

hospitality



LANKA
HOSPITALS

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Hospital*ity*

This play on words illustrates perfectly the ethos that Lanka Hospitals espouses in marrying the hospital and everything it stands for in terms of premium healthcare with the idea of hospitality from the heart.

Ours is a 'super blend' of state-of-the-art medical and health interventions and services and the ultimate in caring, which allows us to tailor every aspect of our enterprise around the well-being of the patient and all stakeholders.

About Us

Lanka Hospitals is a Multi Speciality Tertiary Care Hospital in Sri Lanka and one of the largest private hospitals in the country. The Hospital was commissioned in 2002 under the brand name of Apollo as a part of the chain of Apollo Hospitals founded by the renowned Dr. Pratap C. Reddy of India. As the only purpose-built private hospital of its kind in Sri Lanka, Apollo Colombo revolutionised Sri Lanka's healthcare service. In a short period of time, the Hospital has achieved great heights. Today, under the brand Lanka Hospitals, The organisation continue its journey with a new direction of bringing world-class healthcare experience to the masses of Sri Lanka at an affordable price. Today Lanka Hospital is considered the best healthcare facility in the country.



Vision

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

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!

Highlights of the Year

Five Year Summary	2015 Company	2014 Company	2013 Company	2012 Company	2011 Company
Revenue	Rs. 4,810,837,891	4,491,554,590	4,071,914,867	3,405,864,503	2,917,656,708
Profit before interest and tax	Rs. 703,814,297	504,936,835	607,686,338	337,091,890	339,326,265
Profit after tax	Rs. 748,240,653	569,316,098	688,913,083	386,056,467	436,617,791
Total assets	Rs. 6,421,228,552	5,766,532,850	5,099,710,859	4,367,568,505	4,008,926,466
Net assets	Rs. 4,945,689,276	4,550,524,787	4,058,971,539	3,629,179,249	3,354,677,540
Annual revenue growth	% 7	10	20	17	16
Net cash flow from operating activities	Rs. 1,243,727,380	693,096,582	790,758,939	578,975,022	521,872,749
EBITDA	Rs. 955,220,669	738,571,961	828,701,544	592,208,172	561,207,813

Profitability Indicators

Gross profit margin	59%	57%	58%	55%	57%
Operating profit Margin	15%	11%	15%	10%	12%
Net profit Margin	16%	13%	17%	11%	15%
Return on capital employed	14%	11%	15%	12%	11%

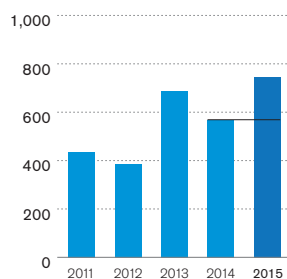
Liquidity and Debt Ratios

Current ratio	2.31	2.23	2.44	3.11	2.67
Quick ratio	2.08	1.92	2.19	2.78	2.31
Gearing ratio	N/A	N/A	N/A	N/A	N/A
Interest cover	N/A	N/A	N/A	N/A	261.19

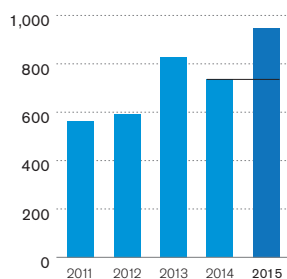
Equity

Dividend per share	Rs. 1.50	0.50	2.00	0.5	N/A
Dividend pay out	0.45	0.20	0.65	0.29	N/A
Earnings per share	Rs. 3.34	2.54	3.08	1.73	1.96
Net assets per share	Rs. 22.11	20.34	18.14	16.22	14.99

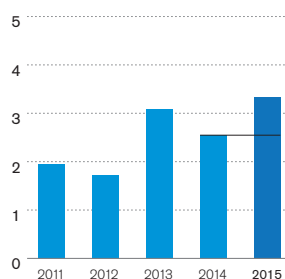
Profit After Tax
(Rs. Mn)



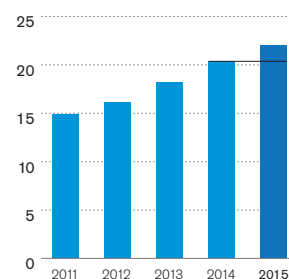
EBITDA
(Rs. Mn)



Earnings Per Share
(Rs.)



Net Assets Per Share
(Rs.)



Chairman's Message



Dr. Sarath Paranavitane
Chairman

This has been a year of remarkable achievement!

I am proud to have captained an incredibly driven team which has shown perseverance, innovation and a dynamic and proactive approach.

Dear Stakeholders,

2015 has been an extraordinary year, both for the many challenges that came our way and the incredible results we have produced. This has indeed been a year of remarkable achievement as we recorded the highest ever profits in our history whilst taking our service offerings to even greater heights.

I am proud to have captained an incredibly driven team which has shown perseverance, innovation and a dynamic and proactive approach. Good governance, efficiency and best management practices have been my personal goals for Lanka Hospitals. These have been enthusiastically adopted by my team and have helped Lanka Hospitals outperform industry benchmarks in many aspects. And so, it is with great pride and pleasure that I present to you the Annual Report and Audited Financial Accounts of Lanka Hospitals Corporation for the year 2015.

Lanka Hospitals in 2015 Groundbreaking Treatments

Lanka Hospitals' competitive edge lies in its consistent pursuit to provide the most up-to-date medical treatment and care for all its patients. Through 2015 in particular, we introduced many groundbreaking interventions which helped make us a truly world-class healthcare facility.

During the year in review, Lanka Hospitals performed its first Blastocyst culture pregnancy procedure, an important technique which increases the pregnancy rate in IVF treatment, whilst reducing the risk of multiple pregnancies. 'Awake Craniotomy' – open brain surgery with a conscious and actively participating patient – another medical rarity, was hugely successful and gave us immense satisfaction and pride. We also completed the first bone marrow

transplant procedure in 2015, widening the range of vital cutting edge treatment options that we are able to provide our patients. During the year, Lanka Hospitals also commissioned Sri Lanka's only self-contained, state-of-the-art Gastroenterology Centre.

Customer Satisfaction

In our industry customer satisfaction comes from saving lives and improving the quality of life of our patients. We, at Lanka Hospitals, therefore take every successful procedure as a personal triumph. To date, we have achieved a cumulative total of more than 800 births by IVF process and 850 successful kidney transplant operations. We are proud to say that in life-saving procedures such as organ transplants, our procedures have always been scrupulously ethical and always well within applicable regulatory frameworks.

Cost Efficient Operation

Delivering optimum value for money to the customer has required us to run a lean cost model. However, top quality service from highly skilled and trained employees is something we will never compromise on. Instead, placing a high emphasis on optimising resources and efficient management, has helped us deliver services at contained rates.

Best Practices

We have endeavoured to adopt industry best practices in every aspect of Lanka Hospitals' operations. Our only subsidiary, Lanka Hospital Diagnostics (LHD) is now working towards obtaining the prestigious accreditation from the College of American Pathologists (CAP). This is a testament to the immense effort put in by our people in maintaining the highest international standards.

Expanding Horizons

To cater to the ever increasing market of medical tourists, Lanka Hospitals continues to focus on its International Patient Care Centre. This is a dedicated, specialised unit of Lanka Hospitals, designed to provide personalised service and the best in medical care for international patients who are far from home. The unit ensures that there is an appropriate interdisciplinary plan of action for each patient, seamless clinical logistics, a comprehensive patient and family education plan and clear communication with the patient's payers.

Future Growth Medical Tourism

Lanka Hospitals enjoys strong equity with various partners in the area of medical tourism. Currently, Lanka Hospitals has a presence in both the Seychelles and the Maldives, where business is growing satisfactorily. Building on this, our strategic initiatives for future growth will encompass widening the geographic scope of the organisation. We will also develop a structured plan to collaborate effectively with the newly formed Sri Lanka Medical Tourism Council, functioning under the aegis of the Ministry of Tourism.

Geriatric Healthcare

Sri Lanka has one of the fastest growing aging populations in the world. It is estimated that over 20% of our population will be above 60 years by the year 2030. Lanka Hospitals is therefore harnessing its core competencies in patient care to meet the specific needs of this fast growing segment.

Increased Specialisation

An ageing population and urbanised lifestyle has brought with it a whole host of healthcare issues that require specialised solutions. In addition to existing centres of excellence, such as our International Patient Care Centre, Fertility Centre and Renal Care Centre, we plan to increase the number of dedicated units for different medical sub specialities, redefining the scope of our operations.

Increased Optimisation of Resources

Sustainable long term growth hinges on the efficiency of our operations. Lanka Hospitals has the advantage of operating from a relatively new, purpose-built medical facility, with the necessary infrastructure to pursue sound sustainability practices. We are focusing on using solar energy, recycling

water and other waste and optimising resource usage. Furthermore, we conduct ongoing employee training to ensure that these goals are met at every level.

Optimising Managerial Efficiency

Lanka Hospitals has grown from strength to strength on the back of sound management practices. My focus for 2016 will be to further reinforce this area. My goals are to ensure that bureaucracy and protocol does not impinge upon individual initiative and strategic agility. The emphasis will be on the development of infrastructure to strengthen our middle management.

We will continue to pursue revenue rationalisation and capacity optimisation when identifying new business opportunities for the future. Cost-effectiveness will be at the heart of every business decision we make. A thorough understanding of the economic and social outlook at local, regional and global level; sound business acumen; and the ability to anticipate and adapt to changes that impact the health sector – these are three key pivot points that will propel Lanka Hospitals to the pinnacle of healthcare provision in the country.

Rewarding Investors

We are always conscious of our responsibility to our investors. This is why I am pleased to report that we were able to increase our dividend payment in 2015.

At Lanka Hospitals we highly value our integrity and the trust people have in our brand, and therefore take every precaution to safeguard our reputation. This includes ensuring that the Board Members are well informed, fully independent and that they work together for the long term interest of the business and its shareholders.

Acknowledgements

Our objectives at Lanka Hospitals are aligned with the broad mandate of His Excellency President Maithripala Sirisena and The Honourable Prime Minister Ranil Wickramasinghe and I would like to warmly thank them for the vision laid out for us. I would also like to extend my thanks to the Minister of Public Enterprise, Honourable Kabir Hashim and Deputy Minister, Honourable Eran Wickramaratna for the support that they have extended to us and look forward to their continued assistance and cooperation.

To our shareholders, I express my sincere gratitude for the loyalty and trust placed in us. Rest assured, we will always remain committed to increasing shareholder value.

I would also like to acknowledge the significant role played by our Board of Directors in ensuring good corporate governance and in maintaining accountability. This is a shared goal that my fellow Board members and I are passionate about. I wish to thank them for their unflinching support and commitment towards fulfilling the long term goals and strategies of Lanka Hospitals. Together with my fellow Directors and the entire management team and the staff of Lanka Hospitals, I am confident that we will be the undisputed leader in the private healthcare industry.

Finally, I wish to extend my appreciation to our loyal patients and all visiting specialists for their patronage and the confidence placed in our services.



Dr. Sarath Paranavitane

Chairman — 26th February 2016

Chief Executive Officer's Review



Deshantha Silva
Chief Executive Officer

During the year we saw prudently thought out strategies become a reality and ground breaking new medical procedures and services being introduced.

The proof they say is in the pudding and our stakeholders will be pleased to note that we recorded our highest profits ever.

