

OUR CROWNING  *Glory*

ANNUAL REPORT 2014



LANKA
HOSPITALS

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OUR CROWNING  *Glory*

Being an award winning and accredited business is not a novel thing for us at Lanka Hospitals. From our inception, we have always gone above and beyond what was expected of us as a healthcare provider and we have been recognised through the years for being more than just a business. This year, we celebrate another feather in our cap... or more significantly, a crowning glory, in the form of the distinguished JCI accreditation, which has only been awarded to 23 hospitals in Asia. This gold seal of honour has been bestowed to us after stringent measures and testing of our processes which must be above par in order to be ranked among the elite all over the world. We have been lauded as possessing the best in quality, care and safety, a fact no doubt, echoed by many who look to us for the best in healthcare. This is indeed a reflection of how WE do things... with attention to detail, a commitment to excellence and above all, the resilience which sees us evolve and grow with the times.

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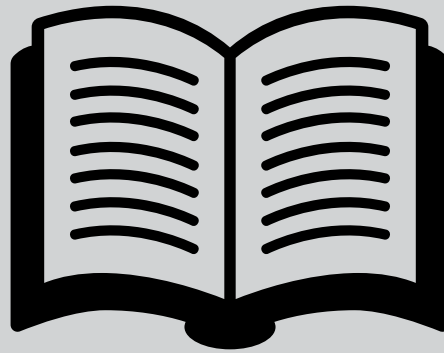
IN 2014 WE JOINED AN ELITE GROUP OF HOSPITALS AROUND THE WORLD, JUST 450 OF THEM WEARING THE CROWN OF THE GOLD SEAL OF APPROVAL CONFERRED BY THE JOINT COMMISSION INTERNATIONAL (JCI).





WE WERE THE FIRST HOSPITAL IN SRI LANKA WHOSE LABORATORY WAS 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.





**OUR CASE STUDY ON 'A THRIVING BUSINESS MODEL IN
THE STATE SECTOR - THE LANKA HOSPITALS STORY' WAS
ADJUDGED THE 1ST RUNNERS UP AT THE
CIMA BUSINESS CASE AWARDS 2013.**





LANKA HOSPITALS WAS A RECIPIENT OF THE GLOBAL PERFORMANCE EXCELLENCE AWARD IN 2013 (GPEA). WE ARE THE ONLY HOSPITAL TO HAVE EVER WON THE GPEA IN THE HIGHEST CATEGORY, WHICH IS RENOWNED AS A WORLD CLASS AWARD.





LANKA HOSPITALS WAS RECOGNISED AT THE “THE BIZZ 2014” AWARDS ORGANISED BY THE WORLD CONFEDERATION OF BUSINESS & AWARDED THE TITLE, “WORLD BUSINESS LEADER” FOR BEING A SUCCESSFUL LEADER WHO WORKS IN AN INNOVATIVE, KNOWLEDGEABLE AND SYSTEMATIC MANNER.





**WE RECORDED A 85% PATIENT
SATISFACTION RATE IN 2014**



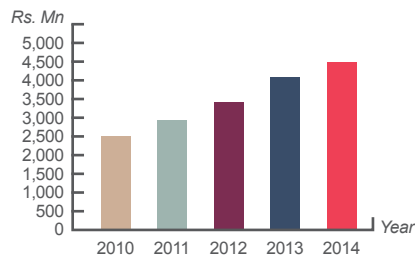
FINANCIAL HIGHLIGHTS

FIVE YEAR SUMMARY

		2014 Company	2013 Company	2012 Company	2011 Company	2010 Company
Revenue	Rs.	4,491,554,590	4,071,914,867	3,405,864,503	2,917,656,708	2,517,569,878
Profit before interest & tax	Rs.	504,936,835	607,686,338	337,091,890	339,326,265	277,298,829
Profit after tax	Rs.	565,405,520	688,913,083	386,056,467	436,617,791	289,143,723
Total Assets	Rs.	5,766,532,849	5,099,710,859	4,367,568,505	4,008,926,466	3,655,399,477
Net Assets	Rs.	4,550,524,177	4,058,971,539	3,629,179,249	3,354,677,540	2,730,002,259
Annual revenue growth %		10%	20%	17%	16%	33%
Net cash flow from operating activities	Rs.	693,751,526	790,758,939	578,975,022	521,872,749	415,578,722
EBITDA	Rs.	733,888,487	828,701,544	592,208,172	561,207,813	477,379,446
Profitability Indicators						
Gross profit margin		57%	58%	55%	57%	56%
Operating Profit Margin		11%	15%	10%	12%	11%
Net Profit Margin		13%	17%	11%	15%	11%
Return on Capital Employed		11%	15%	12%	11%	11%
Liquidity & Debt Ratios						
Current Ratio		2.23	2.44	3.11	2.67	1.77
Quick Ratio		1.92	2.19	2.78	2.31	1.57
Gearing ratio		N/A	N/A	N/A	N/A	0.82
Interest Cover		N/A	N/A	N/A	261.19	45.75
Equity						
Dividend per share	Rs.	0.50	2.00	0.5	N/A	N/A
Dividend pay out		0.20	0.65	0.29	N/A	N/A
Earnings per share	Rs.	2.53	3.08	1.73	1.96	1.29
Net Assets Per share	Rs.	20.34	18.14	16.22	14.99	12.28

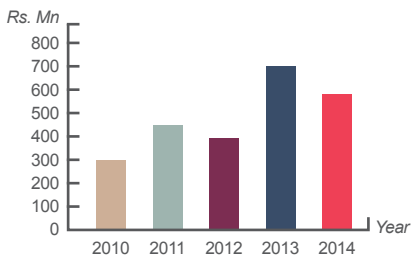
The Comparative Audited figures have been adjusted in accordance with the new adoption of SLFRS.

Revenue



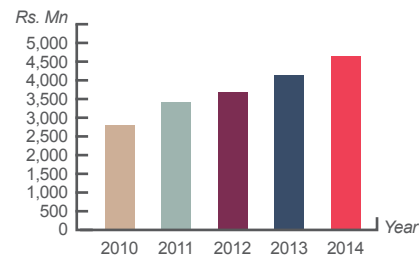
In the year 2014, Lanka Hospitals recorded the highest revenue since its inception.

Profit After Tax



In the year 2014, Lanka Hospitals recorded the second highest profit after tax in its history.

Net Assets



From year 2010 to 2014, Net Assets have grown by 67% due to infrastructure developments and technology improvements.

4.5Bn
REVENUE

565Mn
PROFIT AFTER TAX

734Mn
EBITDA

10%
REVENUE GROWTH

2.53
EARNINGS PER SHARE

20.34
NET ASSETS PER SHARE

COMPANY OVERVIEW

LANKA HOSPITALS IS A MULTI-SPECIALTY TERTIARY CARE HOSPITAL IN SRI LANKA AND IS ONE OF THE LARGEST PRIVATE HOSPITALS IN THE COUNTRY. THE HOSPITAL WAS COMMISSIONED IN 2002 UNDER THE BRAND NAME OF APOLLO, A PART OF THE CHAIN OF APOLLO HOSPITALS FOUNDED BY THE RENOWN DR. PRATAP C. REDDY IN INDIA. AS THE ONLY PURPOSE BUILT PRIVATE HOSPITAL OF ITS KIND IN SRI LANKA, APOLLO COLOMBO REVOLUTIONISED SRI LANKA'S HEALTHCARE SERVICE OFFER, AND TODAY UNDER THE BRAND LANKA HOSPITALS, WE CONTINUE OUR JOURNEY WITH A NEW DIRECTION OF BRINGING WORLD CLASS HEALTHCARE EXPERIENCE TO THE MASSES OF SRI LANKA AT AN AFFORDABLE PRICE. TODAY WE ARE CONSIDERED AS THE BEST HEALTH CARE FACILITY IN THE COUNTRY.



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!”



ENVIRONMENTAL POLICY

We at Lanka Hospitals, as a socially responsible healthcare provider, remain committed to protect our environment and strive to continually improve our systems and methods in a bid to sustain this task. We are committed towards meeting the legal and statutory requirements for environmental protection and we work continuously with our staff, sub-contractors and general public where possible, in all aspects and consistently strive to mitigate all adverse impacts to the environment arising from our day today activities. Awareness and monitoring of the environmental performance is our passion and our motto is to protect the environment for our next generation.

AN OUTSTANDING PROFILE

MEDICAL SERVICES

- ~ EMERGENCY SERVICES
- ~ HEART CENTRE
- ~ SURGICAL DEPARTMENT
- ~ FERTILITY CENTRE
- ~ KIDNEY CARE CENTER
- ~ HEALTH CHECK
- ~ LABORATORY SERVICES
- ~ RADIOLOGY SERVICES
- ~ EYE CLINIC
- ~ MOTHER & BABY CARE
- ~ ENT CENTRE
- ~ DENTAL CLINIC
- ~ COSMETIC CLINIC
- ~ BLOOD BANK
- ~ NUCLEAR MEDICINE CENTER
- ~ DERMATOLOGY
- ~ ALLERGY CLINIC
- ~ PHYSIOTHERAPY
- ~ VACCINATIONS
- ~ GASTROENTEROLOGY
- ~ NEUROSCIENCES
- ~ GENERAL MEDICINE



We have notched a record breaking year at our Fertility Center, marking the milestone of the birth of the 700th In-Vitro Fertilisation (IVF) baby in November 2014.



Our Kidney care center completed both milestones of the 500th and 600th transplant during the year, as well as successfully completing 158 kidney transplants during the year.



Heart Center recorded best revenue performance, posting a growth of 90%.



Realising our competency in the specialty of Gastroenterology and conceptualising yet another Center of Excellence, we have now commissioned the construction of the most advanced GE Center in Sri Lanka.



During April 2014 a brand new - Siemens Sormation - Definition AS 128 CT Machine was installed in our Radiology and Imaging department pioneering 3D CT Images and CT Angiograms.



Our Eye Clinic concluded a very impressive year having performed in excess of 50 cataracts and corneal transplants on patients from our newest market, the Seychelles.



LANKA HOSPITALS IS A MULTI-SPECIALTY TERTIARY CARE HOSPITAL SPREAD OVER 350,000 SQUARE FEET WITH 7 ACRES OF BEAUTIFULLY LANDSCAPED GARDENS.



OFFERS STATE OF THE ART FEATURES THAT IS COMPLEMENTED BY CUTTING EDGE TECHNOLOGY AND IS STAFFED BY A WELL-EXPERIENCED AND TRAINED TEAM.



PROVIDES A COMPLETE RANGE OF THE LATEST DIAGNOSTIC AND HIGH-END MEDICAL TECHNOLOGY.



OUR 11-STOREY STRUCTURE IS COMPLETE WITH A HELIPAD AND IS THE ONLY PRIVATE MEDICAL FACILITY IN SRI LANKA EQUIPPED FOR AIR-AMBULANCE SERVICES.



THE HOSPITAL EMPLOYS A MULTI-PRONGED STRATEGY AIMED AT REALISING FOUR CORE PILLARS; BEST MEDICAL CARE, BEST CUSTOMER CARE, PROCESS ENHANCEMENTS ACROSS FUNCTIONS, AND AFFORDABILITY AIMED AT ACCELERATED OUR JOURNEY TOWARDS BECOMING A HOSPITAL AND A CORPORATE THAT IS TRULY WORLD-CLASS.

A professional portrait of Dr. Sarath Paranavitane, a middle-aged man with dark hair and glasses, wearing a dark suit, white shirt, and a red and blue striped tie. He is smiling slightly and looking directly at the camera against a dark grey background.

Sarath Paranavitane

Dr. Sarath Paranavitane
Chairman



**“AS A BENCHMARKED LEADER IN THE HEALTHCARE SECTOR
WE HAVE CHAMPIONED TO NEWER HEIGHTS AND THE
CONFERRING OF THE JOINT COMMISSION INTERNATIONAL
ACCREDITATION (JCIA) THIS YEAR WAS A CROWNING GLORY
FOR US.”**

CHAIRMAN'S REVIEW

“Throughout the years, we have continued to garner national and international accolades, some of which are firsts for Sri Lanka. Last year, we became the only healthcare provider in Sri Lanka to win the Global Performance Excellence Award conferred by the Asia Pacific Quality Organisation. We were also adjudged the only hospital in Sri Lanka, after a span of fifteen years, to be the winner in the Large Scale category at the National Quality Awards.”



“We have now surpassed our vision of being the foremost and preferred healthcare facility in the country. Our industry leadership, pioneering strategy, unsurpassed service, knowledge management and operational excellence has enabled us to be sui generis in the healthcare sector.”

It is my privilege to present the Annual Report of Lanka Hospitals Cooperation (LHC) for the financial year ended 2014.

As a benchmarked leader in the healthcare sector we have championed to newer heights and the conferring of the Joint Commission International Accreditation (JCIA) this year was a crowning glory for us. We are now among an elite collective of just 450 hospitals around the world to have this prestigious accreditation. Throughout the years, we have continued to garner national and international accolades, some of which are firsts for

Sri Lanka. Last year, we became the only healthcare provider in Sri Lanka to win the Global Performance Excellence Award conferred by the Asia Pacific Quality Organisation. We were also adjudged the only hospital in Sri Lanka, after a span of fifteen years, to be the winner in the Large Scale category at the National Quality Awards.

We have now surpassed our vision of being the foremost and preferred healthcare facility in the country. Our industry leadership, pioneering strategy, unsurpassed service, knowledge

CHAIRMAN'S REVIEW CONTD.

“Our next level of growth will be spurred once the refurbishment initiatives are completed in the upcoming year and the pioneering facilities we intend to introduce in LHC. I foresee an exciting year ahead for LHC.”

management and operational excellence has enabled us to be sui generis in the healthcare sector.

TRENDS IN HEALTHCARE SECTOR

The global healthcare industry is on a growth momentum on account of the aging population, rising incidence of chronic diseases, increased access to healthcare, technological advancements, product innovation and growth in emerging markets. Although, these have a positive impact on Sri Lanka's healthcare sector, the rising costs, inadequate infrastructure, lack of skilled staff and affordability pose challenges to the growth of the local healthcare industry. In addition, the stiff competition has resulted in narrowing of margins as well. To overcome these challenges, most of the large-scale healthcare providers have expanded their presence in the urban areas, capitalizing on the growth potential of the industry.

Another paradigm that is transforming the healthcare firmament is the increase in the incidence of non-communicable diseases. Medical tourism is also gathering momentum in Sri Lanka.

NUMBERS THAT MATTER

Our performance this year has been exceptional. The Group Net Revenue increased by 17% to Rs. 4.8 billion, the highest in the history of LHC. The Group Net Profit of Rs. 510 million was

the second highest profit recorded since inception of our hospital. These impressive results were achieved whilst maintaining our pricing strategy of affordable healthcare.

In addition, RAM Ratings elevated our long and short term corporate credit ratings to AA-/P1 status. This is a reflection of the stability and the financial strength of our institution.

In recognition of good governance, we were awarded the silver award in the healthcare sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka for the second consecutive year.

Beyond numbers, we have achieved commendable feats in other aspects of our operations as well.

We established Lanka Hospitals Diagnostic (LHD), the first-ever reference laboratory in the country during the year. Equipped with cutting edge technology, LHD has set a benchmark in the diagnostic service sector in Sri Lanka. LHD now offers over 300 new tests which can be done in all 250 collecting centers which are strategically located in Sri Lanka.

We also expanded our medical tourism portfolio by moving into Seychelles in 2014. There has been a significant

increase in the number of patients seeking treatment from Seychelles. This is in addition to the Maldivian portfolio that is growing exponentially.

We were also bestowed the singular honour for successful leadership initiatives, being awarded the World Business Leader award at The BIZZ 2014 Awards organised by the World Confederation of Business.

We have strengthened our risk management, compliance and governance aspects as well. Winning the Gold Seal of Approval by the JCIA is a testament of the quality of our service and our compliance to international standards.

A LOOK AHEAD

In maintaining our leadership status in the private healthcare industry, we foresee a number of challenges emerging. However, there is considerable responsibility placed on us to lead the pathway of sustainable solutions in engaging with the healthcare sector. In the upcoming year, we will focus on addressing the epidemiological shift primarily driven by demographic and socioeconomic factors, building successful partnerships with the state sector, capturing new markets, and expanding our network of services both locally and regionally.

Despite the constraints and challenges pervading the healthcare sector, we do observe an increasing demand for quality

healthcare. We are mindful that we need to raise the bar by investing in new technology, equipment and infrastructure and skilled human resources if we are to perform well in this transforming environment.

Our next level of growth will be spurred once the refurbishment initiatives are completed in the upcoming year and the pioneering facilities we intend to introduce in LHC.

I foresee an exciting year ahead for LHC. We are mindful of our responsibility to ensure the benchmarks we have set, standards and best practices we have pioneered will continue to be enhanced and developed as we strive to reach new heights in the year ahead.

ACKNOWLEDGMENTS

I wish to thank the former Chairman and Board for their valuable contribution. I, together with the new Board of Directors, appointed in March 2015, will work towards further strengthening the long term goals and strategies that have been designed to etch LHC as the undisputed leader in the private healthcare industry. We will also align our objectives with the broad mandate of the Government spearheaded by President Maithripala Sirisena.

I thank the Minister of Finance for the support extended and look forward to continued assistance and cooperation.

My heartfelt gratitude is extended to each and every member of the LHC team for their commitment and hard work. My appreciation is also extended to our loyal patients for their patronage and the continued confidence placed in our services.

To our shareholders, I express my sincere gratitude for the loyalty and confidence placed in LHC. We remain committed to increasing shareholder value.



Dr. Sarath Paranavitane
Chairman

14th May 2015

A professional portrait of Dr. Wimal Karandagoda, a middle-aged man with dark hair, wearing a dark suit, white shirt, and patterned tie. He is looking directly at the camera with a neutral expression. The background is dark and out of focus.

Handwritten signature in white ink.

Dr. Wimal Karandagoda
Director Medical Services/Acting Chief Executive Officer



"I'M MOST PLEASED TO PEN THIS REVIEW OF OPERATIONS, LOOKING BACK ON AN YEAR THAT HAS BEEN MOMENTOUS FOR US. WE HAVE RELENTLESSLY PURSUED OUR SUPERIOR BRAND OF QUALITY, KNOWING FULL WELL THAT SUCH UNBRIDLED EMPHASIS ON QUALITY WILL ALWAYS PERMEATE TO SUPERIOR CARE."

CHIEF EXECUTIVE OFFICER'S REVIEW



Both quantitatively and qualitatively, our performance this year has been nothing less than record breaking and that is certainly a laurel we are proud to wear, given that the industry overall faced a relatively subdued year with a lower growth in both revenue and profitability. Most of our key performance indicators remained well above industry average, while we have also shown growth in all areas.



Our strategic focus of strengthening the key Centers of Excellence in the hospital proved fruitful as each Center of Excellence showcased above par revenue streams, while also taking full advantage of the pioneering cutting edge technology and unmatched skill and expertise we have within. It is this then that enabled us to showcase our second highest profitability in the history of Lanka Hospitals this year. Group net revenue notched 17% growth to stand at Rs. 4.8 Bn, while Group net profit stands at Rs. 510 Mn.

“What an amazing year it has been for us! Making a vision a reality is always challenging and for Lanka Hospitals it has been a journey where those challenges have given us opportunities, opening new doors for us and encouraging us to pursue new horizons. With the crowning of our ultimate glory in our quality journey, we have now firmly etched our presence as the foremost and preferred healthcare provider in Sri Lanka, unequivocally realising our ambition.”

What an amazing year it has been for us! Making a vision a reality is always challenging and for Lanka Hospitals it has been a journey where those challenges have given us opportunities, opening new doors for us and encouraging us to pursue new horizons. With the crowning of our ultimate glory in our quality journey, we have now firmly etched our presence as the foremost and preferred healthcare provider in Sri Lanka, unequivocally realising our ambition. Being among just 450 hospitals around the world to have been accredited with this prestigious seal of approval, another epoch making feature through this crowning glory is that we are now Sri Lanka's most accredited city hospital.

I'm most pleased to pen this review of operations, looking back on an year that has been momentous for us. We have relentlessly pursued our superior brand of quality, knowing full well that such unbridled emphasis on quality will always permeate to superior care.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTD.

“Gaining the prestigious title of World Business Leader at the BIZ 2014 organised by the World Confederation of Business and also being among the Top Most Valuable 100 Brands in Sri Lanka in 2014 have added to our crowns.”

It is this brand of care that makes us unique because at Lanka Hospitals, the secret to our success has always and will always be this unique brand of care, uncompromising, innovative, world class and cutting edge, but imparted with a caring human touch. As I observe this year, I know that we've inked many a milestone, created benchmarks, continued to raise the bar and recorded extraordinary feats both qualitatively and quantitatively. It surely has been a year that deserved for Lanka Hospitals to be crowned with glory.

CROWNED FOR QUALITY

Attaining our most prestigious crown certainly wasn't an easy journey, but it is a journey we prepared for, through many years. Having set for ourselves numerous goals to be completed each year, we began this quest for superior quality by initially establishing a permeating mindset of quality above all among our team, driven through a committed top down approach. With guidance and counsel, we implemented the rudiments of a good quality culture, taking a critical approach to the way we work and operate, making astute decisions in bridging gaps and working on a sound approach to make quality a way of life at this Hospital.

Our commitment to quality was borne to fruition. In 2012, we became the only private hospital, after a span of fifteen

years to win the National Quality Award in the large scale healthcare category, awarded by the Sri Lanka Standards Institution. This award, which is based on the Malcolm Baldrige criteria for quality, paved the way for us to gain ISO certifications in both ISO 14001:2004 in Environmental Management Systems and ISO 22000:2005 for Food Safety Management Systems. Lanka Hospitals thus became the very first private hospital in Sri Lanka to gain this certification, as well as the laurel of achieving a complete score of five out of five crowns for food hygiene. We also now have the first hospital laboratory in Sri Lanka to be accredited with ISO 15189:2007, the particular standard used worldwide for medical laboratories.

We were equally euphoric when in 2013, the Asia Pacific Quality Organisation conferred us with the Global Performance Excellence Award, which by any standard placed us as the role model in quality excellence. Being the only healthcare entity in Sri Lanka to be presented this award, we were placed at the zenith of healthcare entities, as a global leader in healthcare and the ideal stepping stone to our next quest, the Gold Seal of Approval accorded by the Joint Commission International.

We are now among an elite coterie of 450 hospitals around the world accredited with

this prestigious seal of approval but it is not one that came easy to us, primarily because at Lanka Hospitals, everything we do is marked on absolute perfection and nothing less. Hence, when we had just 79 elements of the 1,300 measurable elements as defined by the fifth edition of the JCI standards partially met or not met, we reverted to the drawing board. To us, it is imperative that we get it right the first time, because in our business, there is no second time. This therefore enabled us to hone into our weaknesses, challenges, threats and gaps, work on that hallmark of perfection and be rewarded amply with this accreditation conferred by the US based healthcare accrediting body JCI, that has a presence in over 45 countries around the world. This accreditation places us on the global map of quality healthcare providers who meet world class standards, which to us befits the unwavering focus we have on superlative quality.

Gaining the prestigious title of World Business Leader at the BIZZ 2014 organised by the World Confederation of Business and also being among the Top Most Valuable 100 Brands in Sri Lanka in 2014 have added to our crowns. According to Brand Finance, Lanka Hospitals is ranked 75th, with a Brand Value of Rs. 495 Mn and a Brand Rating of BB, speaking well for the high esteem our corporate brand and image possesses among our stakeholders.

Another feather in our cap was the Silver Award won for the second consecutive year, at the 50th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, for the Healthcare Sector which denoted that our stringent culture of reaching beyond compliance in governance, ethics, transparency and accountancy have been recognised by the corporate fraternity of Sri Lanka. This too is a reflection of the earnestness our team has in ensuring that Lanka Hospitals remains unflinchingly committed to the tenets of a well governed organisation operating in a milieu of total compliance.

EXCELLENCE IN PERFORMANCE

While our qualitative performance has been exceptional, I do believe that our quantitative figures speak for our excellence as well. Believing strongly in strengthening our triple bottom line, while patient care remains the predominant dynamic in our existence, being a private entity shouldering immense responsibility to all our stakeholders, I do believe we have a bounden duty to prove ourselves to our shareholders. Our shareholders are very aware of our undisputed status as a leader in healthcare in Sri Lanka, of our pioneering stance, of our benchmarked leadership and our will to remain at that zenith.

Both quantitatively and qualitatively, our performance this year has been nothing less than record breaking and that is certainly a laurel we are proud to wear, given that the industry overall faced a relatively subdued year with a lower growth in both revenue and profitability. Most of our key performance indicators remained well above industry average, while we have also shown growth in all areas. Our strategic focus of strengthening the key Centers of Excellence in the hospital proved fruitful as each Center of Excellence showcased above par revenue streams, while also taking full advantage of the pioneering cutting edge technology and unmatched skill and expertise we have within. It is this then that enabled us to showcase our second highest profitability in the history of Lanka Hospitals this year. Group net revenue notched 17% growth to stand at Rs. 4.8 Bn, while Group net profit stands at Rs. 510 Mn.

Since inception, we have always maintained that financial stability remains the catalyst for any organisation's sustainability. Lanka Hospitals has proven time and time again, that financial stability constructs the strong foundation for us to pursue other rudiments in order to gain that competitive edge. We remain cognizant of challenges, never remaining complacent in the light of threats or weaknesses, always seeking

CHIEF EXECUTIVE OFFICER'S REVIEW CONTD.

“The Lanka Ratings reaffirmed our financial stability by elevating our ranking to AA- from A+ in our long term corporate credit rating and to P1 for our short term corporate credit ratings, thus our investors can remain confident of Lanka Hospitals being an on-going business concern with prudently managed risk.”

to strengthen our positives and eliminate our weaknesses. This undiluted focus has seen us construct a balance sheet that remains undoubtedly the best in the corporate sphere, with a well established capital adequacy and highly compliance to all regulatory diktats. Another positive feature in our financial fundamentals is that we are the only healthcare entity in Sri Lanka and among just a few corporate entities in the country with zero gearing, making us totally debt free, with the freedom to invest astutely in imbuing our unique brand of quality healthcare.

And so it is that when Lanka Ratings (Formerly known as RAM Ratings) reaffirmed our financial stability by elevating our ranking to AA- from A+ in our long term corporate credit rating and to P1 for our short term corporate credit ratings, our investors can remain confident of Lanka Hospitals being an on-going business concern with prudently managed risk. It is also pertinent to note that this short term rating is the highest ever CCR rating assigned by Lanka Rating Agency. Our long term rating too was revised from positive to stable. The long-term rating of AA- reflects a strong capacity to meet our financial obligation and our ability to be resilient against adverse changes in circumstances, economic conditions and/or operating environments. The short-term rating of P1, the highest assigned

by Lanka Rating Agency, reflects a strong capacity to meet our short-term financial obligations.

While a more detailed analysis of our financial performance can be seen in the Statement of Account elsewhere in this report, in synopsis our Heart Center, Kidney Center and Fertility Center have all notched very impressive performances. The Heart Center recorded a phenomenal growth of 90%, given that each specialty also increased impressively; 56% increase in angiography, 55% in angioplasty and CABG 130%, making this Center of Excellence the best performing Heart Center in the country. Some of the firsts we have notched including thoracic keyhole surgery, the state-of-the-art equipped Cath lab and the ability to perform complex surgery on both children and adults have all enabled us to continue building on a solid reputation of quality heart care, unmatched anywhere else.

We marked a heart warming milestone this year when we birthed our 700th IVF baby, the highest in any Fertility Center which has had a significant 43% success rate identical to natural conception in Sri Lanka. This is echoed in our Kidney Center which completed 158 successful kidney transplants, now amounting to a total of over 600, one of the highest success rates in the country. This Center of Excellence

has notched leadership not just in Sri Lanka but also in this region, with Lanka Hospitals now having a considerable clientele from both the Maldives and Bangladesh. The emphasis on placing Sri Lanka on the map for medical tourism, especially in complex specialist areas was taken that much further this year when our ENT Center performed 25 surgical procedures on patients from the Seychelles, the newest market we have ventured into.

We continued to manage our costs astutely, ensuring that our equipment and facilities are optimized at all times. This saw our operating theatres record an impressive growth of 97%, with average theatre utilisation maintained at 50%. With the new theatre being added, we notched a noteworthy 10,000 surgical procedures in 2014. Growth in admissions rose 6%, with in-patient revenue also inclining 16%.

Out patient services posted a 7% growth, while Pharmacy rose by 7.3%. Investment in facilities and equipment proved astute given that Average Revenue Per Occupied Bed Day (ARPOB) increased 16%.

This increase signifies a considerable confidence showcased by customers as evidenced in the regular internal customer satisfaction surveys conducted by Lanka Hospitals, which gave a formidable 85% on customer satisfaction levels. Radiology

and Imaging Sciences also moved upwards by 29% in revenue and 13% growth in ultra sound revenue, augmented by state of the art equipment, some of which are only available at Lanka Hospitals. Our pioneering nuclear medical center completed an awe-inspiring 25,000 scans this year, while our Dental Clinic had a 26% increase in dental surgery performed, being one of the few centers to have the entire spectrum of diagnostic technique. Our laboratory, the first in the country to be accredited with ISO 15189:2007, has posted consistent YoY growth of 20%.



BUILDING ON INFRASTRUCTURE

We mentioned the establishment of yet another pioneering healthcare initiative in the country's laboratory space in our Annual Report last year. With the establishment of Lanka Hospitals Diagnostics (LHD), the first ever reference laboratory in the country, those plans became reality. LHD is a subsidiary of Lanka Hospitals, equipped with state of the technology that makes it the most advanced medical laboratory in Sri Lanka. Having

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The infrastructure we have been building on and developing upon has enabled us to pursue our unique brand of care beyond our shores. This year, we moved into the exciting new market of the Seychelles, marketing our Centers of Excellence to great success. We also saw additional patient numbers coming in from our established markets of the Maldives and Bangladesh, both of which we have been intently promoting Lanka Hospitals in. We intend to pursue other SAARC countries as well as other potential markets in South East Asia, pushing Sri Lanka's vision of making the country a medical hub, while adding foreign exchange revenue into the country.

inked a partnership with technical partner Super Religare Laboratories (SRL), the only laboratory network in India to have 12 Reference Labs, four Centers of Excellence and a network of over 212 laboratories augmented with over 1,300 Collection Centers, Super Religare is undoubtedly one of the best in the world. SRL's dominance in the global laboratory sphere is well evidenced in that it conducts more than 100,000 tests daily.

Offering in excess of 3,500 routine medical tests using the most advanced state-of-the-art technology supported by highly skilled personnel, LHD now takes advantage of SRL's supremacy to introduce an unmatched spectrum of tests that will ensure speedy responsive well informed diagnoses. LHD has added 300 new tests in addition to its regular purview with samples collected from over 250 collection centers. We have also recruited six pathologists to support the excellence we intend to pursue in laboratory operations. Lanka Hospitals also introduced another first in laboratory workings with this partnership, enabling patients to obtain their reports online by accessing the LHD website.

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We intend to continue building on our already established Centers of Excellence, namely the Heart Center, Fertility Center and Kidney Center, both of which have now gained a reputation for having some of this region's best success rates spearheaded by the best teams, powered by the best technology and infrastructure. For example, if we were to look at our Heart Center in which we have several competitive advantages, we perform thoracic keyhole surgery unavailable at any other hospital in Sri Lanka and is the only heart care facility with a state-of-the-art Allura Xper FD10 Flat Panel Cath Laboratory.

