, who possess the necessary financial acumen and knowledge to offer guidance to the Board on matters of finance. One of them serves as the Chairman of the Audit Committee.

Board Balance

There are 12 Directors of the company as at 31st December 2012 and all of them are Non-Executive Directors (NEDs). Out of these Non- Executive Directors 7 Directors are independent; i.e. those Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. This is well above the minimum requirement prescribed by this code which is two Non-Executive Directors or Non- Executive Directors equivalent to one third of the total number of NEDs, whichever is higher. Each Non- Executive Director has submitted a signed and dated declaration of his/her independence or non- independence against the specified criteria set out in the code.

Supply of Information

The Directors are provided with timely information such as monthly financial statements, minutes of review meetings and other performance reports which are necessary to discharge their duties. All the necessary documents required for Board Meetings are provided in advance for the effective conduct of Board proceedings.

Disclosure of information in respect of Directors

The details of the Board of Directors are provided on page 20 to page 26. Further, the following information in relation to Directors is disclosed in the annual report:

The profiles of all Board members are provided on page 20 to page 26.

Details of related party transactions are provided on page 128 and page 129.

The composition of the Board and Board Sub Committees and attendance at Board meetings are provided on page 76 to page 79.

B. Directors Remunerations

Remuneration Procedure

The company has established a formal, transparent and effective procedure for developing a policy on senior management and executive remuneration. Since all the Directors are Non- Executive Directors, they do not receive any form of remuneration, except for an allowance given for Board attendance. Hence no Director is involved in deciding his/her own remuneration to avoid potential conflict of interest.

Remuneration Committee

The company has set up a remuneration committee and its composition satisfies the requirements specified in this code. All members of the remuneration committee are Non-Executive Directors and out of which there are two Independent Non-Executive Directors and one Non-Independent, Non-Executive Director.

The members of the Remuneration Committee are as follows:

Name	Position	Directorship status
Mr. A. M. Mohan De Alwis	Chairman	Non Independent Non-Executive Director
Dr. Nalaka Godahewa	Member	Independent Non-Executive Director
Mrs. Roshini S. Cabraal	Member	Independent Non-Executive Director

Disclosure of Remuneration

Please refer the 'Remuneration Committee Report' on page 83 for disclosure of the remuneration policy of the hospital and aggregate remuneration paid to Non- Executive Directors.

C. Relations with shareholders

Constructive use of the Annual General Meeting (AGM)

The Board uses the AGM to actively communicate with shareholders and encourage their maximum participation. In doing so, Notice of the AGM and summary of procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders 15 working days prior to the AGM.

The AGM provides a forum to all shareholders to raise their concerns over the content of the Annual Reports and other important matters related to the hospital. Separate resolutions are proposed for all substantially separate issues and further for the adoption of the annual report of the Board of Directors on the affairs of the company, financial statements for the year, and report of the Auditors. The Chairman of the Board ensures that the Chairmen of the Remuneration and Audit Committees are available to answer questions at the AGM for matters under their preview.

Major Transactions

There were no major transactions during the year which involve the acquisition, sale or disposition of greater than half of the net value of the company's assets, which would materially alter/vary the net asset base of the company or a transaction which has or is likely to have the effect of the company acquiring obligations and liabilities.

D. Accountability and Audit

Financial Reporting

The Board presents a balanced and understandable assessment of the company's financial position, performance, and prospects covering interim and other price sensitive public reports, reports to regulators and statutory authorities. Quarterly and annual financial statements have been prepared in accordance with the Sri Lanka Accounting Standards. Further the company has complied with the reporting requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

Please refer the 'Statement of the Directors responsibility for financial reporting' on page 90, setting out their responsibilities for the preparation and presentation of financial statements. And please refer page 93 for the 'Auditors Report' setting out their reporting responsibilities.

The Management Discussion & Analysis, covering the strategic initiatives undertaken during the year, company's performance against industry trends, and the future potential and market winning strategies is set out on page 31 to page 64.

Declaration by the Board on the going concern of the Business is furnished on page 88 of the Annual Report of the Board of Directors.

Internal Control

A company's system of internal control has a key role in the management of risks that are significant to the fulfillment of its objectives. Hence the Board is responsible to maintain a sound system of internal control to safeguard shareholders investments and the hospital's assets. The internal controls prevailing at Lanka Hospitals facilitate the effectiveness and efficiency of operations; ensure the reliability of internal and external reporting and assists compliance with laws and regulations. The company has a Medical Credential Committee which scrutinises the credential of all medical staff who are contributing to the healthcare services of the company. Effective financial controls, including the maintenance of proper accounting records, are an important element of internal control. They help ensure that the hospital is not unnecessarily exposed to avoidable financial risks, and ensure that the financial information is reliable and accurate and further contribute to the prevention and detection of fraud.

Audit Committee

The Board needs to have a formal and transparent arrangement, in order to consider the selection and application of accounting policies, financial reporting, and internal control principles and to maintain an appropriate relationship with the hospital's External Auditor. For this purpose an Audit Committee has been established and it consists entirely of Independent Non- Executive Directors.

The members of the Audit Committee are as follows:

Name	Position	Directorship status
Mrs. Roshini S. Cabraal	Chairperson	Independent Non-Executive Director
Dr. Nalaka Godahewa	Member	Independent Non-Executive Director
Professor Dayasiri Fernando	Member	Independent Non-Executive Director

Mrs. Roshani Cabraal, the Chairperson of the Audit Committee, an Independent Non-Executive Director on the Board, is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka.

The Audit committee assists the Board in the preparation, presentation, and adequacy of disclosures in the financial statements according to the Sri Lanka Accounting Standards, and further ensures that the internal controls and risk management procedures of the hospital are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Audit Committee is responsible for making recommendations to the Board pertaining to the appointment, re-appointment, and removal of External Auditors and approves their remuneration and terms of engagement. Further, the Audit Committee is responsible for discussion the audit plan, key audit issues, management responses, and the hospital's audited financial statements and quarterly financial statements.

Please refer page 91 and page 92 for the Audit Committee Report.

Corporate Governance Disclosures

The Directors of the hospital discloses the hospital's level of adherence to the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities and Exchange Commission (SEC) of Sri Lanka. This report from page 73 to page 82 serves that requirement.

E. Institutional Investors

Shareholder Voting

The Hospital maintains a continuous dialogue with it shareholders and the AGM plays a vital role in this regard. All institutional investors are encouraged to use their votes and to ensure that their voting intentions are translated into practice.

Evaluation of Governance Disclosures

Institutional investors are encouraged to give due weight for matters relating to the governance arrangements, particularly relating to the structure and composition of the Board.

F. Other Investors

Investing/ Divesting Decision

Individual shareholders who directly invest in shares of the hospital, are encouraged to seek independent advice where necessary and to carry out adequate analysis in their investing and divesting decisions.

Shareholder Voting

Individual shareholders are encouraged to participate in General Meetings of the Hospital and to exercise their voting rights. Notice of meetings is given well in advance in order to obtain their maximum participation.

Directors' Attendance at Meetings (From 1st January 2012- 31st December 2012)

The Directors' attendance at meetings is outlined in the following table:

Name of the Director	Number of Meetings	Attendance
Mr. Gotabhaya Rajapaksa	8	6
Mrs. Roshini S. Cabraal	8	8
Dr. Nalaka Godahewa	8	7
Mr. A. M. Mohan De Alwis	8	7
Professor Dayasiri Fernando	8	6
Dr. T. R. C. Ruberu - Resigned on – 30/07/ 2012	5	2
Dr. Gamini Wickramasinghe	8	6
Mr. P. A. Lionel	8	8
Mr. Malvinder Mohan Singh	8	1
Mr. Shivinder Mohan Singh	8	1
Mr. Sunil Godhwani	8	0
Mr. Vishal Bali (Alternate Director to Mr. Malvinder Mohan Singh)	8	3
Mr. Balinder Singh Dhillon (Alternate Director to Mr. Shivinder Mohan Singh)	8	0
Dr. Amit Varma (Alternate Director to Mr Sunil Godhwani)-resigned on -01/12/12	7	1
Mr. Ramesh Krishnan (Alternate Director to Mr Sunil Godhwani) – appointed on 24/12/2012	1	0
Dr. Bandula Wijesiriwardena -Appointed on 27/02/2012	7	5
Dr. Nihal Jayathilaka- Appointed on 20/09/2012	3	1

Composition of the Board of Directors

Composition As at 31st Dec 2012		Composition As at 28th March 2013 (Reporting Date)	
Name of the Director	Directorship Status	Name of the Director	Directorship Status
Mr. Gotabhaya Rajapaksa	Independent Non Executive	Mr. Gotabhaya Rajapaksa	Independent Non Executive
Mrs. Roshini S. Cabraal	Independent Non Executive	Mrs. Roshini Cabraal	Independent Non Executive
Dr. Nalaka Godahewa	Independent Non Executive	Dr. Nalaka Godahewa	Independent Non Executive
Mr. Mohan De Alwis	Non- Independent Non Executive	Mr. Mohan De Alwis	Non- Independent Non Executive
Professor Dayasiri Fernando	Independent Non Executive	Professor Dayasiri Fernando	Independent Non Executive
Dr. Gamini Wickramasinghe	Non- Independent Non Executive	Dr. Gamini Wickramasinghe	Independent Non Executive
Mr. P. A. Lionel	Non- Independent Non Executive	Mr. P. A. Lionel	Non- Independent Non Executive
Mr. Malvinder Mohan Singh	Non- Independent Non Executive	Mr. Malvinder Mohan Singh	Non- Independent Non Executive
Mr. Shivinder Mohan Singh	Non-Independent Non Executive	Mr. Shivinder Mohan Singh	Non- Independent Non Executive
Mr. Sunil Godhwani	Independent Non Executive	Mr. Sunil Godhwani	Independent Non Executive
Mr. Vishal Bali	(Alternate Director to Mr Malvinder Mohan Singh)	Mr. Vishal Bali	(Alternate Director to Mr. Malvinder Mohan Singh)
Mr. Balinder Singh Dhillon	(Alternate Director to Mr Shivinder Mohan Singh)	Dr. Daphne Khoo Hsu Chin	(Alternate Director to Mr. Shivinder Mohan Singh)
Mr. Ramesh Krishnan	(Alternate Director to Mr. Sunil Godhwani)	Mr. Ramesh Krishnan	(Alternate Director to Mr. Sunil Godhwani)
Dr. Bandula Wijesiriwardena	Independent Non Executive	Dr Bandula Wi.jesiriwardena	Independent Non Executive
Dr. Nihal Jayathilaka	Independent Non Executive	Dr. Nihal Jayathilaka	Independent Non Executive