Dear Stakeholders,

2015 has been a breakthrough year for Lanka Hospitals. We were delighted to see many of our long term plans being unravelled. We saw prudently thought out strategies become a reality and ground breaking new medical procedures and services being introduced.

The proof they say is in the pudding and our stakeholders will be pleased to note that last year, we recorded our highest profits ever. However, for us who are part of the Lanka Hospitals family, all these achievements only take us a step closer towards fulfilling our mission, which is 'to maintain exceptional and compassionate quality, while offering cost-effective healthcare solutions of international standards.'

Our Performance

I am extremely proud of Lanka Hospitals' outstanding performance over the last financial year. Exciting new initiatives and rigorous systems, which were implemented through the year showed admirable results. Some of the key highlights of our performance through 2015 were:

- Achieving an average occupancy over 80% during 2015, while reducing the average stay of patients
- Surveys conducted among our patients, showed a customer satisfaction rate of over 87%
- Reducing our overheads by 4% by enforcing stringent cost saving initiatives and best management practices
- All above manifested itself in us achieving the highest profits in our history - The Group net profit (after tax) was Rs. 860 Mn and Group revenue increased by 16% to Rs. 5.5 Bn.
- The Group's gross profit margin increased by 1.4%, due to effective inventory management and procurement.

Patient First – Always

Our primary focus is always our patients and we are proud of our comprehensive healthcare offerings, catering every segment from paediatrics to the elderly. We specialise in a range of procedures, from conventional to cutting edge minimally invasive surgeries. During 2015 especially, we conducted many challenging procedures which brought us to the forefront of medical technology.

One such exceptional breakthrough was the 'Awake Craniotomy', in which we were able to remove a brain tumour while the patient was fully conscious. Because the patient was 'awake' the medical team was able to communicate with the patient throughout the procedure to ascertain whether any important areas of the brain were being affected by the surgery. We are proud of the entire team, who through grit, courage and sheer hard work, made the surgery a resounding success.

The Lanka Hospitals' Fertility Centre is a source of immense joy and satisfaction for us. We have the record of conducting close to 900 successful IVF deliveries and 200 assisted pregnancies – The highest in Sri Lanka. The number of deliveries through assisted pregnancies represents a success rate of over 43%, which resonates with international statistics. Last year, we also conducted our first Blastocyst Culture (Day 5) embryo transfer, another breakthrough medical procedure. We take great pride in the fact that our high success rates and use of the latest medical technology makes Lanka Hospitals' Fertility Centre the number one choice for many couples from Sri Lanka as well as from abroad.

Lanka Hospitals Diagnostics (LHD) provides superior quality laboratory services to patients from across the country. The state-of-the-art laboratory complex began operations just one and half years ago. It now manages 10 company owned sample collection centres, as well as several other franchised collection centres in various parts of the island. Given the success of this facility, we hope to add three more regional centres in Kandy, Karapitiya and Kurunegala in the coming year. Lanka Hospitals Diagnostics is the first reference laboratory to be set up in Sri Lanka and is ISO 15189:2007 certified.

Lanka Hospitals has an impeccable track record for in-hospital infection control. We have the best infection control system amongst all private hospitals with a dedicated division headed by a microbiologist, whose sole objective is maintaining an infection free hospital.

The Lanka Hospitals Heart Centre is the only internationally accredited facility in the private sector to offer both adult and paediatric cardiac surgeries. By the end of 2015, the Heart Centre had performed a total of over 5,500 heart surgeries and procedures, making it one of the leading facilities in the country.

In 2014, we launched Sri Lanka's first Haemato-Oncology Centre to diagnose and treat several forms of blood cancers, which were until then, considered untreatable in Sri Lanka. In 2015, we were able to broaden the scope of the centre to include all forms of blood cancer including leukaemia, lymphoma and multiple myeloma. We also performed the first bone marrow transplant making Lanka Hospitals the most comprehensive facility for blood cancer treatment.

During the last financial year, Lanka Hospitals crossed another milestone with the launch of the country's first gastroenterology centre. This fully fledged unit diagnoses and treats all gastro intestinal disorders using state-of-the-art equipment and the expertise of highly specialised medical professionals. The centre provides Endoscopic Ultrasound (EUS), Endo Bronchial Ultrasound (EBUS) and PH Manometry studies. Our services conform to the highest international standards, which is why many foreign clients with critical ailments choose our facility to avoid long waiting lists and exorbitant hospital expenses in their own countries.

Medical tourism is a huge thrust area for Lanka Hospitals. Our International Patient Care Centre has been dedicated to this rapidly expanding and very lucrative segment. We service many international markets including the Maldives, India, Seychelles, Bangladesh, China and the European region.

Pursuit of Quality

At Lanka Hospitals, we are driven by a relentless pursuit of quality and patient care. It therefore gave us much satisfaction, when we were ranked first for customer service standards in a survey conducted by the influential business magazine, LMD.

Our unflinching commitment to the well-being and safety of our patients and employees, has been recognised through many international awards and accreditations. In fact, we are often referred to as the 'most accredited hospital in Sri Lanka'.

We were honoured to receive the very exclusive Joint Commission International (JCI) Accreditation, which is awarded to less than 500 hospitals around the world. The accreditation prescribes stringent benchmarks for quality and patient safety and calls for sustained improvement through reliable processes. The accreditation requires that Lanka Hospitals consistently maintains high levels of efficiency and reduces costs through standardised care.

Being a world-class hospital is vitally important to us because of the confidence it instils in our patients. To achieve this status, we embarked on a project to strip down our systems and processes and rebuild many of them. As a result, we were the first private hospital in Sri Lanka to gain ISO certifications, both in Environmental Management Systems (ISO 14001:2004) and Food Safety Management Systems (ISO 22000:2005). We were also the first to have an accredited hospital laboratory (ISO 15189:2007). Further, we have been recognised among the 100 Most Valuable Brands in Sri Lanka by the World Confederation of Business.

Plans for the Future

Much of our success can be attributed to our philosophy of long term planning and astute management practices. Leveraging the steadily improving socio-economic climate in Sri Lanka and our core competencies in medical care, we have been strengthening our partnerships with other countries in the region.

The lucrative field of medical tourism presents huge growth potential. Lanka Hospitals will leverage its persistent pursuit of world class service standards and highly qualified and extremely personable medical staff who are proficient in English to give it a strong competitive edge within the region. In 2015, we provided inpatient healthcare services to more than 2,700 overseas clients and many more outpatient visitors. We hope to see this number grow significantly in the near future.

Our nursing unit has set industry benchmarks in Sri Lanka. We have close to 400 fully qualified nurses and over 200 closely supervised student nurses performing an incredible job at the hospital. Our nurses have been trained at Lanka Hospitals Nurses Training School (LHNTS) which has earned itself an outstanding reputation in Sri Lanka and within the region.

Following an agreement with the Maldivian Government and the Maldives National University, each year, approximately 60 Maldivian student nurses pass out of LHNTS. This is an endorsement of the high quality of training imparted by LHNTS. We hope to initiate similar agreements with several other countries such as Bangladesh, Myanmar and Seychelles.

Our ties with the Maldives continue to grow stronger. In 2015, Lanka Hospitals signed a memorandum of understanding with Aasandha Insurance to provide specialist doctors to the Maldives on an ongoing basis. We wish to expand this service in the year ahead.

The impending launch of our state-of-the-art diagnostic and treatment centre for women is another much anticipated date on our calendar. The Women's Wellness Centre will offer a wide range of holistic screening packages, customised to meet the healthcare needs of women at various stages of life.

Appreciations

2016 promises to be another exciting year for us. I know that the challenges ahead will be easily met with the support of our Executive Committee, Management Team, Specialist Doctors and Experts and the staff of Lanka Hospitals who have worked tirelessly together as one family entirely committed to the shared goals of the hospital. I thank them for their selfless service and dedication and I look forward to their continued support in 2016.

Our efforts would not have borne such rich results without the vision and perspective of the Chairman and the Board of Directors. I would like to thank them for their encouragement and direction.

And finally, my heartfelt gratitude goes to all our patrons for their unwavering trust in us. Eventually, this is what keeps us motivated and rewarded.



Deshantha Silva

Chief Executive Officer — 26th February 2016

Message from the Director Medical Services



Dr. Erasha Fernando
Director Medical Services

With an enviable track record of high clinical standards, Lanka Hospitals consistently endeavour to review and improve our systems to ensure that all our patients' end to end needs are met seamlessly and comprehensively.

Dear Stakeholders,

At Lanka Hospitals, our objective is to ensure that every patient walks through our doors confident with the knowledge that their well-being is our foremost concern; our team of doctors and medical experts, use of cutting-edge, state-of-the-art medical technology, coupled with our uncompromising drive for clinical excellence, will ensure that they have the best healthcare the country has to offer. As the Director of Medical Services, these objectives are the central guiding principles in all our efforts.

Lanka Hospitals has an enviable track record of high clinical standards. We consistently endeavour to review and improve our systems to ensure that all our patients' end to end needs are met seamlessly and comprehensively. Last year, Lanka Hospitals achieved a customer satisfaction rating of 87%. This endorsement from our patients has been immensely satisfying for us because it validates the untiring efforts of my entire team, who range from medical professionals, doctors and nurses, to administrative and support staff.

It is therefore, my great pleasure and privilege, to present to you, an overview of the operations at Lanka Hospitals Corporation PLC.

Lanka Hospitals – behind the scenes

We at Lanka Hospitals are resolute in our quest for quality. Our relentless efforts to ensure the highest standards of quality in every aspect of the operations of the hospital, have helped us receive many awards including the prestigious Joint Commission International (JCIA) accreditation. Lanka Hospitals has, with this accreditation, joined a very exclusive club of fewer than 500 hospitals from around the world. We have through 2015, worked hard at consolidating all our accolades including the JCIA accreditation. Indeed sustaining the high standard we have set for ourselves is a bigger challenge than the achievement itself. A challenge my team and I wholeheartedly welcome.

One of the key draws to a hospital is its panel of doctors and in this regard, we are very privileged to have the finest team of both permanent and consulting doctors, as well as medical experts working with us. We have always sought to strengthen the partnerships with our doctors by utilising a system of constructive assessment and feedback.

Lanka Hospitals has in place, a sophisticated 360 degree system for monitoring incidents and success rates in treatments, particularly surgeries. Platforms have been created for patients, doctors and staff to confidently report medical and non-medical incidents. These are thoroughly investigated and assessed in a positive manner at weekly Incident Review meetings and Patient Safety Committee meetings. Incidents relating to medication errors are separately investigated by clinical pharmacists and discussed in Pharmacy and Therapeutic Committee meetings. The main objective of these exercises is to prevent recurrences of such incidents, maximise patient safety and build assurance and trust among all internal and external stakeholders.

We also place considerable emphasis on patient relationship management and encourage open and frank discussions between patients and doctors. Our consultants and medical team are trained to ask questions and be attentive to the answers provided. Patients are empowered to be as frank as they like and ask questions so that they may garner more confidence in the care being offered. Moreover, we use the best software platforms to ensure seamless and accurate transfer of patient information between departments, whilst we have empowered outpatients themselves to access their test reports via the internet so that they can save costly and time consuming travel.

Our patient oriented perspective has inspired us to go beyond merely providing medical care. We look at healthcare with a very holistic approach and have therefore organised several multifaceted programs such as Diabetes Day

Elders' Day, Children's Day, Heart Day and Stroke Day among others. These platforms are springboards to spread education and awareness on a range of health and lifestyle issues that impact our well-being.