We have also observed the potential in some of our other Centers and next year will see us pushing those centers into the limelight as well, by adding further infrastructure capabilities and capacities, ably supported by the necessary teams.

Neuro-surgical, gastro-intestinal and thoracic will be the Centers of Excellence that will gain our focus. We have already gained significant status of having conducted complex procedures on the brain and spine, in fact the highest number of spinal surgical procedures conducted by any private hospital in Sri Lanka this year. The new Neuro Center of Excellence therefore is billed to cluster all neuro areas under a singular umbrella.

We look forward to the Gastro-enterology Center of Excellence being completed in 2015. The refurbishment project of this Center of Excellence which began this year will see Sri Lanka have the latest and most advanced Gastro-enterology Center. At present, the unit is equipped with the latest high definition narrow band imaging scopes, conducting a range of diagnostic and therapeutic procedures led by more than 30 eminent consultants in the department.

Cosmetic surgery too has seen considerable interest in our business purview and we do intend to build on this interest and make it a lucrative revenue making stream. Given the eminence we have established for cosmetic surgery due to the expertise and experience displayed by a team of highly specialised surgeons and support team, we intend to upgrade this department to a Center of Excellence as well.

We have already begun upgrading the Haematology Center into a Center of Excellence, building on the unparalleled expertise we possess in the entire gamut of blood disorders. Having commissioned a complex of state of the art operating theatres equipped with cutting edge technology, Lanka Hospitals broke new ground by introducing the newest technological feat of intra-operative probe upgrades into ultra sound scans. The Radiology and Imaging Sciences department added a new Siemens Sormation - Definition AS 128 CT Machine, pioneering 3D CT Images and CT Angiograms. We also now have a Fluoroscopy machine for contrast x-ray studies in Urology, GI and Gynecology.

Our Dental Clinic also gained an upgrade this year to add to its reputation of being one of the few centers in Sri Lanka to perform the entire spectrum of diagnostic techniques, including Orthopantomogram. Digital x-ray imaging is now available in our Dental Clinic with the installation of the Carestream Dental CS 8000C OPG Machine this year. We retain our mastery in nuclear medicine by possessing the first and only state-of-the-art Dual Detector Gamma Camera (SIEMENS-E Cam) in Sri Lanka.

THE JOURNEY AHEAD

The healthcare industry is undoubtedly going to be more competitive over the next

few years with more private healthcare providers joining the fray. However, given the capital intensity of the industry, it becomes extremely challenging for private healthcare providers to be completely focused on providing quality care stemming from having to keep up with the most modern technology and equipment used the world over. Keeping specialists abreast of the evolutionary paradigms in the medical world is another focus that must be maintained and ensuring that support teams are trained and developed to deal with these evolutionary paradigms is also a priority.

Private healthcare sector sales are expected to experience a Compounded Annual Growth Rate (CAGR) of 8.2% over 2012-2020. This growth is supported by three key trends which are identifiable in relation to the healthcare industry. The aging population is one paradigm that deserves recognition. A PriceWaterhouseCoopers Report on the healthcare sector mentions that 30% of the population is expected to be above 60 years by 2030, which means the health services demanded must transition to meet the demands of this demographic. The emphasis will revert to age related illnesses and care. Secondly, an increase in the prevalence of non-communicable diseases (NCDs) is anticipated, given the alarming paradigms observed even now. According to the Department of National

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Planning, NCDs account for 65% of all deaths in Sri Lanka. The increasing in prevalence of NCDs in Sri Lanka has reshaped demand for healthcare in the country as is seen by some alarming statistics. 10.2% of the total population of Sri Lanka suffers from some form of diabetes, with 18% of the urban and semi urban population and 7% of the rural population suffering from the disease.

The third growth factor is Sri Lanka's emergence as a popular destination for medical tourism. This has been well proven with the rising numbers of foreign patients availing themselves of healthcare, especially from the private sector. The country's well educated, English speaking medical staff, state of the art private hospitals and diagnostic facilities and relatively low cost of services compared to global and regional players is surely transforming the healthcare industry's forward journey.

However there are challenges that will arise, requiring a more focused approach to healthcare overall. Technological innovations continue to evolve at a much faster pace than before, making both technology and knowledge obsolete faster. This fast paced evolution of technology also means that investment into technology must be astute, as the investment is capital intensive and must be analysed

carefully, while also remaining cognizant that technology gets obsolete speedily. Escalating costs therefore will permeate to the patient eventually, a paradigm that is unavoidable unless investment is infused with perspicacity. It is imperative that the quality of service is maintained consistently and it is this that pushes Lanka Hospitals to aspire to numerous quality initiatives in the global sphere, in order to ensure that our quality culture will never be compromised. Capacity planning, shortage of skills and disruptive technologies will all have to be looked at in greater depth if the healthcare industry is to meet its goals and be responsive to the transformational trends that are emerging.

In the immediate, Lanka Hospitals has already begun meeting and in some cases exceeding its timelines set in our journey into 2020. There are several strategic priorities in which we intend to invest our time and resources. Our strategic direction therefore is mapped accordingly, honing in on opportunities and identifying gaps that need to be bridged.

Now proudly wearing the JCI crown, our next year will be focused on the long term sustainability of our quality culture with continuous monitoring and improvements. Some of the areas we have already earmarked as being the key to maintaining that quality culture is in sustaining

international patient safety goals for which we have a sound foundation given that we follow the protocols laid down by the WHO and other germane standards. We will continue focusing on improving patient care and sustaining our unique brand of care that has given us the competitive edge thus far. Developing and maintaining an effective patient assessment process will also be emphasised as will safe medication management throughout the hospital and providing surgical and anesthetic care safely and effectively.

We do have a responsibility as a corporate leader and steward in healthcare in Sri Lanka to ensure that our stakeholders are constantly educated on the various issues, diseases and general health areas relevant to leading a healthy life. We will take the lead in providing timely, responsive and effective patient and family education to ensure that Sri Lanka will build a healthy nation that can contribute towards attaining the country's national health goals.

APPRECIATIONS

We've been crowned, crowned with glory as the best in the healthcare industry in Sri Lanka. Our figures prove it, our performance displays it and our stakeholders articulate it. None of this would have been achieved if we didn't gain the stewardship of the Chairman and Board of Directors, to whom I am

extremely grateful. I acknowledge the guidance and advice extended by the former Chairman and Board of Directors in achieving our record breaking milestones and as the baton changes, look forward to even more ground breaking records being etched by Lanka Hospitals. Further I would like to take this opportunity to convey my heartfelt gratitude to the former CEO Dr. Lakith Peiris, for his untiring efforts towards transforming this hospital into a world class organisation.

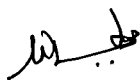
The ownership, dynamism and absolute gung-ho attitude displayed by our team is surely worthy of mention. It is they who took on the mantle of quality, ensuring that the culture of quality we espouse will be true to its fundamentals and etch paths that have hitherto not been trod. I foresee our team continuing to be a formidable one, a team that's bent on winning and creating new benchmarks because of their commitment to making our unique brand of healthcare, one that's built on quality, care and most of all, the human touch.

We continue to strengthen partnerships and relationships between our customers, valued business partners and medical fraternity, as it is their constant effort to take us from one goal to the next that has enabled us to maintain a stringent focus on our goals and objectives. By achieving our vision this year, we have given them that gift of achievement as a thank you,

our crowning glory to say that we did what none set out to do.

We are mindful of the confidence that our shareholders have placed in us, giving us leeway to propel our presence into the healthcare industry, creating revolutions in the process. Thank you for your trust. Similarly, the communities around us remain our stalwart supporters. Their constant dedication and loyalty has been a bastion in getting us to continue improving the bar of excellence, while ensuring that we maintain our promise of affordable healthcare for all.

We have overcome challenges and conquered opportunities. Now a new chapter begins for us, where we must take that crown of excellence we have donned and reshape it into ensuring that Lanka Hospitals retains its prestigious reputation as a leader; a leader who is cognizant of evolving paradigms, ready for challenge but always puts its brand of care first and foremost into its ethos for the journey ahead.



Dr. Wimal Karandagoda

*Director Medical Services/Acting Chief
Executive Officer*

6th May 2015

BOARD OF DIRECTORS



Standing from Left to Right : Dr. Sarath Paranavitane | Ven. Thiniyawala Palitha Thero | Dr. Harsha Gunasekara | Professor Asita de Silva | Mr. Damien Fernando | Mr. Malvinder Mohan Singh



Standing from Left to Right : Mr. Tissa Nanayakkara | Professor Mandika Wijeyaratne | Professor Dilani Lokuhetty | Mr. Daljit Singh | Dr. Rohan L Wijesundera

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DR. SARATH PARANAVITANE

Dr. Sarath Paranavitane is a specialist in Family Medicine practising in Nugegoda, graduated from the University of Peradeniya with second class upper division honours. He also holds a MD in Family Medicine, Diploma in Child Health and Diploma in Family Medicine from the University of Colombo. He has obtained a merit grade pass at the MBA degree examination conducted by the Manipal University in India specializing in Health Care Services and also holds a MBA with distinction from the Cardiff Metropolitan University in UK. He was appointed as the Chairman of Lanka Hospitals on 3rd March 2015.

He is also the chairman and medical director of CENTRAL MEDICAL CENTRE (PVT) LTD (not affiliated to any other private company) which is a family owned business that provides primary care. It is registered with the Ministry of Healthcare and Nutrition (PHSRC/MC/303) as a full time General Practice.

Dr. Sarath Paranavitane is the first and only Board certified specialist family physician in Sri Lanka to hold two MBA degrees.



MR. TISSA NANAYAKKARA

Mr. Tissa Nanayakkara is the Senior Deputy General Manager- Retail Banking, at Seylan Bank. He has over 35 years of experience covering a wide range of roles at several financial institutions, including two foreign Banks. Mr. Nanayakkara has also served as the Assistant to the Consular General for the Republic of Cyprus in Sri Lanka. Mr. Nanayakkara was appointed to the board of Lanka Hospitals on 27th March 2015 as the Deputy Chairman of the company.



VEN. THINIYAWALA PALITHA THERO

Ven. Thiniyawala Palitha Thero is currently the Advisor to the Hon. Finance Minister. Ven. Palitha Thero is a Justice of Peace (All Island), Advisor to the Ministry of Commerce and consumer affairs (Former), Chief incumbent Nalandaramaya Nugegoda, Beruwala Sapugoda Sri Maha Viharaya, Kalugaldeniya Aranya Senasanaya, Chief incumbent of Mahabodhi Centre, Chennai, India. He is also the Financial Secretary for Jathika Sangha Sabawa, Committee member for Kotte Sri Kalyani Samagi Dharma Maha Sangha Sabawa, Administrative member for Mahabodhi society of Sri Lanka and Deputy General Secretary, and the Vice President of prison head quarter welfare society. Ven Palitha Thero is the Chief Secretary of Eksath Jathika Bhikshu Peramuna affiliate to the United National

Party of Sri Lanka. Ven Palitha Thero was appointed to the board of Lanka Hospitals on 23rd February 2015.

Ven. Palitha Thero is also a Member and a partner of Nalandaramaya temple society, Beruwala Sapugoda Sri Maha Vihara society, Kalugaldeniya Aranya Senasanaya, Chennai Mahabodhi Centre, Patron of Nalandaramaya Buddhist women's organization, Patron of Kalubowila united death benevolent society, Principal of Sri Rathnajothis Dhamma School and an Active member of the maha sangha in propagation of Buddhism locally and internationally.



DR. HARSHA GUNASEKARA

Dr. Harsha Gunasekara MBBS (S.L.) MD (Col.) MRCP (UK) FRCP (Glasg) is a Board Certified Specialist in Neurology and the Consultant Neurologist at Sri Jayewardenepura General Hospital and Postgraduate Medical Training Centre, Nugegoda, Sri Lanka. He established the Neurology Unit and the Stroke Unit at Sri Jayewardenepura General Hospital. He is a member of the Sri Jayewardenepura Hospital Management Committee. He is the current Secretary of the National Stroke Association of Sri Lanka and Secretary and Convener of the Sri Lanka Medical Association Working Group on Disability. He served as the Editor of the Committee for the Development of National Clinical Guidelines for Stroke of the Ceylon College of Physicians. He was

a Founder Member of the Association of Sri Lankan Neurologists and a member of the World Federation of Neurology, American Academy of Neurology and Movement Disorder Society. He was appointed to the Board of Lanka Hospitals on 3rd March 2015.



PROFESSOR DILANI LOKUHETTY

Professor Dilani Lokuhetty is a Professor in Pathology & Consultant Pathologist, Department of Pathology, Faculty of Medicine, University of Colombo, Sri Lanka. She has 18 years of experience as a Consultant Histo/cytopathologist both in Sri Lanka and Overseas, 23 years of experience in undergraduate teaching and assessment (medical and paramedical) and 18 years of experience in postgraduate teaching, training and assessment both in Sri Lanka and overseas. She is also a Supervisor for DM, M Phil and PhD degrees by research. She is also a researcher where her main research interests are on breast, cervical, prostate and gastrointestinal cancers and on organ toxic effects of ayurvedic and herbal medications with many local and international research publications with citations. She is a research grant recipient from the National Science Foundation and the National Research Council of Sri Lanka and a recipient of many research awards including the Presidential award for scientific publications. She was appointed to the Board of Lanka Hospitals on 3rd March 2015.

Dr. Lokuhetty is a staff trainer and train technical staff in immunohistochemistry methodology and cervical cytology screening at National level. She is also the Chairman of the Board of Study in Pathology, Post graduate pathology training programme, Post Graduate Institute of Medicine, University of Colombo in Sri Lanka from July 2011 to date and Head of the Department of Pathology, Faculty of Medicine, University of Colombo, Sri Lanka, from August 2010 -2013.

Having a special interest in common cancers affecting women, Dr. Lokuhetty has made significant contributions to the development of the National cervical cancer screening programmes, for strengthening breast cancer care in the country and in formulating national guidelines for reporting breast, cervical and thyroid cancers and prognostic markers of breast cancer.



DR. ROHAN L. WIJESUNDERA

Dr. Rohan L. Wijesundera is a Bachelor of Medicine Doctor who completed his training in the UK. He enjoyed a broad spectrum of practice in the hospital setting working in hospitals covering from Bournemouth in the South of England to Manchester in the North. His postgraduate career consisted of the Specialist Registrar Training on the North Thames London circuit in Obstetrics and Gynecology. He was appointed to the Board of Lanka Hospitals on 3rd March 2015.

Dr. Wijesundera also holds a Hotel School Diploma and has a wide interest in the Food Beverage and hotel industry. He spearheaded the setting up of several Colombo Restaurants such as Flower Drum and Bali Indonesian. His interests also covers the encouragement of a greener future and is involved in the setting up of wind and hydropower projects in Sri Lanka.

Dr. Wijesundera is the first son of the late Professor Stanley Wijesundera (first Vice Chancellor of the University of Colombo) and the nephew of the late Upali Wijewardena.



MR. DAMIEN FERNANDO

Damien Fernando, MBA, FCMA (UK), Currently a Non-Executive Director of Hatton National Bank PLC. He was the Executive Director of The Lanka Hospitals Corporation PLC from 2006 to 2009. He has also held several Board positions in other listed companies such as Distilleries Company of Sri Lanka PLC, Pelwatte Sugar Industries PLC, and unlisted companies such as Sri Lanka Insurance Corporation Limited, Melstacorp Limited, Lanka Bell Limited, and National Asset Management Limited. Having qualified as an accountant in 1984 he was awarded a Masters Degree in Business Administration in 1992 by the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He was appointed to the Board of Lanka Hospitals on 3rd March 2015.

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PROFESSOR MANDIKA WIJEYARATNE

Professor Mandika Wijeyaratne is a Professor in Surgery Faculty of Medicine, University of Colombo and Chief Consultant Surgeon / Vascular & Transplantation, University Unit, National Hospital of Sri Lanka. He was appointed to the Board of Lanka Hospitals on 3rd March 2015.

Prof. Wijeyaratne is the Immediate Past President College of Surgeons of Sri Lanka (2014) and the Past President Asian and Sri Lankan Wound Healing Associations and Sri Lanka Nephro-Urology & Transplantation Society.

He is an Advisor to National Transplantation Committee, Ministry of Health and a Honorary member of the Vascular Society of Great Britain & Ireland, Founder Co-Chair of Sri Lanka League for Prevention of Lower Limb amputations in Diabetes and the Chief Advisor of Nirogi Paadha component of Nirogi Lanka Project of Sri Lanka Medical Association. His expert areas are Peripheral Vascular Surgery (lower ext bypass surgery), Carotid Endarterectomy, Aortic Aneurysm repair, Vascular Access Surgery, Live Donor Kidney Transplantation and Laser ablation of varicose veins. He has done research in unstable carotid atherosclerotic plaque and developed technology in negative pressure therapy in wound healing. Prof. Wijeyaratne has published

papers in several international journals, including the British Journal of Surgery and the Journal of Vascular Surgery. He has won number awards namely, Sri Lanka Medical Association Oration, Prof. R.A. Nawaratne Oration (College of Surgeons of Sri Lanka), Sir. A.M. De Silva Oration (College of Surgeons of Sri Lanka), R.A. Spittel Oration (College of Surgeons of Sri Lanka) and Presidential research awards 2010,2011.



PROFESSOR ASITA DE SILVA

Professor Asita de Silva is a Clinical Pharmacologist, and is currently Professor in Pharmacology at the Faculty of Medicine, University of Kelaniya. He is also Director of the Clinical Trials Unit in the same institution. He was appointed to the Board of Lanka Hospitals on 3rd March 2015. Prof. de Silva had his primary and secondary education at Royal College, Colombo, and received his undergraduate medical training at the North Colombo Medical College from where he graduated MBBS in 1992. He received his postgraduate training in Clinical Pharmacology at the Radcliffe Infirmary in Oxford from 1994 to 1998, and obtained a doctorate in the subject from the University of Oxford (Exeter College) in 1997. He has been a university lecturer from 1992 to date, obtaining promotions to senior lecturer and professor in 1998 and 2005 respectively. Prof de Silva's research interests have focused on the epidemiology of Alzheimer dementia, and

clinical trials in major non-communicable diseases and neglected tropical diseases. He has published his research widely in peer-reviewed international medical journals and has delivered many orations and invited lectures on these subjects. He is a Fellow of the Royal College of Physicians, London, and is a member of many learned societies. He has won numerous local and international research awards including Presidential awards for research from 2003 to 2011.



MR. MALVINDER MOHAN SINGH

Mr. Malvinder Mohan Singh is a dynamic business leader who has made a mark on the global landscape by simultaneously pursuing the twin objectives of business for profit and for public good, in a way that positively impacts lives.

With the intent of providing broad based world class services through transformative business and delivery models, Malvinder is shaping the contours of the healthcare and financial services industries.

Malvinder is the Executive Chairman of Fortis Healthcare Limited. He incubated and established the company, in the late 1990's. Since then, he has been instrumental in transforming it into a leading healthcare delivery organization. His ability to steer the company successfully has resulted in its prolific growth. From a single hospital in 2001, Fortis today has a vast network of 65

healthcare facilities in Asia. Malvinder was appointed to the Board of Lanka Hospitals on 24th March 2011.

In the Financial Services and Insurance sectors, 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.

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. DALJIT SINGH

Daljit Singh is the President, Fortis Healthcare Limited. He has led the Company's strategy and organizational development functions and has held the office of CEO. He has over 38 years of rich management experience.

Mr. Singh has been a pivotal member of the top team of Fortis that formulated and implemented Fortis' growth strategy to position it as India's leading Healthcare

delivery organization in a short span of 10 yrs. Mr. Singh is an acknowledged expert and thought leader in the domain of Healthcare Delivery. He is on the Steering Boards constituted by the World Economic Forum to guide two major Global projects: "Scenarios for Sustainable Health Systems" and "The Healthy Living Charter". He is also on the Forum's Advisory Board on "The Economic Burden of Non Communicable Diseases in India".

A certified Life and Executive Coach, he works with Senior Management to enhance personal performance and fulfillment. He also leads and facilitates workshops on Strategy, Business Planning & Leadership.

A graduate from the Indian Institute of Technology, Delhi, and Mr. Singh was a Commonwealth Scholar to the Senior Management Programme at the Manchester Business School in 1995. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 31st January 2014 in place of Dr. Daphne Khu. On 1st December 2014 Mr. Daljit Singh resigned as an Alternate Director and became a main Director in the Board.



MR. PARTHASARATHY RAGHUNATH (ALTERNATE DIRECTOR TO MR. MALVINDER MOHAN SINGH)

Mr. P. Raghunath is an Associate Member of Institute of Chartered Accountants of India and also a Cost Accountant with

more than 17 years' experience in IT/ITES and Healthcare industries. He has worked with Companies like Scope International and Sify Limited, in India where he has worked in key positions focusing on organization performance and controls. Since October 2012 he has been associated with Fortis Malar Hospitals Limited firstly as Chief Financial Officer and later as Whole Time Director and has been involved in formulation of business strategies. He was appointed to the Board of Lanka Hospitals on 1st December 2014 as an Alternate Director to Mr. Malvinder Mohan Singh.



MR. KARTHIK RAJAGOPAL (ALTERNATE DIRECTOR TO MR. DALJIT SINGH)

Karthik Rajagopal, Regional Director – South heads Fortis Hospitals in Karnataka, Tamil Nadu and Goa and is responsible for Growth, Strategic Alliances, Brand and Marketing in the region. Karthik is a Management Graduate from Asian Institute of Management, Manila (AIM) and has managerial experience of over 19 years. His core functional strengths includes Operations Management, Marketing including Brand Management and integrated Marketing Communications, Patient Engagement and Consultant Relations Management. In the past Karthik has worked with Apollo Hospitals, Chennai and Manipal Healthcare, Bangalore. Prior to Healthcare, Karthik has had rich exposure in Advertising (Lintas) and Media

BOARD OF DIRECTORS CONTD.

(Times of India). He was appointed on 1st December 2014 to the Board of Lanka Hospitals as an Alternate Director to Mr. Shivinder Mohan Singh and resigned on 3rd March 2015. However he was again appointed as an Alternate Director to Mr. Daljit Singh on 6th March 2015.



MR. GOTABAYA RAJAPAKSA

Mr. Gotabaya Rajapaksa is the former Secretary to the Ministry of Defence & Urban Development, who assumed office in November 2005. He has been the Chairman of Lanka Hospitals from August 2009 to 9th January 2015.

The son of former Deputy Speaker of Parliament Hon. D. A. Rajapaksa, Mr. Gotabaya 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.

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.



MS. ROSHINI 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 and served in the Board as the Deputy Chairman up to 9th January 2015. She has over 30 years of experience in Financial Management and Financial Consultancy Services which experience she gained working in large private sector Companies and Institutions and for six years at KPMG Ford Rhodes Thornton & Co as a Management Consultant. She currently works as an independent management consultant.



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 Jayawardanapura. 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 and served in the Board up to 2nd March 2015.

He graduated 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 speciality 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 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".



DR. GAMINI WICKREMASINGHE

Dr. Gamini Wickremasinghe formerly held the positions of, Chairman of both the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka, thereafter Chairman of Bank of Ceylon and Property Development PLC. He was appointed to the Board of Lanka Hospitals on 1st July 2010 and served in the Board up to 2nd March 2015.

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, a Fellow of the British Computer Society (FBCS) and Honorary Fellow of the Institute of Bankers of Sri Lanka. Dr. Wickremasinghe is also a member of the advisory committee of the Sri Lanka Association for Software and Services Companies (SLASSCOM).

He has over a decade of extensive senior level experience obtained in the United

Kingdom and Belgium, and has returned to Sri Lanka in 1983 and founded the Informatics Group of Companies and currently functions as its Chairman, one of the largest software development companies in the country.

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



MR. P. A. LIONEL

Deputy General Manager (International, Treasury & Investment) of BOC since March 2012. Previously held position of Deputy General Manager (HR Operations & Investment Banking). Mr. Lionel joined the bank's service in 1983. Mr. Lionel is a career banker with over 30 years experience in banking and financial services. He has specialised in areas of Treasury, International Operations and Investment Banking He was appointed to the Board of Lanka Hospitals on 1st July 2010 and served in the Board up to 2nd March 2015. Mr. Lionel has been involved in managing assets and liabilities, fund raising activities, securities trading, risk management in relation to Treasury and cross boarder funding. Additionally, he has flair of developing and marketing treasury products.

He held the positions 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 FOREX Dealing activities in London from 1988 to 1989. He served as Head of Treasury at the BOC Branch in Karachi.

He has been functioning in the areas of treasury International and investment for over 25 years and innovations of BOC treasury was completely handled by Mr. Lionel. All large syndications in the international market have been structured by him. Under his leadership BOC was able to launch 2 US Dollar Bond transactions mobilising one billion US Dollars.

He serves as Director of The Property Development PLC, Koladeniya Hydropower (Pvt) Ltd, Cey Bank Asset Management Ltd and Lanka Securities (Pvt) Ltd. He is also a member of the Governing Board of the Institute of Bankers of Sri Lanka. He is a member of Cabinet appointed Procurement Committee of Ceylon Petroleum Corporation. Mr. Lionel holds the esteemed position of Presidency of Sri Lanka FOREX Association which is the apex body of treasury and dealing activities. Mr. Lionel obtained his Bachelor of Arts degree from the University of Colombo, Sri Lanka in 1980.



DR. BANDULA WIJESIRIWARDENA

Dr. Bandula Wijesiriwardena is a consultant physician in internal medicine.

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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 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 Jayawardenapura 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 became island wide with the subsequent involvement of 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 and served in the Board up to 2nd March 2015.



DR. NIHAL JAYATHILAKA

Dr. Jayathilaka was the former 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 and served in the Board up to 3rd March 2015.



MR. SHIVINDER MOHAN SINGH

Mr. Shivinder Mohan Singh is the Executive Vice Chairman of Fortis Healthcare Limited, a leading integrated healthcare delivery provider in the Asia-Pacific region, driven by a vision to save and enrich lives through clinical excellence. He was appointed to the Board of Lanka Hospitals on March 24, 2011 and served in the Board up to 3rd March 2015. His significant contribution to the Indian Healthcare sector has been widely acknowledged and his strategy for Fortis and its execution has been recognised by the Harvard Business School as a case study. In his previous roles, he created the foundation of the culture of Fortis by leading the first hospital at Mohali as its COO. He is also one of the principal promoters of Religare Enterprises Limited and SRL Limited, India's largest diagnostic network. He is actively involved in many industry bodies and various new initiatives. Mr. Shivinder is on the Steering Committee of Federation of Indian Chambers of Commerce and Industry (FICCI). He is a board member of Aspen India and a Governing Council Member of All India Management Association (AIMA) and one of the Founders and the current Vice President of the Governing Council of NATHEALTH (the Healthcare Federation of India). He is also a board member for AIESEC, the world's largest student-run organisation and a platform for young people to explore and develop their leadership potential for a positive impact

on society. He was recently nominated as a Young Global Leader 2013 by the World Economic Forum.

Mr. Shivinder has done his MBA with specialisation in health sector management from the Duke University Business School, USA. He is an alumnus of Doon School and an Honours Graduate in Mathematics from St. Stephens College, Delhi. He is also on the board of visitors of Duke University Business School. He is also involved in a number of initiatives that focus on a better future for the girl child and institutionalising delivery and education.



MR. SUNIL GODHWANI

Mr. Sunil Godhwani, Chairman and Managing Director, Religare Enterprises Limited, is the driving force behind the group and its vision. Mr. Sunil, with his strong leadership skills, believes in leading from the front and has nurtured a culture that is entrepreneurial, result oriented, customer focused and based on teamwork. 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. He was appointed to the Board of Lanka Hospitals on 24th March 2011 and served in the Board up to 1st December 2014. Prior to joining Religare, Mr. Sunil has had a diverse and wide-ranging experience of over two decades in managing large scale business ventures. He also serves

as Director on the Boards of various group companies like SRL Limited, AEGON Religare Life Insurance Company Limited, Ligare Voyages Limited, Fortis Healthcare Limited and other subsidiaries/ Group companies of Religare.

Mr. Sunil is a prominent industry spokesperson and is an active participant across various platforms such as the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce & Industry (FICCI). He has also been honored with many awards and accolades globally.

Born and raised in New Delhi, India, Mr. Sunil pursued his higher studies internationally. He received a B. Sc. Degree in Chemical Engineering and a M.Sc. in Industrial Engineering & Finance from Polytechnic Institute of New York.



DR. KANISHKA KARUNARATNE

Dr. Kanishka Karunaratne, MBBS, MS (Obs & Gynae), MRCOG, FRCS (Ed.), FRCOG(UK) is a Director, National Cancer Institute, Maharagama, Sri Lanka and a Consultant Gynecological Oncological Surgeon. He was appointed to the Board of Lanka Hospitals on 28th November 2013 and served in the Board up to 3rd March 2015. .

He is a Member of South Asian Federation Obstetrics and Gynecology (SAFOG), a member of Asia Oceanic Federation of

Obstetrician and Gynecologist (AOFCOG), a Member of International Gynecological Cancer Society (IGCS) USA, a Member of Asia-Oceania Research Organization in Genital infection and Neoplasia (AOGIN). Dr. Karunaratne is also a Hon. Fellow of Sri Lanka College of Surgeons, Hon. Fellow of Sri Lanka College of Obstetrician and Gynecologist, Fellow of Sri Lanka College of Oncologists, Member of Sri Lanka Medical Association, a Member of Menopause Society of Sri Lanka, Member of National Cancer Control Programme in Sri Lanka, a Member of the Task force in National Pap Smear Programme and Colposcopy UNFPDA United Nations Family Planning Association, a Member of British Society of Oncologists and a Member of American Society of Gynecological Cancer.



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 organization 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 and served in the Board up to 27th March 2014.

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Mr. Vishal has dedicated more than 2 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 advance 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 recognized industry public speaker.



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 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 Nagasaki 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 has 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 and served in the Board up to 31st January 2014.



MR. SANDEEP PURI (ALTERNATE DIRECTOR TO MR. SUNIL GODHWANI)

Mr. Sandeep Puri, a member of the Institute of Chartered Accountants of India, joins us from Ranbaxy Laboratories Ltd. where he had a long stint of 21 years. While with Ranbaxy he worked at various positions in Russia, South Africa, China, Romania and United Kingdom. His last assignment was as the Regional Finance Director – Europe. In this role he was working with Regional and Functional Directors, enabling business delivery by providing leadership in finance function for 13 operational clusters in Europe covering 23 markets.

Mr. Puri joined Fortis Group in March, 2012 as Chief Financial Officer. As a senior member of the management team, Mr. Puri is responsible for driving the finance function of the Indian Operations and supporting value creation for the Organisation. In addition, he will provide leadership to the global consolidation process and reporting of financials of the company as per IGAAP statutory requirements.

As an ethical watchdog within the Group would also work towards creating concrete

measures to maintain and protect a transparent and a well-balanced system of corporate governance that goes beyond just compliance.

Mr. Puri is also closely involved in the Company's initiative for adoption of latest IT applications in operations and management for effective Management Information & Decision Support Systems. Mr. Puri was appointed to the Board of Lanka Hospitals as an Alternate Director on 17th September 2013 and served in the Board up to 3rd November 2014.



**MR. SANJEEV VASHISHTA
(ALTERNATE DIRECTOR TO MR.
MALVINDER MOHAN SINGH)**

Mr. Sanjeev Vashishta is the Chief Executive Officer of SRL Limited, the largest Diagnostics Company in India having over 275 Labs and 5700 Collection Points. He has about 25 years of rich management experience across multiple functions including Finance, Legal, Regulatory, Commercial, Secretarial and Administration.