Compliance with Corporate Governance Rules as per section 7.10 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1. (a)	Non-Executive Directors	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Complied with	There are 12 Directors as at 31 December 2012, and as at the date of the Annual Report. All these Directors in the board are Non- Executive Directors.
7.10.2. (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Complied with	The Board comprises of 7 Independent Non- Executive Directors as at 31st December 2012, and 8 Independent Non-Executive Directors as at the Date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non- Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format.	Complied with	All the Directors have submitted declarations of Independence/ Non-Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of independent Directors should be disclosed in the annual report.	Complied with	Please refer page 79 of this report
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Complied with	All the Independent Directors satisfy the 'criteria of independence' as per rules on corporate governance
7.10.3.(c)	Disclosure relating to the Directors	A brief resume of each Director should be published in the annual report including the areas of expertise.	Complied with	Please refer page 20 to page 26 of this report
7.10.3.(d)	Disclosure relating to the Directors	Provide to the Exchange, a brief resume of any new Director appointed to the board.	Complied with	Brief resumes of all newly appointed Directors have been provided to the Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer page 83 of this report
7.10.5 (a)	The composition of the Remuneration Committee	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non- Executive Directors, a majority of whom shall be Independent, whichever is higher.	Complied with	The Remuneration Committee comprises a majority of Independent Non Executive Directors.
	Chairman of the Remuneration Committee	One Non- Executive Director shall be appointed as Chairman of the committee by the Board.	Complied with	Mr. Mohan De Alwis functions as the Chairman of the Committee and he is a Non Executive Director in the Board.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Complied with	Please refer the Scope of the Remuneration Committee on page 83 and page 84 of this report.
7.10.5 (c)		The annual report shall set out: The names of the Directors that comprise the Remuneration Committee. A statement of remuneration policy. Aggregate remuneration paid to Executive and Non- Executive Directors.	Complied with Complied with Complied with	Please refer page 83 and page 84. Please refer page 83 and page 84. Please refer page 83 and page 84.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer page 91 and page 92
7.10.6 (a)	Composition of the Audit Committee	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or Non- Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with	The Audit Committee comprises of all Independent Non-Executive Directors.

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.6 (a)		One Non- Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Mrs. Roshini S. Cabraal is a Non-Executive Director in the Board.
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Complied with	Chief Executive Officer and Chief Financial Officer attend meetings by invitations.
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Complied with	Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka.
7.10.6 (b)		The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Complied with	Please refer the Audit Committee Report on page 91 and page 92.
7.10.6 (c)		The annual report shall set out:		
		The names of the Directors who comprises the Audit Committee.	Complied with	Please refer the Audit Committee Report on page 91 and page 92.
		The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Complied with	Please refer the Audit Committee Report on page 91 and page 92.
		A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Complied with	Please refer the Audit Committee Report on page 91 and page 92.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by and responsible to the Board of Directors comprises three Non-Executive Directors.

Mr. Mohan De Alwis - Chairman (NED)

Dr. Nalaka Godahewa (IND/NED)

Mrs. Roshini Cabral (IND/NED)

(IND - Independent Director and NED - Non Executive Director)

Policy

The Company's remuneration policy aims to attract, motivate and retain management in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company.

The Company's remuneration framework for the CEO and senior management is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between the short and long-term interests of the Company and its senior management.

Scope

The Committee reviews all significant changes in salary structures and terms and conditions relating to all staff at various levels of the organization. In this decision making process, necessary information and recommendations are obtained from the CEO and Assistant General Manager – Human Resources.

The Committee recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the CEO and members of the Corporate Management. The annual salary increments and the bonuses for the total Hospital staff are also subjected to the approval of the Remuneration Committee.

The CEO who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Recruitment and Promotions of staff at senior management level are also determined based on the proposals submitted by Assistant General Manager – Human Resources and on the recommendations of the CEO. When necessary, interviews are held to assess the core competencies of the proposed applicant.

Fees

All Non-Executive Directors receive a fee for attendance at Board meetings and serving on sub committees, special committees and / or subsidiary boards. The aggregate of Rs.4,150,000/- have been paid as allowance for Board attendance during the year under review. They do not receive any performance or incentive payments.

Meetings

The Committee met thrice during 2012. A report of the decisions approved and recommended to the Board by the Committee is circulated and affirmed by the Board of Directors. At least two members of the Committee have attended all three meetings held during the year.

REMUNERATION COMMITTEE REPORT

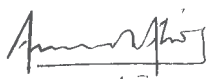
Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

Committee Evaluation

Self-assessment by Committee members was complied with at the commencement of 2012.

On behalf of the Committee:



Mohan De Alwis

Chairman, Remuneration Committee

28th March 2013



Financial Information

ANNUAL REPORT OF THE DIRECTORS

For the year ended 31st December 2012

The Board of Directors of The Lanka Hospitals Corporation PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the company for the year ended 31st December 2012.

These Audited Financial Statements were approved by the Board of Directors on 28th March 2013.

Nature of the business and principal activity of the Company

The principal activity of the Company is to provide world class healthcare services at a reasonable cost.

Review of Operations and Financial Highlights

A review of the Company's business and a comprehensive analysis of the financial and operational performance along with the future outlook of the Company in the current economic development process of the Country is described in the Chairman's message and section on Management discussion and analysis.

The Financial Statements which include the statement of Income, Statement of comprehensive income, statement of financial position, statement of changes in equity and the notes to the financial statements of the Company for the year ended 31st December 2012 are set out on page 94 to page 129 of the Annual Report.

Results and appropriations

The Company has recorded a turnover of Rs.3,405mn and an after tax profit of Rs.386mn.

Dividends

The company paid a final dividend of Rs.0.50 per share for the year ended 31st December 2011 on 10th July 2012.

In terms of the provisions of the Articles of Association of the company, the directors are authorized to declare a dividend whether it is interim or final without any sanction of the shareholders.

Respective Responsibilities of Directors and Auditors for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

Independent Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 93.

Changes in accounting policies

The accounting policies resulting from convergence to the accounting standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRS / LKASs) are provided in detail in the notes to the financial statements on page 99 to page 113.

Property Plant & Equipment

The Company has spent Rs. 250 mn on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 16 to the Financial Statement.

Extent, Location & Market value of properties

Land and buildings of the Company are located at No 578, Elvitigala Mawatha, Colombo-05. Total extent of the land is 6.9022 Acres out of which 1.6890 Acres are covered by the building. Land is under an operating lease and the building is owned by the company. The land and

building have been revalued on 31st December 2010. Details of the revaluation, market value and relevant accounting policies are provided in note no 16.1 to the financial statements on page 120.

Reserves

Total reserves and their composition are set out in the statements of changes in equity on page 97.

Major Shareholdings

The names of the twenty largest shareholders, the number of shares held and the percentage of shares held are given on page 130 of the Annual Report. The distribution schedule of the shareholders and public holding are found in page 132 of the Annual Report.

Directors as at 31 December 2012

The Board of Directors of The Lanka Hospitals Corporation PLC comprised 12 members as at 31st December 2012 and all of them served as Non- Executive Directors.

The names of the Directors who held office during the year under review are as follows:

Mr. Gotabhaya Rajapaksa - *Chairman*
Mrs. R. S. Cabraal - *Deputy Chairperson*
Dr. Nalaka Godahewa
Mr. A. D. M. De Alwis
Prof. D. P. A. Fernando
Dr. G. W. K. Wickramasinghe
Mr. P. A. Lionel
Dr. Nihal Jayathilake
Mr. Malvinder Mohan Singh- Alternate Director Mr Vishal Bali
Mr. Shivinder Mohan Singh- Alternate Director Mr Bainder Singh Dhillon
Mr. Sunil Godhwani – Alternate Director Mr Ramesh Krishnan
Dr. Bandula Wijesiriwardena

Mrs. Roshini Cabraal was appointed as the Deputy Chairperson of the Company effective from 30th July 2012.

Changes in the directorate of the company during the year

Mr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Appointed on – 27/02/2012
Dr. Tantirige Ravindra Chintaraj Ruberu	Resigned on – 30/07/2012
Dr. Yaddehige Don Nihal Jayathilaka Dr. Amit Varma	Appointed on - 20/09/2012
(Alternate Director to Mr Sunil Godhwani) Mr. G. R. Krishnan	Resigned on -01/12/2012
(Alternate Director to Mr Sunil Godhwani)	Appointed on -24/12/2012

Directors resignations/ appointments after the Financial Year

Mr Balinder Singh Dhillon, Alternate Director to Mr Shivinder Mohan Singh resigned with effect from 06th March 2013 and Dr Daphne Khoo Hsu Chin was appointed as the Alternate Director to Mr Shivinder Mohan Singh effective from 28th March 2013. Brief profile of Dr Khoo Hsu Chin is given on page 26 of the Annual Report.

ANNUAL REPORT OF THE DIRECTORS

Directors standing for re-election

In accordance with the Section 210 of the Companies Act No. 07 of 2007, Prof. D P A Fernando retires at the Annual General Meeting. A shareholder has deposited a resolution proposing that the retiring age of 70 years shall not apply to Prof. D P A Fernando and re-electing him for a further year according to Section 211 of the Companies Act No. 07 of 2007.

Interest Registers

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. The Interest Register is deemed to form part and parcel of this Annual Report and is available for inspection upon request. All related party transactions during the period are recorded in the Interest Register.

The Board of Directors has duly disclosed their directorships in related companies and share dealings with the company and related companies at board meetings.

The related party transactions and Directors' interest in contracts and proposed contracts with the company are also disclosed in Note 33 to the Financial Statements.

Remuneration of Directors

The details of the fees paid to Directors during the year under review is given on page 78 and page 83.

Direct and indirect shareholdings of the Directors during the year were as follows:

As at 31st December 2012, none of the Directors held shares in the company.

Amounts payable to Auditors

The fees paid to auditors are disclosed in Note 12 to the Financial Statements.

Auditors' relationship

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any interest in the Company. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Auditors have expressed their willingness to continue in office and are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the Employees have been settled to date or are provided for in the books of the company.