At Lanka Hospitals, we have recognised that nursing is an absolutely critical element in all healthcare services we provide. We are extremely proud of our nurses who are without exaggeration, amongst the best in the country. We have close to 400 fully-qualified nurses and over 200 closely supervised student nurses who conform to a continuous process of in-house training and review. The best fully qualified nurses who are absorbed in to the hospital are eventually provided training in specialised disciplines of medicine. These nurses are an invaluable part of our resource base and contribute hugely to the high success rates in the treatments we provide.

Our nurses have all passed out of our in-house training school, the Lanka Hospitals Nurses Training School (LHNTS). This is the only private sector training facility which imparts an intensive three year course based on the National Curriculum. The LHNTS has been identified as a centre of excellence in Sri Lanka as well as within the region. In fact, such are the standards set by the school, that the Government of the Maldives has signed an agreement with Lanka Hospitals to train their nurses in critical care nursing. Furthermore, just within the past year, no less than 37 of our nurses were absorbed in to the national healthcare system.

While doctors and nurses play primary roles in all treatment we provide, the roles played by our ancillary medical experts, technicians and administrative staff cannot be underestimated. Lanka Hospitals has always been at the forefront of medical technology. We have in our employment, some of the best experts and technicians who carry out the very latest medical procedures and tests.

Up until recently Sri Lankan, patients had to endure extended gestation periods before test reports were received as samples had to be sent overseas to countries such as India for analysis. Lanka Hospitals Diagnostics (LHD), a subsidiary of Lanka Hospitals is now proud to offer many of these tests in Sri Lanka. We have added more than 300 diagnostic tests to our portfolio, making our facilities the most comprehensive in the country. These superior facilities are not restricted to

patients in Colombo alone. The state-of-the-art laboratory complex manages 10 Company owned sample collection centers, as well as several other franchised collection centers in various parts of the island.

Lanka Hospitals Diagnostics is the first reference laboratory to be set up in Sri Lanka and is ISO 15189:2007 certified. We are also working towards receiving the prestigious accreditation from the College of American Pathologists (CAP) in 2016. This is the most sought after accreditation in the world in the field of diagnostics.

Another area where best practices are implemented, is in the control of hospital acquired infection. Within many hospitals, infections spread because patients are being treated for a wide range of ailments and this is a source of never ending worry. We have instituted a specialised division, headed by a consultant microbiologist, to implement a very effective in-hospital infection control system. These systems have been very successful and we are proud to note that our rate of hospital acquired infections is extremely low, compared to industry benchmarks.

We understand that in the business of medical care, customers need assurance and a warm, personal and yet extremely efficient interface with the hospital, as they deal with their healthcare issues. From the warm welcome and competent handling of our outpatient departments, to the efficient clinical logistics and appropriate interdisciplinary plan of action for inpatients, the administrative staff at Lanka Hospitals leave no stone unturned to ensure that every patient enjoys smooth and hassle-free medical care. Process management best practices are implemented at every step of the way to remove bottlenecks and wastage in our systems. The emphasis is on being efficient, yet compassionate and personalised so that patients feel assured and at ease when they place their healthcare problems in our hands.

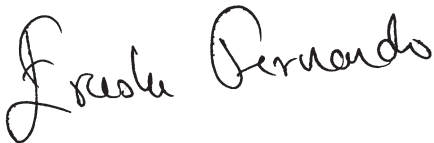
Lanka Hospitals' internal processes and management systems are indeed awe-inspiring and we are considered a role model for the industry. We have had the privilege of assisting several industry researchers who visit Lanka Hospitals to analyse our systems and study how we maintain consistent high standards. We believe that by helping the industry perform to better benchmarks, we will eventually grow to be stronger world players in healthcare.

A warm thank you

While extending my thanks to all those who have helped to make Lanka Hospitals such a resounding success, I must acknowledge the tremendous contributions of the past Chairmen, Boards of Directors and Directors of Medical Services. They have laid the solid foundations on which we have built today's success. My heartfelt gratitude goes to Dr. Wimal Karandagoda, who has, in his past capacity as Director of Medical Services, paved the path for me and my team.

I would also like to thank our current Chairman, Dr. Sarath Paranavitane, CEO, Mr. Deshantha Silva and the members of Board of Directors and the Executive Committee for providing us such supportive direction.

And finally I would like to thank my wonderful team. Their dedication and enthusiasm is infectious and spreads through every part of this hospital. Indeed it is an absolute joy to work with the members of the Lanka Hospitals family.

**Dr. Erasha Fernando**

Director Medical Services — 26th February 2016

Management Discussion and Analysis

2015 has been the year in which, more than ever before, our focus on the patient has resulted in bountiful returns – for us, our shareholders, the medical industry, and most importantly, for the men, women and children who walk through our doors, trusting that we will give them the relief and solutions they need to live life to the fullest. After all, it is not for nothing that our mission is, “To maintain exceptional and compassionate quality, while offering cost-effective healthcare solutions of international standards.”



Leading In Healthcare

Lanka Hospitals established itself as a leading private healthcare provider in Sri Lanka, relatively early in its short history. In keeping with its vision to be the most preferred private healthcare facility in the country, the Hospital continued to work towards building a healthier nation by offering cost-effective, world-class, healthcare experiences.

The new Board, appointed by the Minister of Finance, is keen to further consolidate the Hospital's leading position by focusing on quality, efficiency and a patient-oriented perspective. The new Board brings together eminent professionals, whose diverse experience and expertise have added much value to the Hospital's professional management and growth.

Performance Par Excellence

Based on the World Health Organisation's Framework for Action in Healthcare, the Lanka Hospitals Plan of Action progressed smoothly through 2015. The organisation strove to fortify and build upon the culture of excellence, which it had initiated in the previous year. The result was an outstandingly profitable financial year in 2015.

The Hospital's profitability has been driven by its performance – and its performance has not gone unrecognised. Lanka Hospitals has the distinction of being the most accredited hospital in Sri Lanka. Its most recent international accreditation (JCI – Joint Commission International) makes it one of the top 500 healthcare providers in the world today.

The JCI accreditation confirms that Lanka Hospitals follows stringent processes and best practices, whilst maintaining the highest standards. It indicates that the Hospital offers patients state-of-the-art medical facilities and surgical theatres, complemented by cutting-edge technology, for the added safety and well-being of patients. Lanka Hospitals also uses the latest technological innovations when performing gynaecological, urological, ENT and neurological surgeries.

Most importantly, the JCI accreditation is strong validation of the dedicated and compassionate care provided by the Hospital's well-experienced and highly-skilled medical personnel.

To cite a few more examples of awards and accolades won by Lanka Hospitals - it was the only hospital to win the Global Performance Excellence Award, which was conferred by the Asia Pacific Quality Organisation. Further, Lanka Hospitals won the Silver Award in the Healthcare sector for the third consecutive year at the 51st Annual Report Awards organised by The Institute of Chartered Accountants of Sri Lanka. It was also adjudged the winner in the large-scale category at the National Quality Awards - the only hospital in Sri Lanka to have been so honoured at the time.

Multi award-winning internationally accredited hospital
located in the heart of Colombo



The Hospital's laboratory services were the first to be ISO 15189:2007 certified. In addition, the Hospital received ISO 14001:2004 certification for its environmental management system.

Lanka Hospitals' food safety management system is also ISO 22000:2005 certified. It has the distinction of receiving five out of five crowns for maintaining international standards in food quality and hygiene.

The Hospital received the Merit Award at Sri Lanka National Energy Efficiency Awards.

Lanka Hospitals was rated A+/P1 (Stable) by RAM Ratings for financial stability and future outlook and AA by Brand Finance in 2010. It went on to become one of the Top 50 Corporate Brands in Sri Lanka.



The only private hospital in the island to have a purpose-built helipad on its premises

Legal Form

The Lanka Hospitals Corporation PLC 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 6th October 1997 and reregistered on 28th July 2008 under the Companies Act No. 07 of 2007 that came into effect on 3rd 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.

The Subsidiary Company, Lanka Hospitals Diagnostics (Private) Limited (LHD), is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The Company was incorporated on 6th February 2013. The immediate Parent of the Company is The Lanka Hospitals Corporation PLC.

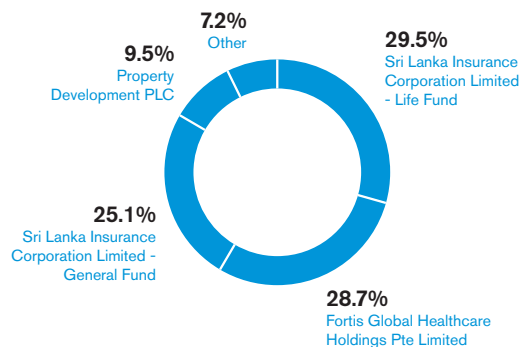
Principal Activities and Nature of Operations

The principle activity of the Company and the Group is to provide healthcare and laboratory services.

Parent Enterprise and Ultimate Parent Enterprise

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

Main Shareholders of LHC





Purpose-Built for Professional Care

Located in the heart of Colombo, Lanka Hospitals is a purpose-built tertiary care hospital, built to the highest safety standards. Its design is aesthetically appealing and yet highly functional to ensure smooth, efficient and yet comforting healthcare for its patients. The 350,000 square foot hospital complex is built on seven acres of land that includes beautifully landscaped gardens and vast parking facilities. It is the only private hospital in the island to have a purpose-built helipad on its premises to ensure patients in need of emergency treatment get the swiftest possible care. Many a life has been saved because of this unique feature.

The Hospital continues to make accelerated progress in key areas by enhancing processes across functions and offering the best medical and customer care at an affordable rate.



Purpose built private hospital meeting international standards of quality, safety and customer satisfaction

Launched in 2015, www.edoctor.lk is a web based round-the-clock medical advisory service at the family doctor (GP) level. It includes features such as 'Travel with Doctor,' a handy option which helps one get in touch with a local doctor when travelling overseas. The Hospital's eDoctor also features Android and iOS apps. They are time-saving interfaces, through which, people can make use of the full spectrum of services offered by eDoctor. The apps are also integrated with Lanka Hospital's Electronic Medical Record system.

Lanka Hospitals is the only private hospital in Sri Lanka to offer comprehensive services and treatments in most medical disciplines. Further, it reaches out to Sri Lankans across the country through its widespread franchise network of over 600 common collection centres. Lanka Hospitals has already established an indelible mark in the healthcare landscape where it is considered the preferred medical service provider for investigations and procedures referred by the Government and other private hospitals.

In the corporate world as well, private sector organisations consider Lanka Hospitals the most preferred healthcare provider for corporate medical campaigns and employee medical check-ups.

While serving a large number of Sri Lankan patients, Lanka Hospitals also caters to a growing number of international patients from Bangladesh, China, India, Maldives, Seychelles and the Western world. In fact, it is now a much sought after one-stop medical care destination within the region.

Emphasis on Ethics

The Hospital complies with all industry regulations such as pricing and medical standards. It adheres to stringent medical standards when performing surgeries and other procedures. Lanka Hospitals continuously reviews its processes to ensure that it is always compliant with the most updated legal and ethical codes imposed by regulatory bodies.

Affordability of its services is of great importance and Lanka Hospitals employs a competitive price structure for all its services for the benefit of its patients.

Through the effective implementation of its strategic Plan of Action, Lanka Hospitals aims to be a refreshing source of hope for all stakeholders. The Plan focuses on six key segments: financing, service delivery, people, systems and processes, medical products and technologies and governance (which are discussed in detail on pages 26 to 27).