Mr. Sanjeev is responsible for achieving the long, mid and short term objectives of the Company in line with the vision of the Organisation. He leads the strategic and organisational development objectives and is responsible for business-lines identification / development and geographical expansion of the business.

Prior to joining SRL, Mr. Sanjeev worked in Fortis for over 6 years where he successfully ran Hospitals and also spearheaded the Mergers & Acquisition function for the organization. While leading M&A function in Fortis, he successfully expanded Fortis presence to all parts of India and also led International acquisitions. In his professional career spanning about 25 years, Mr. Sanjeev got the opportunity to work in 'Old Economy' Companies including Textiles, Chemicals and also 'New Economy' sectors – IT, Telecom, Healthcare in senior positions.

Mr. Sanjeev's rounded experience and astute commercial understanding has always helped him in taking businesses to the next level. He has to his credit the coveted attribute to turn around businesses and is acknowledged for his 'relationship' quality. Mr. Sanjeev has been associated with various business / professional bodies like FICCI, CII, NHRD network etc.

A graduate from Delhi University, Mr. Sanjeev is a qualified 'Company Secretary' and also done Masters in 'Business Administration'. He has attended short term programme in IIM, Ahmedabad, India, Singapore Management University, Singapore and GE Leadership Programme in Crotonville, NY, USA

Mr. Sanjeev was appointed to the Board of Lanka Hospitals as an Alternate Director to Mr. Malvinder Mohan Singh on 9th June

2014 and served in the Board up to 1st December 2014. He was again appointed as an Alternate Director to Mr. Daljit Singh on 1st December 2014 and served in the Board up to 3rd March 2015.

EXCO MEMBERS



Dr. Wimal Karandagoda
Director Medical Services/Acting Chief Executive Officer



Dr. K. T. Iraivan
Deputy Director Medical Services



Mr. Badrajith Siriwardana
Chief Financial Officer



Mr. Aruna Jayakody
Chief Operating Officer-Lanka Hospitals Diagnostics Private Limited



Mr. Sapumal Jayatissa
Assistant General Manager-ICT



Mr. Sanjeewa Serasinghe
Assistant General Manager-HR



Mr. Nilantha Rathnayake
Head of Marketing



MANAGEMENT DISCUSSION & ANALYSIS

OUR CORPORATE OBJECTIVES FOR 2014 HAVE BEEN MET AND FITTINGLY CROWNED WITH JCI ACCREDITATION. BUT WHILE EMPHASIS ON QUALITY, INNOVATION, TECHNOLOGY AND CUSTOMER CARE REMAIN INGRAINED INTO THE WAY WE WORK, WE HAVE CONTINUED TO POST A CONSISTENT QUANTITATIVE PERFORMANCE, WELL COMPLIMENTING OUR BOTTOM LINE BUT MAINTAINING OUR FOCUS ON AFFORDABLE HEALTHCARE, WHICH IS AN IMPERATIVE TO US.

MANAGEMENT DISCUSSION & ANALYSIS

THE HEALTHCARE INDUSTRY GAINS GROUND

It's been a long and winding road for Sri Lanka's healthcare industry but a road that the country itself has emphatically walked on to ensure that its healthcare indicators will remain similar to the more developed countries in the Asian region. This is despite low expenditure on healthcare, compared to the budgetary allocations expended on other national priorities. Sri Lanka also remains one of the few countries to provide universal healthcare to all its citizens via the state, although this does have inherent challenges the government does try to assuage from time to time. One such is the long wait for specialist care and advanced procedures, although this free healthcare system has birthed a nation, that has above par healthcare indicators and a longer living population, placing it among the best in the Human Development Index as well as other germane indices, positioning the country among the best in healthcare.

An article in The Economist cites the World Health Organisation estimating the total expenditure by Sri Lanka on healthcare, both public and private as about 3.2% of GDP in 2012, translated to about US \$89 per head, up from US \$49 per head in 2005. Despite this low expenditure, the nation has made great strides in health, with life expectancy inclining from 60 years of age in 1960 to 74 years in 2012, as detailed in a communique by the World

Bank. Mortality too in children under five years has fallen from 98 per 1,000 live births to 9.6 per 1,000 births in 2013, rivaling statistics by the more developed countries including Malaysia and Thailand. The latter has a higher mortality rate for children under five and similar for life expectancy, although it expends more than twice per head on healthcare.

Despite budgetary allocations being low YoY, expenditure on healthcare has grown steadily, estimated to have grown at a compounded annual rate of about 11%, a percentage collated by the Institute for Policy Studies. In similar vein, private expenditure increased by 12% annually. This increasing trend in expenditure will continue due to changes in lifestyles and demographics, added to with a segment of the population of 65 years and older increasing to 14% in 2014, from around 8% in 2013. The 2015 presentation of the fiscal budget claims the Government expended Rs. 150 Bn or US \$1.2 Bn in providing universal healthcare, which is an impressive increase from Rs. 125 Bn appropriated in 2013. However, even these seem considerably inadequate to address the regional and urban-rural disparities in the quality of healthcare and the growing problem of NCDs. As the population ages, the demand for healthcare will increase and it will require changes to the current system, which is heavily geared to improving maternal and child health and fighting infectious diseases. This increase

in the aging population and rise in Non-communicable Diseases (NCDs) which is now a very apparent paradigm is naturally adding to the healthcare burden.

With this increase in NCDs including heart disease, diabetes, incidences of cancer and asthma becoming more frequent as the population ages, what is also seen is significant stress being expounded on the existing systems, challenging the government's continued ability to deliver universal low-cost healthcare. The rising frequencies of NCDs is also attributed to income increases, sedentary lifestyles and urbanisation becoming more prevalent. The spiraling increase in obesity, smoking and alcoholism also adds to the risks associated with NCDs. Over the past 50 years, the share of deaths from cardiovascular disease has increased from 3% to 24% in 2013, with the current public healthcare system being ill-equipped to provide the long-term care associated with the treatment of NCDs.

The success seen in Sri Lanka's health indicators is undoubtedly seen in the combination of a cohesive public and private healthcare relationship that has an effective public delivery system combined with a private healthcare knowledge pool. In providing both preventive and curative care, one of the challenges the public healthcare sector grapples with is inadequate capacity, limited access to specialist treatment and inconsistent

service standards. For the most part, the availability of complex surgical procedures and specialist care in the public sector, is limited to the National Hospital of Sri Lanka located in Colombo and a few other large hospitals in major cities. This is further exacerbated by an onerous and long waiting list and a widening disparity in the available care between rural and urban areas. The country is also constrained with a shortage of skilled medical professionals requiring at least an additional 14,000 doctors and 25,000 nurses to push the country's healthcare system to international standards. In meeting these demands, the healthcare industry saw basic training provided to 4,458 medical staff in various staff categories, while 4,975 staff members were provided with in-service training and 1,637 staff members were provided with post-basic and on-the-job training in the first half of 2014.

However, it is observed that both the government and private sector is rapidly building and improving on existing infrastructure, quality of services and human capital. This is seen in the targets placed within the National Health Master Plan which runs on a time frame between 2006 – 2016, most of which have been achieved. According to details publicised by the Central Bank of Sri Lanka, during the first half of 2014, the government initiated and implemented numerous programmes to ensure the provision of high quality, easily accessible and

cost-effective healthcare services, most of which are aligned to the National Health Master Plan. The provision of free healthcare over the past several decades has helped Sri Lanka to remain ahead of its regional peers in health indicators. Although even with the island's changing demographics and income growth likely to allow for the expansion of private healthcare, the Government will face growing challenges to continue providing universal low-cost healthcare to the population.

Addressing the numerous challenges emerging in the populace including ongoing demographic and epidemiological transition, resource constraints and the pressing need to improve the quality of service provisioning, the Master Plan is conceptualised to improve the delivery of improved health services, management of human resources, financing, resource allocation and utilisation, and strengthen management functions of the health system.

There are measurable and quantitative efforts being implemented to curb the spread of communicable diseases and NCDs, while also retaining a high focus priority on nutritional problems among mothers and children. The National Immunisation Programme achieved 100% coverage in childhood vaccinations in the first half of 2014. The rising incidences of dengue saw proactive state driven

community efforts being instituted including regular epidemiological surveillance, clinical management seminars and emergency dengue control programmes. With an ambitious yet achievable target of eradicating Malaria from Sri Lanka by end 2014, the Anti-Malaria campaign gained increased momentum in 2014, posting commendable results of no malaria related deaths since 2007 and no indigenous malaria cases for over 20 months since October 2012. Sri Lanka was also the first country in this region to eradicate both small pox and polio, due to highly permeating vaccination campaigns.

Awareness campaigns also continue with increased force, driven by the Health Education Bureau which conducts health exhibitions, national campaign days and community based programmes to reduce and in some cases eradicate the rising prevalence of NCDs, which have debilitating socioeconomic implications on the nation's health. This spurred the establishment of 668 Healthy Lifestyle Centres to provide imperative health services including blood sugar tests, BMI calculation, cholesterol and blood pressure checks.

Similarly, maternal and child nutrition issues are being addressed through the continuation of numerous supplementary feeding programmes, namely Thripasha and others providing Vitamin A, Folic Acid, and multiple micro-nutrients to

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expectant women, nursing mothers and young school children. A consistent effort is being instituted to improve the human resource and physical infrastructure base of the healthcare sector. This is well evidenced in the construction of an out-patient department and clinical complex at the Castle Street Hospital for Women, Neurology, Nephrology and Orthopaedic wards and a Cardio Thoracic unit at the Lady Ridgeway Hospital, a state-of-the-art cancer ward complex at the National Institute of Cancer, Maharagama and a Millennium Ward Complex at the Teaching Hospital Kalubowila.

As informed by the Central Bank, by end June 2014, the count of government hospitals in the country sat at 601 government hospitals housing 76,918 beds, notching 3.7 beds for 1,000 persons. There were 17,903 qualified doctors in the health sector, a doctor for every 1,156 persons and 31,527 qualified nurses, a nurse for every 656 persons. According to a RAM Ratings report, an average of 900 doctors graduate from local medical faculties annually, of which around 70% are absorbed by the government sector. These doctors are allowed to practice in the private sector subsequent to completing the required number of hours at public hospitals. Empirical evidence indicates that only around 12% of medical graduates are absorbed into the private sector on a full-time basis, however.

PRIVATE SECTOR HEALTHCARE ETCHES INCREASED PRESENCE

While public sector healthcare continues to dominate Sri Lanka's healthcare industry although, in recent years, private sector healthcare has made significant inroads into the fortified stronghold, simply due to accessibility, flexibility, state-of-the-art medical offerings and service excellence. The emphasis on best practices and international standards, coupled with the emerging competition among private healthcare providers, has seen the private healthcare industry develop into one of the best in this region.

As mentioned above, transforming demographics, lifestyles and income levels have encouraged considerable development in the private healthcare sector, which has also spurred state-of-the-art advancement within the private healthcare sphere as well as an emphatic focus on capitalising on health tourism. The widening gap observed in the facilities and levels of care imparted by the public sector is bridged by the private sector. The rising income seen among the general populace will undoubtedly increase opportunities for the private sector and herald an increasing demand for medical equipment and pharmaceuticals as well.

As of the first half of 2014, there were 210 registered private hospitals and nursing homes, 717 registered medical laboratories, 398 registered medical

centres, 490 full time medical clinics and 1,320 part time medical clinics operational in Sri Lanka. In order to ensure a continuation of best practices, prudent monitoring, controls and prevalence of standards, comprehensive guidelines outlining minimum requirements for private hospitals was finalised this year.

It is estimated that 70% of Sri Lanka's population use private hospitals for outpatients care, while 30 % of the population use the private sector's in-patient facilities. This is attributed to patients observing clear advantages of private sector healthcare especially in advanced technology, timely and quick response and access to leading consultants, all of which are challenges the public healthcare sector grapples with. Private healthcare however tends to focus on the provision of curative care, providing approximately one-half of outpatient curative care and around 5 to 10% of inpatient care. Most private healthcare is paid for by individuals out of pocket, as subscription to health insurance continues to remain low priority. Being among the big four delivering the larger magnitude of private healthcare services, Lanka Hospitals too has faced its fair share of challenges, given the capital intensive nature of the industry. This capital intensity also tends to be a barrier to new entrants, even though, the four industry leaders have expanded capacity, competencies and capabilities, spurring an increase of

70% in private hospital beds between 2006 and 2013.

Given the capital intensity of the industry, private healthcare providers must face interest rate and currency fluctuations, which are further exacerbated by rapidly transforming medical innovations and technology. This has resulted in healthcare providers instituting numerous astute cost management methodologies and permeating a knowledge gaining culture among its teams to ensure remaining abreast of global trends, technology and paradigms. There has also been an increasing focus by private healthcare providers to reach out to semi-urban areas, establishing fully fledged hospitals and laboratory networks in order to serve communities that have limited access to healthcare facilities.

However, it is deemed that the private sector can only meet a limited demand of the growing healthcare needs of the population, as investing in facilities in the less affluent rural areas doesn't seem prudent given the less than favourable impacts it has on the checks and balances of the private sector bottom line. These rural populations are unable to afford private healthcare, given that most out of pocket healthcare costs are met by households. This also means that the less well-off living in rural areas will be denied access to private healthcare, making them particularly vulnerable.

What will construe however in this milieu is that rising incomes levels will push increasing numbers to avail themselves of the more attractive options offered by private healthcare providers. The perceived benefits of a faster, cleaner and more flexible service delivery, better access to consultants, specialists and facilities and a social psyche that demands keeping up with social norms and mindset will see the private sector gain in the medium to longer term. The growth in both public and private healthcare, moreover, will increase the opportunities to export medical equipment and pharmaceuticals to the island. As an example, US firms exported around US\$15m worth of pharmaceuticals and medical equipment to Sri Lanka in 2013, a figure that can be well increased with the emerging opportunities.

With the increasing developments seen in the private healthcare sphere especially in innovation, technology and specialist competencies, another door that has opened for the healthcare sector in Sri Lanka is in medical tourism, still nascent in Sri Lanka. While the leading private healthcare providers are promoting medical tourism significantly as a strategic business priority, medical tourism however remains in a fledgling state. The untapped potential of ayurvedic and alternative medicine too holds immense opportunity and it would be opportune therefore for the country to concentrate on developing hospitals specialising in traditional

medicine, paving the two pronged path of increasing tourist arrivals and increasing foreign exchange revenue as well.



Another dynamic in the healthcare sector that deserves focus is the pharmaceutical industry. According to the Sri Lanka Pharmaceuticals & Healthcare Report Q1 2015 published by Business Monitor International (BMI), Sri Lanka spent a total of Rs. 75.09 Bn or US \$ 571 Mn in 2014, this is considerably more than in 2013, when the country spent Rs. 67.7 Bn or US \$ 524 Mn on pharmaceuticals. Sri Lanka currently stands at 38.2 of 100 in the Pharmaceutical Risk/Reward Index, making it the 17th most attractive pharmaceutical market in the Asia Pacific region.

CONSTRUCTING EXCELLENCE ON THE WHO BUILDING BLOCKS

We have always believed strongly that excellence is a way of life rather than something we aspire to. At Lanka Hospitals, we have made excellence the

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ethos upon which we impart our superior care, quality standards and innovative technology. We have also remained extremely cognizant of ensuring that the quintessence of the World Health Organisation's Framework for Action in Healthcare remains firmly entrenched in our Plan of Action in creating that culture of excellence we immerse ourselves in. The strong fundamentals we have been working on is formulated within the six building blocks in that framework, promoting a common understanding of the health system, the resultant challenges and areas that require strengthening and investment. Lanka Hospitals has also thus imbued the strong culture of accountability, transparency, monitoring and ownership as embedded within the framework, enabling us to clarify essential functions, detail the challenges and implement a more integrated response into each feature of the healthcare ecosystem which remains inextricably intertwined.

Reiterating the six building blocks that formulate our strategic intent, the first is in delivering effective, safe and quality health services in a timely manner with minimum waste of resources, while the second is to nurture a well performing health workforce that is responsive, fair and efficient to achieve the best health outcomes. Supporting these is a well functioning Health Information System and equitable access to essential medical products, vaccines and technology of

assured quality, safety, efficacy and cost-effectiveness. We build our fifth building block in introducing a good health financing system that raises adequate funds for health, all of which are constructed on the strong foundation of leadership and governance. It is this that paves the way for strategic policy frameworks that create a culture of absolute compliance.

Crowned with strong numbers

Our corporate objectives for 2014 have been met and fittingly crowned with JCI Accreditation. But while emphasis on quality, innovation, technology and customer care remain ingrained into the way we work, we have continued to post a consistent quantitative performance, well complimenting our bottom line but maintaining our focus on affordable healthcare, which is an imperative to us.

A solid financial foundation based on strong fundamentals has enabled us therefore to post a financial performance that is of record breaking proportions, posting the second highest profitability in the history of Lanka Hospitals. A Group Net Profit of Rs. 510 Mn and a noteworthy Group Net revenue of Rs. 4.8 Bn, which is a growth of 17% is the highest in our history and way above industry average. This revenue intensity is due to key revenue centres, primarily our Centres of Excellence demonstrating marked and substantive increases.

In the surgical arena, operating theatres recorded a growth in excess of 97%, while the average theatre utilisation ratio was maintained at an impressive 50% even with the addition of a new theatre. A noteworthy 10,000 surgical procedures were conducted in 2014. The Heart Center too had an impressive year, posting 90% growth, while Radiology moved upwards by 29%. In-patient services revenue notched 16% growth, with the number of admissions growing 6%. Average Revenue Per Occupied Bed Day (ARPOB) has also increased by 16%, coupled with an extraordinary customer satisfaction level of 85% based on the internal customer satisfaction surveys. This incline in in-patient services surely points to the fact that we continue to etch our presence as a proven Centre of Excellence in the healthcare industry. Out Patient Services and Pharmacy business also had inclines of 7% and 7.3% respectively this year.

Financial stability is surely the axis of sustainability in any organisation, which for Lanka Hospitals has emerged as the fundamental strength in continuing to develop our positives, while being very aware of challenges and sufficiently pragmatic to seek solutions to overcome these, while exploiting the burgeoning opportunities we observe. Our balance sheet is one of the best in the corporate sphere, given that we are well established in capital adequacy aligned with all regulatory diktats and also have zero

gearing, which makes us absolutely debt free. It is these strong rudiments that enabled Lanka Ratings (Formerly known as RAM Ratings) to elevate our financial status to AA-/P1 from A + and P1 for long and short term corporate credit ratings. The outlook on the long-term rating has been revised to “stable” from “positive”.

WEARING MANY CROWNS

When we based our theme on the triad of distinctive quality, proven excellence and superior care last year, it was with anticipation that we awaited our achievements, which would well evidence the heights that Lanka Hospitals has achieved. Those heights proved to be exciting given that we are now positioned as the benchmarked leader in the private healthcare space, a crown which we wear proudly, but with humility, knowing full well that we have many heights to conquer in our journey ahead. Wearing these crowns also makes us aware of the immense responsibility placed on our shoulders, that we as a spearhead must retain and build on, using the strengths we possess to create an empowering and enabling environment for the people of this land to live a healthy fulfilling life.

Today, we join an elite group of hospitals around the world, just 450 of them, wearing the crown of the Gold Seal of Approval conferred by the Joint Commission International. This JCI Accreditation confers Lanka Hospitals with

the unique status of being recognised as a quality healthcare provider in the world, as certified by the US based JCI in over 45 countries.

Surveyed against an impressive 1,300 measurable elements as defined in the fifth edition of the JCI standards, Lanka Hospitals underwent its first JCI survey in April 2014. However, it is when quantitative and qualitative elements are focused upon that shortfalls or weaknesses emerge. Even though it was just 79 elements that were not met or were just partially met, our quest for excellence meant that we went back to the drawing board to right these areas and undergo a more focused survey, which was completed on the 12th of September 2014. Just one week later, that focused approach reaped in the rewards when JCI conferred Lanka Hospitals with the prestigious accreditation.

The stringent procedures and standards placed the spotlight on the organisation’s performance and compliance with international healthcare quality standards, reflecting non-compromising quality in patient care, embedded in state-of-the-art healthcare practices and healthcare delivery trends. Being a JCI accredited hospital has enabled us to permeate a strong message of quality excellence to our stakeholders, assuring each that we are a healthcare solutions provider whose quest for excellence is uncompromising and focused, firmly entrenched in a culture

that pushes us to provide the highest health care services meeting international standards for quality.

That culture of excellence had already been honed when last year, Lanka Hospitals surpassed some of the strongest and most robust international healthcare players to win the Global Performance Excellence Award (GPEA) conferred by the Asia Pacific Quality Organisation, reiterating that quality for us is a way of life. The formula we espouse in maintaining an unrelenting focus of becoming a world class healthcare provider but always being mindful of the dynamics around us, means we must be an affordable healthcare entity in the country has been our foundation. This award was the natural progression to the National Quality Award we won in 2012 under the large scale healthcare category accorded to us by the Sri Lanka Standards Institution. Based on the Malcolm Baldrige criteria for quality and assessed on leadership, strategic planning, customer and market focus, workforce focus, process management and financial and healthcare outcomes, Lanka Hospitals was the only private hospital to win the National Quality Award in a span of 15 years.

Having well embraced ourselves with the mantle of quality excellence, it is no wonder then that Lanka Hospitals proudly wore the crown of World Business Leader at The BIZZ 2014 organised by the World Confederation of Business, recognised for

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being an innovative, knowledgeable and systematic leader.

Our strong fundamentals and emphasis on governance and a culture that reaches beyond compliance was well established when Lanka Hospitals won the Silver Award in the Healthcare sector for the second consecutive year at the 50th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.



QUALITY REMAINS ENTRENCHED

From inception, quality has been the axis upon which our unique brand of healthcare revolved on. This drove Lanka Hospitals to achieve heights in quality never achieved before as is well evidenced now with the numerous bouquets we have been presented with. It is not just in healthcare that we were emphatic on quality but in all aspects of our operations, be it in environment or even food safety. Gaining certifications for both Environmental Management

Systems in 2013 (ISO 14001:2004) and in Food Safety Management Systems in 2012 (ISO 22000:2005), both certified by Control Union Inspections (Pvt) Limited therefore came naturally to us. We are indeed proud to have the unprecedented honour of gaining 5 out of 5 Crowns for Food Hygiene and being the first hospital laboratory to be accredited with ISO 15189:2007.

The TQM (Total Quality Management Culture) we espouse permeates to Lanka Hospitals being stringent and comprehensive about every quality assurance process, cascading TQM into every step, every feature, every impact and every area of business. Driven by the Quality Steering Committee chaired by the Deputy Director Medical Services, quality gains absolute precedence over all decision making, impacts and strategic intents. The Committee spurs discussion between representatives of all medical and non-medical areas on quality initiatives introduced and ongoing. Besides this discussion, the entire quality framework is also monitored at this forum. Departments and individual units are encouraged to conduct Quality Improvement Projects and develop identified processes that would drive the quality benchmark upwards. Work Improvement Team suggestions and activities are also discussed to add more impetus to the quality initiatives integrated into the workings of the hospital.

CREATING INTERNATIONAL INROADS

Aligned to our Strategic Plan, our unwavering focus has been on building on the culture of excellence we are now being emulated for, as an industry leader. Thus, we began working on establishing strategic centers of excellence, which were successfully pushed to break boundaries. Rewards were amply reaped as Lanka Hospitals became an option among the international stakeholders, as was seen in our Cardiology Center. This Center of Excellence for instance, now functioning under a permanent Consultant cardiologist and having performed on average about sixty cardiac surgical procedures monthly and the ability to perform cardiac catheterisations as well, brings together all functional areas under a single umbrella. These functional areas work within an overarching administrative model, which would add efficiencies, productivity and timely response into the equation.

Similar paradigms were observed in our Renal Care Center, where we successfully boosted international markets to prompt a 60% increase in renal care patients from around the world. The increase was specifically seen in patients from India, while our emphasis on the Maldives continues. One of our newer markets Bangladesh and the Seychelles are also proving to be extremely successful. Lanka Hospitals has now emerged as a Center

of Excellence in Transplant programmes, which advantage we have begun publicizing in Middle Eastern markets, especially in Dubai. Given our superior care in transplant surgery and after care including dialysis, our Renal Care Center of Excellence will be marketed as an elite unit in international markets, adding yet another dimension to medical tourism and a definite advantage to foreign exchange earning power.

Our forward journey in establishing Centers of Excellence will be in neuro-surgical, gastro-intestinal surgery and thoracic surgery. We did 581 neuro-surgical procedures in the neuro-surgical sphere including those on the brain and spine, having commissioned some of the best technology and facilities prevalent around the world in this competency. The Neuro Centre of Excellence will cluster together all areas pertaining to neuro.

The Gastroenterology Center of Excellence is under construction and due to be completed in May 2015, while another area of opportunity has emerged in the paradigm shift to cosmetic surgery, which we intend to upgrade into a Center of Excellence as well. Headed by an eminent duo of cosmetic surgeons, we intend to use their team to make significant inroads into this lucrative area of business.

We also believe we have immense promise in the Maternal and Child Care specialty, having chartered some pioneering initiatives, innovations and surgical procedures since inception. Our Fertility Center for instance has recorded a milestone of over 700 IVF babies, which is an impressive crown to wear for the lives we have birthed.

The most telling proof of our unsurpassed levels of excellence is evidenced in the increasing number of patients we care for, the increasing countries we welcome patients from, the increasing numbers of consultants and specialists we have within our team in diverse and numerous competencies and the increasing confidence we see among our stakeholders. The skills, knowledge and capabilities are well observed in the Centers of Excellence, some well established and some being structured, but all of which have a strong presence in the healthcare arena. While crowns have been placed on us for the unique culture of care we espouse, it is also exciting that by end 2014, we had conducted over 10,000 surgical procedures just this year. The capacity enhancements we have instituted from day one are considered imperative investments in our journey ahead, whether it be in theatre capacity, facilities, equipment, technology or team learning and development, all of which are embraced in an uncompromising culture of quality and customer service excellence.

Positioning our hospital on the international radar also means we must have a team that will support the international best in class standards expected of us. Our support teams are well trained, given the continuous encouragement we give them to upgrade knowledge and skills. The basic nursing programme and the Diploma Programme are both geared to position Lanka Hospitals as a Center of Excellence in Training. We are already being recognised for our superior training and learning initiatives given that Lanka Hospitals is now renowned as a Study Center for Healthcare Professionals in South East Asia, seeing an increasing number of professionals availing themselves of the study programmes we offer. We have already conducted no less than five training programmes for Bangladesh, where over sixty participants underwent training in fertility, child care, mental health, cancer surgery and other NCDs. Similarly we have conducted training programmes for Bhutan and the Maldives.

WHERE EXCELLENCE EQUALS KNOWLEDGE

Having now crowned ourselves with some eminent laurels, we realise too that our responsibility as a corporate steward has gained added stature. This means, as a corporate captain, we must and have to set the path for Sri Lanka achieving the goal of becoming a tourist hub. We have

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set benchmarks, broken new ground, pioneered pathways now being emulated by others and nurtured a team that by far remains the best in the industry. This has enabled us to make inroads into medical tourism quite substantially, pursuing markets that are discerning, demanding and lucrative. But the knowledge and competencies we possess must be cascaded, to ensure that the concept of medical tourism is powered by the entire industry to make it a national reality.

Our Centers of Excellence in a number of specialist competencies are now legendary. They have been pioneering and have set benchmarks while imbuing best practices and international standards, positioning Sri Lanka's medical industry on par with some of the best in this region. While this aptly showcases our medical superiority, our sense of responsibility is also brought to the fore with the establishment of the School of Nursing & Vocational Training. We not only train and develop personnel required for our internal requirements of nursing, but are now well entrenched as a training hub that produces highly trained professional nursing staff for the entire industry.

Following a curriculum similar to the nursing schools run by the Ministry of Health which includes both theory and practical training, what remains unmatched in our training and development programmes is that nursing students are

constantly exposed to the quality and customer care standards practiced by us, to ensure that the quality and best practices mindset remains imbibed in their psyche. The course is conducted over three years by qualified tutors who have received specialised training in teaching and supervision at the Government Post Basic School of Nursing. Practical training is comprehensive and based on simulation models in customised demonstration rooms. This training is strengthened and refined by on the job, with clinical training within the hospital.

Students receive regular training in both general wards as well as in specialised departments including cardiac and renal care departments, intensive care units and in operating theatres. This year we also conducted specialised training programmes at the Lanka Hospitals Medical Services Staff Training Center, training nurses in neonatal care, critical care, initial trauma care and newborn care. This adds the imperative dimensions of one on one interaction with patients and medical consultants, which forms an integral core to the learning process.

Being a hospital that received the laurel of a Center of Excellence in Quality, our training and development programmes permeate this emphasis on quality which has now become a hallmark of Lanka Hospitals among the industry. The well documented and publicised accolades have pushed Lanka Hospitals into the

limelight as a training entity accenting on holistic training with no compromise on any standards. We now support not only the Government and District hospitals in imparting this TQM curricula among medical professionals, but also have the Navy Hospital and the Ministry of Health within our training calendar, enabling them to maximise exposure in TQM and allied programmes.

We have already seen a total of 250 nurses conferred with the Diploma in General Nursing issued by Lanka Hospitals, a reputed qualification that is held in high esteem by the healthcare industry both in Sri Lanka and overseas. Headed by a Principal who is qualified and experienced in the field of nurses training and supported by four full time ably qualified nursing resource personnel, the school is currently training about 150 more, in its spacious building located in Colombo 05, adjacent to the hospital premises, adding convenience of commute to those studying within.

PATIENT SAFETY UNCOMPROMISED

Continuing to augment a progressive focal point initiated last year, the overarching tenet of patient safety was further strengthened on the triad of accountability, ownership and transparency. The patient safety framework well entrenched within the Lanka Hospitals safety policy, is one which intertwines the emphasis we place on quality, excellence and superior care, all of which have presented us with crowning

laurels throughout the year. However, given that safety is a continually evolving platform, we remain vigilant of emerging paradigms and also nascent scenarios that could emerge in the safety milieu. Hence continuous improvement is imperative. We also know that our safety standards and mechanisms are among the best in the healthcare industry and are keen on permeating these best practices across the industry to promote a better and ethical safety culture.

Constructed to forge a strong safe patient culture via six primary trusses, namely correct patient identification, effective communication, reduction of falls, infection control, correct-site-correct-procedure-correct patient surgery and safety of high alert medication, we continued to add to our safety dynamics to ensure that safety is never compromised.



With the large numbers of patients being cared for at Lanka Hospitals, the margin of error could begin with patient identification, leading to dire consequences. We use two identifiers to minimise the impact, especially in the context of similar names and the conventional method of identifying patients by bed numbers. All patients now wear ID bands that detail their names and unique registration number as the central checking tool. Both identifiers are checked before any procedure, directive or referral and also remain the fundamental detail in identifying pain levels, fall risks and medication allergies posted via alert stickers or special ID bands. Another advantage emanating from these identifiers is that all patients are hence registered at the hospital and hence, all patient records whether inpatient or outpatient are retrievable and accessible at any given time. Our consultants have access to these records via computers placed even in OPDs, enabling them to impart timely informed diagnostic decisions effectively and with maximum care.