Contributions to Charity

The sum of contributions made to charities by the company during the financial year ended 31 December 2012 was Rs. 39,101/- Contributions made to charities during the financial year ended 31st December 2011 was Rs.214,505/=.

Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Contingent Liabilities

Details with regard to the contingent liabilities are given in note no 30 to the financial statement.

Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments to or disclosures.

Risk Management

The Company has initiated a comprehensive Enterprise Risk Management Process and details are explained in the CEO's Review on page 8 to page 15.

Annual General Meeting

The Annual General Meeting of the Company will be held on 28th June 2013 at 9.00am at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5

For and on behalf of the Board



Roshini S. Cabraal
Deputy Chairperson



Dr. Nalaka Godahewa
Director

By Order of the Board of Directors of The Lanka Hospitals Corporation PLC,



Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

09th May 2013

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, is set out in the report of the Auditors at page 93 of the Annual Report.

As per the Companies Act No.07 of 2007, the Directors are required to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the company as at the end of the financial year.

The directors are of the view that in preparing financial statements, disclosed on page from 94 to page 129,

- a) appropriate accounting policies have been selected and applied in a consistent manner and material departures if any have been disclosed and explained.
- b) all applicable accounting standards that are relevant, have been followed
- c) Judgments and estimates have been made which are reasonable and prudent.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

The Board of Directors has taken reasonable steps to safeguard the assets of the Company. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audits and financial reviews to prevent and detect frauds and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in the statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where necessary provided.

By Order of the Board of Directors of The Lanka Hospital Corporation PLC



Accounting Systems Secretarial Services (Private) Limited,

Secretaries to the Company,

9th May 2013

REPORT OF THE AUDIT COMMITTEE

Purpose and Terms of Reference

The Audit Committee functions as a subcommittee to the Board of Directors. The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meetings and responsibilities of the Committee and complies with the listing rules of the Colombo Stock Exchange (CSE) and Corporate Governance requirements.

The primary function of the Audit Committee is to assist the oversight function of the Board in relation to the financial reporting systems, the corporate risk management and internal controls, compliance with laws, regulations and company policies and the external and internal audit.

The Audit Committee comprises the following non-executive independent Directors.

- 1) Mrs. Roshini S Cabraal - Chairperson
- 2) Dr. Nalaka Godahewa - Member
- 3) Prof. Dayasiri Fernando - Member

The profile of each member is set out on page 20 and page 21 of this annual report.

A summary of the principal activities carried out by the Audit Committee during the year is detailed below.

Meetings

The Audit Committee held eight meetings during the year under review and the attendance of the members of the Audit Committee was as follows,

Name of Director	No. of Meeting attended	Attendance Percentage
Mrs. Roshini S. Cabraal	8	100%
Dr. Nalaka Godahewa	8	100%
Prof. Dayasiri Fernando	6	75%

The Head of the Internal Audit Division served as the Secretary to the Committee during the year 2012. The Chief Executive Officer and the Chief Financial Officer attended the meetings by invitation. Other members of the Management Team were invited for meetings on a needs basis. The minutes of the Audit Committee meetings are tabled at Board meetings.

Meetings were held with the external auditors to review the scope and the conduct of the Annual audit.

Financial Reporting

During the year the Committee monitored the process of adopting the new Sri Lanka Accounting Standards comprising LKAS and SLFRS, as the year 2012 was the first year of adoption of new Accounting Standards.

The quarterly and annual financial statements were reviewed by the Committee prior to the final approval by the board.

Risk Management & Internal Controls

The Committee reviewed the enterprise risk management process and the methodology adopted by the management to assess, control and mitigate the business and financial risks. In order to monitor the compliance risk the Committee reviewed the extent of adherence and compliance with relevant laws, regulations and established policies of the company.

The Committee also reviewed internal control systems to seek assurance over the adequacy and effectiveness of internal controls and accounting systems and procedures in place. Implementation of recommendations by the Internal and External Auditors to strengthen the internal control systems was monitored by the Committee. During the year the assistance of external consultants was obtained towards strengthening internal controls and having efficient and effective systems in place.

REPORT OF THE AUDIT COMMITTEE

Internal Audit

The main focus of the internal audit function is to review the efficiency and effectiveness of internal controls, to assess the action taken to control and mitigate the operational and business risk, to monitor the compliance with statutory and legal requirements and adherence to accounting and operational policies.

The internal audit plan which was approved by the Audit Committee was developed based on the enterprise risk assessment profile to cover the main financial and operational aspects that are significant to the overall performance of the company.

The Committee reviewed internal audit reports and followed up with periodic progress reviews to ascertain the status of implementation of recommendations. The Committee also reviewed the performance of the internal audit function and the department's resource requirements.

External Audit

Based on the recommendation made by the Audit Committee to rotate the external auditors in order to conform with best practices, Messrs PricewaterhouseCoopers Chartered Accountants were appointed as auditors of the company for the year 2012 during the Annual General Meeting held on 29th June 2012.

The Committee met the auditors prior to the commencement of the audit to discuss the audit approach and procedures relating to the scope of the audit. The Committee thereafter reviewed the management letter issued by the external auditors with management's responses to ensure follow up action was taken.

The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as auditors has not been compromised. The Committee recommended to the Board that Messrs PricewaterhouseCoopers be reappointed as the External Auditors for the year 2013.

On behalf of the Committee:



Roshini S. Cabraal
Chairperson, Audit Committee

9th May 2013

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF THE LANKA HOSPITALS CORPORATION PLC

Report on the Financial Statements

1. We have audited the accompanying financial statements of The Lanka Hospitals Corporation PLC which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on page 94 to page 129.

Management's responsibility for the financial statements

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

Scope of audit and basis of opinion

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

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

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

Opinion

4. In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2012 and of its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

5. These financial statements also comply with the requirements of Section 151 (2) of the Companies Act, No. 07 of 2007.

28th March 2013
COLOMBO

A handwritten signature in black ink, appearing to read 'R. S. S. S.', followed by a horizontal line.

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

STATEMENT OF INCOME

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December	
		2012	2011
Revenue	7.1	3,405,864,503	2,917,656,708
Cost of services		(1,547,801,112)	(1,268,014,508)
		1,858,063,391	1,649,642,200
Other operating income	8	24,676,069	22,884,222
Staff costs	9	(794,369,926)	(683,955,508)
Depreciation on property, plant and equipment	16	(135,869,012)	(116,734,519)
Other operating expenses		(615,408,632)	(532,510,130)
Finance income	10	101,872,054	41,654,365
Finance cost	11	-	(3,251,160)
Profit before tax	12	438,963,944	377,729,470
Income tax (expense) / release	13	(52,907,477)	58,888,321
Profit for the year		386,056,467	436,617,791
Profit attributable to :			
Equity holders of the company		386,056,467	436,617,791
Basic earnings per share			
From profit for the year excluding effect on changes in tax rate	14	1.73	1.57
From profit for the year including effect on changes in tax rate	14	1.73	1.95
Dividend per share	15	0.50	-

The Notes on the page 99 to 129 are an integral part of these financial statements.

Figures in brackets indicate deductions.

Independent auditor's report - page 93.

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December	
		2012	2011
Profit for the year		386,056,467	436,617,791
Other comprehensive Income			
Effect on deferred tax due to change in tax rate	25	-	165,253,125
Actuarial gains/(losses) on defined benefit plan	24	(3,564,052)	1,686,161
Tax on actuarial gains/(losses)	25	427,686	(202,339)
Other comprehensive income net of tax		(3,136,366)	166,736,947
Total comprehensive income for the year		382,920,101	603,354,738

The Notes on the page 99 to 129 are an integral part of these financial statements.

Figures in brackets indicate deductions.

Independent auditor's report - page 93.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees)


	Note	31 December		1 January
		2012	2011	2011
ASSETS				
Non current assets				
Property, plant and equipment	16	2,816,577,386	2,825,238,804	2,778,835,336
Intangible asset	17	1,191,357	-	-
Advance lease premium	18	133,853,616	119,990,545	106,127,469
		2,951,622,359	2,945,229,349	2,884,962,805
Current assets				
Inventories	19	149,342,552	145,190,349	86,451,157
Trade and other receivables	20	261,349,660	245,113,774	215,535,250
Amounts due from related parties	21	3,743,040	1,845,514	707,683
Cash and cash equivalents	22	1,001,510,894	671,547,480	467,742,582
		1,415,946,146	1,063,697,117	770,436,672
Total assets		4,367,568,505	4,008,926,466	3,655,399,477
EQUITY AND LIABILITIES				
Equity				
Stated capital	23	2,671,543,090	2,671,543,090	2,671,543,090
Revaluation reserve		858,344,307	883,627,386	743,657,340
Retained earning / (loss)		99,291,852	(200,492,936)	(667,325,321)
Total equity		3,629,179,249	3,354,677,540	2,747,875,109
Non current liabilities				
Retirement benefit obligations	24	51,503,824	42,721,726	33,011,027
Deferred tax liabilities	25	231,360,245	213,803,119	440,019,759
		282,864,069	256,524,845	473,030,786
Current liabilities				
Borrowings	26	110,543,349	82,472,245	152,394,063
Amounts due to related parties	27	4,625,452	4,247,497	4,593,014
Trade and other payables	28	340,356,386	311,004,339	277,506,505
		455,525,187	397,724,081	434,493,582
Total liabilities		738,389,256	654,248,926	907,524,368
Total equity and liabilities		4,367,568,505	4,008,926,466	3,655,399,477

I certify that the above financial statements comply with the requirements of the Companies Act No 7 of 2007.


Sampath Hettiarachchi
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements was authorised for issue by Board of Directors on 28th March, 2013.

Approved and signed for and on behalf of the Board.


Roshini S. Cabraal
Deputy Chairperson


Dr. Nalaka Godahewa
Director

The Notes on the page 99 to 129 are an integral part of these financial statements.

Figures in brackets indicate deductions.

Independent auditor's report - page 93.