700+ paediatric and adult cardiac surgeries completed during 2015 alone



To its shareholders and business partners, Lanka Hospitals is a steady, successful and a sustainable organisation with a strong Balance Sheet; and an organisation that is committed to the highest standards of integrity, efficiency, safety and compassionate patient care.

Lanka Hospitals is a member of The Private Health Services Regulatory Council (PHSRC) and the Joint Commission International Accreditation (JCIA).

The Hospital has entered into strategic alliances with Fortis Healthcare and SRL India. These alliances have helped align its processes to international quality standards and management techniques. These business partnerships have also enabled Lanka Hospitals to launch its subsidiary, Lanka Hospitals Diagnostics (LHD).



**The only Heart Centre
in the Country's private
healthcare sector that
performs both
adult as well
as paediatric
heart surgeries**

Overcoming External Challenges

Lanka Hospitals recorded another stellar year in terms of performance and profitability, despite a challenging environment of global and local economic ambiguity.

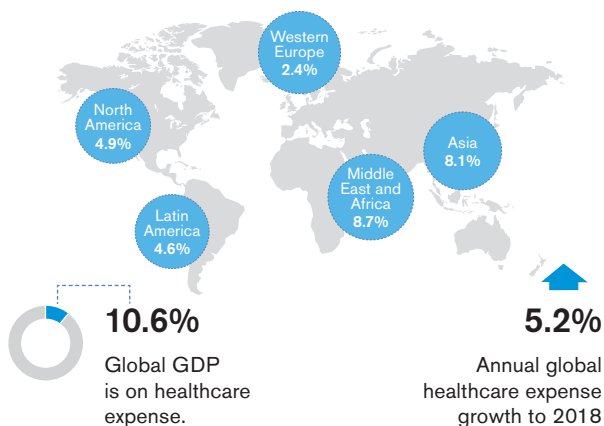
Challenging Global Economy

In 2015, Lanka Hospitals widened its international profile, despite slowing global growth. Largely due to continued deceleration of economic growth in emerging and developing economies, weak commodity prices and poor global trade and capital flows, 2015 was a disappointing year. Analysts predict that global inflation will increase moderately in 2016 due to commodity prices levelling off – but they are not expected to rise above historical standards.

While core inflation remained largely stable, declining commodity prices, such as oil, were seen as a reflection of decreasing headline inflation in advanced economies. In emerging markets, reduced prices for commodities, including food, resulted in a decline in inflation, but this was tempered on the upside by depreciating currencies in some economies.

Challenging Global Healthcare Trends

According to a 2015 report by Deloitte, global healthcare spending is expected to grow at 5.2% annually up to 2018. In Asia, Middle East and Africa, this percentage is expected to be much higher, at over 8%.



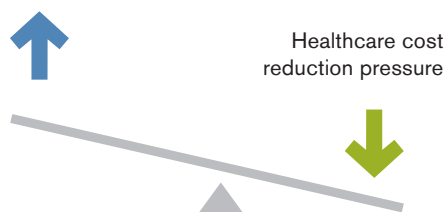
Source: Deloitte Touche Tohmatsu Limited, 2014

Increasing aging populations, the rising prevalence of chronic and communicable diseases, growth in emerging markets and advances in medical science are some of the key drivers that are pushing up global healthcare spending.

Pressure to reduce the cost of healthcare however, currently counteracts this upward momentum. It is driven by many factors including Government policies, regulators and more assertive and demanding patients. In this environment Lanka Hospital's emphasis on providing patient care that is world-class and yet cost effective, sets it apart from the rest.

Contradictory Forces Influence Healthcare Spending

- Aging populations
- Growth of emerging markets
- Advances in treatments



Source: Deloitte Touche Tohmatsu Limited, 2014

While the use of technology and digital innovations are becoming increasingly prevalent in the healthcare sector, there are growing concerns over patient safety and privacy. The global healthcare sector therefore continues to evolve in the digital space by conforming to increasing regulations on drug and patient safety, more insistent calls for transparency in costs and payments and growing consumerism in this sector.

Challenges within the Local Economy

The Sri Lankan economy grew by 5.6% in the first half of 2015 due to the expansion in agriculture, industry and service-related sectors. The Central Bank maintained an accommodative monetary policy during the year in an environment of low inflation and the prospect that inflation would remain positive. This paved the way for an unimpeded flow of credit to the private sector, which bolstered economic activity. At Lanka Hospitals, this meant an increase in the demand for quality healthcare.

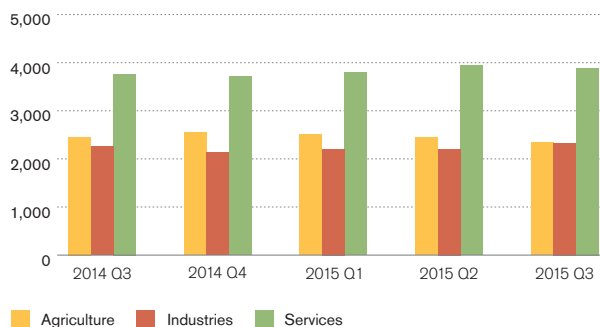
Inflation has continued to below – in single-digits – a trend that has remained unbroken since 2009. The Central Bank's cautious demand management policies, a better environment for domestic supply and decreased international commodity prices could be considered as some of the main reasons for this ongoing pattern of low inflation. Overall the Sri Lankan Rupee depreciated to 9.03% by year end, after the Central Bank permitted increased flexibility in determining the exchange rate. Meanwhile, unemployment remained largely the same, rising marginally to around 4-5% in 2015, especially in the industrial and agricultural sectors.

Due to the influx of low-cost smartphones in the local market, the Sri Lankan population is more 'connected' than ever. In 2015 alone, there were an estimated 24,385,000 cellular phones and 2,601,000 fixed phones in use according to the 2015 Central Banks Report. This gives rise to easier access to the internet and therefore a more knowledgeable and informed customer base that demands more value added services and stringent standards of quality.

For the Hospital, these trends have translated in to an increased focus on providing high quality, cost-effective healthcare.

Distribution of Employed Population by Main Industry

(No. '000)



Long term hospital stays are less prevalent than in past years. The demand for minimally invasive procedures such as laparoscopic surgeries, require shorter periods of hospitalisation. The higher patient turnover at the Hospitals is attractive for medical professionals as it results in more opportunities and broader experiences.

Challenges in the Local Healthcare Industry

Sri Lanka's healthcare industry has been making tremendous progress. According to a 2014 World Health Organisation Report, Sri Lanka has been on track to achieve most of its health-related Millennium Development Goals. The country's extensive network of hospitals has a reputation for being well-staffed and equipped. Despite this, challenges posed by demographic and epidemiologic transitions mean that the Government is focusing on overhauling the primary healthcare model in the country and expanding peripheral healthcare facilities in the North.

An increase in non-communicable diseases, such as cardiovascular conditions, cancer, diabetes and chronic respiratory disease, which account for about 70% of deaths in the country, are placing an additional burden on Sri Lanka's free healthcare system.

The broad aims of the Government health policy are to further increase life expectancy by reducing the prevalence of communicable and non-communicable diseases and improving the quality of life by reducing preventable diseases. 2015 also saw expenditure on research and development rising in the healthcare sector – especially in the fields of Ayurvedic medicine, bio and nano-technologies.

The healthcare and nutritional requirements of displaced persons in the Northern Province will continue to be an area of concern for the Ministry of Health. The Government has also committed to adopt a health policy, which is directed at reducing regional disparities and enhancing equitable access to healthcare services.



Records high number of inpatients from overseas annually

Global and Local Healthcare Drivers – Chronic Disease

Global



63% of deaths in 2008 were from non-communicable diseases



Total deaths from diabetes are project to rise by more than **50%** in the next 10 years

Local



In Sri Lanka non-communicable diseases like diabetes, cancer, heart disease, now cause **70%** of overall deaths

International organisations, including UN agencies such as ILO, IOM, UNDP, UNFPA, UNICEF, WFP and WHO are active in the country's health sector. International NGOs, multilateral and bilateral organisations such as World Bank, ADB, JICA, AusAID and USAID are also present. In addition to several other global health initiatives, Global Fund to Fight AIDS, Tuberculosis, Malaria and the GAVI Alliance also contribute to the Sri Lankan health sector.

While funding from external sources in Sri Lanka is relatively low (just 5.4% of the Government's health expenditure), compared to the national health budget, external assistance takes the form of technical support, sharing of expertise, best practices, ideas and innovations, policy options, pilot and demonstration projects, standards and operational guidelines.

Source: Deloitte Touche Tohmatsu Limited, 2014

Rolling Out the Action Plan

Lanka Hospital's philosophy of maintaining healthy introspection and consistent robust planning, has helped it take on all external challenges with confidence.

The Lanka Hospitals Plan of Action is built on six pillars that uphold the organisation's vision to be the most preferred Private Healthcare Facility in the country and to help in developing a healthier nation.

The pillars support the Hospital's priorities, which are to improve the lives of its patients, be a centre of excellence in the country, provide cost-effective medical solutions and bring innovation in the field of medicine and customer care.

2015 saw great success in the following areas.





Finance

Lanka Hospitals PLC focuses on providing cost-effective healthcare solutions, while continuing to grow as a profitable business entity. The Hospital has spearheaded medical innovations – such as the first 'Awake Craniotomy', thereby providing local and international patients with safer and more economical solutions for their medical problems and eliminating the need to travel abroad for serious illnesses.

The Hospital keeps a sharp eye on technical innovations, making prudent investments in the very latest technologies that will provide patients with world-class care and prove profitable in the long term.

Lanka Hospital's solid treasury management processes have given it the distinction of being the only debt-free hospital in Sri Lanka over the last 5 years.

Lanka Hospital's has taken several measures to ensure customers have a hassle-free experience by offering a variety of payment methods to settle their bills, such as online, credit/debit card, demand draft and telegraphic transfer payments.

Lanka Hospitals has signed a number of MoUs (Memorandum of Understanding) with global insurance firms. It has a stellar reputation among insurance companies around the world, with many championing the Hospital as the preferred healthcare provider for their customers.

People

A highly trained, skilled and qualified workforce is key to ensuring that patients receive professional and compassionate healthcare services.

Lanka Hospital's employees are intrinsically involved in every aspect of a customer's visit, from the time a patient arrives to the time he or she leaves. The close teamwork between clinical and non-clinical employees adds to the seamless, cohesive care each patient receives.

Training talented employees in particular skill is critical for the Hospital's long term, sustainable development. Each week, groups of employees are sent for soft skills training programmes such as Outward Bound, for improved team spirit and harmony in the working relationships. These have proved invaluable, especially when working across departments.

The Lanka Hospitals Nurses Training School (LHNTS) has earned a formidable reputation as a beacon of learning in the field of nursing care in Sri Lanka and in the region. It was a moment of pride when, last year, 37 students passed out of LHNTS to be absorbed in to the National Healthcare Services sector.

Lanka Hospitals employs stringent systems to ensure that only the best human resources in the country are filtered through its recruitment processes and are ultimately hired. Selection criteria include high levels of expertise and knowledge combined with enthusiasm and passion and a desire to advance the organisation's mission, which is to maintain exceptional and compassionate quality, while offering cost effective healthcare solutions of international standards.

Service Delivery

Lanka Hospitals has consistently striven to deliver safe, value added health services of high quality.

It has always focused on maintaining the most stringent standards, obtaining accreditations such as ISO and JCI in order to cement its commitment to quality.