Errors in mis-communication among caregivers can have debilitating impact on patients. Delayed reporting, errors in dosage, drug identification and even drug administration and inaction to panic values are areas that require unambiguous, timely and comprehensive communication. Read back mechanisms for verbal and telephonic communication, panic values originating from the laboratory

and radiology diagnostics are recorded unambiguously in a uniform location for quick and timely action and handovers and transfers of patients between different caregivers and locations of care are all worked through systematic communication processes and methodologies to avoid any equivocalness or confusion. These first two steps of clear and comprehensible identification and communication remains at the core of our service delivery.

We also continued to focus on minimising the probability of therapeutic duplication and unintentional administration of the wrong dosage, wrong concentration or wrong drugs, in addition to minimising abuse via a series of barrier levels designed to alert errors. The three types of high risk medication are narcotics, LASA (Look Alike or Sound Alike) medication and concentrated electrolytes requiring specialised dilution procedures with the latter being fatal, if misused. Within the Lanka Hospitals Patient Safety Policy, new standards have been introduced in writing of prescriptions, storage of drugs, administration and drug sourcing and purchase. With the establishment of the Pharmacy and Therapeutics Committee, the publishing of the Lanka Hospitals In Patient Drug Formulary and the initiation of prescription audits, we have been able to improve our medication management and use. Security also remains extremely stringent for these medications, with access limited only to authorised personnel.

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We also strictly adhere to the World Health Organisation's Safe Surgical Checklist which reduces wrong site/wrong patient/wrong procedure in all invasive procedures. This checklist is vital given the enervating and irreversible repercussions patients and their families may have to undergo due to wrong or mistaken surgery. Similarly, we have also introduced the WHO Standards for Hand Hygiene aimed at continuously monitoring infection rates which could result in severe patient harm, mental trauma and financial burden due to healthcare associated infections. These standards have been emphatically focused upon due to low awareness and therefore ignorance on healthcare related infections, which we have now further augmented with the correct usage of prophylactic and other antibiotic use, which form a rigorous infection control framework.

The consequences that could ensue to the caregiver due to reporting of patient falls has encouraged a culture of under-reporting, which negates all fundamentals of patient care. At Lanka Hospitals, we remain cognizant of the need for accurate and timely reporting of patient falls, where accuracy, truthfulness and trust form the foundation to the fall report, pushing into place a zero-fall environment within Lanka Hospitals. Working through the robust patient assessment and reassessment policy, the comprehensive Fall Risk Assessment enables stringent monitoring procedures and extra focus on high fall risk patients by team members.

This culture of reporting has led our team to become more aware of patient risk and patient safety. We encourage an environment of prevention, openness and transparency to ensure that our focus of patient safety lies paramount. The natural progression to this therefore is a comprehensive Incident Review and Reporting System which places responsibility on team members to report any incident that jeopardises the safety of those within the hospital. These could be near-misses, preventive or adverse events, which could be reported in writing, even anonymously, encouraging a more proactive stance taken by the team. Incident reports are presented to the Patient Safety Committee at monthly meetings, although a weekly Incident Review meeting is also held for immediate responses if necessary.

It is imperative that Lanka Hospitals is prepared and geared to deal with a multiplicity of emergencies, risks and incidents that could occur in any hospital, including fire, cardiac arrest and even child abduction. Lanka Hospitals has introduced a series of safety codes, well supported by real-time practice drills to ensure timely response to any emergencies or disasters that could ensue. An impressive framework has been implemented to train the entire team on basic life support, while germane team members are trained in advanced cardiac life support, as stipulated by the American Heart Association. Neonatal

Advanced Life Support and Paediatric Advanced Life Support training also continues.

OUR PERFORMANCE IN PERSPECTIVE

Fertility Centre

We have notched a record breaking year at our Fertility Center, marking the milestone of the birth of the 700th In-Vitro Fertilisation (IVF) baby in November 2014 and having 150 concurrent pregnancies during that time. The 43% success rate identical to natural conception makes Lanka Hospitals the most successful Fertility Center in Sri Lanka today, a crown we wear proudly, given the joy we bring and share among families. Another rewarding feature was the introduction of Vitricification, the most modern embryo freezing method used from pregnancy to live birth from Frozen Embryo Transfer (FET).



Another facilitative service Lanka Hospitals introduced and has gained impressive momentum is in Follicular Induction Protocols, enabling the family doctor to administer hormone injections. This not only reduces the number of visits to the hospital to a maximum of five during the IVF treatment plan, but also allows the patient to continue their daily routines with minimum disruption.



The Rs. 30 Mn investment infused into our Fertility Center, continues to be revitalised given its status now as a Center of Excellence. Equipped with state-of-the-art technology, equipment and a highly skilled team specialising in Assisted Reproduction Techniques, it is this team that also engages in extensive patient counselling, vital for those undergoing fertility treatment given the physical and psychological transformations that can take place. The wide range of services offered and administered by our competent and nurturant team includes Follicular Monitoring Scans, Intra Uterine

Insemination (IUI), Seminal Fluid Analysis (SFA), In-Vitro Fertilization (IVF), Intra-Cytoplasmic Sperm Injection (ICSI), Semen Freezing and Bank, Embryo Vitrification, Frozen Embryo Transfer (FET) and Testicular Sperm Aspiration (TESA).

Kidney Care Centre

We continue being the best in the industry having collected a host of laurels during the year. Notching more transplants than any other private hospital in Sri Lanka focusing more on cadaveric and paediatric transplants, Lanka Hospitals is the recognised leader in renal care. The success rates are continually impressive with Lanka Hospitals completing both milestones of the 500th and 600th transplant during the year, as well as successfully completing 158 kidney transplants, one of the highest in the country. Our dialysis offerings continue to be patient preferred seeing the year through with 11,951 dialysis. The leadership we have etched enabled us to successfully establish a market presence in Bangladesh.

Offering a range of services including 24 Hour Haemodialysis Services, Peritoneal Dialysis Services, Continuous Replacement Renal Therapy (CRRT Services), Laparoscopic Donor Nephrectomy and live and cadaveric kidney transplantation, this Center of Excellence offers a unique combination of specialist teams encompassing both

nephrologists and transplant surgeons, each renowned and each respected. Six different teams undertake regular transplants for both paediatric and adult patients, also pursuing the complexities of Laparoscopic Donor Nephrectomy, the removal of donor kidneys with minimum invasive incises. The dedicated transplant ICU manned by specialised teams of doctors and nurses adds to the special brand of care excellence we are now famed for.

Heart Centre

It's been another best performing year for this Center of Excellence offering the best cardio-thoracic care in Sri Lanka. The fact that the Heart Center is on par with global standards and offers cutting edge cardiac and thoracic care spearheaded by undoubtedly the best locally and internationally trained professionals evidences the milestone inclines recorded this year in the major surgical competencies. Angiography recorded 56% increase, angioplasty 55% increase and CABG 130% over performances in 2013. This naturally permeated to the best revenue performance, posting a growth of 90%.

The competitive edge we gain over our competition includes thoracic keyhole surgery unavailable at any other hospital in Sri Lanka. We are also the only heart care facility in the country to launch the state-of-the-art Allura Xper FD10 Flat Panel Cath

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Laboratory, which is a first of its kind in Sri Lanka. Our Heart Center is also the only facility in the country capable of performing the complete range of complicated heart surgical procedures on both children and adults. We hold the unique status of being the only hospital to have performed cardiac surgery on both a seven year old and a 77 year old, on the same day.



The Heart Center holds fast to its title of being the best in the country, due to the extensive and expansive range of services we offer. From minimally invasive valve procedures to 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 and Hypertrophy Cardiomyopathy (HOCM) interventional cardio logical procedures, these all remain specialties within our Heart Center. Our expertise in 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) and Tetralogy of Fallot (TOF) also remain legendary.

Our reputation of working with the most modern equipment and state of the art technology leaves no compromise on the knowledge and expertise of our specialist team, which includes cardio-thoracic surgeons, paediatric surgeons, adult and paediatric cardiologists, an in-house cardiac anaesthesiologist, a highly trained clinical perfusionist and trained professional cardiac nursing team. This is further augmented as we notch yet another first by being the only private hospital in Sri Lanka that has all its local cardiac surgeons operating in collaboration with foreign cardiac surgeons.

Other positive additions to our Heart Center is our dedicated Cardiac Intensive Care Unit equipped with state of the art equipment manned by specially trained cardiac nurses and a specialist cardiac surgical operating theatre, a fully equipped Cath Lab and a Blood Bank. Emergency angiograms and coronary angioplasty (primary angioplasty) is also on offer.

Surgical Department

Our surgical department continues to one of the best in the country, having performed some of the most complex and ground breaking surgical procedures within

the 10,000 procedures we performed in 2014. We hold the record for having the highest number of spinal surgical procedures conducted by any private hospital in Sri Lanka this year, added to a 250% increase YoY in cranial surgery as well. Given our unique competency of providing surgical care for patients across all age groups from paediatric to geriatric, (one of the few healthcare providers doing so), our expertise lies in a gamut of procedures ranging from conventional to minimal invasive.

Working within state-of-the-art operating theatres equipped with the most modern technology and equipment including the latest Karl Storz Laparoscopy System with the Morcellator and Harmonic Ultrasonic Dissector, the Medtronic MR7 Neuro-drill System, Medtronic ENT- Micro-debrider System and Abdominal and Neuro-retractor Systems, this year we introduced the cutting edge technology of intra-operative probe upgrades into the ultra sound scans.



With the commissioning of the new operating theatre, we have maintained the theatre utilization ratio at an average of 50%. We also introduced a unique theatre sharing process among the resident and visiting surgeons, infusing a unique blend of residents utilising the theatres during working hours and visiting surgeons operating after hours, to optimise on both the utilisation of the theatre and the unique blend of specialty and expertise we have within.

The excellence we espouse in pre/intra/post operative care has seen a significant paradigm shift in the quality and volume of surgeons opting to work at Lanka Hospitals, which has also led to a larger surfeit of diverse surgical procedures including major GI, liver, neuro and vascular procedures being performed by some of the best surgeons in the country. This is further supported via a 24/7 on-call roster for all major sub specialties including 24 hour anesthetists cover.

While the SICU averaged in excess of 60% in bed occupancy throughout the year, we experienced significant volume growth of 10% YoY in Obstetrics and Gynaecology, 28% YoY in Vascular Surgery and 10% in General Surgery.



Gastroenterology

Realising our competency in this specialty and conceptualising yet another Center of Excellence, we have now commissioned the construction of the most advanced GI Center in Sri Lanka, billed for completion in May 2015. Offering Upper Gastro-Intestinal Endoscopy, Colonoscopy, Bronchoscopy, Argon Plasma Coagulation, Capsule Endoscopy, ERCP, Variceal Banding, Hemorrhoid Therapy, Endotherapy and all biopsy procedures, the unit is equipped with the latest high definition narrow band imaging scopes, well positioned to implement a range of diagnostic and therapeutic procedures. We also added the latest in modern equipment, the Olympus 190 HD Endoscopy System to facilitate a speedier transition into the Center of Excellence status.

Spearheaded by a team of over thirty eminent consultant gastroenterologists and surgeons working in a state of the art self-contained facility, the volume and revenue growth of 10% YoY well evidences the

confidence and trust this department has imbued among stakeholders.

Radiology & Imaging Sciences

Having commissioned a new Siemens Sormation - Definition AS 128 CT Machine and thereby pioneered 3D CT Images and CT Angiograms as well as a Fluoroscopy machine for contrast x-ray studies in Urology, GI and Gynecology, the department enjoyed a 29% increase in radiology revenue and 13% growth in ultra sound revenue this year. The state-of-the-art equipment has added fillip to the numbers of visiting radiologists, augmenting the scope and depth of the services we offer including X-Ray, MRI, CT, Ultra-sound and DEXA Scans.



The fully fledged imaging unit operates 24/7 and is manned by full time local and foreign radiologists aiding precise diagnoses. Continuing to equip the unit with the most modern facilities and equipment in this region both in technology and innovation, the radiology

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and imaging sciences department has gained a reputation for having some of the best Magnetic Resonance Imaging (MRI), Computed Tomography (CT) and Ultra-sound scans including 4D ultrasound technology.

Dental Clinic

One of the few centers in Sri Lanka to encompass the entire spectrum of diagnostic techniques including Orthopantomogram (OPG), a panoramic scanning dental X-ray facilitating the full 180-degree view of the upper and lower jaw, it is indeed heartening that the continuous emphasis we place on upgrading our facilities posted a 26% increase in dental surgery this year. Augmenting this emphasis, we upgraded the OPG X-ray facility from manual to digital x-ray imaging, with the installation of the Carestream Dental CS 8000C OPG Machine in July.

Given our expansive range of dental specialties including preventive, cosmetic, prosthetic and periodontal, our expert dental team comprising both foreign and local experts, is also renowned for performing highly complex oral surgical procedures as well. The specialist Oral and Maxillofacial surgeons who specialise in the anatomical areas of the mouth, jaws, face and associated structures, gained further impetus with more expert Oral Facial Maxillary Surgeons and a Consultant

Restorative Dentist for Dental Surgery being added to the team.

Our unmatched reputation as one of the best dental cosmetic surgery units in town heralded a rapid increase of patients coming in for cosmetic surgery, while we are also augmenting our status in the specialisation of Pediatric Dentistry and Othodontistry based on preventive dentistry for children and correction of abnormal dentures during childhood.

Eye Clinic

We concluded a very impressive year having performed in excess of 50 cataracts and corneal transplants on patients from our newest market, the Seychelles. Ingraining the concept of medical tourism into our formula for success, we do believe immense scope exists in this specialty area, which we intend to pursue further.

Into our team of foreign and local internationally trained ophthalmologists, we also introduced a full time local Consultant Ophthalmologist as well as visiting consultant eye surgeons including a vitro-retinal surgeon and an oculoplasty surgeon. Holding fast to our reputation of being one of the best private eye clinics in Sri Lanka, the technologically advanced milieu empowers the highly trained nurses and support team to perform at their optimum.

ENT Centre

A trailblazer and a pioneer are two crowns we wear comfortably at the ENT center, given that we are a benchmarked leader in Sri Lanka. Having pioneered a bilateral cochlear implant in 2010, a complex procedure that simultaneously implanted cochlear implants in both ears, this year we performed more than 25 ENT procedures including Septoplasty. As in eye surgery, ENT too is a specialty that remains in demand from the Seychelles and given the inroads we made this year into this, our newest market, the 25 surgical procedures were performed on seychelles.



Nuclear Medicine Center

We continued to notch some significant milestones at our Nuclear Medicine Department, which in fact pioneered nuclear medicine imaging in the private sector healthcare industry in Sri Lanka and remains the only facility for diagnostic, therapeutic and preventive care. Headed

by a full time consultant specialising in nuclear medicine, who together with a specialised team cares for paediatric to a gamut of age group patients, we also house a state-of-the-art Dual Detector Gamma Camera (SIEMENS-E Cam), the first and only of its kind in Sri Lanka.

This year we completed 6,000 DTPA Renograms, 6,000 MDP whole body scans, 4,000 Radio Iodine whole body scans and 2,000 Isotope Thyroid scans, totaling an impressive 25,000 scans for the year. Despite a very high infusion of investment, we believe that an industry leader has a responsibility to make the latest in medical breakthroughs accessible to Sri Lankans, which is the underlying tenet we imbued when setting up this unique center.



Health Check

It has been an eventful year for the Health Check Clinic, kept diligently occupied with our successful forays into overseas markets as well. A range of

health checkups customised for overseas markets was introduced to patients from the Seychelles. Lanka Hospitals also now has the prestigious title of being the primary center, as detailed by the Sri Lanka Foreign Employment Bureau, to conduct medical screening for candidates seeking employment in Korea, adding to the prestige of being the only center accredited to conduct visa medical check ups for Israel.

We also had an impressive increase of 30% in the number of health screenings performed for the United Nations personnel stationed in Sri Lanka and in conducting fitness medicals for seafarers, which inclined forty times to 685, resultant of a comprehensive marketing drive that saw new companies partnering Lanka Hospitals for their health screenings. Using our very able team headed by a Consultant Cardiologist specialising in both adult and paediatric and Consultant Sports Medicine physicians, Lanka Hospitals introduced a medical screening package for students engaged in sports.

The increasingly sedentary lifestyle observed across society emanating from various lifestyle changes and impacts, has seen a burgeoning need for more frequent health screenings, as well as a wider range of options in these health screenings. While Lanka Hospitals garners a responsibility in organising health drive programmes for corporate clients ably

supported with mobile medical screenings on external sites, we also offer value additions in customising health screening packages depending on the requirements of various clients. The health screening packages currently being marketed include the Diabetic Check and Diabetic Follow-up Investigation, Healthy Living Package, Cancer Screening Packages for males and females, Children's Health Screening, Executive Heart Check, Pre-Marital Screening Package and a Package for Senior Citizens designed for both males and females, Stroke Prevention, Well Woman, Whole Body Check and Renal Donor Screening, all of which have a collective of comprehensive tests for timely responses.

LABORATORY SERVICES

We are extremely emphatic on constantly raising the bar and thereby continually pioneering healthcare initiatives. This led a key strategy implemented this year, the establishment of Lanka Hospitals Diagnostic (LHD), the first-ever reference laboratory in the country. A subsidiary of Lanka Hospitals, LHD now fulfills the dire need for an advanced medical laboratory in Sri Lanka, equipped with cutting edge technology designed to not only improve but also prompt faster response time in the diagnostics process. One of the most exceptional facilities in Sri Lanka, offering over 300 new tests and accessible through over 250 sample collection centers, LHD's technical partner Super Religare

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Laboratories, is the only laboratory network in India to have LZ Reference Labs, four Centres of Excellence, over 212 network laboratories and a footprint spanning over 1,300 Collection Centres, while offering in excess of 4,000 medical tests routinely.

Another first for Lanka Hospitals is that patients can now access the LHD website and obtain their reports online, reducing the hassle of collection from the hospital or laboratory, while also reducing travel which permeates to reduction of carbon footprint.

This partnership was a result of the significant success we have posted since 2009, where our laboratories have averaged YOY growth of 20%, remaining on par with the growth of the hospital. Our emphasis on standards was imbued into the laboratory services as well, when the LHC laboratory was pronounced the first hospital laboratory to be accredited with ISO 15189:2007, bringing about a quality of culture of maintaining stringent quality standards which includes internal controls and measures ably supported by external quality assurance programmes in clinical laboratory testing.



Our state of the art laboratory now includes an impressive range of departments including Haematology, Molecular Biology, Microbiology, Flow Cytometry, Cytogenetics, Histopathology, Immunology, Liquid Based Cytology and Bio Chemistry. Being manned by highly trained professionals, each specialising in the relevant competencies, the Reference Laboratory will perform daily calibration of laboratory instruments, a practice not followed by other laboratories in Sri Lanka. Being committed to excellence, we have also added six Pathologists into the team to ensure uncompromising standards and knowledge levels.

A TEAM CROWNED

Our achievements this year would have been impossible if not for the dynamism, dedication, commitment, loyalty and most of all, the 'will to win' attitude that runs to the very core of our amazing team. It is their ability to stand up against all odds, conquer the challenges and seek elusive opportunities and maximise on their

potential that has made Lanka Hospitals the best in the industry today. This is the team that remained determined throughout the year to place their Hospital at the zenith of healthcare and they succeeded. The jubilation they showcased when we did gain our JCI was palpable and certainly a reason to celebrate, knowing full well that it is they who worked hard and with absolute dedication to place Lanka Hospitals among the best in the world.

Being the most preferred employer in the private healthcare industry has pushed us into constantly raising the bar. This is a mindset our team is continually working on; innovating, developing and creating benchmarks liberally dosed with entrepreneurial spark, team spirit and camaraderie. By cultivating this superior performance oriented culture, we have also added the dynamic of ensuring high productivity cascaded through sound work/life balance, long term employee engagement and a culture of life long learning.



We remain an equal opportunity employer firmly believing in all norms of meritocracy, eschewing any form of discrimination whether in age, gender, religion or culture and have always maintained a strict policy of adhering to all labour diktats prevalent within the country and those laid down by the International Labour Organisation. We do not condone in any form, child labour or underage employment, a strict rule that permeates across the relationships we have with our valued business partners and suppliers as well.

With our ambitious expansion plans and being conscious of the lofty expectations of our stakeholders, our recruitment is governed by transparent guidelines that enable us to gain the best professionals into our team. This has enabled us to garner the services of over forty consultants in diverse specialties this year, all of who are the best in their field. This ensures that our quality standards in skill, knowledge and professionalism exceed the expectations of our stakeholders.

Administrative and managerial areas too gain much prominence in our recruitment process to ensure smooth streamlining of our administration procedures with no disruption anywhere in the chain of events from the time a patient enters our portals until they leave, well satisfied. This year, saw a considerable number of professionals being recruited in the executive and managerial capacities,

speedily bridging any gaps that could arise when meeting our short, medium and long term goals. As mentioned above, the Nursing School too recruited a new batch of trainees for its Diploma programme.

Working on a performance based culture that instills an insatiable need to perform above expectation and adding risk incentives to clinical areas, our remuneration practices which instituted 18 payroll cycles this year, also had the added inducement of two bonuses being granted in April and December in 2014. Our compensation strategy includes occupation-specific pay programmes and pay incentive programmes to ensure that Lanka Hospitals is able to attract and retain team members in an intensely competitive clinical skills industry.



The knowledge gaining culture is imperative to us, as it remains the overarching feature in Lanka Hospitals maintaining its leadership status. Continuous training and development therefore is the axis upon which our

team remains skills, knowledgeable and well equipped to meet and exceed the expected standards within this industry. This year, we completed a total of 24,722 training hours for 1,370 members of our team via in house and outbound training programmes, with particular emphasis on soft skills, primarily customer care, language training, grooming and technical training programmes. Customised training programmes particularly in clinical areas centered on service excellence, operational excellence and customer care excellence.

Competency assessment forms have now been introduced together with post training feedback analysis to gain a comprehensive analysis of the outcomes of the training programmes conducted. This assists us in conceptualising, formulating, developing and improving our training offerings and in optimising the expected outcome.

In adding that spirit of camaraderie and team work into nurturing our winning team, there are a host of social activities that continue annually with the enthusiastic participation of our team. These include the annual sports carnival, team get-together, Christmas caroling and the Vesak Bhakthi Gee and Lantern Competition. We also remain cognizant of instilling a mindset of social commitment and responsibility into our team and urge employee volunteerism into the numerous community activities we conduct at Lanka Hospitals.

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

OUR JOURNEY FROM HERE

Having won the crowning glory of JCIA accreditation this year, next year will see us focusing on strengthening this foundation to develop our international clientele, a focus we know is imperative in our bid to assist the national vision of making Sri Lanka a medical tourism hub. The burgeoning growth we have experienced in the arena of international patients now seeking our care, surely etches our presence and reputation as a quality conscious hospital imbuing world class standards of care. We have also analysed our regional competition, which we recognise is intense and competitive, but are also pleased that our standards of infrastructure, specialty, quality and care remain incomparable, well entrenched by the international kudos we have collated. We stand in good stead to further grow our international client base, forming the nucleus for medical tourism in the region, aided by the JCI accreditation, which will surely add the fillip for us to aggressively market ourselves as a hub in medical tourism in South Asia.

We move into an era with a new beginning. We have achieved our vision and we are now ready to move into our next level of growth, continuing to raise the bar, pioneer pathways and create benchmarks. While the laurel of being the best sits well on our shoulders, it is not a reason to be complacent. We have already begun strengthening our positives, bridging

the gaps that exist, identifying any weaknesses and threats and distinguishing opportunities that can be exploited for us to optimize our growth potential. Uplifting our state of the art facility is now in motion with several renovation and refurbishment projects already completed or being works in progress within stringent timelines. The coming year will see us commissioning Sri Lanka's latest and most advanced Gastroenterology (GE) Center, another Center of Excellence within our aegis. The unit will be equipped with the latest high definition narrow band imaging scopes, implementing a range of diagnostic and therapeutic procedures handled by over 30 eminent consultants.

One of our biggest efforts for next year will be strengthening Lanka Hospitals Diagnostics our laboratory arm, expanding our laboratory services with intent on having a more comprehensive diagnostics purview. We have seen an immense gap in the specialised testing space and intend to leverage our synergies in this sphere. We will be working on gaining the very first CAP (College of American Pathology) accreditation for LHD in Sri Lanka. This accreditation will add at least five hundred new tests into our already expansive testing sphere.

We have now achieved our vision to be the foremost and preferred private healthcare facility in the country, serving the nation to build a healthier community. And we

are now moving on. We have displayed consistently that our quantitative and qualitative results are well above industry average, further entrenching our strategic priorities. This coming year will be a time of investment and innovation, one spent on maximising our resources and strengthening our competitive advantages. While affordability remains at the core of our aggressive plans for the future, we intend to be the catalyst in upping the benchmarks for the industry and surpassing the standards of excellence we have pioneered that will continue to add to our crowning glory.

CORPORATE SOCIAL RESPONSIBILITY

The entire concept of healthcare is one constructed on social responsibility. It is an ethos that must be the backbone of any healthcare provider. At Lanka Hospitals, social responsibility is a way of life. We interact and engage with our stakeholders on a platform of giving the best and that platform cannot be compromised. We are cognizant that as a corporate steward we have overarching responsibilities that extend to each of our stakeholders, whether our team, customers, valued business partners and or even the community and environment. Over and above this remains our responsibility to use our leadership status to ensure a healthy nation, which is the primary fundamental that governs our social responsibility initiatives. Thus each of our social responsibility initiatives is based on building and sustaining a healthier nation, where promoting and encouraging better health via a host of diverse dynamics, will always be the fundamental in nurturing a strong and healthy population.

MAKING OUR HEALTHCARE GREEN

It is only recently that the healthcare industry has begun taking environmental responsibility seriously due to the growing awareness that healthcare contributes significantly to environmental hazards, including climate change which permeate to health problems. It is also a major user of energy and a high generator of waste. While healthcare providers embrace new technology, emerging challenge arise in

disposing of devices and machines and increasing medical waste. According to Healthier Hospital Initiative, hospitals are the second most energy intensive buildings generating significant tons of waste daily, most with little thought to environmentally friendly disposal or recycling. Another areas is pharmaceutical waste, which can be found in trace amounts in soil and groundwater throughout the world and burning medical waste generates a number of hazardous gases and compounds including hydrochloric acid, dioxin/furan, and the toxic metals lead, cadmium and mercury.

While there is no quantifiable analysis of either energy consumption or amounts of waste generated by the healthcare industry in Sri Lanka, we at Lanka Hospitals, have begun broadening our understanding of our obligation to "do no harm". This means being environmentally conscious and environmentally responsible. In 2012, we began monitoring our energy consumption patterns, having instituted a sophisticated Emergency Management System. We used this EMS to collate results on our energy use which were in turn, used to institute best practices that would reduce energy consumption. Our Energy Steering Committee began implementing a number of initiatives, including comprehensive training programmes on energy management across the entire team to ensure a complete buy-in to our goal of reducing energy consumption

according to a stipulated time frame. This was conducted in collaboration with the Sri Lanka Energy Managers' Association and the Sri Lanka Sustainable Training Authority.

We have continued to conduct quarterly energy audits, instituting the recommendations astutely and continuing to collate energy related data from electrical sub-meters. In fact this data is fed into a comprehensive reporting system to enable accuracy in measurement and forecast of energy consumption

We have also begun focusing on waste generation, instituting a number of initiatives that would ensure safe disposal of hospital waste with minimum impact on the environment. Such Initiatives are detailed below in our Infection Control Strategy.

LOOKING BEYOND INFECTION CONTROL

Having been conferred the JCIA crown in 2014, a laurel only enjoyed by 141 hospitals from 27 countries worldwide, Lanka Hospitals' Infection Control Unit gained ample space in the spotlight given its proactive contribution towards ensuring that the hospital meets or exceeds the 1300 audit parameters as stipulated by JCIA.

Mapping out a comprehensive Infection Control Strategy this year based on three

CORPORATE SOCIAL RESPONSIBILITY CONTD.

primary goals, the key guiding and driving force ensuring absolute commitment and adherence to the strategy lies with the Infection Control Team and Infection Control Committee, with a management mandate. The three goals are to reduce the risk of healthcare associated infections in patients, to protect healthcare workers and visitors from potentially infectious agents and to reduce the overall hospital mortality and cost. Quality Indicators as measurable elements were introduced to achieve these goals.

Based on the guidelines stipulated by WHO, CDC and OSHA on infection control, Lanka Hospitals is already following the World Health Organisation's Framework for Action in Healthcare in our Plan of Action. The processes we follow are embedded in numerous diktats which encompass Hand Hygiene practices, Blood and Body Fluid Safety, Safer Clinical Practices, Procedures for Medical Devices and Equipment, Work Environment Safety, Healthcare Worker Safety through Immunisation, Infectious Patient Management, Linen Management and Waste Management. Stringent surveillance of hospital practices via regular audits, supplemented through a cascade of continued medical education for our team is also mandatory.

Standard Operating Procedures and Hospital Policies have also been strategised and detailed, while the team

continues to be trained on practice guidelines through small pocket meetings, lectures and demonstrations. We also gained the support and buy-in of the team who organised an exhibition to create further awareness on infection transmission in relation to environmental contamination, application of best practices including care bundles, impact of patient safety and prevention of hospital-associated infections.

Hospital Associated Infection (HAI) rates on surgical site infections, catheter related blood stream infections, catheter associated urinary tract infections and ventilator-associated pneumonia were monitored through continuous and ongoing data collection and analysis. These results were shared with the Infection Control Committee each month and the information therein, utilised for necessary planning and implementation of corrective action.

Routine surveillance and audits were implemented on a pre-designed plan aimed at correction and depending on the outcome, solutions or corrective action infused at the Central Sterile Supply Department, operating theatres, dialysis unit, endoscopy unit, blood bank, In-Vitro Fertilization unit, laundry, mortuary, hospital ambulances and the F&B department. Domestic cleaning practices were also strengthened through frequent checks and awareness training conducted

for the housekeeping team. New team members are given an introductory awareness lecture on Infection Control as a part of their Induction Programme. Team members serving in patient areas were also exposed to training in mercury spill management.

Disinfectants and cleaning chemicals used within the premises undergo a stringent approval process with all chemicals labeled comprehensively with the name, date of opening, expiry date, whether poisonous or any other relevant information such as flammability. MSDS (Material Safety Data Sheet) of all chemicals were made available at the site of use, while in storage, MSDS are maintained within a dedicated Chemical Room. Chemicals are used and discarded according to manufacturer's recommendations.

Waste management, the responsibility of hospital personnel, is segregated according to hazardous and non-hazardous waste at point of generation. Easily identifiable, waste is colour coded, as approved by the Ministry of Health. The necessary infrastructure and facilities including sharp bins, foot operated bins, colour coded bags, tags and transport trolleys are all requirements coming under the Ministry's stipulations for waste management. We also conduct frequent audits, which have displayed positive results of improvement.

Tracking, documenting and reporting of all 'notifiable infectious diseases' to the Regional Director of Health Services and the Public Health Inspector of the area was also achieved. This practice contributes to the control of various diseases including dengue, TB and malaria, adding the required data for the annual statistics update published by the Ministry of Health.

In controlling infectious disease, it is imperative that we remain aware of the extent of exposure our team is subjected to and remain vigilant for their safety. This year, staff in patient care, were immunised with the Hepatitis B vaccination, based on it being an occupational protection. In addition, the entire team including new recruits were sensitised on Blood and Body-fluid transmitted pathogens safety. The 'Policy on Needle Stick Injury and Exposure to Blood and Body Fluids' was strengthened and practiced among the team as a means of protection from harmful pathogens including the Hepatitis B and C viruses and Human Immunodeficiency virus.