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees)

	Stated capital	Revaluation reserve	Retained earning / (loss)	Total
Balance as at 1 January 2011	2,671,543,090	743,657,340	(667,325,321)	2,747,875,109
Comprehensive income for the year				
Profit for the year	-	-	436,617,791	436,617,791
Other comprehensive income net of tax	-	165,253,125	1,483,822	166,736,947
Total comprehensive income for the year	-	165,253,125	438,101,613	603,354,738
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Balance as at 31 December 2011	2,671,543,090	883,627,386	(200,492,936)	3,354,677,540
Comprehensive income for the year				
Profit for the year	-	-	386,056,467	386,056,467
Other comprehensive income net of tax	-	-	(3,136,366)	(3,136,366)
Total comprehensive income for the year	-	-	382,920,101	382,920,101
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Transactions with owners:				
Dividend paid	-	-	(111,866,085)	(111,866,085)
Balance as at 31 December 2012	2,671,543,090	858,344,307	99,291,852	3,629,179,249

The Notes on the page 99 to 129 are an integral part of these financial statements.

Figures in brackets indicate deductions.

Independent auditor's report - page 93.

STATEMENT OF CASH FLOW

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December	
		2012	2011
Cash flow from operating activities			
Profit before tax		438,963,944	377,729,470
Adjustments for :			
Interest expense	11	-	1,313,185
Interest income	10	(101,872,054)	(38,685,530)
Depreciation on property, plant and equipment	16	255,093,866	221,881,547
Loss on disposal of property, plant and equipment	12	895,915	-
Amortisation of intangible assets	17	22,416	-
Amortisation of advance lease premium	18	4,683,474	4,683,472
Provision for defined benefit obligation	24	14,496,980	12,621,794
Reversal of provision for impairment of inventories	19	-	449,055
Provision for impairment of trade receivable	20	1,336,636	2,147,113
Operating profit before working capital changes		613,621,177	582,140,106
Increase in inventories		(4,152,203)	(59,188,248)
Increase in trade and other receivables		(17,572,522)	(31,725,638)
Increase in amounts due from related company		(1,897,526)	(1,137,831)
Increase / (decrease) in amounts due to related company		377,955	(345,517)
Increase in trade and other payables		29,352,047	33,497,836
Cash generated from operating activities		619,728,928	523,240,708
Interest paid		-	(1,313,185)
Tax (paid) / refund	13	(31,474,972)	1,170,160
Defined benefit obligation paid	24	(9,278,934)	(1,224,934)
Net cash flow from operating activities		578,975,022	521,872,749
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(250,214,864)	(268,285,015)
Purchase of Intangible assets	17	(1,213,773)	-
Proceeds from disposal on property, plant and equipment		2,886,500	-
Advance lease premium paid	18	(18,546,545)	(18,546,548)
Interest income	10	101,872,054	38,685,530
Net cash flow from investing activities		(165,216,628)	(248,146,033)
Cash flow from financing activities			
Repayment of borrowings	26	-	(22,590,000)
Dividend paid	15	(111,866,085)	-
Net cash flow from financing activities		(111,866,085)	(22,590,000)
Net increase in cash and cash equivalents		301,892,310	251,136,716
Cash and cash equivalents at the beginning of the year		589,075,235	337,938,519
Cash and cash equivalents at the end of the year	22	890,967,545	589,075,235

The Notes on the page 99 to 129 are an integral part of these financial statements.

Figures in brackets indicate deductions.

Independent auditor's report - page 93.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lanka Rupees)

1 General information

The Lanka Hospitals Corporation PLC (“the Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka. The Company was incorporated under the Companies Act, No. 17 of 1982 on 6 October 1997 and re-registered on 13 July 2008 under the Companies Act, No. 07 of 2007, that came into effect on 3 May 2007. The registered office of the Company and principal place of business is located at No.578, Elvitigala Mawatha, Narahenpita, Colombo-5, Sri Lanka.

Principal activities and nature of operations

During the year, the principal activity of the Company was providing healthcare services.

Parent enterprise and ultimate parent enterprise

The Company’s ultimate parent undertaking and controlling party is Sri Lanka Insurance Corporation Limited, which is incorporated in Sri Lanka.

2 Basis of preparation and adoption of Sri Lanka Accounting Standards (‘SLFRS/LKAS’)

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No 15 of 1995.

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Financial Reporting Standards (‘SLFRS’) and to require enterprises to apply these standards effective for financial years beginning on or after 1 January 2012. These are the Company’s first SLFRS financial statements and SLFRS 1 – First Time Adoption of SLFRS has been applied.

The financial statements have been prepared in compliance with SLFRS, subject to certain transition elections and exceptions disclosed in Note 6.1. An explanation of how the transition to SLFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 6.2.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of building on leasehold land.

2.3 Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). Financial statements are presented in Sri Lankan Rupees, which is the Company’s functional and presentation currency.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS statement of financial position at 1 January 2011 through out all periods prepared as if these policies had been in effect.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Foreign currency translation

Transactions in foreign currencies are translated into Sri Lanka Rupees at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sri Lankan Rupees at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are re-translated using the exchange rates as at the dates of the initial transactions.

Foreign exchange differences arising on translation of foreign transactions are recognised in profit and loss.

3.2 Financial instruments

3.2.1 Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its existing non-derivative financial assets as loans and receivables financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade receivables and amounts due from related parties.

3.2.2 Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings, bank overdrafts, trade payables and related party payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Property, plant and equipment

Items of property, plant and equipment are measured at cost (or valuation in respect of buildings) less accumulated depreciation and accumulated impairment losses.

3.4.1 Recognition and measurement

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.4.2 Revaluation

A revaluation of buildings is done when there is a substantial difference between the fair value (market value) and the carrying amount of the buildings and is undertaken by professionally qualified valuers.

Any surplus arising on the revaluation is recognised in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in other comprehensive income. Therefore, revaluation increases and decreases cannot be offset, even within a class of assets.

3.4.3 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured

NOTES TO THE FINANCIAL STATEMENTS

reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows :

Motor vehicle	4 years
Furniture and fittings	10 years
Office equipment	10 years
Computers	6 2/3 years
Other equipment	10 years
Medical equipment	10 years
Medical vehicles	4 years
Kitchen equipment	3 Years

Depreciation for buildings on leasehold land is calculated to write off the cost over the useful life of 40 years.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2010 (see Note 16.1).

3.4.5 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses on de-recognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'other income' in the income statement.

3.5 Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

software	6 2/3 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position. Premiums paid in advance are carried forward and amortised on straight-line basis over the entire lease period.

3.6.1 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.7 Impairment

3.7.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

3.7.1.1 Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

3.7.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss, except for property previously revalued, where the revaluation was taken to equity. In this case, impairment loss is recognised in other comprehensive income and presented in the revaluation reserve within equity, to the extent that it reverses a previous revaluation surplus related to the same asset. Any excess is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or Amortisation, if no impairment loss had been recognised.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the First-In-First-Out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated selling expenses.

3.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.10 Cash and cash equivalents

In the statement of cash flows of the Company, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position of the Company, bank overdrafts are shown within borrowings in current liabilities.

3.11 Employee benefits

3.11.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds

covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.11.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

However according to the payment of gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

3.11.3 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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3.13 Revenue

3.13.1 Hospital revenue

Revenue from hospital services is recognised once all significant performance obligations have been provided. The timing of the delivery of service depends on the individual service contracts. Service income is recognised by reference to the stage of completion of the transactions at the end of the reporting period.

The Company recognises hospital revenue net of consultancy fees collected on behalf of Visiting consultants as the Company acts as an agent.

The Company acts as the agent for rendering healthcare consultancy services to its customers due to following reasons:

- Prime responsibility to provide consultation services to the customer or fulfilling the order rests with the respective consultant.
- Establishing the consultancy charges and other terms of the service transaction rests with the respective consultant.

3.13.2 Pharmacy revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3.14 Rental income

Rental income is recognised in profit and loss on a straight-line basis over the term of the lease.

3.15 Other income

Other Income is recognised on an accrual basis.

3.16 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

3.17.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

In accordance with the powers conferred by the Board of Investment of Sri Lanka under Section 17 of the BOI Law No. 4 of 1978, the profits arising from business operation of the hospital are exempt from income tax for a period of 12 years commencing from 2002.

3.17.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Segment reporting

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily in the hospital premises), head office expenses, and income tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20 Determination of fair value

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.20.1 Property, plant and equipment

The fair value of items of buildings is based on open market value for existing use basis.

3.20.2 Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, if the receivables are due more than 6 months. This fair value is determined for disclosure purposes.

3.20.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by a risk management committee under policies and procedures approved by the audit committee. The committee identifies and evaluates financial risks in close cooperation with the Company's treasury function. Treasury function is managed by a team headed by the Chief Financial Officer within the guidelines approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and the Great Britain Pound. Foreign exchange risk arises from future commercial transactions of recognised assets and liabilities.

The following significant exchange rates are applied during the year:

	Exchange rate as at 31 December	
	2012	2011
US Dollar (USD)	128.35	113.90
Great Britain Pound (GBP)	207.07	177.60
Euro (EUR)	168.23	150.09

(ii) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not directly exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

As the Company has no long term interest bearing assets or liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rate.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contractual obligation. Credit risk mainly arises from trade debtors, advances and prepayments and cash at bank. The maximum exposure to credit risk at the reporting date in terms of carrying value of assets are as follows:

	31 December 2012	31 December 2011	1 January 2011
Trade and other receivables [Note 20]	261,349,660	245,113,774	215,535,250
	261,349,660	245,113,774	215,535,250
Cash and cash equivalents [Note 22]	1,001,510,894	671,547,480	467,742,582

(c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to honour its financial obligations as they fall due.

The Company's management monitors rolling forecasts of the liquidity position, expressed in cash and cash equivalents on the basis of expected cash flow and ensure access to short term credit as per approved credit limit. However, the Company is able to meet all working capital requirements with its cash in hand. Excess funds are invested in short term deposits of less than 3 months. The management considers liquidity risk to very low to negligible.

5 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

NOTES TO THE FINANCIAL STATEMENTS

(a) Defined benefit plan

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of long term government bonds.

Other key assumptions for pension obligations are based in part on current market conditions.

(b) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the deferred income tax assets and liabilities in the period in which such determination is made.

6 Transition to SLFRS

6.1 Basis of transition to SLFRS

6.1.1 Application of SLFRS 1

The Company financial statements for the year ended 31 December 2012 will be the first annual financial statements that comply with SLFRS. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the period ended 31 December 2012 together with comparative information for the year ended 31 December 2011 and as of 1 January 2011. The Company has applied SLFRS 1 in preparing these financial statements.

The Lanka Hospital Corporation PLC's transition date is 1 January 2011. The Company prepared its opening SLFRS statement of financial position at that date. The reporting date of these financial statements is 31 December 2012. The Company's SLFRS adoption date is 1 January 2012.