International Patient Safety Goals, is another important area that Lanka Hospitals focuses on. This includes correctly identifying patients for treatment and procedures, improving effective communication between healthcare givers, elevating the safety of high alert medication and reducing the risk of harm through infections and falls. Lanka Hospitals is proud of its effective hazard warning system, which ensures the safety of the Hospital and all those within it. The system prevents harm from dangerous situations, such as fire or the use of condemned medical equipment.

Lanka Hospitals' unique purpose-built structure provides a safe environment for all its employees and patients. A key area of concern is hospital acquired infections. Rigorous systems have been introduced to ensure that the Hospital has the lowest in hospital infection rates in the industry.



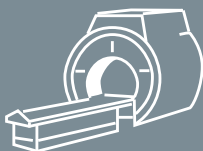
Systems and Processes

Maintaining world-class systems and processes is vital to the long term success of Lanka Hospitals.

To this end, the organisation has made an effort to obtain international accreditation in key areas such as its Environmental Management Systems (ISO 14001:2004) and Food Safety Management Systems (ISO 22000:2005).

The Hospital's clinical and non-clinical processes have passed muster with the JCIA seal of approval – an evaluation that covers 1,200 measurable elements. Its state-of-the-art enterprise resource planning (ERP) system ensures the efficiency and accuracy of all services provided by the Hospital.

Accurate book keeping is ensured through a foolproof accounting system that provides shareholders with transparent record of accounts.



Medical Products and Technologies

Lanka Hospitals has been at the forefront of medical technology. The organisation continuously upgrades its infrastructure and skill base to introduce the very latest medical procedures and technology to Sri Lanka, while enforcing the highest standards of safety.

In 2015, Lanka Hospitals proudly announced the country's first successful pregnancy through Blastocyst Culture embryo transfer.

2015 was also the year when it performed an 'Awake Craniotomy' – a rare surgical procedure in Sri Lanka.

Gastroenterology is another area of excellence and the treatment provided is on par with leading hospitals in the developed world. Lanka Hospitals is equipped with the latest technologies, such as the Endoscopic Ultrasound System (EUS), Endo Bronchial Ultrasound (EBUS), PH Manometry studies and more.

The Hospital's digital mammogram system, aids in the fight against breast cancer. It uses digital receptors and computers instead of x-ray film to help examine breast tissue for breast cancer. The electrical signals can be read on computer screens so that radiologists are able to assess results more accurately.



Governance

The visionary leadership of the Board combined with effective monitoring, astute business partnerships and a culture of accountability, has ensured that Lanka Hospitals is positioned as a financially strong, sustainable and ethical institution.

The Chairman and the Board of Directors are responsible for the overall governance of the Hospital and are committed to further strengthening long term goals and strategies that will ensure that Lanka Hospitals remains a leading private sector healthcare provider in Sri Lanka and the region.

The Hospital takes the trust and confidence of its stakeholders very seriously. Winning the Gold Seal of Approval by the JCIA is testament to the fact that Lanka Hospitals has strengthened its risk management, compliance and governance criteria.

The Hospital's objectives are aligned with the Broad mandate of the Government led by His Excellency the President Maithripala Sirisena.

Putting Stakeholders First

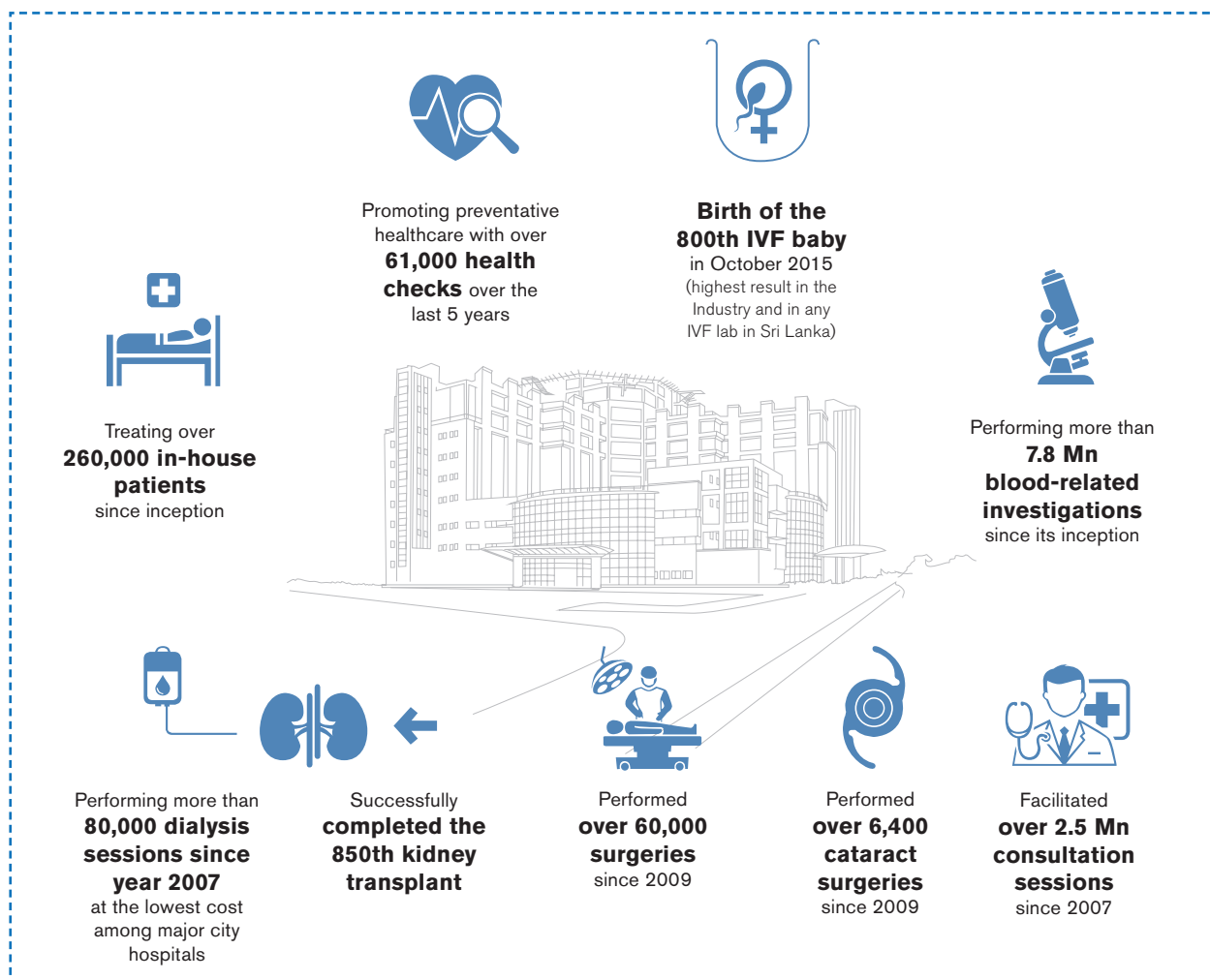
Lanka Hospitals, endeavours are driven by its commitment to the interests of its stakeholders. For instance, while focusing on being profitable and maintaining good governance, Lanka Hospitals puts equal effort into employing the best medical products and technologies in the market. It also employs systems and processes that keep everyone safe. The organisation focuses on employing the best people and providing them with continuous training to keep them abreast of the latest healthcare practices.

Providing Compassionate Patient Care

At Lanka Hospitals the patient always gets priority. In fact the Hospital's Action Plan, while benefiting all stakeholders, is specially focused on providing customers with world-class patient care that is compassionate and cost-effective.

Lanka Hospitals is already a pioneer in the fields of fertility, heart, renal care and haemato-oncology. The Hospital has notched an impressive range of firsts and successes within these disciplines and others.

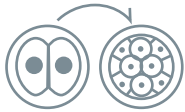
Key Milestones Reached in 2015



Customer Centric Services

In recognition of the value that patients place on convenience and cost-effectiveness, Lanka Hospitals has instituted several centres of excellence that are geared to provide customers with solutions to all their medical needs under one roof.

Fertility Centre



The Lanka Hospitals Fertility Centre has shown impressive success rates. It has maintained the international standard rating of 43% success with regard to in vitro fertilisation (IVF) and intra cytoplasmic sperm injection treatment. This success has resulted in a higher demand for services and treatment and the Centre is now the only facility in the country capable of performing IVF procedures every day of the year.

Supported by the latest international standard equipment and technology, the Centre has carried out close to 900 successful deliveries and 200 assisted pregnancies in 2015 – the highest in Sri Lanka. The Lanka Hospitals Fertility Clinic, pioneered the vitrification embryo IVF process in Sri Lanka – a faster method with high survival rates.

Heart Centre



Posting an outstanding growth of 7.5%, the Lanka Hospitals Heart Centre offers patients the most comprehensive cardiac and cardiothoracic surgical procedures that are complemented by unmatched aftercare.

Over the last decade, the Centre has performed more than 50 different types of cardiac surgical procedures with excellent results. It pioneered a complete range of cardiac and cardiothoracic surgeries for both children and adults.

The Centre boasts some of the most advanced processes and technologies including the latest flat panel catheterisation laboratory in the country for angiograms, stenting procedures and closure of hole in the heart procedures. It is able to provide patients with innovative options such as keyhole surgery, which reduces healing time and improves success rates.

Gastroenterology Centre



In 2015, Lanka Hospitals launched Sri Lanka's only self-contained, Gastroenterology (GE) Centre, where all diagnostics, consultations, treatments and post procedural check-ups are performed under one roof.

It is the only hospital in Sri Lanka's private healthcare sector to offer unique services such as Endoscopic Ultra Sound, Endo Bronchial Ultra Sound and PH Manometry Studies.

The newly launched Lanka Hospitals GE Centre is fitted with cutting edge modern equipment on par with the best hospitals in Europe. It is staffed by the country's most renowned gastroenterologists and gastro surgeons, as well as nursing staff who are especially trained in this area.

Haemato-Oncology Unit



The Lanka Hospitals Haemato-Oncology Unit is the only dedicated unit in Sri Lanka with state-of-the-art medical technology for blood disorders and blood related cancers.

Highly trained medical staff, specialised in treating patients with blood disorders and blood related cancers, are at hand at all times.

24-hour consultancy services by clinical haemato-oncologists and general oncologists are available to patients as well.

Kidney Care Centre



The Lanka Hospitals Kidney Care Centre offers comprehensive solutions for kidney diseases, including dialysis and kidney transplants performed by the best and most respected nephrologists in the country.

Considered a centre of excellence in Sri Lanka, this unit has performed close to 900 kidney transplants to date and has posted growth figures of 46% in 2015.

Lanka Hospitals is the only private hospital in Sri Lanka to have successfully performed both paediatric and adult transplants and undertakes the largest number of dialyses each month. All transplants conform to the most stringent regulations and norms of ethics.

Neuro Centre



Lanka Hospitals has a resident neurosurgical team to attend to neurological emergencies around the clock. It is the only hospital in the country to carry out long term video EEG monitoring.

The Neuro Centre is equipped with the most advanced neuro navigation system. It has Sri Lanka's first 3D C arm which provides maximum navigation precision, greater visibility, access, flexibility and diagnostic views. It also houses the latest Ultrasonic Tissue Ablation System, which aspirates tumours in the nervous system and facilitates smooth execution of their removal.