DENGUE AWARENESS CONTINUES

With dengue taking on the proportions of an epidemic at numerous times of the year, Lanka Hospitals began an awareness campaign in earnest to institute preventive measures in eliminating this disease that takes lives of young and old alike indiscriminately. Beginning with the young, we distributed 2,500 dengue awareness

posters and brochures among school children, encouraging them to be more vigilant of their surroundings and urging them to be the change agents in making Sri Lanka dengue free.

GIVING SIGHT



Sight is a gift which must be preserved. However, Sri Lanka does have a high prevalence of cataracts, mostly among the lower income groups and disadvantaged communities who have to either battle long waiting lists in the public healthcare sector (which could have dire consequences on these patients' eyesight) or simply go without it as cataract surgery in the private healthcare sector would not be affordable. Having analysed the problem, Lanka Hospitals joined the Chinese Embassy and Chinese enterprises operating in Colombo to perform one thousand cataract surgical procedures. Operating through seven days, Chinese Consultant Eye Surgeons were ably supported by our team to perform these procedures at Lanka

Hospitals, giving sight to under-privileged patients, who may otherwise have lost their sight. This project was a milestone CSR project in Sri Lanka given that it was probably the highest number of cataract surgery performed as a CSR project by any entity.

PROMOTING A DIABETES FREE SRI LANKA

As part of our promise to create a healthy nation, we have been working incessantly on reducing the incidences of diabetes in Sri Lanka. The increasing numbers of diabetic patients are alarming and if left unchecked, can have a permeating impact on the population as a whole. On World Diabetes Day, we organised a free health screening where Random Blood Sugar, Blood Pressure and BMI checks as well as free medical consultations were carried out. Held at the hospital premises, those undergoing the screening were also availed the chance of winning a free health check package checks by answering three questions based on diabetes.



CORPORATE SOCIAL RESPONSIBILITY CONTD.

PURSUING THE 60+ ELDERLY CARE PROGRAMME

With Sri Lanka having one of the fastest aging populations in the world, a dynamic cascading from sustainable health practices pushing health indicators to positive levels, it is imperative that the country is geared to cater to these senior citizens, ensuring their aging years will continue to be healthy. The 60+ Elderly Care Programme, launched on International Elders' Day last year, is a special health check package that explores critical areas in aging, including nutrition patterns, exercise regimes, medication, rest and sleep patterns and assessment of risk factors. It also takes into account obesity, diabetes, arthritis, bone fracture and heart disease and management of aging.

Taking this concept further, on International Elders' Day this year, a free medical checkup encompassing Blood Sugar, Blood Pressure, BMI calculator and an educational lecture on food, nutrition, health and mental health was conducted by Consultant Physician Dr. Priyankara Jayawardena for elders.

In addition, a medical camp was held free of charge at the Home for Elders in Moratuwa checking similar indicators, while also conducting a physical examination and imparting advice and consultation by a qualified medical

practitioner. We also issued free medicine as per prescription details free of charge for the residents of this home.



LEADERSHIP FOR HEALTHY LIVES

It is imperative that our corporate stewardship extends to diverse demographics and to do this, we pay keen attention to the needs and requirements in various communities. Lanka Hospitals leads an annual blood donation campaign in conjunction with the National Blood Bank. With 87 team members contributing their blood, this small gesture by our team, could be the life changing act for another, a philosophy we instill into our team, whenever we embark on our social responsibility initiatives.

Similarly, our team contributed Rs. 120,000 towards the visually and hearing impaired at the Deaf and Blind School at Ratmalana, sponsoring the education and welfare of a student for the year. This is a social responsibility initiative that is continuing from last year.

Landslide victims in Koslanda had the intervention of our team members when we collaborated with The Capital Maharaja Organisation to assist relief efforts, presenting immediate emergency supplies.





GOVERNANCE & RISK

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 COGNISANT 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 MAXIMISE OPPORTUNITIES AND TO MINIMISE NEGATIVE OUTCOMES.

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 maximise opportunities and to minimise negative outcomes.

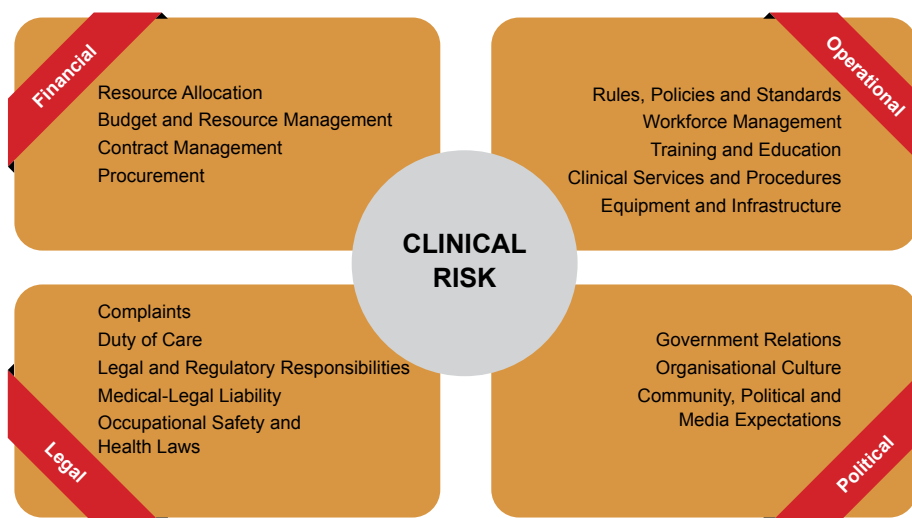
Lanka Hospitals has a robust Enterprise Risk Management (ERM) system which is being periodically reviewed and updated. This ERM has the capability to identify healthcare related risks and to manage them in an efficient manner. This includes the direction of the Board, availability of various sub committees, external consultation, accreditations and compliance, comprehensive policies and procedures and a conducive organizational culture. A mechanism is in place for the staff to alert on any risk factor via various meetings and forums on a regular basis in addition to the formal risk identification process. The identified risk factors are evaluated by the management with the input of the Directors as well as external experts as necessary and an action plan is developed accordingly. The management is also taking steps to recognise and

implement the best practices where ever possible. As the hospital is in a journey towards obtaining the JCIA accreditation, the JCIA guidelines and requirements are considered paramount in our ERM model.

Given below are the key risks included in the corporate risk profile along with the status and the mitigating action plans for each.

CLINICAL RISK

Clinical risk predominantly considers patient safety and related risks. At Lanka Hospitals the clinical risk is seen in various dimensions as depicted in the below diagram.



The leadership of the organisation has identified various risks stemming from above dimensions, and has taken measures to address the same. In the event any risk is not eliminated steps have been taken to mitigate such risks to an acceptable level.

Some of the areas where risks have been identified under this category are as follows;

- 👑 Patient safety
- 👑 Providing care and continuity of care
- 👑 Patient and family rights
- 👑 Assessment of patients

- 👑 Anesthesia and Surgical care
- 👑 Medication Management and Use
- 👑 Infection Control

Examples of controls in place to address the risks arising from above areas:

- 👑 Training staff on patient falls risk assessment.
- 👑 Patient identification for any procedure (diagnostic/ therapeutic/ interventional) was streamlined with the usage of two identifiers (which does not include patient bed number) and patient wrist band.
- 👑 Initiating triaging at the Emergency Treatment Room to prioritise patients on their need.
- 👑 Relook at the consent forms of the hospital- all requirements of informed consent done before a high risk procedure.
- 👑 Basic uniform nursing assessment introduced including assessment of fall risk, pain management and pressure ulcers. Nurses were trained on this.
- 👑 'Look alike Sound alike' drugs identified, listed. Policies on narcotic drugs and concentrated electrolytes formulated.

OPERATIONAL RISK

The risks arising from non-clinical operational activities including the support services such as IT, HR, Facilities, Engineering and Supply Chain etc are considered under this category.

The following risks have been identified as operational risks;

- 👑 Utility and facility outage (A/C, air supply, electricity, water and other facilities)
- 👑 Supply chain related risks due to;
 - not maintaining uninterrupted, smooth flow of drugs, reagents, consumables, equipment, materials and services.
 - poor selection of suppliers (reliability in supplies, transparent mechanism of selection, timely supply)
 - quality of goods and services not being in line with the hospitals requirement.
 - poor inventory management- (stock outs, expiries, not having back up arrangements for emergencies)
- 👑 Information security failures, fraud and processing errors.
- 👑 Negligence of employees, conflict of interest, fraud, mismanagement and poorly trained employees.
- 👑 Poorly maintained, malfunctioning or non-functioning medical equipment.

Controls in place to address risks arising from above areas:

- 👑 A robust supply chain management process with a comprehensive procurement manual and a high profile procurement committee headed by a Director of the Board.
- 👑 Backup arrangements for utility services and critical medical equipment.

- 👑 State of the art IT infrastructure, which is reviewed and upgraded periodically.
- 👑 A robust HRM framework with clear policies and procedures on recruitment, training, development, and career advancement with the guidance of the remuneration committee (Board Sub Committee) and external consultation such as Employers' Federation of Ceylon.
- 👑 A comprehensive technical evaluation is carried out through an appointed Technical Evaluation Committee which includes Bio Medical Engineer, as well as clinical experts when critical medical equipment are purchased. Further these equipment are subjected to periodic review and calibration process in order to ensure the expected performance.

FINANCIAL RISK

- 👑 Risk of having gaps in Internal Control environment (Systems, Processes, and People) and corporate governance (Risk of fraud, malpractice, misuse, or theft of assets and resources of the company).
- 👑 Risk of poor investment decisions, (invest in right technology and right areas that has potential for growth and profits) Investment concentration risk, investment strategy not in line with the corporate strategy.
- 👑 Risk of not selecting the best funding option for business requirements.

RISK MANAGEMENT CONTD.

Controls in place to address risks arising from above areas:

- 👑 A well-structured and empowered governance framework.
- 👑 All major finance decisions are subjected to close scrutiny by the Board.
- 👑 Comprehensive policies are in place to scrutinise the investment decisions.
- 👑 Regular reviews by the Internal Audit Function.
- 👑 A team of well qualified and experienced professionals to handle financial matters.
- 👑 Well defined policies and procedures.

LEGAL AND REGULATORY ENVIRONMENT RISKS

The Company has taken respective measures and appropriate care to ensure risks are minimised in the legal and regulatory environment. The main risk in this regard is the risk of litigation. Following initiatives have been taken to address these risks;

- 👑 A separate committee to handle complaints by patients and to settle matters amicably by offering them compensation after due inquiries are held.
- 👑 A robust system to ensure adequate documentation from the admission until discharge of a patient including proper consent forms where ever necessary.
- 👑 A process to ensure the authenticity of legal documents with the assistant of in-house legal counsel.

- 👑 A rigorous process to scrutinise the contractual arrangements with the assistance of external legal advisors where necessary.
- 👑 Education on legal risk in all educational programmes conducted for the staff.
- 👑 A periodic regulatory compliance reporting mechanism.

REPUTATION RISK

Reputation risk is a risk related to the credibility of the business. This may be a matter of corporate trust, which has a great influence on damaging the reputation and a severe impact on shareholder value. The management is extremely careful in this area and is vigilant at all times to identify situations where the reputation of the hospital is at a stake. The following measures have been taken to prevent any instance of that nature.

- 👑 Ensure a seamless service at a highest possible standard in order to minimise customer dissatisfaction while building upon trust.
- 👑 An open door policy by the senior management to accommodate and address any concerns or feedbacks by the stakeholders.
- 👑 Ensure transparency in decision making and the policies of the hospital.
- 👑 A stringent corporate branding and media policy to prevent unwarranted information circulation.
- 👑 A robust regulatory compliance policy.

- 👑 A stringent selection process of clinicians, staff, suppliers and corporate partners in order to ensure that the profiles and credentials of those parties are in line with the norms and values of the hospital.

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 over a decade and this was endorsed during this year by winning the ultimate crowning glory of our quality journey-The Joint Commission International Accreditation (JCIA). With this Lanka Hospitals elevated itself to join an elite group of 450 Hospitals around the world who have been accredited with this prestigious seal of approval. This accreditation further strengthened the unique business model Lanka Hospitals being operating in the past, consisting of distinctive quality, proven excellence, and superior care which are the guiding principles throughout our journey of success. Our unique business model ensures that our success will be reflected not only in our financial performance but also in other non-financial dimensions by achieving number of accolades in terms of superior quality.

This culture of performance has been built within a framework of compliance and conformance, which has been institutionalized at all levels of the organization through a strong set of corporate values and code of conduct.

We have nurtured a culture of integrity, fairness, accountability, transparency and consistency in all what we do to ensure

that we are at forefront of our industry establishing high standards of health care.

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 organization, while fulfilling our promises to all our stakeholders. It signifies that it is the responsibility of Board of Directors, senior management and all employees at large to uphold and act in the best interest of the company and its stakeholders in fulfilling its stewardship obligations.

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 below practices 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 Remunerations
- 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 11 Directors as at 31st December 2014. All the Directors are Non-Executive Directors and of which 7 Directors are Independent and 4 Directors are Non-Independent. As at the Date of the Annual Report the Board comprises of 11 Non-Executive Directors, with 8 Independent and 3 Non-Independent Directors. Changes to the Board during the accounting period and the subsequent changes after the accounting period are further explained in the table 'composition of the Director Board' on page 81. The names of the Directors who held office in the company during the accounting year

CORPORATE GOVERNANCE CONTD.

and as at the date of the Annual Report and their profiles are set out on page 30 to 41.

The Board meets at regular intervals and conducted 12 Board meetings during the 12 month period from 1st January 2014 to 31st December 2014. Details of the attendance at Board Meetings are furnished on page 76.

Responsibilities of the Board

The Board of Directors are responsible for ensuring that the company is placed 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 health care service.

Further the Board is responsible to;

- 👑 Maximise share holder value
- 👑 Formulate, implement, and monitor the company's Corporate Strategy
- 👑 Approve 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 when necessary. The Company Secretary is responsible to keep the Board informed with 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 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; and
- 👑 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 11 Directors of the Company as at 31st December 2014 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 81. Further the following information in relation to Directors is disclosed in the annual report.

The profiles of all Board members are provided on pages 30 to 41.

Details of related party transactions are provided on pages 143 to 145.

The composition of the Board and Board Sub Committees, and attendance at Board Meetings are provided on pages 73 to 81.

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 as at 31st December 2014, are Independent Non-Executive Directors. As at the annual report date the Committee comprises of 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
Mrs. Roshini Cabraal (Ceased to be serving on the Remuneration Committee on 9th January 2015)	Chairman	Independent Non-Executive Director
Dr. Gamini Wickremasinghe (Ceased to be serving on the Remuneration Committee on 2nd March 2015)	Member	Independent Non-Executive Director
Mr. P A Lionel (Alternate to Dr. G Wickremasinghe) (Ceased to be serving on the Remuneration Committee on 2nd March 2015)	Member	Independent Non-Executive Director
Prof. Mandika Wijeyaratne (Appointed to the Remuneration Committee on 3rd March 2015)	Chairman	Non-Independent Non-Executive Director
Prof. Dilani Lokuhetty (Appointed to the Remuneration Committee on 3rd March 2015)	Member	Independent Non-Executive Director
Mr. Tissa Nanayakkara (Appointed to the Remuneration Committee on 27th March 2015)	Member	Independent Non-Executive Director

Disclosure of Remuneration

Please refer the 'Remuneration Committee Report' on page 82 for disclosure of the remuneration policy of the hospital and aggregate remuneration paid to Non-Executive Directors.

CORPORATE GOVERNANCE CONTD.

C. Relations with shareholders

Constructive use of the 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 involves 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 Sri Lanka and Colombo Stock Exchange.

Please refer the "statement of the Directors" on pages 91 to 92, setting out their responsibilities for the preparation and presentation of financial statements. And please refer page 95 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 from page 43 to page 62.

Declaration by the Board on the going concern of the Business is furnished on page 90 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 shareholder's 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 is contributing to the health care 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 as at 31st December 2014 and as at the annual report date.

The members of the Audit Committee are as follows:

Name	Position	Directorship status
Mrs. Roshini Cabraal (ceased to be serving on the Audit Committee on 9th January 2015)	Chairperson	Independent Non-Executive Director
Professor Dayasiri Fernando (ceased to be serving on the Audit Committee on 2nd March 2015)	Member	Independent Non-Executive Director
Mr. P A Lionel (ceased to be serving on the Audit Committee on 2nd March 2015)	Member	Independent Non-Executive Director
Mr. Damien Fernando (Appointed to the Audit Committee on 3rd March 2015)	Chairman	Independent Non-Executive Director
Mr. Tissa Nanayakkara (Appointed to the Audit Committee on 27th March 2015)	Member	Independent Non-Executive Director
Dr. Harsha Gunasekara (Appointed to the Audit Committee on 3rd March 2015)	Member	Independent Non-Executive Director

Mrs. Roshani Cabraal, the Chairperson of the Audit Committee as at 31st December 2014, 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. Mr. Damien Fernando, the Chairman of the Audit Committee as at the annual report date is a Fellow of the Chartered Institute of Management Accountants (UK).

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. Audit Committee is responsible in 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 to discuss the Audit plan, key audit issues, management responses, and the hospital's audited financial statements and quarterly financial statements.

Please refer pages 93 to 94 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 71 to page 81 serves that requirement.

E. Institutional Investors

Shareholder Voting

The hospital maintains a continuous dialog 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.

CORPORATE GOVERNANCE CONTD.

Shareholder Voting

Individual Shareholders are encouraged to participate in General Meetings of the hospital and to exercise their voting rights. Adequate notice of meetings is given well in advance in order to obtain their maximum participation.

DIRECTORS 'ATTENDANCE AT MEETING (FROM 1ST JANUARY 2014- 31ST DECEMBER 2014)

The Director's attendance at meetings is outlined in the following table;

Name of the Director	Number of Meetings	Attendance
Mr. Gotabaya Rajapaksa	12	6
Mrs. Roshini Cabraal	12	12
Professor Dayasiri Fernando	12	12
Dr. Gamini Wickremasinghe	12	11
Mr. P. A. Lionel	12	12
Mr. Malvinder Mohan Singh or his alternate	12	6
Mr. Shivinder Mohan Singh or his alternate	12	4
Mr. Sunil Godhwani or his alternate	12	3
Dr. Bandula Wijesiriwardena	12	12
Dr. Nihal Jayathilaka	12	9
Dr. Kanishka Karunaratne	12	6

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 11 Directors as at 31 December 2014, 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 2014, 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 declaration 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 81 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 pages 30 to 41 of this report.

CORPORATE GOVERNANCE CONTD.

Rule No.	Subject	Requirement	Compliance Status	Details
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.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer page 82 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	As at 31st December 2014, the Remuneration Committee comprises all of Independent Non-Executive Directors. However as at the date Annual Report Remuneration Committee comprises of majority 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	Mrs. Roshini Cabraal functioned as the Chairman of the Committee and she was a Non-Executive Director in the Board. She ceased to be serving on the Remuneration Committee on 9th January 2015. Prof. Mandika Wijeyaratne was appointed as the Chairman of the Remuneration Committee on 3rd March 2015 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 82 of this report.

Rule No.	Subject	Requirement	Compliance Status	Details
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	Please refer page 82. Please refer page 82. Please refer page 82.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer pages 93 to 94.
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	As at 31st December 2014 and as at the date of the Annual Report, the Audit Committee comprises of all Independent Non-Executive Directors.
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Ms. Roshini Cabraal was a Non-Executive Director in the Board. She ceased to be serving on the Audit Committee on 9th January 2015. Mr. Damien Fernando was appointed as the Chairman of the Audit Committee on 3rd March 2015. And he 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.

CORPORATE GOVERNANCE CONTD.

Rule No.	Subject	Requirement	Compliance Status	Details
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Complied with	The previous Chairman of the Audit Committee was 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 present Chairman of the Audit Committee is a fellow of the Institute of Chartered Management Accountants UK.
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 pages 93 to 94.
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 pages 93 to 94.
		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 pages 93 to 94.
		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 pages 93 to 94.

COMPOSITION OF THE BOARD OF DIRECTORS

Composition As at 31st Dec 2013		Composition As at 6th May 2015 (Reporting Date)	
Name of the Director	Directorship Status	Name of the Director	Directorship Status
Mr. Gotabaya Rajapaksa (Resigned 09.01.2015)	Independent Non-Executive	Dr. Sarath Paranavitane (Appointed on 03.03.2015)	Independent Non-Executive Director
Mrs. Roshini Cabraal (Resigned 09.01.2015)	Independent Non-Executive	Mr. Tissa Nanayakkara (Appointed on 27th March 2015)	Independent Non-Executive Director
Professor Dayasiri Fernando (Resigned 02.03.2015)	Independent Non-Executive	Ven Thiniyawala Palitha Thero (Appointed on 03.03.2015)	Independent Non-Executive Director
Dr. Gamini Wickremasinghe (Resigned 02.03.2015)	Independent Non-Executive	Dr. Harsha Gunasekara (Appointed on 03.03.2015)	Independent Non-Executive Director
Mr. P. A. Lionel (Resigned 02.03.2015)	Independent Non-Executive	Prof. Dilani Lokuhetty (Appointed on 03.03.2015)	Independent Non-Executive Director
Mr. Malvinder Mohan Singh	Non-Independent Non-Executive	Dr. Rohan Wijesundera (Appointed on 03.03.2015)	Independent Non-Executive Director
Mr. Shivinder Mohan Singh (Resigned 03.03.2015)	Non-Independent Non-Executive	Mr. Damien Fernando (Appointed on 03.03.2015)	Independent Non-Executive Director
Dr. Bandula Wijesiriwardena (Resigned 02.03.2015)	Non-Independent Non-Executive	Prof. Mandika Wijeyaratne (Appointed on 03.03.2015)	Non-Independent Non-Executive Director
Dr. Nihal Jayathilaka (Resigned 03.03.2015)	Independent Non-Executive	Prof. Asitha De Silva (Appointed on 03.03.2015)	Independent Non-Executive Director
Dr. N.L. Kanishka Karunaratne (Resigned 03.03.2015)	Independent Non-Executive	Mr. Malvinder Mohan Singh	Non-Independent Non-Executive Director
Mr. Daljit Singh	Non-Independent Non-Executive	Mr. Daljit Singh	Non-Independent Non-Executive Director
Mr. Parthasarathy Raghunath	(Alternate Director to Mr. Malvinder Mohan Singh)	Mr. Parthasarathy Raghunath	(Alternate Director to Mr. Malvinder Mohan Singh)
Mr. Karthik Rajagopal	(Alternate Director to Mr. Shivinder Mohan Singh)	Mr. Karthik Rajagopal (Appointed on 06.03.2015)	(Alternate Director to Mr. Daljit Singh)
Mr. Sanjeev Vashishta	(Alternate Director to Mr. Daljit Singh)		

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is responsible for determining the remuneration, terms of contracts and other benefits to staff, management, Executive Directors and the Chairman.

Composition of the Remuneration Committee

- 👑 Prof. Mandika Wijeyaratne – Chairman (Non-IND/NED)
- 👑 Prof. Dilani Lokuhetty - (IND/NED)
- 👑 Mr. Tissa Nanayakkara -(IND/NED)

POLICY

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis and is in consonance with the existing industry practice. It also ensures the risk in remuneration strategy, policy and arrangements is adequately considered and that processes are in place to control unhealthy risk.

SCOPE

The Committee shall set and approve the remuneration policy covering the staff, Management, Executive Directors, and Chairman of the Board. The objectives of such a policy are to express the over-arching principles and the broad framework through which these individuals' remuneration is determined and governed. The Committee shall recommend exercise, or may delegate to a sub-committee of such persons as the Committee shall determine, certain powers as may become

necessary from time to time under the terms of the Company's recruitments, promotions, remuneration packages, annual increments, bonuses and incentive plans and other matters as the Committee may so determine.

FEES

All Non-Executive Directors receive a fee for attendance at Board meetings serving on board sub committees, special committees and /or subsidiary boards. They do not receive any performance or incentive payments.

MEETINGS

The Committee met eight times during year 2014. This report is based on the minutes of the committee meetings given by the Chairman of the Committee to the board and the minutes tabled at the Board meetings. At least two members of the Committee have attended each meeting held during the year.

PROFESSIONAL ADVICE

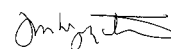
The Committee has the authority to seek external advice on matters within its purview. The Committee may call on outside compensation experts as required.

RESIGNATIONS AND NEW APPOINTMENTS TO THE COMMITTEE

Dr. Gamini Wickremasinghe, Mrs. Roshini Cabraal and Mr. P.A. Lionel have resigned from the Board of Directors

and consequently from the Remuneration Committee during the year. The vacancies created by the resignations of the three directors above were filled in by the appointment of Prof. Mandika Wijeyaratne as the Chairman, Prof. Dilani Lokuhetty & Mr. Tissa Nanayakkara.

On behalf of the committee;



Prof. Mandika Wijeyaratne
Chairman - Remuneration Committee

6th May 2015



FINANCIAL REPORTS



FINANCIAL REPORTS

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FINANCIAL CALENDAR 2014 AND PROPOSED FINANCIAL CALENDAR 2015

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange.

	2014 Submitted on	2015 to be submitted on or before
For the 3 months ended March 31, (unaudited)	12th May 2014	May 15, 2015
For the 3 and 6 months ended June 30, (unaudited)	14th August 2014	August 15, 2015
For the 3 and 9 months ended September 30, (unaudited)	13th November 2014	November 15, 2015
For the 3 months and year ended December 31, (unaudited)	26th February 2015	February 29, 2016

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

1. GENERAL

The Directors of The Lanka Hospitals Corporation PLC (Company) have pleasure in presenting to the shareholders this Report together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended December 31, 2014 of the Company and the Group and the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007.

The Lanka Hospitals Corporation PLC (LHC) was incorporated as a private limited liability company on 06th October 1997 and converted to a public limited liability company in Sri Lanka on 09th November 2001 and was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 28th July 2008 under the Company Registration No. PQ 180.

The ordinary shares of LHC are quoted on the main board of the Colombo Stock Exchange since 10th January 2003. RAM Rating has elevated LHC to AA-/P1 from A+ and P1 for long and short-term corporate credit ratings. The outlook on the long-term rating has been revised to stable from positive. The registered office of the Company is at No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

This Report provides the information as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices on Corporate Governance. This

Report was approved by the Board of Directors on 11th May 2015.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 13. The business activities of LHC and its subsidiary are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission as set out in the Company's Code of Ethics, which reflects our commitment to high standards of business conduct and ethics.

2.2 Review on Operations of LHC and its Subsidiary

The CEO's Review and the 'Management Discussion and Analysis' on pages 20 to 29, 43 to 62 provide an overall assessment on the operational performance and financial position of LHC and its subsidiary, and the state of affairs together with important events that took place during the year in detail as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of The Lanka Hospitals Corporation PLC and its Subsidiary company Lanka Hospitals Diagnostics (Private) Limited

The company provides world class healthcare services at a reasonable cost. Its also a JCI Accredited Hospital in Sri Lanka.

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation commenced in July 2014. The principal activity of the company is provisioning of state-of-the-art laboratory services with the technical know how shared from SRL Limited -India. It is the first referral lab in Sri Lanka.

2.3 Financial Statements of LHC and its Subsidiary

The Audited Financial Statements of the company together with the consolidated financial statements of the Group are appearing on pages 96 to 145.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the LHC and its subsidiary and Group Financial statements appearing on pages 91 to 92.

2.5 Auditors' Report

The Independent Auditors, PricewaterhouseCoopers performed the audit on the Consolidated Financial Statements for the year ended December 31, 2014 and the Auditors' Report issued thereon is given on page 95 as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

2.6 Accounting Policies and Changes during the Year

LHC and its Group prepared their Financial Statements, in accordance with Sri Lanka Accounting Standards which were in effect up to the reporting date.

2.7 Entries in the Interests Register of the Company

An Interests Register is maintained by the Company, as required by the Companies Act No. 07 of 2007. All related entries were made in the Interests Register during the year

The share ownership of Directors is disclosed on page 89 and 147. The Interests Register is available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.8 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended December 31, 2014, are given in Note 10 to the Financial Statements on page 117.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs. 199,500. (Rs. 39,000 in 2013).

3. NET INCOME AND PROFITABILITY

The net income of the Group for 2014 was Rs. 4.75Bn. (Rs. 4.07Bn. in 2013), while LHC's net income was Rs. 4.49Bn. (Rs. 4.01Bn. in 2013). The profit after tax of the Group stood at Rs. 510. Mn (Rs. 677 Mn in 2013), while LHC's profit after tax was Rs. 565 Mn (Rs. 689 Mn in 2013).

4. DIVIDENDS AND RESERVES

4.1 Dividends on Ordinary Shares

The interim dividend of Rs. 0.50 per share was paid on 18th December 2014. This dividend was paid out of the profits of the Company. The total amount distributed by way of dividend out of the profits earned during the year 2014 was Rs. 111,866,084.50 (LHC paid a final dividend of Rs. 1.50 per share in 2013). The Board of Directors fulfilled the requirement of the Solvency Test in terms of the Section 31 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividends. The Statement of Solvency of the Auditors was obtained in respect of the said interim dividend payment conforming to the statutory provision.

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 98 to 99 in Notes to the Financial Statements.

5. PROPERTY, PLANT & EQUIPMENT, LEASEHOLD PROPERTY AND INTANGIBLE ASSETS

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group amounted to Rs. 644Mn, Rs. 29 Mn and Rs. 18.55Mn respectively (Rs. 417Mn., Rs. 5.84Mn, and Rs. 18.55Mn in 2013), the details of which are given in Note 14 on pages 120 to 126 to the Financial Statements respectively. Capital expenditure approved and contracted for are given in Note 14 to the Financial Statements on pages 120 to 126.

6. MARKET VALUE OF FREEHOLD PROPERTIES

The freehold land of the Company was revalued by professionally qualified independent valuers as at December 31, 2014, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of freehold properties owned by the Company are given in Note 14.7 to the Financial Statements on pages 125 to 126.

7. STATED CAPITAL

The Stated Capital as at December 31, 2014 was Rs. 2,671,543,090 comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090 as at December 31, 2013 comprising of 223,732,169 ordinary voting shares).

8. SHARE INFORMATION

Information relating to earnings, dividend, net assets and market value per share is given in the 'Financial Highlights' on pages 10 and 148.

9. MAJOR SHAREHOLDINGS

Details of the top twenty shareholders, percentages of their respective holdings and percentage holding of the public are given in the Section on 'Investor Relations' on page 146.

10. DISTRIBUTION SCHEDULE FOR SHAREHOLDINGS

Information on the distribution of shareholdings and the respective percentages are given in the Section on 'Investor Relations' on pages 147 and 148.

11. DIRECTORS

11.1 Information on Directors of the LHC and its Subsidiary Company LHD

11.1.1 List of Directors

The Board of Directors of the Company as at December 31, 2014 consisted of eleven Directors (eleven Directors as at December 31, 2013) with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 30 to 41.