In preparing the company financial statements in accordance with SLFRS 1, the Company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of SLFRS.

6.1.2 Exemptions from full retrospective application elected by the Company

Optional exemptions which the Company has opted to apply

- (a) Fair value measurement of financial assets or financial liabilities at initial recognition;

Optional exemptions which the Company has opted not to apply

- (b) Fair value or revaluation as deemed cost;

Optional exemptions not applicable to the Company

- (c) Borrowing costs;
- (d) Share-based payments (SLFRS 2);
- (e) Cumulative translation differences;
- (f) Investments in subsidiaries, jointly controlled entities and associates;

- (g) Insurance contracts (SLFRS 4), as this is not relevant to the Company's operations;
- (h) Arrangements contains a lease (IFRIC 4), because the Company has not entered into these types of arrangements as at the date of transition to SLFRSs;
- (i) Employee benefits (LKAS 19), as SLASs and the SLFRSs were already aligned as regards to these transactions;
- (j) Designation of previously recognised financial instruments, because the Company has not designated any financial instrument either as available-for-sale or fair value through profit or loss before the Company's transition date;
- (k) Financial assets or intangible assets accounted for under IFRIC 12, as the Company has not entered into agreements within the scope of IFRIC 12;
- (l) Compound financial instruments, because the Company does not have these types of financial instruments as at the date of transition;
- (m) Transfers of assets from customers if IFRIC 18;
- (n) Extinguishing financial liabilities with equity instruments; and
- (o) Severe hyperinflation, as the Company does not operate in a hyperinflationary economy.
- (p) Decommissioning liabilities included in the cost of property, plant and equipment, as the accounting treatment applied by the Company for changes in existing decommissioning liabilities are aligned with IFRIC 1; and
- (q) Business combination (SLFRS 3)

6.1.3 Exceptions from full retrospective application elected by the Company

Mandatory exceptions applicable to the Company

(a) Exception for estimates

SLFRS estimates as at 1 January 2011 are consistent with the estimates as at the same date made in conformity with SLASs.

Mandatory exceptions not applicable to the Company

- (a) Derecognising of financial assets and financial liabilities;
- (b) Hedge accounting; and
- (c) Non-controlling interest.

6.2 Explanations for transition to SLFRS

In preparing SLFRS Financial Statements for previously reported financial periods, required adjustments have been made in accordance with the respective SLFRS. The effect of the transition from SLASs to SLFRS has been presented in the reconciliation statements and related notes to the material reconciliation items. No impact has arisen from statement of financial position for the previously reported periods under SLFRS.

NOTES TO THE FINANCIAL STATEMENTS

6.2.1 Reconciliation of statement of comprehensive income

	Note	SLFRS 2011	Adjustment as per SLFRS	SLAS 2011
Revenue	6.2.1.1	2,917,656,708	(762,517,621)	3,680,174,329
Cost of services		(1,268,014,508)	762,517,621	(2,030,532,129)
		1,649,642,200	-	1,649,642,200
Other operating income		22,884,222	-	22,884,222
Staff costs	6.2.1.2	(683,955,508)	(1,686,161)	(682,269,348)
Depreciation on property, plant and equipment		(116,734,519)	-	(116,734,519)
Other operating expenses		(532,510,130)	-	(532,510,130)
Finance income		41,654,365	-	41,654,365
Finance cost		(3,251,160)	-	(3,251,160)
Profit before tax		377,729,470	(1,686,161)	379,415,630
Income tax release	6.2.1.3	58,888,321	202,339	58,685,982
Profit for the year		436,617,791	(1,483,822)	438,101,612
Reconciliation of statement of other comprehensive income				
Profit for the year		436,617,791		438,101,612
Other comprehensive income				
Effect on deferred tax due to change in tax rate		165,253,125	165,253,125	-
Defined benefit plan actuarial gain		1,686,161	1,686,161	-
Tax on actuarial gain		(202,339)	(202,339)	-
Other comprehensive income net of tax		166,736,947	166,736,947	-
Total comprehensive income for the year		603,354,738	166,736,947	438,101,612

6.2.1.1 Revenue recognition

In previously reported periods, the Company has recognised the revenue on gross basis and adjusted to the cost of sales. For the period ended 31 December 2012, The Company revenue is being recognised on net basis. Accordingly, previously reported period has been rearranged.

6.2.1.2 Defined benefit plan actuarial gains / (losses)

Under SLAS, Defined benefit plan actuarial gains / (losses) have been recognised in income statement under the staff cost. However, as per SLFRS it has been recognised in statement of other comprehensive income.

6.2.1.3 Income tax (expense) / release

Under SLAS, tax effect on defined benefit plan actuarial gains / (losses) have been recognised in income statement under income tax (expense) / release. However, as per SLFRS it has been recognised in statement of other comprehensive income.

6.2.2 Reconciliation of statement of changes in equity

As per SLAS	Stated capital	Revaluation reserve	Retained profit / (loss)	Total
Balance as at 1 January 2011	2,671,543,090	740,387,916	(681,928,748)	2,730,002,258
Profit for the period	-	-	438,101,612	438,101,612
Effect on change in tax rate	-	175,466,183	-	175,466,183
Depreciation transfer	-	(29,158,470)	29,158,470	-
Effect on realisation of reserves due to changing tax rate	-	(11,941,571)	11,941,571	-
Balance as at 31 December 2011	2,671,543,090	874,754,059	(202,727,095)	3,343,570,054

As per SLFRS	Stated capital	Revaluation reserve	Retained profit / (loss)	Total
Balance as at 1 January 2011	2,671,543,090	743,657,340	(667,325,321)	2,747,875,109
Profit for the period	-	-	436,617,791	436,617,791
Other comprehensive income net of tax	-	165,253,125	1,483,822	166,736,947
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Balance as at 31 December 2011	2,671,543,090	883,627,386	(200,492,936)	3,354,677,540

An error in the revaluation reserve, retained profit / (loss) and deferred tax liability due to none transfer of deferred tax liability relating to the depreciation transfer in the previous accounting periods has been corrected when preparing these financial statements. The net impact to the balances reported in the statement of financial position from the error correction is as follows:

	Revaluation reserve	Retained profit / (loss)	Deferred tax liability
As at 1 January 2011	3,269,424	14,603,427	17,872,851
As at 31 December 2011	8,873,327	2,234,158	11,107,486

6.2.3 Reconciliation of cash flow statement

There are no material differences between the Company statement of cash flows presented under SLFRSs and the statement of cash flows presented under SLASs.

NOTES TO THE FINANCIAL STATEMENTS

7 Segment information

Chief Executive Officer is the Company's Chief Operating Decision Maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purpose of allocating resources and assessing performance.

7.1 Revenue

	Year ended 31 December	
	2012	2011
Hospital services	2,688,571,500	2,270,848,498
Pharmacy revenue	717,293,003	646,808,210
	3,405,864,503	2,917,656,708

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of comprehensive income.

7.2 Assets

	31 December	
	2012	2011
Hospital services	4,347,754,426	3,992,083,556
Pharmacy	19,814,079	16,842,910
Total assets per the statement of financial position	4,367,568,505	4,008,926,466

8 Other operating income

	Year ended 31 December	
	2012	2011
Rent income	1,350,000	1,350,000
Car park income	19,342,625	17,546,334
Sundry income	3,983,444	3,987,888
	24,676,069	22,884,222

9 Staff costs

	Year ended 31 December	
	2012	2011
Salaries, fees, wages and other related costs	724,238,355	621,844,058
Defined benefit plan cost - retirement gratuity [Note : 24.1]	14,496,980	12,621,793
Defined contribution plan cost - EPF and ETF	55,634,591	49,489,657
	794,369,926	683,955,508
Average number of employees employed by the Company during the year :	1,273	1,210

10 Finance income

	Year ended 31 December	
	2012	2011
Interest income from		
- Call deposits	11,091,468	19,572,305
- Fixed deposits - LKR	74,979,737	6,786,763
- Fixed deposits - NRFC	5,504,257	2,529,493
- Treasury bills	-	2,193,514
- Commercial papers	2,392,416	7,603,455
Gain on translation of foreign currency	7,904,176	2,968,835
Total finance income	101,872,054	41,654,365

11 Finance cost

	Year ended 31 December	
	2012	2011
Interest on		
- NDB loan	-	(431,320)
- Syndicate loan	-	(874,309)
- Bank overdraft	-	(7,556)
Guarantee fees	-	(573,075)
Loss on translation of foreign currency	-	(1,364,900)
Total finance cost	-	(3,251,160)

12 Profit before tax

Profit before tax has been stated after charging all expenses including the following;

	Year ended 31 December	
	2012	2011
Auditors' remuneration		
- Statutory audit	675,274	515,000
- Non audit services	469,747	1,600,000
Provision for impairment of receivable	1,336,636	2,147,113
Provision for inventories	-	449,056
Legal expenses	4,642,252	1,756,905
Amortisation of advanced lease premium	4,683,472	4,683,472
Loss on disposal of property plant and equipment	(895,915)	-

NOTES TO THE FINANCIAL STATEMENTS

13 Income tax expense / (release)

In accordance with and subject to the power conferred on the Board of Investment of Sri Lanka, under section 17 of the BOI Law No. 4 of 1978, the operating profits and income accruing to the Company is exempt from tax for a period of 12 years from 2002. However, income tax has been provided at the normal rates of tax on non-trading income which is taxable at a rate of 28% (2011 - 28%).

	Year ended 31 December	
	2012	2011
Tax expense		
Current tax		
Taxation on profit for the year [Note : 13.1]	31,474,972	16,547,624
Irrecoverable economic service charge	-	-
Reversal of economic service charge	-	(17,717,784)
	31,474,972	(1,170,160)
Deferred tax		
Origination and reversal of temporary differences	21,432,505	28,468,576
Effect on changes in tax rate	-	(86,186,737)
	21,432,505	(57,718,161)
	52,907,477	(58,888,321)

13.1 Reconciliation of the income tax expense

	Year ended 31 December	
	2012	2011
Non-trading income		
Sundry income	5,333,444	5,337,888
Car park income	19,342,625	17,546,334
Taxable interest income	87,734,546	36,156,036
Taxable income	112,410,615	59,040,258
Tax rates applicable	28%	28%
Taxation on non-trading income	31,474,972	16,531,272
Social responsibility levy	-	16,352
Taxation on profits for the year	31,474,972	16,547,624

14 Basic earnings per share

Earnings per share is calculated based on the profit after taxation, divided by the weighted average number of ordinary shares in issue as at the balance sheet date.