Nuclear Medicine Centre



This unit is dedicated to medical imaging that helps diagnose the severity of a variety of diseases and determines the course of treatment to be undertaken. This includes cancers, heart disease, gastrointestinal, endocrine, neurological disorders and other abnormalities within the body. Lanka Hospitals is equipped with a state-of-the-art Dual Detector Gamma Camera, making it the only private hospital in Sri Lanka to offer Nuclear Medicine for diagnostic, therapeutic and preventive maintenance.

Emergency Services



Lanka Hospitals is the first to introduce the concept of ambulance services that double as Intensive Care Units (ICUs). This service provides patients in need of critical medical attention immediate access to the hospital's superior care 24 hours a day, seven days a week; anywhere in the island. Patients being transferred to the hospital, are placed in the care of doctors and nurses who are experts at handling portable medical equipment, including ventilators to support respiration, defibrillators to treat cardiac emergencies and infusion pumps to continue the administering of life-saving medications.

Where ambulance transport is not advisable, the Hospital co-ordinates with the Sri Lanka Air Force to arrange for the patient to be airlifted by helicopter, from any location in the country to its rooftop helipad. The Lanka Hospital's helipad is the only Civil Aviation Authority approved helicopter landing pad, owned by any private sector hospital in the country.



The only hospital in the country to carry out long term video EEG monitoring

equipped with the most advanced and latest neuro navigation system

Lanka Hospitals Diagnostics (LHD)

Lanka Hospitals is especially proud of leading the field of diagnostics through Lanka Hospitals Diagnostics or LHD, Sri Lanka's first reference diagnostics laboratory.

Today, LHD is capable of conducting a range of 1,000 routine to high-end tests, some of which have been introduced to Sri Lanka for the first time. Through its ultra-modern laboratory, the unit offers a range of diagnostic facilities, including highly specialised fields such as haematology, histopathology, chemical pathology, microbiology, flow cytometry, clinical pathology, molecular diagnostics and cytogenetics.

The LHD medical team initiates technical collaboration with SRL Diagnostics (India), whenever needed. It also manages 10 Company operated, Company owned sample collection centres and a number of other exclusive collection centres located outside Colombo. Three more regional centres in Kandy, Karapitiya and Kurunegala are planned for 2016.

Future Plans for LHD

Going forward, LHD hopes to introduce 75 new tests that offer patients a speedier diagnosis. It also hopes to introduce new diagnostic procedures in regional centres.

A Closer Look at Lanka Hospitals' Diagnostics

LHD truly stands apart from other diagnostics service providers in Sri Lanka.

Unique Selling Points

The state-of-the-art facility is equipped with the latest technology. Each department of LHD is managed by a full time consultant. The laboratory also offers the broadest range of tests in Sri Lanka, 1,050 in all. A total of 75 new tests are offered to customers only through LHD.

Customers are able to obtain their test results online, in a secure manner, thereby eliminating the need to visit the hospital.

LHD is in the process of obtaining the highest accreditation for a medical laboratory, which is the College of American Pathologist (CAP) accreditation.

With its 94% proficiency rate, LHD is confident of securing this accreditation by September 2016. LHD continuously strives to offer superior service to its clients. All instruments are calibrated and the testing processes are validated as well.

Business Model

LHD has a distinctive business model. Its logistics department operates on a lean structure, integrating all operations using ICT and adopting the latest innovative systems. It has adopted a highly efficient sample collection process in its regional centres located in Galle, Ratnapura, Elpitiya, Warakapola, Giriulla, Chilaw, and Negombo. LHD's focus is on making its services available for people in need, irrespective of the numbers in each region.

Processes

All instruments used in the laboratory are computerised, making manual operations unnecessary and decreasing the chance of manual error. After the samples are carefully transported to the laboratory and the tests are conducted, they automatically go to the LBA information system. The laboratory information system is linked with the LHD website, where all results are posted. The laboratory operates 20 exclusive collection centres, in addition to 600 common collection centres island-wide. Over the last year, LHD has introduced more than 270 tests.



1 in renal care

with more than

870+ kidney transplants

Training

Continuous training is provided to staff members to ensure they are on par with international peers. In addition to the Consultants, most technical staff members hold post graduate qualifications. LHD also maintains a technical understanding with SLR in India to cross train staff members of both institutions. Apart from recruiting the best candidates, LHD continuously strives to enhance the skills of its staff members with ongoing training programmes and workshops.

Attracting International Customers

While Lanka Hospitals has always enjoyed a high profile within the country, it has gained a strong reputation internationally as well – particularly in the Asia-Pacific and Middle East regions.

The term medical tourism, though relatively new to Sri Lanka, is gaining considerable traction around the world.

An increasing number of international patients are seeking faster, more cost-effective and efficient solutions to their medical problems. Sri Lanka is proving to be an attractive location for this nascent industry and Lanka Hospitals with its world-class standards, services and technology, is seeing an increase in overseas patients.

The Hospital is also much sought after by patients from within the region, who see Lanka Hospitals as a reputed, cost effective and easy to access alternative to hospitals located further away in countries such as Singapore or Thailand.

More than 28,000 foreign patients have been treated since the inception of the Hospital. This reflects the positive response to the Sri Lankan Government's policy on Medical Tourism.

Customer Engagement

We engage with our customers in different ways through traditional and social media, unique marketing campaigns and our day-to-day interactions with them at the Hospital.

Lanka Hospitals has introduced many industry firsts within the healthcare sector in Sri Lanka over the years. A Customer Loyalty Card was introduced to enhance customer convenience through improved efficiency in billing. The card can be used to obtain any product or services provided by the Hospital. A user-friendly state-of-the-art front end hospital information system was also set up to facilitate transparent billing.

In addition, the Hospital allows customers the option of viewing their medical reports online, eliminating the need to visit the Hospital for collection. An SMS alert system was also launched to notify customers when their reports are ready.

A separate sample collection centre was established at the premises in 2015, for the convenience of patients requiring laboratory tests.

Lanka Hospitals is expanding its laboratory and pharmaceutical businesses outside Colombo, to extend its superior healthcare services to a larger community.

These unique customer-centric initiatives have enabled the Hospital to achieve a higher level of engagement.

The average occupancy during the year 2015 was over 85%, while the average length of stay reduced by 0.07 days, on account of the higher clinical efficiency within the hospital.

With the introduction of the first ever reference laboratory in the country, the number of blood related investigations increased by over 450,000 investigations, reflecting a growth of 54% over 2014.



**The only centre to
perform artificial
cochlear transplants
with 100+ cochlear
implant surgeries
completed to date**

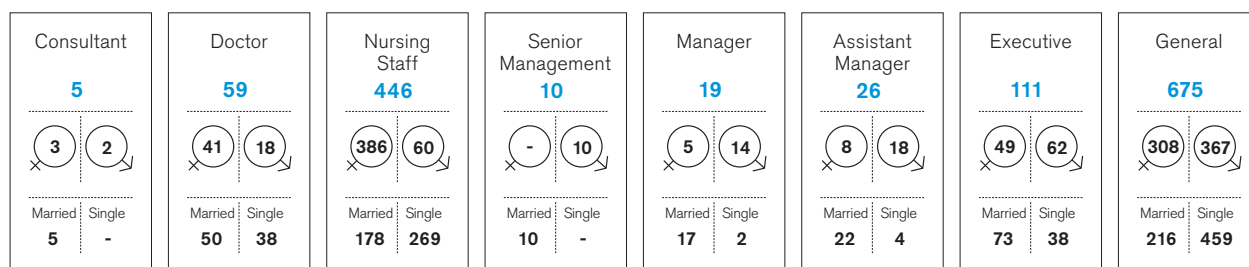
Employee Centric Management

Lanka Hospitals takes great pains to ensure that its employees are well-looked after, both in their day-to-day lives as they care for patients, as well as in their long term career prospects. It is well aware that without the support and commitment of its employees, the Hospital's aim to provide exceptional, compassionate, world-class healthcare solutions, could never be achieved.

At the end of the financial year under review, the employee strength of Lanka Hospitals stood at 1,351, with the highest number of female employees, 386 in number, in the nursing category. The highest number of male employees, totalling 367, was in the general category.

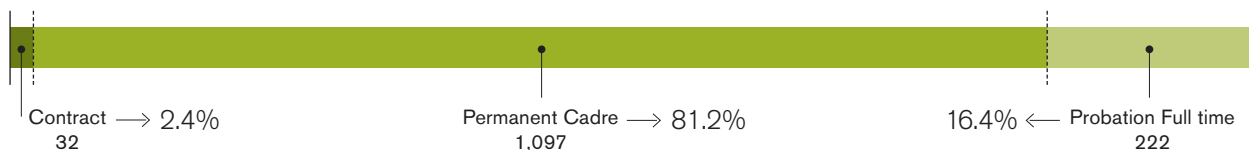
Total No. of Employees 1,351

Analysis by Job Category, Gender and Civil Status



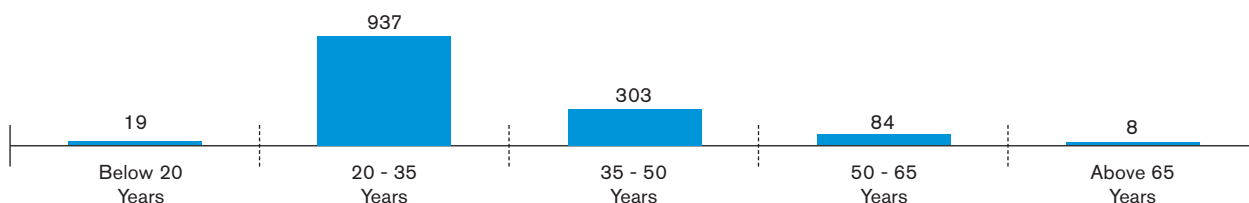
Analysis by Employment Type

Of the total staff number, 81% were in the permanent cadre



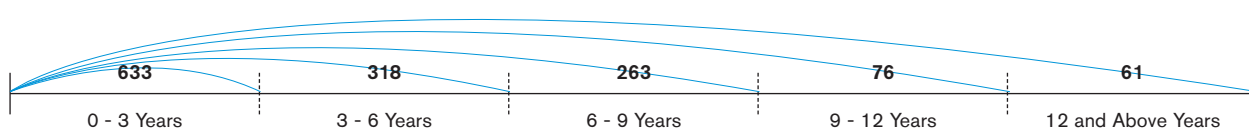
Age Analysis

The Hospital has a relatively young work force with 71% in the below 35 years age category



Service Analysis

30% of the staff members have served the Hospital for over 6 years, whilst 47% has served for less than 3 years



Employee Turnover

Lanka Hospitals' employee friendly policies have contributed to its extremely low monthly employee turnover rate which stands at 1%.

This is despite the acute shortage of skilled labour within the industry, especially in areas such as nursing and radiology.

For Lanka Hospitals, this has not been a particularly serious issue, thanks to the foresight of the organisation. The Hospital's nurses training school, has attracted the best local and overseas students and its alumni now enjoy bright career prospects within the Hospital and in the industry.



Pioneered nuclear medicine imaging amongst private sector hospitals in Sri Lanka; we remain the only private healthcare care center in Sri Lanka to offer Nuclear Medicine for diagnostic, therapeutic and preventive maintenance cure

Employee Well-being

Keen to retain and reward its most dedicated employees, Lanka Hospitals offers a wide range of benefits to its permanent staff members to ensure that they remain motivated and loyal. These initiatives, which are directed at enhancing employee well-being, are in-line with the Hospital's commitment to all its stakeholders.