Names of the Directors of the Company as at the end of 2014, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Executive/Non-Executive	Independence/Non Independence
1. Mr. Gotabaya Nandasena Rajapaksa	Non-Executive	Independent
2. Mrs. Roshini Sunethra Cabraal	Non-Executive	Independent
3. Professor Dayasiri Priyalath Anura Fernando	Non-Executive	Independent
4. Dr. Gamini Wasantha Kumara Wickremasinghe	Non-Executive	Independent
5. Mr. Pitumpe Appuhamilage Lionel	Non-Executive	Independent
6. Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Non-Executive	Non Independent
7. Dr. Yaddehige Don Nihal Jayathilaka	Non-Executive	Independent
8. Mr. Malvinder Mohan Singh	Non-Executive	Non Independent
9. Mr. Shivinder Mohan Singh	Non-Executive	Non Independent
10. Mr. Daljit Singh	Non-Executive	Non Independent
11. Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Non-Executive	Independent

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2014

1. Mr. Gotabaya Nandasena Rajapaksa
2. Mrs. Roshini Sunethra Cabraal
3. Professor Dayasiri Priyalath Anura Fernando
4. Dr. Gamini Wasantha Kumara Wickremasinghe
5. Mr. Pitumpe Appuhamilage Lionel
6. Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

11.1.3 New Appointments and Resignations

The information on new appointments and resignations to and from the Board of Directors of the Company is given below.

Mr. Sunil Godhwani, Mr. Sanjeev Vashishta (Alternate Director to Mr. Malvinder Mohan Singh), Mr. Daljit Singh (Alternate Director to Mr. Shivinder Mohan Singh) resigned on 1st December 2014.

Mr. Daljit Singh was appointed as a Non Independent Non-Executive Director and Mr. Sanjeeva Vashishta was appointed as the Alternate to Mr. Daljit Singh effective from 1st December 2014. Mr. P Raghunath was appointed as the Alternate Director to Mr. Malvinder Mohan Singh and Mr. Karthik Rajagopal was appointed as the Alternate Director to Mr. Shivinder Mohan Singh effective from 1st December 2014.

On 9th January 2015 Mr. Gotabaya Rajapakse, Chairman and Mrs Roshini Sunethra Cabraal Deputy Chairman tendered their resignations from the Board of Directors of the Company. Accordingly in terms of Article 81(i) of the Articles of Association, Dr. Gamini Wickremasinghe was appointed as the Chairman of the Company effective from 19th January 2015. Board also appointed Mr. Chandima Lalith Kumar Perera Jayasuriya to the Board of Directors of the company effective from 19th January 2015.

Upon the receipt of letter of no objection from the parent company, Sri Lanka

Insurance Corporation Limited, Board approved the appointment of Ven. Thiniyawala Palitha Thero to the Board of the Company effective from 23rd February 2015.

Following Directors tendered their resignations -on 02nd March 2015.

1. Professor Dayasiri Priyalath Anura Fernando
2. Dr. Gamini Wasantha Kumara Wickremasinghe
3. Mr. Pitumpe Appuhamilage Lionel
4. Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesirwardena
5. Mr. Chandima Lalith Kumar Perera Jayasuriya

On 3rd March 2015 following Directors tendered their resignations from the Board of the Company.

1. Dr. Yaddhige Don Nihal Jayathilaka
2. Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne
3. Mr. Shivinder Mohan Singh

Sri Lanka Insurance Corporation Limited on instructions of Ministry of Finance, proposed new members to the Board of Directors of the Company on 03rd March 2015. Accordingly, the remaining Directors approved the following appointments to the Board.

1. Dr. Sarath Paranavitane - Chairman
2. Dr. Harsha Hemal Gunasekara

3. Prof. Menaka Dilani Samarawickrema Lokuhetty
4. Dr. Rohan Lalith Wijesundera
5. Mr. Lintotage Udaya Damien Fernando
6. Prof. Serosha Mandika Wijeyaratne
7. Prof. Hithanadura Asita De Silva

On 27th March 2015, Board approved the appointment of Mr. Tissa Nanayakkara to the Board and as the Deputy Chairman of the Company.

11.1.4 Recommendations for Re-election

1. Directors who were appointed to fill casual vacancies

All the 10 Directors appointed to the Board to fill casual vacancies and are permitted to hold office only until the following AGM, hence, they are required to offer themselves for election as Directors at this Annual General Meeting.

2. Directors to retire by rotation

In terms of Article 85 of the Articles of Association, 1/3 of the Directors are required to retire by rotation at each Annual General Meeting. Article 86 of the Articles of Association provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment. Except Mr. Malvinder Mohan Singh, who retired by rotation and re-elected at the last Annual General Meeting, all the other 10 Directors were appointed to the Board to fill casual vacancies.

11.1.5 Details of Directors attendance at Directors' meetings are presented on page 76 under Corporate Governance section.

11.1.6 Board Sub-Committees.

Audit Committee and Remuneration Committee are the two Board Sub-Committees as required by the Listing Rules of the Colombo Stock Exchange. Composition of these Board Sub-Committees and its functions are presented under the section on Corporate Governance, Audit Committee Report and Remuneration Committee Report.

11.2. Disclosure of Directors' Dealing in Shares

Name of the Director	
Mr. Gotabaya Nandasena Rajapaksa	Nil
Mrs. Roshini Sunethra Cabraal	Nil
Professor Dayasiri Priyalath Anura Fernando	Nil
Dr. Gamini Wasantha Kumara Wickremasinghe	Nil
Mr. Pitumpe Appuhamilage Lionel	Nil
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Nil
Dr. Yaddehige Don Nihal Jayathilaka	Nil
Mr. Malvinder Mohan Singh	Nil
Mr. Shivinder Mohan Singh	Nil
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Nil
Mr. Daljit Singh	Nil

11.3. Directors' Interests in Contracts or Proposed Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on page 143 to 145. These interests have been declared at Directors' meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Directors' remuneration and other benefits, in respect of the Group and the Company for the financial year ended December 31, 2014 are given in Note 10 to the Financial Statements on page 117.

12. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied, that all statutory payments due to the Government, other regulatory institutions and related to the employees have been made on time.

13. EVENTS AFTER DATE OF THE STATEMENT OF FINANCIAL POSITION

No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 36 to the Financial Statements on page 145.

14. APPOINTMENT OF AUDITORS

The Board of Directors of the Company decided to adopt a Policy of rotation of Auditors, once in every five years, in keeping with the principles of good Corporate Governance. Accordingly, the present Auditors Messrs PricewaterhouseCoopers, Chartered Accountants were appointed as Auditors of the Company, at the Annual General Meeting held in June 2012. Accordingly, PricewaterhouseCoopers will serve for a maximum period of five years consecutively, subject to them being re-elected by shareholders, upon a recommendation of the Board of Directors, annually. The retiring Auditors, Messrs PricewaterhouseCoopers, Chartered Accountants have signified their willingness to continue functioning as the Auditor to the Company. A resolution to re-appoint PricewaterhouseCoopers as Auditors and granting authority to the Directors to fix their remuneration will be proposed at this Annual General Meeting. The fees paid to auditors for the statutory audit of the financial year ended 31st December 2014 are disclosed in Note 10

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company, or any of its subsidiaries other than being the Auditors for Company's Subsidiary company Lanka Hospitals Diagnostics (Private) Limited.

15. DIRECTORS' DECLARATIONS

The Directors declare that-

1. The Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Audit Committee.
2. The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
3. All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue.

16. 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.

17. CONTINGENT LIABILITIES

Details with regard to the contingent liabilities are given in note 33 to the Financial Statements.

18. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26th June 2015 at 2.30pm 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,

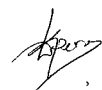


Dr. Sarath Paranavitane
Chairman



Tissa Nanayakkara
Deputy Chairman

By Order of the Board of Directors of
The Lanka Hospitals Corporation PLC,
Accounting Systems Secretarial Services (Private) Limited,



Secretaries to the Company,

11th May 2015

STATEMENT OF RESPONSIBILITY OF DIRECTORS

The responsibility of the Directors, in relation to the Financial Statements of The Lanka Hospitals Corporation PLC (LHC) and the Consolidated Financial Statements of the LHC and its Subsidiary (Group), is set out in this Statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the LHC are responsible for ensuring that the Group and the LHC keep proper books of accounts of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the LHC and the Group as at end of each financial year and of the financial performance of the LHC and the Group for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2014, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the LHC and the Group give a true and fair view of:

- (a) the financial position of the LHC and the Group as at Reporting date; and
- (b) the financial performance of the LHC and the Group for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the LHC and the Group have been certified by the LHC's Chief Financial Officer, the Officer responsible for their preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on 5th May 2015 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the LHC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly the Directors have taken reasonable steps to ensure that the LHC and the Group maintain proper books of accounts and review the financial reporting system through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Board Audit Committee.

The Directors confirm that these Financial Statements for the year 2014, prepared and presented in this Annual Report are in agreement with

- a) appropriate accounting policies 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 also confirm that the underlying books of accounts are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and 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 of Sri Lanka (SEC).

The Directors also have taken reasonable measures to safeguard the assets of the LHC and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

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.

STATEMENT OF RESPONSIBILITY OF DIRECTORS CONTD.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by LHC and its Subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of LHC and its Subsidiary, and all other known statutory dues as were due and payable by LHC and its Subsidiary as at the Reporting date have been paid or, where relevant, provided for.

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

A handwritten signature in black ink, appearing to be 'K. Perera', written over a horizontal line.

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

11th May 2015

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE COMMITTEE

The role of the Audit Committee is to assist the Board in fulfilling its oversight duties for the integrity of company's financial statements, internal control and risk management process, compliance to the legal and regulatory requirements, and the independence and performance of internal audit function and external auditors.

This is detailed in the terms of reference of the audit committee which has been approved by the Board and reviewed periodically.

COMPOSITION OF THE COMMITTEE AND MEETINGS

Following independent Non-Executive directors served the audit committee during the year ended December 2014.

- 👑 Mrs. Roshini S. Cabraal - Chairperson (resigned w.e.f. 09.01.2015)
- 👑 Prof. Dayasiri Fernando - Member (resigned w.e.f. 02.03.2015)
- 👑 Mr. P.A. Lionel - Member (resigned w.e.f. 02.03.2015)

The Committee held six meetings during the year ended December 2014 and the attendance of the members was as follows,

Name of the Member	Attendance
Mrs. Roshini S. Cabraal	6/6
Prof. Dayasiri Fernando	5/6
Mr. P.A. Lionel	6/6

The Secretary to the Board functions as the Secretary to the Audit Committee. The Chief Executive Officer, Head of Internal Audit and the Chief Financial Officer attend Audit Committee meetings by invitation. The Committee also meets the external auditors separately. The minutes of the Audit Committee meetings are tabled at Board meetings.

The Audit Committee was reconstituted in March 2015 and the following Independent Non-Executive Directors were appointed to the Committee.

- 👑 Mr. Damien Fernando - Chairman (w.e.f. 06.03.2015)
- 👑 Dr. Harsha Gunasekara - Member (w.e.f. 06.03.2015)
- 👑 Mr. Tissa Nanayakkara - Member (w.e.f. 27.03.2015)

A brief profile of the members are given on pages 30 to 41 of the Annual Report.

COMMITTEE ACTIVITIES

Following include the key activities carried out by the Committee during the year.

FINANCIAL STATEMENTS

The Committee reviewed the effectiveness of the financial reporting system in place to ensure the reliability and consistency of the financial statements including compliance with the requirement of the Sri Lanka Financial Reporting Standards (SLFRS), LKAS and the adequacy of disclosure required by other applicable laws, rules and guidelines.

The committee reviewed and discussed the interim and annual financial statements, with the management prior to recommending the financial statements for the approval of the Board of Directors.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Committee reviewed the effectiveness of the internal control systems and the processes in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. The Committee closely monitored the measures taken by the management to implement the recommendations of internal and external auditors on internal control system and on best business practices.

The Committee reviewed the adequacy of the company's approach to its exposure to the business and financial risks. The

REPORT OF THE AUDIT COMMITTEE CONTD.

effectiveness of the Enterprise Risk Management process initiated by the senior management was monitored by the Committee.

INTERNAL AUDIT

The internal audit plan which is developed based on a risk base planning methodology for risk assessment of auditable areas, was reviewed and approved by the Committee. The Head of Internal Audit was invited to be present at all Audit Committee deliberations. The salient finding of all internal audits and investigations along with the responses from the senior management were reviewed and where necessary corrective action was recommended and implementation was monitored.

The Committee regularly reviewed and monitored the internal audit function and performance of the Internal Audit department.

EXTERNAL AUDIT

The Audit Committee met the external auditors prior to the commencement of the audit and at the conclusion of the audit to review the scope and result of the audit. The External Auditors kept the Audit Committee informed on an ongoing basis of all matters of significance.

The Committee reviewed the Management Letter issued by the External Auditors, the Management responses thereto and follow up action by the management.

The 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 Audit Committee has recommended to the Board of Directors that M/s PricewaterhouseCoopers to be re-appointed as auditors for the financial year ending 31st December 2015 subject to the approval of the shareholders at the next Annual General Meeting.



Damien Fernando
Chairman, Audit Committee

6th May 2015

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF THE LANKA HOSPITALS CORPORATION PLC AND ITS SUBSIDIARY COMPANY

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of The Lanka Hospitals Corporation PLC ("the Company"), the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 96 to 145.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

6. In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 December 2014 and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CHARTERED ACCOUNTANTS

5 May 2015
COLOMBO

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, T.U. Jayasinghe ACA

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

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)

Year ended 31 December	Notes	Group		Company	
		2014	2013	2014	2013
Revenue	6	4,753,588,586	4,071,914,867	4,491,554,590	4,071,914,867
Cost of services		(2,058,866,017)	(1,691,623,737)	(1,938,626,017)	(1,691,623,737)
Gross profit		2,694,722,569	2,380,291,130	2,552,928,573	2,380,291,130
Other operating income	7	44,423,418	29,673,963	44,415,918	29,673,963
Staff costs	8	(1,293,174,691)	(977,905,509)	(1,206,734,222)	(977,905,509)
Depreciation on property, plant and equipment	14.5	(151,596,755)	(127,957,387)	(142,739,622)	(127,930,076)
Other operating expenses		(842,458,863)	(708,706,858)	(759,231,812)	(696,443,170)
Finance income	9	70,050,613	148,113,568	67,773,826	147,906,570
Change in fair value of investment property	17	Nil	Nil	16,298,000	Nil
Profit before tax	10	521,966,291	743,508,907	572,710,661	755,592,908
Income tax expense	11	(11,857,307)	(66,737,785)	(7,305,141)	(66,679,825)
Profit for the year		510,108,984	676,771,122	565,405,520	688,913,083
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus on revaluation of buildings	14	Nil	212,924,950	Nil	212,924,950
Surplus on revaluation of freehold land	14.7	42,226,851	Nil	42,226,851	Nil
Deferred tax provision on revaluation surplus on buildings	27	Nil	(25,550,994)	Nil	(25,550,994)
Deferred tax on depreciation of revalued assets	27	4,102,846	3,447,693	3,909,969	3,447,693
Actuarial losses on retirement benefit obligations	26	(9,231,382)	(2,816,027)	(9,231,382)	(2,816,027)
Deferred tax attributable to actuarial losses on retirement benefit obligations	27	1,107,765	337,923	1,107,765	337,923
Other comprehensive income for the year, net of tax		38,206,080	188,343,545	38,013,203	188,343,545
Total comprehensive income for the year		548,315,064	865,114,667	603,418,723	877,256,628
Profit attributable to:					
Equity holders of the company		510,108,984	676,771,122	565,405,520	688,913,083
Basic earnings per share	12	2.28	3.02	2.53	3.08
Dividend per share	13	0.50	2.00	0.50	2.00

The notes on pages 101 to 145 form an integral part of these consolidated financial statements. Figures in brackets indicate deductions.

Report of the independent auditors' on page 95.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees)

As at 31 December	Notes	2014	Group	2013	2014	Company	2013
ASSETS							
Non current assets							
Property, plant and equipment	14	3,659,633,440	3,226,050,122	3,341,179,985	3,198,699,967		
Intangible assets	15	32,454,593	6,478,970	8,270,712	6,478,970		
Advance lease premium	16	161,579,772	147,716,692	161,579,772	147,716,692		
Investment Property	17	Nil	Nil	98,408,000	Nil		
Investment in subsidiary	18	Nil	Nil	350,000,020	50,000,020		
		3,853,667,805	3,380,245,784	3,959,438,489	3,402,895,649		
Current assets							
Inventories	19	307,431,533	175,976,006	250,746,754	175,976,006		
Trade and other receivables	20	477,148,511	471,748,339	461,505,664	470,974,639		
Amounts due from related parties	21	5,627,096	4,307,247	71,764,397	32,449,069		
Income tax receivables	30	34,150,926	Nil	34,250,940	Nil		
Cash and cash equivalents	22	994,938,967	1,063,876,822	988,826,605	1,017,415,496		
		1,819,297,033	1,715,908,414	1,807,094,360	1,696,815,210		
Total assets		5,672,964,838	5,096,154,198	5,766,532,849	5,099,710,859		
EQUITY AND LIABILITIES							
Equity							
Stated capital	23	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090		
Revaluation reserve	24	1,032,574,497	1,020,435,186	996,964,634	1,020,435,186		
Retained earnings	25	779,160,970	354,851,302	882,016,453	366,993,263		
Total equity		4,483,278,557	4,046,829,578	4,550,524,177	4,058,971,539		
Non current liabilities							
Retirement benefit obligations	26	105,319,751	66,879,558	95,957,847	66,879,558		
Deferred tax liabilities	27	314,105,948	278,098,640	310,387,195	278,098,640		
		419,425,699	344,978,198	406,345,042	344,978,198		
Current liabilities							
Amounts due to related parties	28	13,014,110	10,986,929	4,769,075	4,236,929		
Trade and other payables	29	559,516,361	544,239,564	629,121,883	542,462,223		
Current tax liabilities	30	Nil	14,064,749	Nil	14,006,790		
Borrowings	31	197,730,111	135,055,180	175,772,672	135,055,180		
		770,260,582	704,346,422	809,663,630	695,761,122		
Total liabilities		1,189,686,281	1,049,324,620	1,216,008,672	1,040,739,320		
Total equity and liabilities		5,672,964,838	5,096,154,198	5,766,532,849	5,099,710,859		

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



Badrajith Siriwardana
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 5 May 2015.

Approved and signed for and on behalf of the Board.



Dr. Sarath Paranavitane
Chairman



Tissa Nanayakkara
Deputy Chairman

The notes on pages 101 to 145 form an integral part of these consolidated financial statements. Figures in brackets indicate deductions.

Report of the independent auditors' on page 95.

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lanka Rupees)

	Notes	Attributable to equity holders of the Group			Total
		Stated capital	Revaluation reserve	Retained earnings	
Balance as at 1 January 2013		2,671,543,090	858,344,308	99,291,851	3,629,179,249
Comprehensive income for the year					
Profit for the year		Nil	Nil	676,771,122	676,771,122
Other comprehensive income for the year		Nil	162,090,878	26,252,667	188,343,545
Total comprehensive income for the year		Nil	162,090,878	703,023,789	865,114,667
Transactions with owners:					
Dividend paid	13	Nil	Nil	(447,464,338)	(447,464,338)
Balance as at 31 December 2013		2,671,543,090	1,020,435,186	354,851,302	4,046,829,578
Balance as at 1 January 2014		2,671,543,090	1,020,435,186	354,851,302	4,046,829,578
Comprehensive income for the year					
Profit for the year		Nil	Nil	510,108,984	510,108,984
Other comprehensive income for the year		Nil	12,139,311	26,066,769	38,206,080
Total comprehensive income for the year		Nil	12,139,311	536,175,753	548,315,064
Transactions with owners:					
Dividend paid	13	Nil	Nil	(111,866,085)	(111,866,085)
Balance as at 31 December 2014		2,671,543,090	1,032,574,497	779,160,970	4,483,278,557

The notes on pages 101 to 145 form an integral part of these consolidated financial statements. Figures in brackets indicate deductions.

Report of the independent auditors' on page 95.

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lanka Rupees)

	Notes	Attributable to equity holders of the Company			Total
		Stated capital	Revaluation reserve	Retained earnings	
Balance as at 1 January 2013		2,671,543,090	858,344,308	99,291,851	3,629,179,249
Comprehensive income for the year					
Profit for the year		Nil	Nil	688,913,083	688,913,083
Other comprehensive income for the year		Nil	162,090,878	26,252,667	188,343,545
Total comprehensive income for the year		Nil	162,090,878	715,165,750	877,256,628
Transactions with owners:					
Dividend paid	13	Nil	Nil	(447,464,338)	(447,464,338)
Balance as at 31 December 2013		2,671,543,090	1,020,435,186	366,993,263	4,058,971,539
Balance as at 1 January 2014		2,671,543,090	1,020,435,186	366,993,263	4,058,971,539
Comprehensive income for the year					
Profit for the year		Nil	Nil	565,405,520	565,405,520
Other comprehensive income for the year		Nil	(23,470,552)	61,483,755	38,013,203
Total comprehensive income for the year		Nil	(23,470,552)	626,889,275	603,418,723
Transactions with owners:					
Dividend paid	13	Nil	Nil	(111,866,085)	(111,866,085)
Balance as at 31 December 2014		2,671,543,090	996,964,634	882,016,453	4,550,524,177

The notes on pages 101 to 145 form an integral part of these consolidated financial statements. Figures in brackets indicate deductions.

Report of the independent auditors' on page 95.

CONSOLIDATED STATEMENTS OF CASH FLOW

(all amounts in Sri Lanka Rupees)

Year ended 31 December	Notes	2014	Group 2013	2014	Company 2013
Cash flow from operating activities					
Profit before tax		521,966,291	743,508,907	572,710,661	755,592,908
Adjustments for:					
Interest income	9	(64,570,999)	(135,552,188)	(62,290,868)	(135,345,190)
Depreciation on property, plant and equipment	14	241,888,960	220,495,094	227,630,046	220,467,783
Loss / (gain) on disposal of property, plant and equipment	10	3,955,063	(1,800,000)	3,955,063	(1,800,000)
Write off capital work-in-progress	14	2,874,516	Nil	2,874,516	Nil
Amortisation of intangible assets	15	3,239,205	547,423	1,321,606	547,423
Amortisation of advance lease premium	16	4,683,472	4,683,474	4,683,472	4,683,474
Net gain from fair value adjustment on investment property	17	Nil	Nil	(16,298,000)	Nil
Provision for retirement benefit obligations	26	33,416,953	17,640,150	24,055,049	17,640,150
Provision for expired inventories	19	3,265,378	Nil	3,265,378	Nil
Provision for impairment loss on trade receivables	20 (b)	7,333,024	991,442	7,333,024	991,442
Operating profit before working capital changes		758,051,863	850,514,302	769,239,947	862,777,990
Changes in working capital:					
Increase in inventories		(134,720,905)	(26,633,453)	(78,036,124)	(26,633,453)
Increase in trade and other receivables		(19,030,500)	(223,622,829)	(3,912,339)	(222,849,128)
Increase in amounts due from related company		(1,319,849)	(564,207)	(64,315,328)	(3,706,029)
Increase / (decrease) in amounts due to related company		2,027,181	6,361,478	532,146	(388,522)
Increase / (decrease) in trade and other payables		17,961,281	201,198,691	89,344,136	199,421,349
Net changes in working capital		622,969,071	807,253,982	712,852,438	808,622,207
Economic service charge paid		(11,430,028)	(7,438,887)	(11,117,815)	(7,438,887)
Income tax paid	30	(3,812,215)	(5,343,939)	(3,774,955)	(5,343,938)
Retirement benefit obligations paid	26	(4,208,142)	(5,080,443)	(4,208,142)	(5,080,443)
Net cash generated from operating activities		603,518,686	789,390,713	693,751,526	790,758,939
Cash flow from investing activities					
Purchase of property, plant and equipment	14	(646,542,281)	(417,042,880)	(423,290,067)	(389,665,414)
Purchase of Intangible assets	15	(27,154,828)	(5,835,036)	(1,053,348)	(5,835,036)
Proceeds from disposal on property, plant and equipment		4,407,275	1,800,000	4,407,274	1,800,000
Advance lease premium paid	16	(18,546,552)	(18,546,550)	(18,546,552)	(18,546,550)
Interest income	9	64,570,999	135,552,188	62,290,868	135,345,190
Investment in subsidiary	18	Nil	Nil	(275,000,000)	(50,000,020)
Advance against stated capital of subsidiary		Nil	Nil	Nil	(25,000,000)
Net cash used in investing activities		(623,265,387)	(304,072,278)	(651,191,824)	(351,901,830)
Cash flow from financing activities					
Dividend paid	13	(111,866,085)	(447,464,338)	(111,866,085)	(447,464,338)
Net cash used in financing activities		(111,866,085)	(447,464,338)	(111,866,085)	(447,464,338)
Net (decrease) / increase in cash and cash equivalents		(131,612,786)	37,854,097	(69,306,383)	(8,607,229)
Cash and cash equivalents at the beginning of the year		928,821,642	890,967,545	882,360,316	890,967,545
Cash and cash equivalents at the end of the year	22	797,208,856	928,821,642	813,053,933	882,360,316

The notes on pages 101 to 145 form an integral part of these consolidated financial statements. Figures in brackets indicate deductions.

Report of the independent auditors' on page 95.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lanka Rupees unless otherwise stated)

1 GENERAL INFORMATION

1.1 Reporting Entity

- (a) 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 28 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.
- (b) The subsidiary company, Lanka Hospitals Diagnostics (Private) Limited is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No 7 of 2007. The Company was incorporated on 6 February 2013. The immediate parent of the Company is The Lanka Hospitals Corporation PLC.

1.2 Consolidated Financial Statements

The “Company”, in the financial statement, refers to The Lanka Hospitals Corporation PLC and “Group” refers to the Company and its subsidiary, whose financial statements have been consolidated.

1.3 Date of Authorisation for Issue

Those consolidated financial statements were authorised for issued by the board of directors on 05 May 2015.

Principle activities and nature of operations

The principle activity of the Company and the subsidiary is to provide healthcare and laboratory services. There were no significant changes in the nature of principal activities of the Company and the subsidiary during the financial year under review.

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

2.1 Statement of Compliance

The Group and the Company prepare its financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs), issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No.7 of 2007.

The consolidated financial statements of the Group, which comprise the statement

of financial position, and the statement of comprehensive income, statement of changes in equity and cash flows together with accounting policies and notes to the financial statements have been prepared in accordance with Sri Lanka Accounting Standards applicable for periods beginning on or after 1 January 2014. New accounting standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 are not early adopted.

2.2 Basis of Measurement

The financial statements of the Group and the Company, which comprise the statement of financial position, and the statements of comprehensive income, statement of changes in equity and cash flows have been prepared on the basis that the Group and the Company are going concerns and the financial statements have been prepared on a historical cost convention, as modified by the revaluation of land and buildings, investment property, financial assets and liabilities at fair value.

The preparation of financial statements in conformity with LKASs / SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

2.3 Comparative information

The financial statements for the comparative periods comprises results for the twelve month periods from 1 January 2013 to 31 December 2013. In this circumstance, the comparative information for the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement and related notes are comparable with the current period.

2.4 Changes in Accounting Policy and Disclosures

- (a) New accounting standards, amendments and interpretations adopted in 2014
- (i) Amendment to LKAS 1 'Financial Statement Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
 - (ii) SLFRS 13 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Sri Lanka Accounting Standards.

(iii) SLFRS 10 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(iv) SLFRS 12 'Disclosure of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

(b) New accounting standards, amendments and interpretations issued but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company and the Group except as set out below:

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. SLFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared

under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

- (ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies that is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or

convertible are considered when assessing whether the Company controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The details Group's principal subsidiary are set out in Note 18.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Additional capital provided as loans are stated at cost.

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency

using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

3.3 Segment reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business segment) or in providing products or services within a particular economic environment (Geographical segment), which is subject to risk and rewards that are different from those of other segments.

However, there are no distinguishable components to be identified as segments for the Group and the Company.

3.4 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount

is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Motor vehicles	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.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income – net' in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

3.5 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs and subsequently measured at fair value if the fair value is considered to be reliably determinable.

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Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

If an item of revalued owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of the item at the date of transfer is treated in the same way as a revaluation under LKAS 16; Property, plant and equipment. Accordingly, the surplus on revaluation is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss. Further, any resulting decrease in the carrying amount of the property is initially charged in the statement of comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. The

effect of depreciation on revalued property is also reversed within the statement of comprehensive income.

3.7 Impairment of non-financial assets

"Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.8 Financial instruments

3.8.1 Financial assets

3.8.1.1 Classification

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment or available-for-sale financial assets, as appropriate. The classification depends on

the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets include investments in fixed deposits, cash and trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties' and 'cash and cash equivalents' in the statement of financial position (notes 3.12 and 3.13).

3.8.1.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have

expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3.8.2 Financial liabilities

3.8.2.1 Classification and initial recognition

Financial liabilities are initially recognised at fair value, net of transaction costs.

The Group classifies its financial liabilities as other financial liabilities and financial liabilities at fair value through profit or loss, based on the purpose for which the financial liabilities were issued. Other financial liabilities mainly include trade and other payables and bank overdraft. Financial liabilities at fair value through profit or loss include derivative liabilities from foreign currency forward contracts.

3.8.2.2 Subsequent measurement

Other financial liabilities are subsequently carried at amortised cost using effective interest method.

Financial liabilities at fair value through profit or loss are subsequently carried at fair value.

3.8.2.3 Derecognition

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

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable

data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out

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(FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

3.13 Cash and cash equivalents

In the statement of cash flows of the Group and 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 Group and the Company, bank overdrafts are shown within borrowings in current liabilities.

3.14 Stated capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which

applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference

will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

3.19.1 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.

3.19.2 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

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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.

The liability is not externally funded.

3.19.3 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.

3.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group and the Company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

“Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.”

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.21 Revenue

3.21.1 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 In-house and 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.

3.21.2 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.

3.22 Rental income

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

3.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3.24 Other income

Other Income is recognised on an accrual basis.

3.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under

operating leases (net of any incentives received from the lessor) are carried forward and charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.27 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.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's / 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 co-operation with the Group's treasury function. Treasury function is governed by the Treasury Committee, headed by the Chief Financial Officer and within the requirements of an approved treasury policy. The Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign

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exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group / Company is not significantly exposed to the fluctuations in exchange rates except for USD denominated foreign currency deposits amounting to Rs. 652,272,574 (USD 5,003,625). The Group's / Company's transactions (hospital revenue, pharmacy revenue, cost of services and cost of purchasing of pharmacy items and other medical equipment) are mainly denominated in Sri Lankan Rupees .

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

(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 receivables, advances and prepayments, amount due from related parties and cash & deposits held at banks. The maximum exposure to credit risk at the reporting date in terms of carrying value of assets are as follows:

31 December	Group		Company	
	2014	2013	2014	2013
Trade and other receivables (Note 20)	477,148,511	471,748,339	461,505,664	470,974,639
Amount due from related parties (Note 21)	5,627,096	4,307,247	71,764,397	32,449,069
Cash and cash equivalents (Note 22)	994,938,967	1,063,876,822	988,826,605	1,017,415,496
Total credit risk exposure	1,477,714,574	1,539,932,408	1,522,096,666	1,520,839,204

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties See Notes 20 and 30 for further disclosure on credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to honor 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.