	Year ended 31 December	
	2012	2011
Profit for the year excluding effect on changes in tax rate		
Profit for the year excluding effect on changes in tax rate	386,056,467	350,431,054
Weighted average number of ordinary shares applicable	223,732,169	223,732,169
Basic earnings per share (Rs.)	1.73	1.57
Profit for the year including effect on changes in tax rate		
Profit for the year including effect on changes in tax rate	386,056,467	436,617,791
Weighted average number of ordinary shares applicable	223,732,169	223,732,169
Basic earnings per share (Rs.)	1.73	1.95

15 Dividend per share

	Year ended 31 December	
	2012	2011
Equity dividend on ordinary shares declared and paid during the year.*	111,866,085	-
Number of shares in issue at the time of dividend payout	223,732,169	223,732,169
Dividend per share (Rs)	0.50	-

Dividend per share has been calculated, for all periods, based on the number of shares in issue at the time of dividend payout.

* Previous years' final dividend paid in the current year.

NOTES TO THE FINANCIAL STATEMENTS

16 Property, plant and equipment

	Free hold land	Building on leasehold land	Medical equipments	Furniture and fittings	Office equipment
At 1 January 2011					
Cost	-	2,189,450,250	992,364,966	139,565,022	33,077,131
Accumulated depreciation	-	-	(595,104,550)	(82,075,604)	(25,232,284)
Net book amount	-	2,189,450,250	397,260,416	57,489,418	7,844,847
Year ended 31 December 2011					
Opening net book amount	-	2,189,450,250	397,260,416	57,489,418	7,844,847
Additions	12,718,151	8,755,712	146,487,468	9,173,596	1,940,809
Disposals	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
Depreciation charge [Note 16.2]	-	(54,765,200)	(105,147,028)	(14,270,953)	(3,347,824)
Closing net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
At 31 December 2011					
Cost	12,718,151	2,198,205,962	1,138,852,434	148,738,618	35,017,940
Accumulated depreciation	-	(54,765,200)	(700,251,578)	(96,346,557)	(28,580,108)
Net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Year ended 31 December 2012					
Opening net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Additions	-	13,030,318	112,716,618	19,462,884	2,598,722
Disposals	-	-	-	(4,597,648)	-
Depreciation on disposals	-	-	-	815,233	-
Depreciation charge [Note 16.2]	-	(55,139,159)	(119,224,854)	(15,042,309)	(3,433,849)
Closing net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
At 31 December 2012					
Cost	12,718,151	2,211,236,280	1,251,569,052	163,603,854	37,616,662
Accumulated depreciation	-	(109,904,359)	(819,476,432)	(110,573,633)	(32,013,957)
Net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705

Computers	Other equipment	Kitchen equipment	Medical vehicles	Motor vehicles others	Capital work in progress	Total
67,840,831	354,984,438	4,143,752	8,901,926	3,465,900	50,000	3,793,844,216
(56,899,388)	(241,269,147)	(2,060,081)	(8,901,926)	(3,465,900)	-	(1,015,008,880)
10,941,443	113,715,291	2,083,671	-	-	50,000	2,778,835,336
10,941,443	113,715,291	2,083,671	-	-	50,000	2,778,835,336
25,097,226	29,861,370	20,296,383	-	14,004,300	-	268,335,015
-	-	-	-	-	(50,000)	(50,000)
-	-	-	-	-	-	-
(5,396,612)	(36,548,113)	(1,964,948)	-	(440,870)	-	(221,881,548)
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
92,938,057	384,845,808	24,440,135	8,901,926	17,470,201	-	4,062,129,232
(62,296,000)	(277,817,260)	(4,025,029)	(8,901,926)	(3,906,770)	-	(1,236,890,428)
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
22,550,547	31,875,738	3,918,759	12,336,558	5,250,000	26,474,721	250,214,864
-	-	-	(4,450,963)	(700,000)	-	(9,748,611)
-	-	-	4,450,963	700,000	-	5,966,196
(8,327,511)	(39,862,802)	(8,215,807)	(1,383,297)	(4,464,278)	-	(255,093,866)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
115,488,604	416,721,546	28,358,894	16,787,521	22,020,201	26,474,721	4,302,595,484
(70,623,511)	(317,680,062)	(12,240,836)	(5,834,260)	(7,671,048)	-	(1,486,018,098)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386

NOTES TO THE FINANCIAL STATEMENTS

- 16.1** The buildings were revalued as at 31 December 2010 by Messrs A.A.M Fathihu - F.I.V (Sri Lanka) incorporated valuer. Only the surplus on revaluation relating to the building was incorporated in the financial statements from its effective date which is 31 December 2010. Such assets were valued on an open market value for existing use basis, the surplus arising from the revaluation was transferred to the revaluation reserve.

Company properties	Method of valuation	Date of valuation	Valuer	Revalued amount	Market value
Building constructed on land obtained on lease at 578, Elvitigala Mawatha, Narahenpita, Colombo 05.	Investment method	31 December 2010	A.A.M. Fathihu (F.I.V. Sri Lanka) Incorporated valuer	2,189,450,250	2,189,450,250

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows;

	Cost	Depreciation if assets were carried at cost	Cumulative net carrying amount
Building on lease hold land	1,432,065,699	309,618,378	1,122,447,321

16.2 Depreciation charge

Depreciation expense of Rs 119,224,854 (2011: Rs 105,147,028) has been charged under 'cost of services' and Rs 135,869,012 (2011: Rs 116,734,519) under 'Depreciation on property plant and equipment' in the statement of comprehensive income.

16.3 Information on the freehold land of the Company

Location	Extent (Perches)	Cost of Land
Narahenpita Hathbodiya, Kirula Road, Narahenpita, Colombo 05	10.25	7,461,000
Narahenpita Hathbodiya, Kirula Road, Narahenpita, Colombo 05	10	5,257,151
		12,718,151

17 Intangible asset

	Computer software
Year ended 31 December 2012	
Opening net book amount	-
Additions	1,213,773
Amortisation charge	(22,416)
Closing net book amount	1,191,357
At 31 December 2012	
Cost	1,213,773
Accumulated amortisation	(22,416)
Net book amount	1,191,357

Amortisation of Rs 22,416 is included in the statement of comprehensive income under “other operating expenses”.

18 Advance lease premium

	31 December		1 January
	2012	2011	2011
Balance at the beginning of the year	119,990,545	106,127,469	88,751,790
Premium paid during the year	18,546,545	18,546,548	22,059,151
Amount charged to the statement of comprehensive income	(4,683,474)	(4,683,472)	(4,683,472)
Balance at the end of the year	133,853,616	119,990,545	106,127,469

The Company has entered into a 99-year lease agreement with the Urban Development Authority from 1999. In terms of this agreement as at 31 December 2012 a further sum of Rs. 250 mn is payable by 2026.

Lease rent paid on each installment is carried forward and amortised over the 99-year period, in accordance with the said agreement.

The leasehold interest in the land obtained on lease was assessed as at 31 December 2010 by Messrs A.A.M. Fathihu – F.I.V. (Sri Lanka) incorporated valuer as Rs.1,294,051,875. This value is not incorporated in the financial statements.

19 Inventories

	31 December		1 January
	2012	2011	2011
Medical items	136,877,279	135,799,870	80,252,878
Non-medical items	7,311,925	4,945,370	4,517,950
Engineering items	2,119,050	1,868,063	1,680,329
Food and beverages	3,034,298	2,577,046	-
	149,342,552	145,190,349	86,451,157

The cost of inventories recognised as expense and included in ‘cost of sales’ amounted to Rs. 1,428,576,258 (2011: Rs. 1,162,867,480).

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables

Trade receivables

	31 December		1 January
	2012	2011	2011
Trade receivables	90,897,319	67,752,500	101,685,639
- Sri Lanka Insurance (related party)	12,625,509	13,510,512	10,162,607
Total trade receivables	103,522,828	81,263,012	111,848,246
Provision for impairment of trade receivables	(8,959,537)	(7,622,901)	(5,475,787)
Sundry debtors - Note 20.1	32,987,838	50,526,087	44,410,082
Total trade receivables - Net	127,551,129	124,166,198	150,782,541
Deposits and prepayments	45,331,962	42,622,104	42,629,555
Advances and other receivables	88,466,569	78,325,472	33,293,068
Provision for bad and doubtful debts	-	-	(11,169,914)
Total trade and other receivables - Net	261,349,660	245,113,774	215,535,250
Note 20.1 - Sundry debtors			
WIP - Trade receivables (patients not yet discharged)	21,982,807	34,157,706	35,055,468
Debit note clearing account	1,693,304	986,516	3,662,146
Debit note clearing account- staff	1,788,929	2,464,183	2,836,273
E-channelling sales receivables	7,522,798	12,917,682	2,856,195
	32,987,838	50,526,087	44,410,082

As of 31 December 2012, trade receivables of Rs.136,510,666 (2011:Rs. 131,789,099) were fully performing.

As of 31 December 2012, trade receivables of Rs.79,161,812. (2011: Rs.99,629,519) were past due but not impaired. These are related to number of independent customers for whom there is no recent history of default. The aging of these trade receivable is as follows:

	31 December		1 January
	2012	2011	2011
Up to 3 months	116,866,277	119,171,671	87,344,342
More than 3 months	19,644,389	12,617,428	68,913,986
	136,510,666	131,789,099	156,258,328

As of 31 December 2012, trade receivables of Rs 57,348,854 (2011: Rs. 32,159,580) were impaired. The amount of the provision was Rs. 8,959,537 as of 31 December 2012 (2011: Rs.7,622,901). The individually impaired receivables mainly relate to individual customers who are in unexpectedly difficult economic situations and disputed bills. It was assessed that a portion of the receivables is expected to be recovered.

20 Trade and other receivables (Contd.)

Movements on the company's provision for impairment of trade receivables are as follows;

	Year ended 31 December	
	2012	2011
At 1 January	7,622,901	5,475,787
Provision for trade receivables impairment	1,336,636	2,147,114
At 31 December	8,959,537	7,622,901

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of comprehensive income (Note 12).