The Lanka Hospital's employee benefit scheme allows the Hospital's staff and their dependents to access healthcare services at discounted prices. The Management is keen to ensure that the employees of one of the country's leading private healthcare providers and their loved ones benefit from its products and services.

Employees are provided with uniforms that are comfortable, practical and culturally appropriate. This further ensures that work attire related expenses do not additionally burden employees. Permanent employees are also provided with subsidised meals that are healthy and nutritious.

Thanks to its increasing reputation as a leader in healthcare and a caring employer, Lanka Hospitals attracts recruits from the far corners of the country and the region. The Hospital has arranged for comfortable hostel facilities for the well-being and convenience of employees from outside Colombo.

The organisation is keen to ensure that employees are paid competitively. This means that staff enjoy attractive remuneration, bonuses and payment schemes that amply reward them for their commitment to providing the best healthcare for the Hospital's patients.

An attractive insurance scheme is also offered to employees, based on their grade level.

Several other incentive schemes, based on performance, are offered to staff members as well. These include:

- Study leave
- Case based incentives and allowances to compensate for additional work
- Training
- Wedding gifts

Supporting Work-Life Balance

The welfare club of Lanka Hospitals, hosts a range of events annually to motivate and build camaraderie among staff members. While many of these events are organised for the employees, some are open to their family members as well.

A flexible leave policy is also in place to facilitate ease in the process of granting leave, contributing to increased retention of staff members.

Wellness Club

The Wellness Club at Lanka Hospitals conducts different programmes to improve employee welfare. These are conducted in partnership with the management of the Hospital.

Celebrating Diversity

Being an institution with employees belonging to different religions, the Hospital promotes events, giving emphasis to all religions. Some of the events organised during the year are:

Vesak Bakthi Gee Programme – Organised by the HR Department, in partnership with the Wellness Club, with the participation of all staff members.

Vesak Lantern Competition – Organised by the HR Department, together with the staff Wellness Club, a competition was held among staff members with cash prizes awarded to winners.

Christmas Carols – Organised by the HR Department and the Wellness Club. Staff members from all religions participated in this event.

Ifthar – The management of Lanka Hospitals organised daily Ifthar and morning meals for all Muslim staff members during the Holy Month of Ramadan. A special Ifthar ceremony was organised for all staff members and consultants at the auditorium of Lanka Hospitals, where many Non-Muslim staff members witnessed the process of Ifthar.

Navarathri Programme – Celebrations for Navarathri, a Hindu festival of worship and dance, was facilitated by the management of the Hospital.

Pirith Ceremony – A *Sarva Rathrika Pirith Deshanaya* was held at the Hospital to invoke blessings on the Management and staff, with the participation of all employees and the Management.

A Thrift Shop

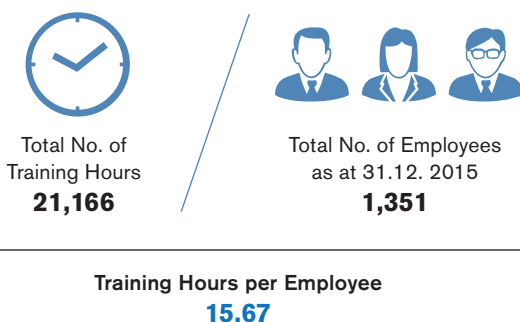
The Wellness Club, together with the Management of the Hospital, provides products at subsidised prices to staff members. These sales are conducted at the Hospital premises monthly, whilst grand sales are organised during special seasonal months.

Other Activities

Several other activities are conducted for staff members. These include the annual stage drama, a musical programme and a *shramadana* project. Several sports carnivals such as cricket, marathon, netball and New Year games are organised with attractive prizes awarded to winners.

Training and Development

The Hospital nurtures a knowledge-based culture in which continuous training is provided to staff members to upgrade their skills. During the year, Lanka Hospitals invested in a total of 21,166 training hours (an average of 15.67 hours per employee). Varied internal and external training programmes were also conducted by the Hospital, which included technical and soft skills training.



Soft Skill Training

Soft skills such as relationship management, customer care and etiquette and grooming are essential requisites of the healthcare business. Lanka Hospitals conducted several training programmes to hone employee skills in these areas. Customer care workshops were conducted for all employees at customer touch points. All Hospital executives underwent business etiquette training to sharpen their professional conduct. In addition, a grooming and etiquette programme was organised, followed by a grooming audit. The results revealed a marked improvement in patients' perceptions about employees and service standards and consequently the Hospital's brand equity.

Career Development

Employees are more engaged and committed when they see attractive career growth options within the organisation. Recognising this, Lanka Hospitals has designed career development programmes which identifies core competencies of staff members and effectively develop them. The Hospital manages careers, conducts career counselling workshops and provides exciting growth opportunities for all its employees.

Quality Week

Lanka Hospitals engages staff members through innovative programmes aimed at improving the Hospital. A quality week was organised to educate employees on various aspects of quality and the importance of adhering to proper quality standards and practices. Apart from discussing quality related topics with staff members, competitions were also organised to involve employees and reward their efforts.

Team Building

Lanka Hospitals conducts several team building activities by promoting close interactions between employees across departments. In this regard, every Wednesday, the HR Department conducts an outdoor team building activity for a group of 30 employees that includes individuals from various divisions within the Hospital. Apart from these, customised training programmes are conducted for targeted results.

Lanka Hospitals Nurses' Training School (LHNTS)

The LHNTS is the Hospital's main source for highly skilled and fully qualified nurses. LHNTS imparts an intensive three year programme, which is based on the national curriculum. LHNTS graduates are also much sought out by other players in the medical sector. In fact, last year, 37 LHNTS students were absorbed into the national health sector – a testament to the high quality of the training imparted.

In 2015, LHNTS increased the annual intake of students from 50 to 90 students. This was in response to increased demand from the industry and potential students.

A performance improvement programme was initiated during the year to further enhance the quality of training provided by the school. In addition, new policies were laid down, covering areas such as recruitment, remuneration and granting leave. The curriculum too was revised to accommodate new and relevant focus areas such as customer care, IT, economics, business and finance.

Infrastructure facilities were improved with the setting up of a fully equipped library and an IT laboratory. The clinical training area was revamped and made more efficient through better monitoring and supervision. The communication system between the school and the nursing department of the Hospital was enhanced for better allocation of students to various units of the Hospital. In order to minimise student turnover, an intensive orientation programme was initiated during the year as well.

To enhance the self-confidence of students and harness their social skills, three clubs were established within the School,

namely, the Social and Community Club, Education and Health Club and the English Culture Club.

Going forward, improved hostel facilities will be provided for the students to facilitate an increase in intake; and since the School is registered as a vocational training centre, new training programmes will also be developed for specialisations such as ECG and endoscopy.

Overseas Students

Lanka Hospitals has also attracted the attention of Government hospitals within the region as a centre for excellence in learning, with many countries are sending trainee medical and nursing students for internships.

Following the signing of a Memorandum of Understanding with the Government of the Republic of Maldives in 2008, Lanka Hospitals has been accepting student nurses from the Maldives National University for clinical training every year.

Given the success of this partnership, the Hospital is working towards similar agreements with other countries such as Bangladesh, Myanmar and Seychelles, as well as with private medical institutions in the region.

Corporate Social Responsibility Initiatives

Lanka Hospitals takes its responsibility as a corporate citizen very seriously. Ensuring that the communities within which it operates are healthy and knowledgeable, is an integral part of the Hospital's activities.

Medical Discussions for the Public

In 2015, Lanka Hospitals hosted several medical workshops conducted by eminent consultants to educate the general public on important health issues such as: Tuberculosis – one of the world's most infectious diseases with 9.6 Mn people affected and 1.5 Mn people dying from the disease in 2014 alone; Heart disease – one of the world's most prolific non-communicable disease and breast cancer, which now has a survival rate of 80%-90%, if detected early.

Discussions conducted during the year include:

- 'Prevention of TB and its significance in Sri Lanka' by Dr. Harsha Samarasekara, Consultant Clinical Microbiologist to the employees of Avery Dennison Lanka Limited, BEPZ, Biyagama in April 2015.
- 'Healthy Heart – Healthy Life' by Dr. M R Mubarak, Consultant Cardiologist for employees of 99X Technology Limited, Colombo 03 in July 2015.



- 'Preventing Breast Cancer' by Dr. Naomal Perera, Consultant Surgeon for employees of 99X Technology Limited, Colombo 03 in August 2015.

Drug Prevention Campaign

In addition, Lanka Hospitals was the healthcare partner for 'Mathin Nidahas Ratak' – the national drug prevention campaign organised by the Presidential Secretariat in Galle in September 2015. Over 750 people participated in this programme.

Medical Awareness Programmes

A number of medical awareness programmes were organised by the Hospital to educate the general public on key health related issues.

Parent Crafting

This is a monthly educational programme, conducted by Lanka Hospitals to educate new parents to be on the exhilarating and yet terrifying experience of caring for a new baby. Through these monthly programmes, the Hospital provides an interactive knowledge sharing platform where family planning and other topics related to parenthood are discussed.

Diabetes Day Programme

World Diabetes Day 2015 was commemorated in a grand scale at Lanka Hospitals. A diabetes awareness programme was conducted with the participation of Consultant Doctors from diverse specialties. It was an interactive medical forum, with question and answer sessions on the causes, effects and management of diabetes. The exhibition stalls attracted hundreds of people, whilst health screening packages worth over Rs. 10,000/- each were given away through raffle draws. All medical investigations, treatments and consultant lectures were provided free of charge.

Blood Donation Programmes

Blood donation campaigns are regularly organised for staff members.

Free Drugs for Clergy

The Hospital offers free drugs for the clergy of all religions up to a maximum limit of Rs. 2,500 for each month, as part of its Corporate Social Responsibility initiatives.

Dialysis at the Lowest Cost

Taking into consideration the high costs involved in dialysis treatment, Lanka Hospitals offers kidney dialysis at the lowest price as part of its social responsibility initiative.

Protecting the Environment

Lanka Hospitals remains committed to protecting the environment. It has successfully reduced 10,000 kWh from its total electricity consumption for the year, due to energy saving initiatives undertaken during 2015. The Hospital's environmental responsibility underscores all its endeavours and all new projects initiated by the Hospital are specifically designed to be efficient in the usage of resources and including energy.

The Hospital has gone beyond merely meeting legal and statutory requirements on environmental protection. It endeavoured to mitigate all adverse impacts to the environment arising from day-to-day activities, working closely with employees, subcontractors and the general public to achieve this.

The management conducted several awareness programmes on energy saving for employees throughout the year.

The Hospital also enhanced its waste management system. A clinical waste management programme was initiated in order to reduce the negative impact of waste disposal on

**Sri Lanka's only
private hospital
self contained
(one-stop-shop)
gastroenterology
centre equipped
with ultra modern
equipment**

the environment. All staff at the Hospital are trained and encouraged to follow proper protocol during waste disposal.

Following a detailed study of the Hospital's water usage, sanitary fittings at the Hospital were replaced as a measure to improve overall water consumption. As a direct outcome of this initiative, more than 700 m³ of water was saved during year 2015.

Annual fuel gas testing, tune-up and checks are conducted on boilers to increase efficiency and reduce emissions were conducted.

An Internet based diagnostic report review mechanism was introduced by the Hospital's subsidiary – LHD during the year to promote a paperless environment. Following the introduction of this facility, the number of patients collecting printed test reports reduced by almost 60%.