The table below analyses the Group's / Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2014						
Trade and other payables (Note 29)	479,684,332	88,077,064	Nil	Nil	Nil	567,761,396
Amounts due to related parties (Note 28)	12,346,440	667,670	Nil	Nil	Nil	13,014,110
Borrowings (Note 31)	197,730,111	Nil	Nil	Nil	Nil	197,730,111
At 31 December 2013						
Trade and other payables (Note 29)	453,346,364	97,643,200	Nil	Nil	Nil	550,989,564
Amounts due to related parties (Note 28)	10,224,282	762,647	Nil	Nil	Nil	10,986,929
Borrowings (Note 31)	135,055,180	Nil	Nil	Nil	Nil	135,055,180

Company

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2014						
Trade and other payables (Note 29)	541,044,819	88,077,064	Nil	Nil	Nil	629,121,883
Amounts due to related parties (Note 28)	4,101,405	667,670	Nil	Nil	Nil	4,769,075
Borrowings (Note 31)	175,772,672	Nil	Nil	Nil	Nil	175,772,672
At 31 December 2013						
Trade and other payables (Note 29)	444,819,023	97,643,200	Nil	Nil	Nil	542,462,223
Amounts due to related parties (Note 28)	3,474,282	762,647	Nil	Nil	Nil	4,236,929
Borrowings (Note 31)	135,055,180	Nil	Nil	Nil	Nil	135,055,180

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4.2 Capital management

The Company's / Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company represents equity attributable to owners of the Company, comprising issued stated capital, revaluation reserve and retained earnings.

The Group and the Company did not have net debt (borrowings net of cash and cash equivalents) as at the statement of financial position date. Accordingly, the capital structure of the Group and the Company state that the Group and Company is not depending on external borrowings.

4.3 Fair value estimation

The Group's / Company's financial assets and liabilities include receivables, cash in hand and at bank, payables and bank overdrafts. The carrying amounts of these assets and liabilities approximate their fair values. The disclosure of financial assets and liabilities carried at amortised cost and the disclosure of the freehold land and buildings measured at fair value are presented in Note 32 and 14 to these financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group 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:

(a) 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.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques and valuation rates obtained from counterparty banks. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(c) Retirement benefit obligations

The present value of the gratuity obligations 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 for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group 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 pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note 26.

(d) Estimated useful lives of property plant and equipment (PPE)

The Group reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

(e) Estimated impairment of non-current assets

The Group reviews for impairment of property, plant and equipment in accordance with the Accounting Policy in Note 3.7. The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgements.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying on amount to exceed its recoverable amount.

(f) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Group consults with legal counsel (lawyers) on matters related to litigation and other experts both within and outside the Group Company with respect to matters in the ordinary course of business.

5.2 Critical judgements in applying the entity's accounting policies

No judgements have been made in applying the entity's accounting policies.

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6 REVENUE

		Group		Company	
	2014	2013	2014	2013	
Hospital services	3,706,401,028	3,199,346,286	3,444,367,032	3,199,346,286	
Pharmacy revenue	1,047,187,558	872,568,581	1,047,187,558	872,568,581	
	4,753,588,586	4,071,914,867	4,491,554,590	4,071,914,867	

7 OTHER OPERATING INCOME

Rent income	9,950,000	4,160,000	9,950,000	4,160,000
Car park income	22,331,667	20,325,060	22,331,667	20,325,060
Sundry income	16,096,814	3,388,903	16,089,314	3,388,903
(Loss)/Gain on disposal of property, plant and equipment	(3,955,063)	1,800,000	(3,955,063)	1,800,000
	44,423,418	29,673,963	44,415,918	29,673,963

8 STAFF COSTS

Salaries, fees, wages and other related costs	1,178,482,775	897,091,592	1,106,413,556	897,091,592
Retirement benefit obligations (Note 26)	33,416,953	17,640,150	24,055,049	17,640,150
Defined contribution plan cost - EPF and ETF	81,274,963	63,173,767	76,265,617	63,173,767
	1,293,174,691	977,905,509	1,206,734,222	977,905,509

Average monthly number of employees

employed by the Group/Company during the year:	1,553	1,397	1,404	1,397
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9 FINANCE INCOME

Interest income from				
- Call deposits	10,192,718	4,878,216	7,912,587	4,671,218
- Fixed deposits - Sri Lankan Rupees	30,275,526	114,607,707	30,275,526	114,607,707
- Fixed deposits - Foreign Exchange Earners Account (FEEA)	24,102,755	16,066,265	24,102,755	16,066,265
Total interest income	64,570,999	135,552,188	62,290,868	135,345,190
Net foreign exchange transaction / translation gain	5,479,614	12,561,380	5,482,958	12,561,380
Total finance income	70,050,613	148,113,568	67,773,826	147,906,570

10 PROFIT BEFORE TAX

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

	Group		Company	
	2014	2013	2014	2013
Director's remuneration	16,000,000	11,925,000	14,000,000	11,925,000
Auditors' remuneration				
- Statutory audit	890,000	820,000	660,000	720,000
- Non audit services	264,240	124,480	114,240	124,480
Provision for impairment loss on trade receivables - [Note 20 (b)]	7,333,024	991,442	7,333,024	991,442
Provision for expired inventories [Note 19 (a)]	3,265,378	Nil	3,265,378	Nil
Legal expenses	5,940,059	3,002,456	5,237,259	3,002,456
Amortisation of advanced lease premium (Note 16)	4,683,472	4,683,472	4,683,472	4,683,472
Loss / (gain) on disposal of property, plant and equipment (Note 7)	3,955,063	(1,800,000)	3,955,063	(1,800,000)
Amortisation of intangible assets (Note 15)	3,239,205	547,423	1,321,606	547,423
Staff costs (Note 8)	1,293,174,691	977,905,509	1,206,734,222	977,905,509
Depreciation on property, plant and equipment (Note 14)	241,888,960	220,495,094	227,630,046	220,467,783
Write off of capital work-in-progress (Note 14)	2,874,516	Nil	2,874,516	Nil
Repair and maintenance expenditure	78,696,968	82,407,429	78,200,133	82,407,429

11 INCOME TAX EXPENSE

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 was exempt from tax for a period of 12 years from 2002. Accordingly, the tax exception period ended in June 2014. After expiry of tax exemption period the business profit is taxable at a rate of 12%. However, in view of tax losses incurred on main business activities subsequent to the expiry of tax holiday period, the Company is liable for income tax for the period from July 2014 to December 2014.

Lanka Hospitals Diagnostics (Private) Limited, the subsidiary Company, is exempt from tax for a period of 7 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first.

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Income tax has been provided at the normal rates of tax of 28% (2013 - 28%) on non-trading income.

	Group		Company	
	2014	2013	2014	2013
Current income tax :				
Current tax (Note 30)	640,536	41,764,768	Nil	41,706,808
Over provision for income tax in respect of prior year (Note 30)	(30,001,148)	Nil	(30,001,148)	Nil
Total current tax :	(29,360,612)	41,764,768	(30,001,148)	41,706,808
Deferred tax				
Origination and reversal of temporary differences (Note 27)	41,217,919	24,973,017	37,306,289	24,973,017
Income tax expense	11,857,307	66,737,785	7,305,141	66,679,825
Deferred tax charged to other comprehensive Income (Note 27)	(1,107,766)	(337,923)	(1,107,766)	(337,923)
Income tax charged to statement of comprehensive income	10,749,541	66,399,862	6,197,375	66,341,902

The tax on the Group's / Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the Company as follows:

	Group		Company	
	2014	2013	2014	2013
Profit before income tax	521,966,291	743,508,907	572,710,661	755,592,908
Tax calculated at a tax rate of 12% (2013 - 12%)	62,635,955	89,221,069	68,725,279	90,671,149
Income not subject to tax	(41,521,441)	(49,548,333)	(41,521,441)	(49,548,334)
Expenses not deductible for tax purposes	6,151,660	1,598,724	3,959,402	1,317,925
Tax effect of different tax rates	366,021	26,436,185	Nil	26,403,065
Tax effect of qualifying payments [See Note (a) below]	(10,336,903)	Nil	(10,336,903)	Nil
Over provision for income tax in respect of prior year	(30,001,148)	Nil	(30,001,148)	Nil
Tax losses for which the deferred tax assets was not recognised	7,712,360	1,206,171	Nil	Nil
Deferred tax liabilities not previously recognised	12,052	(12,051)	Nil	Nil
Adjustment due to changes in deferred tax base	16,838,751	(2,163,980)	16,479,952	(2,163,980)
Tax charge	11,857,307	66,737,785	7,305,141	66,679,825

(a) The company has claimed qualifying payment relief in terms of Section 34(2)(s) of the Inland Revenue (Amendment) Act No. 8 of 2012 on the investments made in Fixed Assets in the expansion of its business. The company's business activity is captured under Section 16C of the said amendment Act.

Accordingly, out of the total investment of Rs. 579,734,034 the Company has already claimed Rs. 84,151,965 and Rs. 75,306,832 for the year of assessment 2013 / 2014 and 2014 / 2015 respectively. The Company has a carried forward unclaimed investment relief of Rs. 284,281,996 as of 31 December 2014.

Further information about deferred tax is presented in Note 27.

12 BASIC EARNINGS PER SHARE

Earnings per share is calculated based on the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares in issue as at the year end.

	Group		Company	
	2014	2013	2014	2013
Net profit attributable to equity holders of the Company	510,108,984	676,771,122	565,405,520	688,913,083
Weighted average number of ordinary shares in issue (Note 23)	223,732,169	223,732,169	223,732,169	223,732,169
Basic earnings per share (Rs.)	2.28	3.02	2.53	3.08

13 DIVIDEND PER SHARE

	Group		Company	
	2014	2013	2014	2013
Equity dividend on ordinary shares declared and paid during the year	111,866,085	447,464,338	111,866,085	447,464,338
Number of shares in issue at the time of dividend pay out (Note 23)	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share (Rs.)	0.50	2.00	0.50	2.00

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

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14 PROPERTY, PLANT AND EQUIPMENT

14.1 Group

	Free Hold Land	Building On Leasehold Land	Medical Equipment	Furniture and Fittings	Office Equipment
At 1 January 2013					
Cost	12,718,151	2,211,236,280	1,251,569,052	163,603,854	37,616,662
Accumulated depreciation	Nil	(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
Year ended 31 December 2013					
Opening net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Additions	Nil	4,422,830	289,324,246	17,798,608	3,559,629
Revaluation surplus (Note 24)	Nil	212,924,950	Nil	Nil	Nil
Disposals - cost	Nil	Nil	Nil	Nil	Nil
- accumulated depreciation	Nil	Nil	Nil	Nil	Nil
Depreciation charge (Note 10)	Nil	(55,357,297)	(92,537,707)	(10,216,204)	(2,108,724)
Closing net book amount	12,718,151	2,263,322,404	628,879,159	60,612,625	7,053,610
At 31 December 2013					
Cost	12,718,151	2,263,322,404	1,540,893,298	181,402,462	41,176,291
Accumulated depreciation	Nil	Nil	(912,014,139)	(120,789,837)	(34,122,681)
Net book amount	12,718,151	2,263,322,404	628,879,159	60,612,625	7,053,610
Year ended 31 December 2014					
Opening net book amount	12,718,151	2,263,322,404	628,879,159	60,612,625	7,053,610
Additions	Nil	51,575,330	365,831,896	54,938,556	24,903,142
Revaluation surplus (Note 24)	42,226,851	Nil	Nil	Nil	Nil
Transferred from capital WIP	Nil	29,906,653	Nil	Nil	Nil
Transfers to Intangible Assets (Note 15)	Nil	Nil	Nil	Nil	Nil
Write off - capital work in progress	Nil	Nil	Nil	Nil	Nil
Disposals - cost	Nil	Nil	(87,470,791)	Nil	Nil
- accumulated depreciation	Nil	Nil	79,286,344	Nil	Nil
Depreciation charge (Note 10)	Nil	(85,062,826)	(90,292,205)	(11,513,389)	(2,947,164)
Closing net book amount	54,945,002	2,259,741,561	896,234,403	104,037,792	29,009,588
At 31 December 2014					
Cost	54,945,002	2,344,804,387	1,819,254,403	236,341,018	66,079,433
Accumulated depreciation	Nil	(85,062,826)	(923,020,000)	(132,303,226)	(37,069,845)
Net book amount	54,945,002	2,259,741,561	896,234,403	104,037,792	29,009,588

Computers	Other Equipment	Kitchen Equipment	Medical Vehicles	Motor Vehicles Others	Capital work in progress	Total
115,488,604	416,721,546	28,358,894	16,787,520	22,020,200	26,474,721	4,302,595,484
(70,623,511)	(317,680,062)	(12,240,836)	(5,834,260)	(7,671,048)	Nil	(1,486,018,098)
44,865,093	99,041,484	16,118,058	10,953,260	14,349,152	26,474,721	2,816,577,386
44,865,093	99,041,484	16,118,058	10,953,260	14,349,152	26,474,721	2,816,577,386
11,672,972	39,490,594	624,568	Nil	Nil	50,149,433	417,042,880
Nil	Nil	Nil	Nil	Nil	Nil	212,924,950
Nil	Nil	Nil	(4,450,963)	Nil	Nil	(4,450,963)
Nil	Nil	Nil	4,450,963	Nil	Nil	4,450,963
(10,679,990)	(33,117,796)	(8,579,660)	(3,084,144)	(4,813,572)	Nil	(220,495,094)
45,858,075	105,414,282	8,162,966	7,869,116	9,535,580	76,624,154	3,226,050,122
127,161,576	456,212,140	28,983,462	12,336,557	22,020,200	76,624,154	4,762,850,695
(81,303,501)	(350,797,858)	(20,820,496)	(4,467,441)	(12,484,620)	Nil	(1,536,800,573)
45,858,075	105,414,282	8,162,966	7,869,116	9,535,580	76,624,154	3,226,050,122
45,858,075	105,414,282	8,162,966	7,869,116	9,535,580	76,624,154	3,226,050,122
54,002,506	64,593,894	1,960,624	11,781,398	Nil	16,954,935	646,542,281
Nil	Nil	Nil	Nil	Nil	Nil	42,226,851
Nil	26,083,115	Nil	Nil	Nil	(55,989,768)	Nil
Nil	Nil	Nil	Nil	Nil	(2,060,000)	(2,060,000)
Nil	Nil	Nil	Nil	Nil	(2,874,516)	(2,874,516)
(190,160)	Nil	Nil	Nil	Nil	Nil	(87,660,951)
12,269	Nil	Nil	Nil	Nil	Nil	79,298,613
(15,448,413)	(18,012,918)	(8,674,141)	(5,124,332)	(4,813,572)	Nil	(241,888,960)
84,234,277	178,078,373	1,449,449	14,526,182	4,722,008	32,654,805	3,659,633,440
180,973,922	546,889,149	30,944,086	24,117,955	22,020,200	32,654,805	5,359,024,360
(96,739,645)	(368,810,776)	(29,494,637)	(9,591,773)	(17,298,192)	Nil	(1,699,390,920)
84,234,277	178,078,373	1,449,449	14,526,182	4,722,008	32,654,805	3,659,633,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

14 PROPERTY, PLANT AND EQUIPMENT CONTD.

14.2 Company

	Free Hold Land	Building On Leasehold Land	Medical Equipment	Furniture and Fittings	Office Equipment
At 1 January 2013					
Cost	12,718,151	2,211,236,280	1,251,569,052	163,603,854	37,616,662
Accumulated depreciation	Nil	(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
Year ended 31 December 2013					
Opening net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Additions	Nil	4,422,829	289,324,246	17,527,708	3,559,629
Revaluation surplus (Note 24)	Nil	212,924,950	Nil	Nil	Nil
Disposals - cost	Nil	Nil	Nil	Nil	Nil
- accumulated depreciation	Nil	Nil	Nil	Nil	Nil
Depreciation charge (Note 10)	Nil	(55,357,297)	(92,537,707)	(10,215,172)	(2,108,724)
Closing net book amount	12,718,151	2,263,322,403	628,879,159	60,342,757	7,053,610
At 31 December 2013					
Cost	12,718,151	2,263,322,403	1,540,893,298	181,131,562	41,176,291
Accumulated depreciation	Nil	Nil	(912,014,139)	(120,788,805)	(34,122,681)
Net book amount	12,718,151	2,263,322,403	628,879,159	60,342,757	7,053,610
Year ended 31 December 2014					
Opening net book amount	12,718,151	2,263,322,403	628,879,159	60,342,757	7,053,610
Additions	Nil	36,681,542	251,393,365	22,026,151	3,157,660
Revaluation surplus (Note 24)	42,226,851	Nil	Nil	Nil	Nil
Transferred from capital work in progress	Nil	3,094,322	Nil	Nil	Nil
Transferred to Intangible Assets (Note 15)	Nil	Nil	Nil	Nil	Nil
Transferred to Investment Property (Note 17)	Nil	(82,110,000)	Nil	Nil	Nil
Write off - capital work in progress	Nil	Nil	Nil	Nil	Nil
Disposals - cost	Nil	Nil	(87,470,791)	Nil	Nil
- accumulated depreciation	Nil	Nil	79,286,344	Nil	Nil
Depreciation charge (Note 10)	Nil	(81,559,908)	(84,890,424)	(9,940,007)	(1,925,816)
Closing net book amount	54,945,002	2,139,428,359	787,197,653	72,428,901	8,285,454
At 31 December 2014					
Cost	54,945,002	2,220,988,267	1,704,815,872	203,157,713	44,333,951
Accumulated depreciation	Nil	(81,559,908)	(917,618,219)	(130,728,812)	(36,048,497)
Net book amount	54,945,002	2,139,428,359	787,197,653	72,428,901	8,285,454

Computers	Other Equipment	Kitchen Equipment	Medical Vehicles	Motor Vehicles Others	Capital work in progress	Total
115,488,604	416,721,546	28,358,892	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)	Nil	(1,486,018,098)
44,865,093	99,041,484	16,118,056	10,953,261	14,349,153	26,474,721	2,816,577,386
44,865,093	99,041,484	16,118,056	10,953,261	14,349,153	26,474,721	2,816,577,386
11,378,736	39,490,594	624,569	Nil	Nil	23,337,103	389,665,414
Nil	Nil	Nil	Nil	Nil	Nil	212,924,950
Nil	Nil	Nil	(4,450,963)	Nil	Nil	(4,450,963)
Nil	Nil	Nil	4,450,963	Nil	Nil	4,450,963
(10,653,711)	(33,117,796)	(8,579,660)	(3,084,144)	(4,813,572)	Nil	(220,467,783)
45,590,118	105,414,282	8,162,965	7,869,117	9,535,581	49,811,824	3,198,699,967
126,867,340	456,212,140	28,983,461	12,336,558	22,020,201	49,811,824	4,735,473,229
(81,277,222)	(350,797,858)	(20,820,496)	(4,467,441)	(12,484,620)	Nil	(1,536,773,262)
45,590,118	105,414,282	8,162,965	7,869,117	9,535,581	49,811,824	3,198,699,967
45,590,118	105,414,282	8,162,966	7,869,117	9,535,581	49,811,824	3,198,699,967
16,141,323	63,193,069	1,960,624	11,781,398	Nil	16,954,935	423,290,067
Nil	Nil	Nil	Nil	Nil	Nil	42,226,851
Nil	26,083,115	Nil	Nil	Nil	(29,177,437)	Nil
Nil	Nil	Nil	Nil	Nil	(2,060,000)	(2,060,000)
Nil	Nil	Nil	Nil	Nil	Nil	(82,110,000)
Nil	Nil	Nil	Nil	Nil	(2,874,516)	(2,874,516)
(190,160)	Nil	Nil	Nil	Nil	Nil	(87,660,951)
12,269	Nil	Nil	Nil	Nil	Nil	79,298,613
(12,738,493)	(17,963,353)	(8,674,141)	(5,124,332)	(4,813,572)	Nil	(227,630,046)
48,815,057	176,727,113	1,449,449	14,526,183	4,722,009	32,654,806	3,341,179,985
142,818,503	545,488,324	30,944,086	24,117,956	22,020,201	32,654,806	5,026,284,680
(94,003,446)	(368,761,211)	(29,494,637)	(9,591,773)	(17,298,192)	Nil	(1,685,104,695)
48,815,057	176,727,113	1,449,449	14,526,183	4,722,009	32,654,806	3,341,179,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

14.3 The carrying amount of revalued building on leasehold land that would have been included in the financial statements had the assets been carried at cost.

	Group		Company	
	2014	2013	2014	2013
Cost	1,570,776,692	1,449,518,845	1,489,294,709	1,449,518,845
Accumulated depreciation	(382,960,916)	(346,680,023)	(383,473,834)	(346,680,023)
Net book value	1,187,815,776	1,102,838,822	1,105,820,875	1,102,838,822

14.4 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

14.5 Depreciation Charge

Group

Depreciation expense of Rs. 90,292,205 (2013 - Rs. 92,537,707) has been charged under 'cost of services' and Rs. 151,596,755 (2013 - Rs. 127,957,387) under 'Depreciation on property, plant and equipment' in the statement of comprehensive income.

Company

Depreciation expense of Rs. 84,890,424 (2013 - Rs. 92,537,707) has been charged under 'cost of services' and Rs. 142,739,622 (2013 - Rs. 127,930,076) under 'Depreciation on property, plant and equipment' in the statement of comprehensive income.

14.6 Capital work in progress as at 31 December 2014 mainly comprises of cost incurred on Hospital Information System Integration project.

14.7 Fair values of freehold lands and buildings constructed on leasehold land

Land

The freehold lands of the Group / Company were revalued as at 31 December 2014 by an independent professionally qualified valuer and a revaluation surplus of Rs. 42,226,851 was incorporated in the financial statements as at 31 December 2014. The revaluation was based on the market approach basis (direct comparison method) and cost approach basis. The surplus arising from the revaluation was transferred to the “revaluation reserve” in shareholders equity and the value of the freehold land of the Company was reflected in the financial statements at the revalued amount.

Buildings constructed on leasehold land

A revaluation of the Group’s / Company’s buildings was performed by an independent professionally qualified valuer as at 31 December 2013. The revaluation was based on the market approach basis (direct comparison method) and cost approach basis. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in “revaluation reserve” in shareholders equity (Note 24).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

14.7 Fair values of freehold lands and buildings constructed on leasehold land (Contd.)

The Group's / Company's freehold lands and the buildings constructed on leasehold land are included in level 2 as fair values of assets are determined by using valuation techniques and these valuation techniques maximise the use of observable market data where it is available and rely.

	Fair value measurements using significant other observable inputs (Level 2)			
	Group		Company	
	2014	2013	2014	2013
Recurring fair value measurements				
Freehold lands	54,945,002	12,718,151	54,945,002	12,718,151
Buildings constructed on leasehold land	2,259,741,561	2,263,322,404	2,139,428,359	2,263,322,403
	2,314,686,563	2,276,040,555	2,194,373,361	2,276,040,554

Valuation techniques used to derive level 2 fair values

Level 2 fair values of freehold land and buildings constructed on leasehold land have been derived using the market approach basis (direct comparison method) and cost approach basis. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into the valuation approach of freehold land is the price per perch of land in the close proximity and in the case of buildings constructed on leasehold land the significant input is the price per square foot.

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's freehold land and buildings constructed on leasehold land. As at 31 December 2014 and 2013, the fair values of the freehold land and buildings constructed on leasehold land have been valued by Messrs A. A. M. Fathihu - F.I.V (Sri Lanka) incorporated valuer.

15 INTANGIBLE ASSETS

	Group Computer Software	Company Computer Software
Year ended 31 December 2013		
Opening net book amount	1,191,357	1,191,357
Additions	5,835,036	5,835,036
Amortisation charge (Note 10)	(547,423)	(547,423)
Closing net book amount	6,478,970	6,478,970
At 31 December 2013		
Cost	7,048,809	7,048,809
Accumulated amortisation	(569,839)	(569,839)
Net book amount	6,478,970	6,478,970
Year ended 31 December 2014		
Opening net book amount	6,478,970	6,478,970
Additions	27,154,828	1,053,348
Transferred from capital work-in-progress (Note 14)	2,060,000	2,060,000
Amortisation charge (Note 10)	(3,239,205)	(1,321,606)
Closing net book amount	32,454,593	8,270,712
At 31 December 2014		
Cost	36,263,637	10,162,157
Accumulated amortisation	(3,809,044)	(1,891,445)
Net book amount	32,454,593	8,270,712

Group

Amortisation charge amounting to Rs. 3,239,205 (2013 - Rs. 547,423) relating to the intangible assets are included in other operating expenses (Note 10).

Company

Amortisation charge amounting to Rs. 1,321,606 (2013 - Rs. 547,423) relating to the intangible assets are included in other operating expenses (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

16 ADVANCE LEASE PREMIUM

	Group		Company	
	2014	2013	2014	2013
Balance at the beginning of the year	147,716,692	133,853,616	147,716,692	133,853,616
Premium paid during the year	18,546,552	18,546,550	18,546,552	18,546,550
Amortisation	(4,683,472)	(4,683,474)	(4,683,472)	(4,683,474)
Balance at the end of the year	161,579,772	147,716,692	161,579,772	147,716,692

The Company has entered into a 99-years lease agreement with the Urban Development Authority in 1999. In terms of this agreement a sum of Rs. 18,546,522 per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274 should be paid in 2026. As at 31 December 2014 a sum of Rs. 213 million is payable by 2026. (31 December 2013 - Rs. 232 million (Note 34.2).

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

17 INVESTMENT PROPERTY

	Company	
	31 December 2014	2013
Balance at the beginning of the year	Nil	Nil
Transferred from property, plant and equipment (Note 14)	82,110,000	Nil
Net gain from fair value adjustment on investment property	16,298,000	Nil
Balance at the end of the year	98,408,000	Nil

- (a) Investment property consists of value attributable to 7th floor of the building constructed on leasehold land, which is given on rental to Lanka Hospitals Diagnostics (Private) Limited for a monthly rental of Rs. 450,000.
- (b) The directors have adopted the fair value model of accounting as its accounting policy, for investment property as per Sri Lanka Accounting Standard LKAS 40; Investment Property.
- (c) The Company's investment properties were revalued on 1 January 2014 and 31 December 2014 on the basis of valuation by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. Valuations were made on the basis of market value. The fair value gain on investment property of Rs. 16,298,000 was credited to statement of comprehensive income.

18 INVESTMENT IN SUBSIDIARY

31 December	Company	
	2014	2013
Unlisted shares		
Opening net book amount	50,000,020	Nil
Issue of shares by subsidiary	275,000,000	50,000,020
Transferred from additional capital granted to investment in subsidiary (Note 21)	25,000,000	Nil
Closing net book amount	350,000,020	50,000,020

(a) Details of the company in which the Company had control are set out below:

Name of company	Number of Shares held	Company holding
Lanka Hospitals Diagnostics (Private) Limited	3,500,020	100%

19 INVENTORIES

	Group		Company	
	2014	2013	2014	2013
Medical items	283,733,559	161,928,652	228,009,848	161,928,652
Non-medical items	18,510,744	9,634,642	17,549,676	9,634,642
Engineering items	1,131,582	1,040,119	1,131,582	1,040,119
Food and beverages	4,055,648	3,372,593	4,055,648	3,372,593
	307,431,533	175,976,006	250,746,754	175,976,006

(a) Inventories are stated after a provision for expired stocks of Rs. 3,265,378 (2013 - Rs. Nil) (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

20 TRADE AND OTHER RECEIVABLES

Trade receivables

	Group		Company	
	2014	2013	2014	2013
Trade receivables	270,298,568	221,662,596	267,497,338	221,662,596
Trade receivables from parent company [Note 35(c)]	28,841,165	25,372,129	26,268,190	25,372,129
Sundry debtors - [See Note (a) below]	37,196,944	35,045,216	37,196,944	35,045,216
	336,336,677	282,079,941	330,962,472	282,079,941
Provision for impairment loss on trade receivables - [See Note (b) below]	(17,284,003)	(9,950,979)	(17,284,003)	(9,950,979)
Total trade receivables - net	319,052,674	272,128,962	313,678,469	272,128,962
Deposits and prepayments	56,928,370	51,947,479	54,304,316	51,208,279
Advances and other receivables	101,167,467	147,671,898	93,522,879	147,637,398
Total trade and other receivables - net	477,148,511	471,748,339	461,505,664	470,974,639

(a) Sundry debtors

	Group		Company	
	2014	2013	2014	2013
Trade receivables (patients not yet discharged)	25,219,845	20,642,997	25,219,845	20,642,997
Others	11,977,099	14,402,219	11,977,099	14,402,219
	37,196,944	35,045,216	37,196,944	35,045,216

(b) Movements on the company's provision for impairment loss on trade receivables are as follows;

	Group		Company	
	2014	2013	2014	2013
At 1 January	9,950,979	8,959,537	9,950,979	8,959,537
Provision for impairment loss on trade receivables	7,333,024	991,442	7,333,024	991,442
At 31 December	17,284,003	9,950,979	17,284,003	9,950,979

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of comprehensive income (Note 10).

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.

(c) Trade receivables by credit quality are as follows:

	Group		Company	
	2014	2013	2014	2013
Neither past due nor impaired	207,679,589	224,455,901	204,888,779	224,455,901
Past due but not impaired	74,176,141	12,627,845	71,592,746	12,627,845
Impaired	17,284,003	9,950,979	17,284,003	9,950,979
	299,139,733	247,034,725	293,765,528	247,034,725

(d) The past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
Up to 3 months	53,912,094	8,356,805	53,132,042	8,356,805
3 to 6 months	9,501,700	2,876,510	7,698,357	2,876,510
Over 6 months	10,762,347	1,394,530	10,762,347	1,394,530
	74,176,141	12,627,845	71,592,746	12,627,845

(e) The age analysis of impaired balance is as follows:

	Group		Company	
	2014	2013	2014	2013
3 to 6 months	3,533,984	981,893	3,533,984	981,893
Over 6 months	13,750,019	8,969,086	13,750,019	8,969,086
	17,284,003	9,950,979	17,284,003	9,950,979

(f) As of 31 December 2014, trade receivables of Group amounting to Rs. 207,679,589 (2013 - Rs. 224,455,901) and the Company amounting to Rs. 204,888,779 (2013 - Rs. 224,455,901) were fully performing.