The other classes with in trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security.

21 Amounts due from related parties

	31 December		1 January
	2012	2011	2011
Sri Lanka Insurance Corporation Limited	3,743,040	1,845,514	707,683
	3,743,040	1,845,514	707,683

Amounts due from related parties are mainly from Services provided by The Lanka Hospitals Corporation PLC including doctor fees of Sri Lanka Insurance Corporation Limited medical center, auditorium hiring and F&B services. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2011: nil).

22 Cash and cash equivalents

	31 December		1 January
	2012	2011	2011
Cash in hand	22,107,164	18,995,237	6,678,400
Cash at bank	19,793,560	49,000,919	92,544,262
Repo investment	75,000,000	100,000,000	368,519,920
Commercial papers	-	156,043,233	-
Fixed deposits - NRFC	170,179,304	34,774,341	-
Fixed deposit - LKR	714,430,866	312,733,750	-
	1,001,510,894	671,547,480	467,742,582

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	31 December		1 January
	2012	2011	2011
Cash and bank balances	1,001,510,894	671,547,480	467,742,582
Bank overdrafts [Note 26]	(110,543,349)	(82,472,245)	(129,804,063)
	890,967,545	589,075,235	337,938,519

NOTES TO THE FINANCIAL STATEMENTS

23 Stated capital

	31 December		1 January
	2012	2011	2011
Issued and fully paid - ordinary shares			
Number of shares	223,732,169	223,732,169	223,732,169
Value of shares (Rs)	2,671,543,090	2,671,543,090	2,671,543,090

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at a meeting of the Company.

24 Retirement benefit obligations

	31 December	
	2012	2011
Balance at the beginning of the year	42,721,726	33,011,027
Current service cost	10,053,632	9,155,636
Interest cost	4,443,348	3,466,158
Actuarial (gain) / loss	3,564,052	(1,686,161)
Benefits paid	(9,278,934)	(1,224,934)
Balance at the end of the year	51,503,824	42,721,726

24.1 The amount recognised in the comprehensive income for the year as follows:

	31 December	
	2012	2011
Amount recognised under staff cost:		
Current service cost	10,053,632	9,155,636
Interest cost	4,443,348	3,466,158
	14,496,980	12,621,794
Actuarial gains / (losses) recognised in the statement of other comprehensive income	3,564,052	(1,686,161)
Total recognised in the comprehensive income	18,061,032	10,935,633

The key assumptions used by the actuary - include the following as at the reporting date;

(1) Discount rate	11.00%	10.50%
(2) Salary increment rate		
Salary denoted in Sri Lankan rupees	10.00% p.a	10.00% p.a
Salary denoted in Indian rupees and USD	Nil	5.00% p.a
(3) Retirement age	55 years	55 years

The Company's retirement benefit obligation would have been Rs. 66,549,930/- as at the reporting date had their retirement benefit obligation been calculated as per the requirements of the payment of Gratuity Act. No 12 of 1983.

25 Deferred tax liabilities

	31 December	
	2012	2011
Balance at the beginning of the year	213,803,119	440,019,759
Charged / (credited) to profit for the year		
Origination of temporary differences	21,432,505	28,468,576
Effect on change in tax rate		
- Recognised in profit and loss	-	(86,186,737)
Charged / (credited) to other comprehensive income		
Effect on change in tax rate		
- Recognised in other comprehensive income	-	(165,253,125)
Tax on actuarial gains / (losses)	(427,686)	202,339
Charged / (credited) to equity		
Tax effect on depreciation transfer	(3,447,693)	(3,447,693)
Balance as at the end of the year	231,360,245	213,803,119

25.1 Analysis of deferred tax liabilities

	31 December				1 January	
	2012		2011		2011	
	Temporary difference	Tax effect	Temporary difference	Tax effect	Temporary difference	Tax effect
Property, plant and equipment	1,004,135,376	120,496,245	820,313,128	98,437,574	571,678,131	160,069,877
Retirement benefit obligations	(51,503,824)	(6,180,459)	(42,721,726)	(5,126,607)	(33,011,027)	(9,243,088)
Revaluation on buildings	975,370,491	117,044,459	1,004,101,263	120,492,152	1,032,832,034	289,192,970
	1,928,002,044	231,360,245	1,781,692,665	213,803,119	1,571,499,138	440,019,759

25.2 Deferred tax is measured at 12% being the applicable tax rate.

NOTES TO THE FINANCIAL STATEMENTS

26 Borrowings

	31 December		1 January
	2012	2011	2011
Syndicate loan [Note 26.1]	-	-	15,090,000
Soft loan from National Development Bank PLC	-	-	7,500,000
Bank overdraft *	110,543,349	82,472,245	129,804,063
	110,543,349	82,472,245	152,394,063
Amount payable within one year	-	-	152,394,063
Amount payable after one year	-	-	-

* Bank overdraft represents an accounting overdraft.

26.1 Syndicate loan

Hatton National Bank PLC	-	-	7,500,000
National Development Bank PLC	-	-	3,795,000
Seylan Bank PLC	-	-	3,795,000
	-	-	15,090,000

26.2 Weighted average effective interest rate of borrowing is as follows:

Syndicate loan	-	10.35%	12.37%
Soft loan from National Development Bank PLC	-	11.35%	12.37%

27 Amounts due to related parties

	31 December		1 January
	2012	2011	2011
Sri Lanka Insurance Corporation Limited	4,625,452	4,247,497	4,593,014
	4,625,452	4,247,497	4,593,014

Amounts due to related parties arise mainly from fee for the insurance policy on fire, professional indemnity, staff insurance, general insurance and vehicle hiring charges. The payable bear no interest.

28 Trade and other payables

	31 December		1 January
	2012	2011	2011
Trade payables	117,179,679	149,990,609	141,786,178
Other payables			
- Advance received	24,835,263	30,730,655	29,991,433
- Economic service charge payable	2,288,255	2,404,385	2,373,976
- Other payables and accruals	196,053,189	127,878,691	103,354,918
	223,176,707	161,013,730	135,720,327
	340,356,386	311,004,339	277,506,505

29 Financial Instruments by category

		31 December		1 January
		2012	2011	2011
29.1	Assets as per balance sheet			
	Loans and receivable			
	Trade and other receivables excluding pre-payments	216,017,698	202,491,670	172,905,695
	Cash and cash equivalents	1,001,510,894	671,547,480	467,742,582
		1,217,528,592	874,039,150	640,648,277

		31 December		1 January
		2012	2011	2011
29.2	Liabilities as per balance sheet			
	Other financial liabilities at amortised cost			
	Borrowings	110,543,349	82,472,245	152,394,063
	Trade and other payable excluding non financial liabilities	117,179,679	149,990,609	141,786,178
		227,723,028	232,462,854	294,180,241

29.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

		31 December		1 January
		2012	2011	2011
	Cash at bank and short-term bank deposits			
	AA+	970,470,023	359,854,029	240,934
	AA-	8,933,707	136,572,644	460,774,756
	AA	-	156,125,570	26,326
	A-	-	-	22,166
		979,403,730	652,552,243	461,064,182

30 Contingent liabilities

There are no material contingent liabilities as at the balance sheet date which requires adjustments or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 Capital commitments and others

31.1 Capital expenditure commitments

There were no material capital commitments as at the Balance Sheet date.

31.2 Commitment on land lease

The Company has entered into a 99-year lease agreement with the Urban Development Authority. In terms of this agreement annual lease premiums payable are as follows.

Year	Annual lease premiums Rs.
1999 to 2003	9,273,274 (Excluding taxes)
2004 to 2025	18,546,548 Excluding taxes)
2026	9,273,274 (Excluding taxes)

Premiums paid on each installment is carried forward and amortised over the 99-year period, in accordance with the said agreement.

From the year 2027 Rs. 7,000/- per annum is payable as nominal ground rent for 5 years. Thereafter the said ground rent will be revised every 5 years on the basis of an annual increase no greater than the average weighted deposit rate published by the Central Bank of Sri Lanka prevailing at the end of each year or 10% per annum whichever is lower.

The future aggregate minimum lease payments under non cancellable operating lease by 2026 as follows:

	2012	2011
No latter than 1 year	18,546,548	18,546,548
Later than 1 year and no later than 5 years	74,186,192	74,186,192
Later than 5 years	157,645,658	176,192,206
Total	250,378,398	268,924,946

32 Events after the reporting period

No events have occurred since the balance sheet date which would requires adjustments to or disclosure in the financial statements.

33 Related party transactions

(a) Parent and ultimate controlling party

Ultimate controlling party of the company is Sri Lanka Insurance Corporation Limited.

(b) Transactions with key managements personnel

According to Sri Lanka Accounting Standards (LKAS) - 24, "Related Party Disclosures", key management personnel, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non executive directors) and the Management Team have been classified as Key Management Personnel of the Company.

(i) **Loans to Directors**

No loans have been given to the Directors of the Company.

(ii) **Key management personnel compensation**

The details of the compensation incurred on behalf of key management personnel are as follows,

	31 December	
	2012	2011
Salaries and short term employee benefits	82,448,263	70,474,853
Post employment benefits	7,129,136	6,202,024
	89,577,399	76,676,877

(c) **Transactions with related Companies**

The Company has related party relationships with its related group companies. The following transactions were carried out with related parties during the year ended 31 December 2012.

The Company carried out transactions in the ordinary course of business at commercial rates with the following Directors/ related entities.