(g) Other classes within trade and other receivables do not contain impaired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

(h) The carrying amounts of the Group's / Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
Sri Lanka Rupees	469,285,645	464,599,933	453,642,798	463,826,233
United States Dollars	7,862,866	7,148,406	7,862,866	7,148,406
	477,148,511	471,748,339	461,505,664	470,974,639

21 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2014	2013	2014	2013
Other Receivables				
Sri Lanka Insurance Corporation Limited [Note 35(c)]	5,627,096	4,307,247	5,627,096	4,307,247
Lanka Hospitals Diagnostics (Private) Limited [Note 35(c)]	Nil	Nil	66,137,301	3,141,822
Advance paid against share capital of				
Lanka Hospitals Diagnostics (Private) Limited [Note 35(c)]	Nil	Nil	Nil	25,000,000
	5,627,096	4,307,247	71,764,397	32,449,069

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
Cash in hand	15,034,945	6,111,384	13,922,583	5,961,740
Cash at bank	34,611,784	55,250,049	34,611,784	53,938,367
Repo investments	40,000,000	85,000,000	35,000,000	40,000,000
Fixed deposits - Foreign Exchange Earners Account (FEEA)	652,272,574	343,941,965	652,272,574	343,941,965
Fixed deposit - Sri Lankan Rupees	253,019,664	573,573,424	253,019,664	573,573,424
	994,938,967	1,063,876,822	988,826,605	1,017,415,496

The weighted average effective interest rate on:

- Repo investment	5.10%	6.80%	5.10%	6.80%
- Fixed deposit (FEEA)	3.40%	4.10%	3.40%	4.10%
- Fixed deposit - Sri Lankan Rupees	7.30%	9.80%	7.30%	9.80%

The cash and cash equivalents are denominated in following currencies:

	Group		Company	
	2014	2013	2014	2013
US Dollars	652,272,574	343,941,965	652,272,574	343,941,965
Sri Lankan Rupees	342,666,393	719,934,857	336,554,031	673,473,531
	994,938,967	1,063,876,822	988,826,605	1,017,415,496

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

	Group		Company	
	2014	2013	2014	2013
Cash and bank balances	994,938,967	1,063,876,822	988,826,605	1,017,415,496
Bank overdrafts (book overdraft) (Note 31)	(197,730,111)	(135,055,180)	(175,772,672)	(135,055,180)
	797,208,856	928,821,642	813,053,933	882,360,316

23 STATED CAPITAL

	Group		Company	
	2014	2013	2014	2013
Issued and fully paid - ordinary shares				
Number of shares	223,732,169	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	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

24 REVALUATION RESERVES

	Group	Company
At 1 January 2013	858,344,308	858,344,308
Surplus on revaluation of buildings (Note 14)	212,924,950	212,924,950
Deferred tax provision on revaluation of buildings (Note 27)	(25,550,994)	(25,550,994)
Depreciation transfer on revaluation of buildings net of tax (Note 25)	(28,730,771)	(28,730,771)
Deferred tax on depreciation of revalued assets (Note 27)	3,447,693	3,447,693
At 31 December 2013	1,020,435,186	1,020,435,186
At 1 January 2014	1,020,435,186	1,020,435,186
Surplus on revaluation of freehold land (Note 14)	42,226,851	42,226,851
Transfer of revaluation surplus attributable to the extent of building treated as investment property (Note 25)	Nil	(37,019,221)
Depreciation transfer on revaluation of buildings net of tax (Note 25)	(34,190,386)	(32,588,151)
Deferred tax on depreciation of revalued assets (Note 27)	4,102,846	3,909,969
At 31 December 2014	1,032,574,497	996,964,634

25 RETAINED EARNINGS

	Group	Company
At 1 January 2013	99,291,851	99,291,851
Profit for the year	676,771,122	688,913,083
Depreciation transfer on revaluation of buildings net of tax (Note 24)	28,730,771	28,730,771
Actuarial loss on retirement benefit obligations (Note 26)	(2,816,027)	(2,816,027)
Deferred tax attributable to actuarial loss on retirement benefit obligations (Note 27)	337,923	337,923
Dividend paid (Note 13)	(447,464,338)	(447,464,338)
At 31 December 2013	354,851,302	366,993,263
At 1 January 2014	354,851,302	366,993,263
Profit for the year	510,108,984	565,405,520
Transfer of revaluation surplus attributable to the extent of the building treated as investment property (Note 24)	Nil	37,019,221
Depreciation transfer on revaluation of buildings net of tax (Note 24)	34,190,386	32,588,151
Actuarial loss on retirement benefit obligations (Note 26)	(9,231,382)	(9,231,382)
Deferred tax attributable to actuarial loss on retirement benefit obligations (Note 27)	1,107,765	1,107,765
Dividend paid (Note 13)	(111,866,085)	(111,866,085)
At 31 December 2014	779,160,970	882,016,453

26 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2014	2013	2014	2013
<i>Statement of financial position obligations for:</i>				
Gratuity benefits	105,319,751	66,879,558	95,957,847	66,879,558
<i>Income statement charge:</i>				
Gratuity benefits	33,416,953	17,640,150	24,055,049	17,640,150
<i>Other comprehensive income:</i>				
Actuarial loss	9,231,382	2,816,027	9,231,382	2,816,027

The movement in the defined benefit obligations during the year is as follows.

	Group		Company	
	2014	2013	2014	2013
At beginning of year	66,879,558	51,503,824	66,879,558	51,503,824
Current service cost	25,658,924	11,974,729	16,297,020	11,974,729
Interest cost	7,758,029	5,665,421	7,758,029	5,665,421
Actuarial loss	9,231,382	2,816,027	9,231,382	2,816,027
Benefits paid	(4,208,142)	(5,080,443)	(4,208,142)	(5,080,443)
At end of year	105,319,751	66,879,558	95,957,847	66,879,558

The amounts recognised in the income statement are as follows:

	Group		Company	
	2014	2013	2014	2013
<i>Amount recognised under staff cost:</i>				
Current service cost	25,658,924	11,974,729	16,297,020	11,974,729
Interest cost	7,758,029	5,665,421	7,758,029	5,665,421
Total include in staff cost (Note 8)	33,416,953	17,640,150	24,055,049	17,640,150

- (a) As stated in the accounting policy 3.19.2 under summary of significant accounting policies, an actuarial valuation was carried out by an independent actuary, Messrs Actuarial & Management Consultants (Private) Limited, using the Projected Unit Credit method to calculate the liability for retirement benefit obligations as at 31 December 2014, as per recommendations made in the LKAS 19; Employee Benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

The principle actuarial assumptions used were as follows:

	Company	
	2014	2013
Discount rate	9.50%	11.60%
Salary increment rate	10%	10%
Staff turnover factor	16%	17%
Retirement age	60 years	60 years

In addition to the above, demographic assumptions such as mortality and disability were considered for the actuarial valuation. GA 1983 Mortality Table was taken as the basis for the mortality assumption.

(b) The sensitivity of the retirement benefit obligation to changes in the weighted principal assumptions is:

	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% Decreased by 7%	Increased by 8%	Increased by 8%
Future salary increase	1%	Increased by 8%	Decreased by 7%
Staff turnover factor	1% Decreased by 1%	Increased by 1%	Increased by 1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions the same method (present value of the retirement benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied.

Maturity profile of the retirement benefit obligations

(c) Expected maturity analysis of undiscounted retirement benefit obligations :

	Group	Company
	2014	
Less than 1 year	4,065,849	4,029,685
Between 1 – 2 years	2,715,133	2,322,579
Between 2 – 5 years	12,697,039	12,467,622
Over 5 years	184,592,725	164,323,972
	204,070,746	183,143,858

27 DEFERRED TAX LIABILITIES

Deferred taxes are calculated on all temporary differences under the liability method using the tax rate of 12% (2013 - 12%) as at the statement of financial position date.

The net movement on the deferred tax liabilities is as follows:

	Group		Company	
	2014	2013	2014	2013
At beginning of year	278,098,640	231,360,245	278,098,640	231,360,245
Charged to income statement (Note 11)	41,217,919	24,973,017	37,306,289	24,973,017
Deferred tax attributable to actuarial loss on retirement benefit obligations (Note 11)	(1,107,765)	(337,923)	(1,107,765)	(337,923)
Deferred tax provision on revaluation of buildings (Note 24)	Nil	25,550,994	Nil	25,550,994
Deferred tax impact on depreciation of revalued assets (Note 24)	(4,102,846)	(3,447,693)	(3,909,969)	(3,447,693)
At end of year	314,105,948	278,098,640	310,387,195	278,098,640

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2014	2013	2014	2013
Deferred tax assets				
- Deferred tax assets to be recovered after more than 12 months	(12,638,370)	(8,025,547)	(11,514,941)	(8,025,547)
Deferred tax liabilities :				
- Deferred tax liabilities to be recovered after more than 12 months	301,677,292	271,373,623	297,027,988	271,373,623
- Deferred tax liabilities to be recovered within 12 months	25,067,026	14,750,564	24,874,148	14,750,564
Deferred tax liabilities (net)	314,105,948	278,098,640	310,387,195	278,098,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

27 DEFERRED TAX LIABILITIES (CONTD.)

The movement in deferred income tax assets and liabilities during the year, without taking in to consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains on buildings revaluation	Total
At 1 January 2013	120,496,245	117,044,459	237,540,704
Charged to income statement	26,480,182	Nil	26,480,182
Charged to other comprehensive income	Nil	22,103,301	22,103,301
At 31 December 2013	146,976,427	139,147,760	286,124,187
Charged to income statement	44,722,977	Nil	44,722,977
Credited to other comprehensive income	Nil	(4,102,846)	(4,102,846)
At 31 December 2014	191,699,404	135,044,914	326,744,318

Deferred tax assets	Defined benefit obligations	Total
At 1 January 2013	(6,180,459)	(6,180,459)
Credited to income statement	(1,507,165)	(1,507,165)
Credited to other comprehensive income	(337,923)	(337,923)
At 31 December 2013	(8,025,547)	(8,025,547)
Credited to income statement	(3,505,058)	(3,505,058)
Credited to other comprehensive income	(1,107,765)	(1,107,765)
At 31 December 2014	(12,638,370)	(12,638,370)

Company

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains on buildings revaluation	Fair value gain on investment property	Total
At 1 January 2013	120,496,245	117,044,459	Nil	237,540,704
Charged to income statement	26,480,182	Nil	Nil	26,480,182
Charged to other comprehensive income	Nil	22,103,301	Nil	22,103,301
At 31 December 2013	146,976,427	139,147,760	Nil	286,124,187
Charged to income statement	37,732,158	Nil	1,955,760	39,687,918
Credited to other comprehensive income	Nil	(3,909,969)	Nil	(3,909,969)
At 31 December 2014	184,708,585	135,237,791	1,955,760	321,902,136

Deferred tax assets	Defined benefit obligations	Total
At 1 January 2013	(6,180,459)	(6,180,459)
Credited to income statement	(1,507,165)	(1,507,165)
Credited to other comprehensive income	(337,923)	(337,923)
At 31 December 2013	(8,025,547)	(8,025,547)
Credited to income statement	(2,381,629)	(2,381,629)
Credited to other comprehensive income	(1,107,765)	(1,107,765)
At 31 December 2014	(11,514,941)	(11,514,941)

28 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	2014	2013	2014	2013
Other payables:				
SRL Limited [Note 35(c)]	8,245,035	6,750,000	Nil	Nil
Sri Lanka Insurance Corporation Limited [Note 35(c)]	4,769,075	4,236,929	4,769,075	4,236,929
	13,014,110	10,986,929	4,769,075	4,236,929

Amounts due to Sri Lanka Insurance Corporation Limited arise mainly from premiums paid for the insurance policy on fire, professional indemnity, staff insurance, general insurance and vehicle hiring charges. The payables bear no interest.

Amounts due to SRL Limited arise mainly from Technical Services provided to Lanka Hospitals Diagnostics (Pvt) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
Trade payables	222,926,003	193,472,674	201,555,762	187,472,674
Trade payables - Lanka Hospitals Diagnostics (Private) Limited [Note 35 (c)]	Nil	Nil	98,006,242	Nil
Other payables				
- Advance received	54,211,652	43,734,572	54,211,652	43,734,572
- Economic service charge payable	342,877	2,684,484	Nil	2,684,484
- Other payables and accruals	282,035,829	304,347,834	275,348,227	308,570,493
	336,590,358	350,766,890	329,559,879	354,989,549
	559,516,361	544,239,564	629,121,883	542,462,223

30 (INCOME TAX RECEIVABLES) / CURRENT TAX LIABILITIES

	Group		Company	
	2014	2013	2014	2013
At the beginning of the year	14,064,749	Nil	14,006,790	Nil
Current tax on:				
- current year's profit	Nil	exempt	Nil	exempt
- other income	2,100	8,308,710	Nil	8,308,710
- interest income	638,436	33,456,058	Nil	33,398,098
Current tax for the year (Note 11)	640,536	41,764,768	Nil	41,706,808
Income tax payments	(3,812,215)	(5,343,939)	(3,774,954)	(5,343,938)
Tax credits set off [See Note (a) below]	(15,042,848)	(22,356,080)	(14,481,628)	(22,356,080)
Over provision for income tax in respect of prior year (Note 11)	(30,001,148)	Nil	(30,001,148)	Nil
Income tax (receivables) / liabilities at the end of the year	(34,150,926)	14,064,749	(34,250,940)	14,006,790

(a) Tax credits consist of Economic Service Charge receivable of Rs. 8,433,331 (2013 - Rs. 10,123,371), Withholding Tax receivable of Rs. 5,257,039 (2013 - Rs. 10,233,604) and Notional tax credit receivable Rs. 791,258 (2013 - Rs. 1,999,105).

31 BORROWINGS

	Group		Company	
	2014	2013	2014	2013
Bank overdraft	197,730,111	135,055,180	175,772,672	135,055,180

Bank overdraft as of 31 December 2014 and 2013 represents a overdrawn situation.

32 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2014	2013	2014	2013

32.1 Assets as Per Statement of Financial Position Loans and Receivable

Trade and other receivables				
- excluding pre-payments and statutory receivable	353,175,692	311,585,398	343,374,427	312,359,097
Amount due from related parties (Note 21)	5,627,096	4,307,247	71,764,397	7,449,069
Cash and cash equivalents (Note 22)	994,938,967	1,063,876,822	988,826,605	1,017,415,496
	1,353,741,755	1,379,769,467	1,403,965,429	1,337,223,662

	Group		Company	
	2014	2013	2014	2013

32.2 Liabilities as Per Statement of Financial Position

Other financial liabilities at amortised cost

Borrowings (Note 31)	197,730,111	135,055,180	175,772,672	135,055,180
Amount due to related parties (Note 28)	13,014,110	10,986,929	4,769,075	4,236,929
Trade and other payable - excluding non financial liabilities	492,236,796	472,473,749	563,833,404	485,973,749
	702,981,017	618,515,858	744,375,151	625,265,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

32.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired and past due but not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(a) Trade receivables and amount due from related parties:

	Group		Company	
	2014	2013	2014	2013
Overseas customers	87,185,286	27,867,432	87,185,286	27,867,432
Local customers	183,113,282	193,795,164	180,312,052	193,795,164
Related parties	34,468,261	29,679,376	98,032,587	57,821,198
	304,766,829	251,341,972	365,529,925	279,483,794

(b) Cash at bank and short-term bank deposits

	Group		Company	
	2014	2013	2014	2013
AA+	924,643,460	1,050,967,956	919,643,460	1,004,656,274
AA-	55,260,562	6,797,482	55,260,562	6,797,482
	979,904,022	1,057,765,438	974,904,022	1,011,453,756

33 CONTINGENT LIABILITIES

There are no material contingent liabilities as at the statement of financial position date which requires adjustments to, or disclosure in, the financial statements.

34 CAPITAL COMMITMENTS AND OTHERS

34.1 Capital Expenditure Commitments

Capital commitments of Group and Company in respect of the on going projects but not incurred as at the financial year end amounted to Rs. 43 Million.

34.2 Commitment On Land Lease

The Company has entered into a 99-years 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-years 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:

	Group / Company	
	2014	2013
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	120,552,562	139,099,110
Total	213,285,302	231,831,850

35 DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY AND RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party and the subsidiary company

The Company has relationships with its related companies. Sri Lanka Insurance Corporation Limited is the immediate and ultimate parent company and Lanka Hospitals Diagnostics (Private) Limited is a fully owned subsidiary of the Company.

The directors of the Company as at 31 December 2014, Mr. Gotabhaya Rajapaksa (resigned with effect from 9 January 2015), Mrs. Roshini Cabraal (Resigned with effect from 9 January 2015), Prof. Dayasiri Fernando (resigned with effect from 2 March 2015), Dr. Gamini Wickremasinghe (resigned with effect from 2 March 2015), Dr. Bandula Wijesiriwardhana (resigned with effect from 2 March 2015) and Mr. P.A. Lional (resigned with effect from 2 March 2015), were also Directors of Lanka Hospitals Diagnostics (Private) Limited, the subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD.

"The Directors of the Company, Mr. Shivinder Mohan Singh and Mr. Malvinder Mohan Singh, are also the directors of SRL Limited which is a subsidiary of Fortis Global Healthcare Holdings Pte Limited. The Company is an associate company of Fortis Global Healthcare Holdings Pte Limited. SRL Limited provides technical support services to Lanka Hospitals Diagnostics (Private) Limited, the subsidiary of the Company.

(b) Transactions with Key Management 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 granted / received to / from the Directors of the Company or subsidiary.

(ii) Key management personnel compensation

The details of the compensation incurred on behalf of Key Management Personnel are as follows,

For the year ended 31 December	Group		Company	
	2014	2013	2014	2013
Salaries and other short-term employee benefits	56,548,000	43,903,976	50,253,000	43,903,976
Post-employment benefits	Nil	530,955	Nil	530,955
Director's remuneration	16,000,000	11,925,000	14,000,000	11,925,000
Guaranteed payment to Directors	3,600,000	3,600,000	3,600,000	3,600,000
	76,148,000	59,959,931	67,853,000	59,959,931

(c) Transactions with related Companies

The following transactions were carried out with related parties during the year ended 31 December 2014.

Name of the Company	Relationship	Nature of transaction	Transaction value	Amounts paid / (received)	Receivable / (payable)	
			2014	2014	2014	2013
Sri Lanka Insurance Corporation Limited	Parent company	Services provided by Company	129,051,138	(128,155,077)	26,268,190	25,372,129
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance, general insurance and vehicle hiring charges	(29,070,894)	28,538,748	(4,769,075)	(4,236,929)
		Services provided by the Company including Auditorium hiring and food and beverage services	11,959,869	(10,640,020)	5,627,096	4,307,247
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary company	Reimbursement of expenses and the rent income received / receivable by the Company	66,145,479	(3,150,000)	66,137,301	3,141,822
		Services provided to Company	(223,006,242)	125,000,000	(98,006,242)	Nil
		Advanced paid against stated capital by the Company	(25,000,000)	25,000,000	Nil	25,000,000
		Share issued	300,000,000	(300,000,000)	Nil	Nil
SRL Limited	Subsidiary of Fortis Global Healthcare Holdings Pte Limited	Technical services provided to Lanka Hospitals Diagnostics (Private) Limited	(34,725,177)	33,230,142	(8,245,035)	(6,750,000)

36 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements.

SHAREHOLDER AND INVESTOR INFORMATION

TOP 20 SHAREHOLDING AS AT 31ST DECEMBER,

Shareholder	2014		2013	
	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 HSBC Intl Nom Ltd - BBH-Grandeur Peak Emerging Markets opportunities fund	1,640,200	0.73%	-	-
6 Bank of Ceylon A/c Ceybank Unit Trust	954,955	0.43%	370,615	0.17%
7 Mr. K. Rajakanthan	463,846	0.21%	515,392	0.23%
8 Ceylon Investment PLC A/c # 01	448,000	0.20%	242,000	0.11%
9 Green Olive Investment Private limited	357,468	0.16%	194,088	0.09%
10 Mr. T. L. M. Imtiaz	319,177	0.14%	434,284	0.19%
11 Carlines Holdings (Private) Limited	275,380	0.12%	-	-
12 Bank of Ceylon A/c Ceybank Century Growth Fund	240,805	0.11%	-	-
13 Dr. S.M.T.B. Samarakon	236,250	0.11%	-	-
14 Mr. H.W.M. Woodward	220,300	0.10%	220,300	0.10%
15 Ceylon Guardian Investment Trust Fund PLC A/C # 1	200,000	0.09%	250,000	0.11%
16 Dr. D. Rajakanthan	199,420	0.09%	-	-
17 Dr. S.K. Shanmugam	190,000	0.08%	308,369	0.14%
18 Elgin Investment Limited	180,000	0.08%	-	-
19 Mr. A.H. Munasinghe	179,471	0.08%	179,471	0.08%
20 Mr. C.K. Sangakkara	166,144	0.07%	-	-
	213,899,324	95.61%	210,511,381	94.10%

INDIVIDUAL / INSTITUTION AS AT 31 DECEMBER 2014

	No of Shareholders	As %	No of Shares	As %
Individual	7,472	98.11	10,660,524	4.76
Institution	144	1.89	213,071,645	95.24
	7,616	100.00	223,732,169	100.00

RESIDENT / NON-RESIDENT AS AT 31 DECEMBER 2014

	No of Shareholders	As %	No of Shares	As %
Resident	7,587	99.62	157,359,029	70.33
Non-Resident	29	0.38	66,373,140	29.67
	7,616	100.00	223,732,169	100.00

DIRECTORS'/SENIOR MANAGEMENT SHAREHOLDINGS AS AT 31 DECEMBER

Board of Directors	Position	2014		2013	
		No of shares	Holding %	No of shares	Holding %
Mr. Gotabaya Rajapaksa	Chairman	-	-	-	-
Mrs. R. S. Cabraal	Deputy Chairperson	-	-	-	-
Prof. Dayasiri Fernando	Director	-	-	-	-
Dr. G. W. K. Wickremasinghe	Director	-	-	-	-
Mr. P. A. Lionel	Director	-	-	-	-
Mr. Malvinder Mohan Singh	Director	-	-	-	-
Mr. Shivinder Mohan Singh	Director	-	-	-	-
Dr. N.N.A.P. Bandula Chandranath Wijesiriwardena	Director	-	-	-	-
Dr. Nihal Jayathilaka	Director	-	-	-	-
Dr. Kanishka Karunaratne	Director	-	-	-	-
Mr. Daljith Singh	Alternate Director	-	-	-	-
Mr. Sanjeev Vashishta (Alternate Director to Mr. Daljith Singh)	Alternate Director	-	-	-	-
Mr. Karthik Rajagopal (Alternate Director to Mr. Shivinder Mohan Singh)	Alternate Director	-	-	-	-
Mr. Parthasarathy Raghunath (Alternate Director to Mr. Malvinder Mohan Singh)	Alternate Director	-	-	-	-
Senior Management					
Dr. Lakith Peiris	Chief Executive Officer	-	-	-	-

SHAREHOLDER AND INVESTOR INFORMATION CONTD.

		Group		Company	
		2014	2013	2014	2013
Earning Per Share	Rs.	2.28	3.02	2.53	3.08
Dividend Per Share	Rs.	0.5	2.00	2.00	2.00
Net Asset Value Per Share	Rs.	20.04	18.09	20.34	18.14
Market Value per Ordinary Share					
- Highest value during the year	Rs.	-	-	58.30	45.90
- Lowest value during the year	Rs.	-	-	40.00	33.00
- Value at the end of the year	Rs.	-	-	48.00	40.50
Gearing Ratio	%	N/A	N/A	N/A	N/A
Interest Cover	Times	N/A	N/A	N/A	N/A
Quick Asset Ratio	Times	1.96	2.19	1.92	2.19

SUMMARY OF SHARE RANGES AS AT 31 DECEMBER

Share Range	2014		Holding %	2013		Holding %
	No of shareholders	No of shares		No of shareholders	No of shares	
1 1 - 1,000	5,951	2,316,514	1.04	6,036	2,386,246	1.07
2 1001 - 5000	1,401	3,416,844	1.53	1,462	3,501,862	1.57
3 5,001 - 10,000	133	952,067	0.43	137	987,098	0.44
4 10,001 - 50,000	100	2,144,830	0.96	103	2,348,381	1.05
5 50,001 - 100,000	8	660,670	0.30	8	562,712	0.25
6 100,001 - 500,000	17	4,018,181	1.80	19	3,923,028	1.75
7 500,001 - 1,000,000	1	954,955	0.43	2	1,118,131	0.50
8 1,000,001 - & Above	5	209,268,108	93.54	5	208,904,711	93.37
	7,616	223,732,169	100.00	7,772	223,732,169	100.00

Public Shareholding

Public shareholding as at 31st December 2014 - 16.73% (2013-16.73%).

Number of shares as at 31st December 2014 - 37,433,261 (2013 - 37,433,261).

Number of shareholders as at 31 December 2014 -7,613 (2013 - 7,769).

TEN YEAR FINANCIAL SUMMARY

In Rs. Mn - Company	Year ended 31 December						Year ended 31 st March			
	2014	2013	2012	2011	2010	2009	2009	2008	2007	2006
							9 months			
							(Restated)			
Revenue	4,492	4,072	3,406	2,918	2,518	1,424	1,997	1,564	1,554	1,632
Cost of services	(1,939)	(1,692)	(1,548)	(1,268)	(1,116)	(641)	(863)	(777)	(323)	(371)
Gross Profit	2,553	2,380	1,858	1,650	1,402	783	1,134	787	1,231	1,261
Other operating income	44	30	25	23	1	1	2	3	4	4
Staff costs	(1,207)	(978)	(794)	(684)	(553)	(340)	(434)	(315)	(630)	(577)
Depreciation	(143)	(128)	(136)	(117)	(104)	(78)	(107)	(172)	(143)	(133)
Other operating expenses	(759)	(696)	(615)	(533)	(469)	(312)	(485)	(390)	(432)	(369)
Finance income	68	148	102	42	20	8	-	-	-	-
Finance cost	-	-	-	(3)	(8)	(12)	(37)	(172)	(187)	(180)
Re- branding expenses	-	-	-	-	-	(29)	-	-	-	-
Change in fair value of investment property	16	-	-	-	-	-	-	-	-	-
Profit before tax	573	756	439	378	289	21	72	(259)	(157)	4
Income tax (expense) / release	(7)	(67)	(53)	59	-	(14)	(31)	(27)	2	3
Profit for the year	565	689	386	437	289	7	41	(286)	(155)	7

TEN YEAR FINANCIAL SUMMARY CONTD.

In Rs. Mn - Company	As at 31 December					As at 31 st March				
	2014	2013	2012	2011	2010	2009 9 months	2009	2008	2007	2006 (Restated)
ASSETS										
Non current assets										
Property, plant and equipment	3,341	3,199	2,817	2,825	2,779	2,262	2,388	2,514	2,727	2,299
Intangible asset	8	6	1	-	-	-	-	-	-	-
Investment in subsidiary	350	50	-	-	-	-	-	-	-	-
Advance lease premium	162	148	134	120	106	89	92	78	65	51
Investment Property	98	-	-	-	-	-	-	-	-	-
	3,959	3,403	2,952	2,945	2,885	2,351	2,480	2,592	2,792	2,350
Current assets										
Inventories	251	176	149	145	86	57	58	51	60	62
Trade and other receivables	462	471	261	245	216	136	92	88	70	68
Amounts due from related parties	72	32	4	2	1	1	1	-	8	-
Income tax Receivable	34	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	989	1,017	1,002	672	468	187	107	224	19	21
	1,807	1,696	1,416	1,064	771	381	258	363	157	151
Total assets	5,767	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949	2,501
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	1,665	1,665
Revaluation reserve	997	1,020	858	883	740	320	331	341	406	-
Retained earning / (loss)	882	367	99	(200)	(682)	(984)	(1,002)	(1,058)	(776)	(622)
Total equity	4,551	4,059	3,629	3,355	2,730	2,008	2,001	1,955	1,295	1,043
Non current liabilities										
Retirement benefit obligations	96	67	52	43	33	20	17	20	21	22
Government grants	-	-	-	-	-	-	1	2	3	4
Borrowings	-	-	-	-	-	23	45	220	406	603
Deferred tax liabilities	310	278	231	214	458	351	341	314	231	90
	406	345	283	257	491	394	404	556	661	719
Current liabilities										
Borrowings	176	135	111	82	152	80	101	276	813	600
Amounts due to related parties	5	4	5	4	5	4	22	5	15	14
Income tax payable	-	14	-	-	-	-	-	1	-	1
Trade and other payables	629	542	340	311	278	246	210	162	165	124
	810	695	456	397	435	330	333	444	993	739
Total liabilities	1,216	1,040	739	654	926	724	737	1,000	1,654	1,458
Total equity and liabilities	5,767	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949	2,501

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 26th June 2015 at 2.30pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Narahenpita, Colombo 5 for the purpose of conducting the following business:

1. To receive and consider the Annual Report and the Financial Statements of the Company for the year ended 31st December 2014 together with the Report of the Auditors' thereon.
2. To elect as a Director Dr. Sarath Paranavitane who was appointed to the Board in terms of Article 92 of the Articles of Association.
3. To elect as a Director Mr. Tissa Nanayakkara who was appointed to the Board in terms of Article 92 of the Articles of Association.
4. To elect as a Director Ven. Thiniyawala Palitha Thero who was appointed to the Board in terms of Article 92 of the Articles of Association.
5. To elect as a Director Prof. Mandika Wijeyaratne who was appointed to the Board in terms of Article 92 of the Articles of Association.
6. To elect as a Director Prof. Dilani Lokuhetty who was appointed to the Board in terms of Article 92 of the Articles of Association.
7. To elect as a Director Prof. Asita de Silva who was appointed to the Board in terms of Article 92 of the Articles of Association.
8. To elect as a Director Dr. Harsha Gunasekara who was appointed to the Board in terms of Article 92 of the Articles of Association.
9. To elect as a Director Dr. Rohan Wijesundera who was appointed to the Board in terms of Article 92 of the Articles of Association.
10. To elect as a Director Mr. Damien Fernando who was appointed to the Board in terms of Article 92 of the Articles of Association.
11. To elect as a Director Mr. Daljit Singh who was appointed to the Board in terms of Article 92 of the Articles of Association.
12. To re-appoint Messrs PriceWaterhouseCoopers Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.
13. To authorise the Directors to determine donations for the year 2015 and up to the date of the next Annual General Meeting.
14. 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 11th May 2015

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.

CORPORATE INFORMATION

NAME OF THE COMPANY

The Lanka Hospitals Corporation PLC

COMPANY REGISTRATION NO.

PQ 180

REGISTERED OFFICE

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

BOARD OF DIRECTORS

Dr. Sarath Paranavitane
Mr. Sapugahawattage Tissa Nanayakkara
Ven. Thiniyawala Palitha Thero
Dr. Harsha Hemal Gunasekara
Prof. Menaka Dilani Samarawickrema Lokuhetty
Dr. Rohan Laliith Wijesundera
Mr. Lintotage Udaya Damien Fernando
Prof. Serosha Mandika Wijeyaratne
Prof. Hithanadura Asita De Silva
Mr. Malvinder Mohan Singh
Mr. Daljit Singh
Mr. Karthik Rajagopal (Alternative Director)
Mr. Parthasarathy Raghunath (Alternative Director)

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

BANKERS

Bank of Ceylon
Hatton National Bank PLC

optima

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NOTES

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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)

Dr. Sarath Paranavitane	or failing him
Mr. Tissa Nanayakkara	or failing him
Ven. Thiniyawala Palitha Thero	or failing him
Prof. Mandika Wijeyaratne	or failing him
Prof. Dilani Lokuhetty	or failing him
Prof. Asita de Silva	or failing him
Dr. Harsha Gunasekera	or failing him
Dr. Rohan Wijesundera	or failing him
Mr. Damien Fernando	or failing him
Mr. Malvinder Mohan Singh	or failing him
Mr. Daljit Singh	

as my/our Proxy to represent and speak and vote for me/us** and on my/our behalf at the 16th Annual General Meeting of the Company to be held on
.....and 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:

	FOR	AGAINST
1) To receive and consider the Annual Report and the Financial Statements of the Company for the year ended 31st December 2014 together with the Report of the Auditors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect as a Director Dr. Sarath Paranavitane who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect as a Director Mr. Tissa Nanayakkara who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect as a Director Ven. Thiniyawala Palitha Thero who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
5) To elect as a Director Prof. Mandika Wijeyaratne who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
6) To elect as a Director Prof. Dilani Lokuhetty who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
7) To elect as a Director Prof. Asita de Silva who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
8) To elect as a Director Dr. Harsha Gunasekera who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
9) To elect as a Director Dr. Rohan Wijesundera who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
10) To elect as a Director Mr. Damien Fernando who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
11) To elect as a Director Mr. Daljit Singh who was appointed to the Board in terms of Article 92 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
12) To re-appoint Messrs PriceWaterhouseCoopers., the retiring Auditors and to authorize the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
13) To authorize the Directors to determine donations for the year 2015 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 Fifteen.

.....
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 CONTD.

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, Accounting Systems Secretarial Services (Private) Limited, Level 05, No:02, Castle Lane, Colombo 4 on or before 24th June 2015.
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 appointer is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.



LANKA
HOSPITALS

සුවසේ සුවසේ • CARING CURING • ප්‍රාග්ධනිතම කුසාමාකකම