Name of the Company	Directors of the Company	Relationship	Nature of transaction	Transaction value	Amounts paid/(received)	Outstanding balance as at		
				2012	2012	31 December 2012	31 December 2011	1 January 2011
Sri Lanka Insurance Corporation Limited	Mr. A.M.M de Alwis	Parent Company	Services provided by The Lanka Hospitals Corporation PLC.	110,775,150	(111,660,153)	12,625,509	13,510,512	10,162,607
			Fee for the insurance policy on fire, vehicle, professional indemnity, staff insurance, general insurance and vehicle hiring charges.	23,850,847	23,472,892	(4,625,452)	(4,247,497)	(4,593,014)
			Services provided by The Lanka Hospitals Corporation PLC including auditorium hiring and F&B services.	9,225,372	(7,327,846)	3,743,040	1,845,515	707,683
			Insurance claim on fire insurance policy .	-	-	-	-	33,293,068

SHAREHOLDER AND INVESTOR INFORMATION

Top 20 Shareholding as at 31st December

Shareholder	2012		2011	
	No of shares	Holding	No of shares	Holding
1 Sri Lanka Insurance Corporation Ltd - Life Fund	66,097,350	29.54%	66,097,350	29.54%
2 Fortis Global Healthcare Holdings Pte Ltd	64,120,915	28.66%	64,120,915	28.66%
3 Sri Lanka Insurance Corporation Ltd - General Fund	56,080,643	25.07%	56,080,643	25.07%
4 Property Development PLC	21,329,000	9.53%	21,329,000	9.53%
5 Phillip Securities PTE LTD	1,250,000	0.56%	-	-
6 Union Assurance PLC / Account No 05	391,365	0.17%	118,700	0.05%
7 Mr. T.L.M. Imtiaz	365,387	0.16%	110,000	0.05%
8 Mr. M.M.C.J Fernandopulle	240,000	0.11%	275,000	0.12%
9 Carlines Holdings (Pvt) Ltd	239,038	0.11%	142,510	0.06%
10 Mr. H.W.M. Woodward	220,300	0.10%	220,300	0.10%
11 Sampath Bank PLC/ Capital Trust Holdings Pvt Ltd	184,009	0.08%	-	-
12 Mr. A.H Munasinghe	179,471	0.08%	168,571	0.08%
13 Mrs. S. Wajeeha Banu	167,750	0.08%	-	-
14 Mr. S.R. Fernando	113,517	0.05%	-	-
15 Mr. A.M. Weerasinghe	112,900	0.05%	95,200	0.04%
16 Seylan Bank PLC/ Ms. M.R.H Galappatti	105,900	0.05%	-	-
17 Mr. G.C. Goonethilake	96,000	0.04%	92,000	0.04%
18 Mr. M.F. Ozman	94,860	0.04%	-	-
19 Mr. M.M.M. Mizver	93,605	0.04%	-	-
20 Seylan Bank PLC/ Mr. Ruwan Prasanna Sugathadasa	92,877	0.04%	-	-
	211,574,887	94.56%	208,850,189	93.34%

Individual / Institution as at 31st December 2012

	No of Shareholders	As %	No of Shares	As %
Individual	8,148	98.00	12,206,077	5.46
Institution	166	2.00	211,526,092	94.54
	8,314	100.00	223,732,169	100.00

Resident / Non-Resident as at 31st December 2012

	No of Shareholders	As %	No of Shares	As %
Resident	8,282	99.62	157,866,717	70.56
Non-Resident	32	0.38	65,865,452	29.44
	8,314	100.00	223,732,169	100.00

Directors'/Senior management Shareholdings as at 31st December

Directors	Position	2012		2011	
		No of shares	Holding %	No of shares	Holding %
Mr. Gotabhaya Rajapaksa	Chairman	-	-	-	-
Mrs. R. S. Cabraal	Deputy Chairperson	-	-	-	-
Dr. Nalaka Godahewa	Director	-	-	-	-
Prof. Dayasiri Fernando	Director	-	-	-	-
Mr. A. M. Mohan De Alwis	Director	-	-	-	-
Dr. G. W. K. Wickramasinghe	Director	-	-	-	-
Mr. P. A. Lionel	Director	-	-	-	-
Mr. Malvinder Mohan Singh	Director	-	-	-	-
Mr. Shivinder Mohan Singh	Director	-	-	-	-
Mr. Sunil Godhwani	Director	-	-	-	-
Dr. T. R. C. Ruberu (Resigned on 30th July 2012)	Director	-	-	-	-
Dr. N. N. A. P. Bandula Chandranath Wijesiriwardena	Director	-	-	-	-
Dr. Nihal Jayathilaka (Appointed on 20th September 2012)	Director	-	-	-	-
Mr. Vishal Bali (Alternate Director to Mr. Malvinder Mohan Singh)	Director	-	-	-	-
Mr. Balinder Singh Dhillon (Alternate Director to Mr. Shivinder Mohan Singh)	Director	-	-	-	-
Mr. G. Ramesh Krishnan (Alternate Director to Mr. Sunil Godhwani) (Appointed on 24th Dec 2012)	Director	-	-	-	-
Senior Management					
Mr. Lakith Peiris	Chief Executive Officer	-	-	-	-

Investor information as at 31st December

		2012	2011
Earnings per share	Rs.	1.73	1.95
Dividend per share	Rs.	0.50	N/A
Net asset value per share	Rs.	16.22	14.99
Market Value per ordinary share			
- Highest value during the year	Rs.	51.70	64.90
- Lowest value during the year	Rs.	35.50	35.10
- Value at the end of the year	Rs.	39.20	52.10
Gearing ratio	%	N/A	N/A
Interest cover	Times	N/A	261.19
Quick asset ratio	Times	2.78	2.31

SHAREHOLDER AND INVESTOR INFORMATION

Summary of share ranges

			2012			2011		
Share Range			No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %
1	1	- 1,000	6,309	2,589,512	1.16	6,431	2,732,176	1.22
2	1001	- 5000	1,648	3,976,932	1.78	1,779	4,299,574	1.92
3	5,001	- 10,000	172	1,265,620	0.57	230	1,749,081	0.78
4	10,001	- 50,000	153	3,559,112	1.59	145	3,088,739	1.38
5	50,001	- 100,000	16	1,143,448	0.51	17	1,216,500	0.55
6	100,001	- 500,000	11	2,319,637	1.04	13	3,018,191	1.35
7	500,001	- 1,000,000	-	-	-	-	-	-
8	1,000,001	- & Above	5	208,877,908	93.36	4	207,627,908	92.80
			8,314	223,732,169	100.00	8,619	223,732,169	100.00

Public shareholding as at 31st December 2012 - 16.73% (2011- 16.73%)

Number of shares as at 31st December 2012 - 37,433,261 (2011- 37,433,261)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 28th June 2013 at 9.00am at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5 for the purpose of conducting the following business:

1. To receive, consider and adopt the Annual Report and the Financial Statements of the Company for the year ended 31st December 2012 together with the Report of the Auditors' thereon.
2. To re-elect Prof. D P A Fernando as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

"RESOLVED THAT Prof. D P A Fernando who has reached the age of 73 be and is hereby re-elected as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No.07 of 2007".
3. To re-appoint Messrs PriceWaterhouseCoopers Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorize the Directors to fix their remuneration.
4. To authorize the Directors to determine donations for the year 2013 and up to the date of the next Annual General Meeting.
5. Any other business of which due notice has been given.

By order of the Board of Directors of

THE LANKA HOSPITALS CORPORATION PLC



Disna Perera

Accounting Systems Secretarial Services (Private) Limited

Company Secretaries

Colombo, this 9th May 2013

Note: A shareholder who is unable to attend the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.

Shareholders/Proxyholders are requested to bring with them an acceptable form of identity.

NOTES

[illegible]

FORM OF PROXY

Folio Number*

THE LANKA HOSPITALS CORPORATION PLC

(Company Registration No PQ180.)

No.578, Elvitigala Mawatha, Narahenpita, Colombo 5

I/We

(NIC No.)

of

being a shareholder/shareholders of The Lanka Hospitals Corporation PLC, hereby appoint:

..... of

.....(or failing him)

Mr. Gotabhaya Rajapaksa

or failing him

Mrs. R. S. Cabraal

or failing him

Dr. Nalaka Godahewa

or failing him

Mr. A. D. M. De Alwis

or failing him

Prof. D. P. A. Fernando

or failing him

Dr. G. W. K. Wickramasinghe

or failing him

Mr. P. A. Lionel

or failing him

Dr. Nihal Jayathilake

or failing him

Mr. Malvinder Mohan Singh

or failing him

Mr. Shivinder Mohan Singh

or failing him

Mr. Sunil Godhwani

or failing him

Dr. B. Wijesiriwardena

as my/our Proxy to represent and speak and vote for me/us** and on my/our behalf at the 14th Annual General Meeting of the Company to be held onand at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We** the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting , as follows:

Routine Business

	For	Against
1) To adopt the Report of the Directors, the Audited Accounts for the Year ended 31st December 2012 and the Report of the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Prof. D P A Fernando who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-appoint Messrs PriceWaterhouseCoopers., the retiring Auditors and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorize the Directors to determine donations for the year 2013 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our** hands this.....day of.....Two Thousand and Thirteen.

.....
Signature

Notes: * Please indicate your folio number which is given in the address sticker carrying this annual report pack.

** Instructions as to completion appear overleaf.

Please indicate with and "x" in the space provided, how your Proxy is to vote on the Resolutions.

If no indication is given, the Proxy in his discretion will votes as he thinks fit.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registrars to shares, National Asset Management Ltd, Union Bank Building, 7th Floor, No. 64, Galle Road, Colombo 03, on or before 26th June 2013.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.

CORPORATE INFORMATION

Name of the Company

The Lanka Hospitals Corporation PLC

Company Registration No.

PQ 180

Registered Office

No.578, Elvitigala Mawatha,
Narahrenpita, Colombo 05, Sri Lanka
Tel: +94 11 5430000
Fax: +94 11 4511199
E-mail: info@lankahospitals.com

Board of Directors

Mr. Gotabhaya Rajapaksa
Mrs. R. S. Cabraal
Dr. Nalaka Godahewa
Prof. Dayasiri Fernando
Mr. A. M. Mohan De Alwis
Dr. G. W. K. Wickramasinghe
Mr. P. A. Lionel
Mr. Malvinder Mohan Singh
(Alternate Director Mr. Vishal Bali)
Mr. Shivinder Mohan Singh
(Alternate Director Mr. Balinder Singh Dhillon)
Mr. Sunil Godhwani
(Alternate Director Mr. G. Ramesh Krishnan)
Dr. N.N.A.P.Bandula
Chandranath Wijesiriwardena
Dr. Nihal Jayathilaka

Secretaries

M/s. Accounting Systems Secretarial Services
(Private) Limited
Level 4, No. 2, Castle Lane, Colombo 4.
Tel: +94 11 2505152

Auditors

M/s PricewaterhouseCoopers
(Chartered Accountants)
P. O. Box 918
100, Braybrooke Place,
Colombo 02.
Tel: +94 11 7719838

Registrars to Shares

M/s National Asset Management Limited
Union Bank Building,
7th Floor,
64, Galle Road,
Colombo 03.
Tel : +94 11 2445911

Bankers

Bank of Ceylon
Hatton National Bank PLC