The Management of Lanka Hospitals is proud of the green initiatives undertaken and is of the strong belief that prudent and timely investments to make the hospital more environmentally efficient will reap huge benefits for all its stakeholders including the community at large.

Haemato-Oncology Unit – the only dedicated private hospital unit in Sri Lanka with state-of-the-art medical technology for treatment of blood disorders and blood related cancers



Reviewing the Financial Performance

Results of Operations

The Group reported a turnover of Rs. 5.5 Bn for the year compared to Rs. 4.8 Bn last year. While the Company reported a turnover of Rs. 4.8 Bn for the year, compared to Rs. 4.5 Bn in 2014, a growth of 7% or Rs. 319 Mn. The 16% growth in the laboratory business is the key contributor for the increased turnover. Furthermore, comparatively high occupancy throughout the year and the improvement in average length of stay too contributed to this growth.

Net Finance Income

The Group net finance income increased by 123% to Rs. 156 Mn, compared to Rs. 70 Mn for the last year. This is mainly due to the significant gain on translation of foreign currency to Sri Lankan Rupee that amounted to Rs. 94.7 Mn at the group level compared to Rs. 5.5 Mn in 2014.

The gross profit margin of the Group increased from 57% to 58%, due to the effective utilisation of negotiation power and long term relationships with suppliers. The Group profit before tax (PBT) recorded 85% growth of Rs. 445 Mn, to reach Rs. 967 Mn against Rs. 522 Mn in the last year. This resulted from the effective management of resources



Ability to perform day 5 embryo transfers (Blastocyst culture)

and favourable economic and social environment and gain on foreign currency conversion. The Company earnings before interest, tax, depreciation and amortisation (EBITDA) recorded 29% growth of Rs. 216 Mn in 2015 to achieve EBITDA of Rs. 955 Mn in 2015, against Rs. 739 Mn in last year.

Earnings Per Share

The Group earnings per share for the year improved to Rs. 3.84, compared to Rs. 2.30 for 2014, a rate of 67% growth, due to the increase of profit after tax by Rs. 345 Mn, compared to the last year.

Dividend

The Company paid Rs. 336 Mn in 2015 and recorded 200% growth compared to the last year. Accordingly, the dividend per share in 2015 was Rs 1.50 against Rs 0.50 paid for 2014.

Net Assets

The Group's net assets increased by Rs. 507 Mn, during 2015. Company's return on capital increased by 3% compared to the last year and recorded 14% in 2015. Furthermore, the Group maintained zero interest-bearing loans to achieve very healthy quick and current ratios.

Sri Lanka's most popular Fertility Clinic with over 1000 IVF pregnancies and 850 IVF live births with the 1000th IVF birth due end 2016

Looking Ahead

The last decade has seen Lanka Hospitals grow from strength to strength.

Lanka Hospitals expects to achieve a 15% growth in revenue during the year 2016.

The year 2016 has been designated the 'Year of Development' for Lanka Hospitals and will see the organisation focus on seven areas of growth.



Expansion of Capacity

With the continued improvement of clinical care and its growing reputation as one of Sri Lanka's leading private healthcare providers, Lanka Hospitals was able to reach full capacity in terms of occupancy in 2015.

The Board feels that it is now necessary to take the hospital to the next phase in its developmental journey. To this end the organisation's existing structure and credentials will be examined closely to ensure a solid foundation that will sustain further expansion.

Given this backdrop, the priorities for 2016 are to:

- Invest in capacity increase – allowing more patients to take advantage of the Hospital's cost-effective, world-class healthcare
- Enhance technological infrastructure – in order to remain at the cusp of the latest breakthroughs, while investing wisely in technology
- Focus on process re-engineering – ensuring that patients receive efficient and timely care
- Assess capacity optimisation – adopting better and safer data storage methods where necessary
- Strengthen the consultant base – ensuring that patients benefit from leaders in the medical sector
- Examine revenue rationalisation – exploring the best options for remaining profitable in the long term
- Increase focus on costs – ensuring that the Hospital remains one of the most cost-effective options for international quality patient care
- Improve brand equity – ensuring the Hospital is always associated with healthcare that is cutting edge, world-class and affordable
- Reinforce governance framework – continuing to maintain the trust and confidence of all stakeholders

Based on the above factors, the Management has planned six major projects to uplift the capacity of the existing hospital structure. These include, the Cardiothoracic Operation Theatre 3 (CTOT 3), new ward, extension of the service building, additional General Operation Theatre, enhancements to the International Patient Care Centre, OPD and a Woman Wellness Centre.



Strengthen Surgical Areas

The Hospital's surgical departments have established a strong reputation within the industry and present great growth potential. The Management has decided to study the possibilities of further promoting this unit as one of the unique selling propositions of the Hospital.



Improve and Strengthen Nursing Care

Nursing care is a critical resource in the healthcare industry. While the LHNTS is doing an incredible job of keeping the Hospital provided with a steady flow of fully trained nurses, the Management recognises the need to retain existing staff to maintain high standards of nursing care and uphold the Hospital's ethos of quality and compassionate care. Lanka Hospitals' nurses are highly sought after within the healthcare industry in Sri Lanka and internationally as well. To retain its superior nursing staff, the Management has placed greater emphasis on creating an attractive work environment and reinforce Lanka Hospitals relationship with its staff.



Increase Internal Bed Capacity

The Hospital is close to reaching maximum bed capacity in inpatient wards. This is evident by the average occupancy ratio of sellable beds, which in 2015, averaged at around 80%. A decision therefore has been taken to convert all non-revenue generating areas (especially areas where bed capacity could be increased) into revenue generating areas.



Improve International Business and Focus on New Markets

The Government of Sri Lanka aims to promote medical tourism in the country. Lanka Hospitals has supported this initiative by building partnerships with international markets such as Bangladesh, India, Maldives, Seychelles, and several Middle Eastern countries. Recognised as a key profit centre, the International Patient Care unit will be further developed to attract a wider customer base.



Strengthen Outpatient Services

Outpatient service is considered the key point of entry for potential new customers. Improvement in this area is vital to convince first time customers to avail of the many other services the Hospital has to offer. Investment plans are therefore being drawn to enhance the Hospital's outpatient departments.



Focus on Correct Combination of Consultants

The Management believes that the correct mix of consultants in each specialty, will improve the performance and therefore the profitability of the Hospital. To this end, key consultants have been identified from each medical discipline and plans are being drawn to further integrate them into the Hospital's systems.

Looking back on 2015, Lanka Hospitals has a vast array of achievements and awards to be rightly proud of. Even so, its ambitious plans and goals for future guarantee that the Hospital will continue to charge ahead with passion and confidence, in its efforts to improve its current performance. Lanka Hospitals will continue to raise the bar in the field of healthcare, locally as well as internationally, as it marches towards its goal of providing safe, high-quality and cost-effective healthcare for the community.

Board of Directors





7. Dr. Sarath Paranavitane
8. Mr. Damien Fernando
9. Mr. Asendra Chaminda Siriwardena
10. Mr. Daljit Singh
11. Dr. Rohan Wijesundera

Not in the picture
Mr. Samantha Perera

Dr. Sarath Paranavitane - Chairman

Dr. Sarath Paranavitane graduated from the University of Peradeniya with a second-class upper division honours and is a specialist in Family Medicine practicing in Nugegoda. He also holds 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, specialising in healthcare Services and also holds MBA with distinction from the Cardiff Metropolitan University in the 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) Limited (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/FGP/349) 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.

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 Minister of Home Affairs, Advisor to the Ministry of Commerce and Consumer Affairs (Former), Director Dangerous Drugs Control Board. Chief Incumbent Nalandaramaya Nugegoda, Beruwala Sapugoda Sri Maha Viharaya, Kalugaldeniya Aranya Senasanaya, Chief Incumbent of Mahabodhi Centre, Chennai, India. Ven. Palitha Thero 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's 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 Organisation, Patron of Kalubowila United Death Benevolent Society, Principal of Sri Rathnajothe Dhamma School and an Active Member of the Maha Sangha in Propagation of Buddhism locally and internationally.

Professor Dilani Lokuhetty

Prof. Dilani Lokuhetty (MBBS, Dip. Path., MD Path., Pg CertMedEd, MIAC) is a Professor in Pathology and a Consultant Pathologist with wide experience in laboratory medicine, including diagnostic pathology, undergraduate/postgraduate teaching and scientific research. Prof. Lokuhetty serves in the forefront of laboratory medicine in Sri Lanka and has contributed to developing National Guidelines on several aspects of Diagnostic Pathology, thereby strengthening cancer care in the country. She has been a recipient of research grants from the National Science Foundation and the National Research Council in the country, winning research awards at scientific forums with local and international publications and citations. Her contributions in the field of medical research and innovation and her professionalism as a woman, have been recognised at national level. Prof. Lokuhetty is an experienced administrator, having served as the Head of the Department of Pathology, University of Colombo and the Chairperson of the Board of Study in Pathology at the Postgraduate Institute of Medicine, University of Colombo. She is a member of the Sri Lanka Institute of Directors (SLID) and is currently following the Board Leadership Graduate Programme conducted by the SLID. She was appointed to the Board of Lanka Hospitals on 3rd March 2015.

Dr. Rohan 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 Gynaecology. 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 Food & Beverage and the Hotel Industry. He spearheaded the setting up of several Colombo Restaurants such as Flower Drum, Bali Indonesian. His interests also cover the encouragement of a greener future and he 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

Mr. Damien Fernando, MBA, FCMA (UK) is a Non-Executive Director of Hatton National Bank PLC. He was the former Executive Director of The Lanka Hospitals Corporation PLC from 2006 to 2009. He has held several Board positions in listed companies such as Distilleries Company of Sri Lanka PLC, Pelwatte Sugar Industries PLC and in 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, Mr. Fernando was awarded a Master's Degree in Business Administration in 1992 by the Postgraduate Institute of Management, University of Sri Jayawardenepura, Sri Lanka. He was reappointed to the Board of Lanka Hospitals on 3rd March 2015.

Mr. Samantha Perera

Mr. Samantha Perera is a graduate in Marketing Management at UBS – Tokyo Business School of Japan. He was appointed to the Board of Lanka Hospitals on 1st June 2015.

He is the Managing Director of Azap (Private) Limited in Sri Lanka and the Chairman of Azap Company – Japan.

Mr. Daljit Singh

Daljit Singh is the President, Fortis Healthcare Limited. He has led the Company's strategy and organisational development functions and has held the office of CEO. He has over 39 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 organisation in a short span of 10 years. 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 fulfilment. He also leads and facilitates workshops on Strategy, Business Planning and Leadership.

A graduate from the Indian Institute of Technology, Delhi, 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 a Director on 1st December 2014.

Mr. Keith Bernard

Mr. Keith Bernard is the Managing Director of Sri Lanka Insurance Corporation Limited. He counts over 30 years in the corporate, not-for-profit and public sectors with wide ranging experience, covering a broad spectrum of industries at senior management and CEO level, with local as well as international companies and agencies. He was appointed to the Board of Lanka Hospitals on 10th November 2015.

An accountant by profession, Mr. Bernard received his initial training at Ernst & Young and thereafter functioned in senior management, CFO and CEO roles at several local as well as international organisations in commodity trading, telecom, apparel, media, construction, finance, technology transfer etc. In management consulting practice, he consulted for leading companies in the telecom, financial, construction, pharmaceutical and transportation sectors. He also functioned as the Working Director of the Road Development Authority of the Highways Ministry.

Mr. Bernard is an Independent Non-Executive Director of Melsta Regal Finance Limited and serves on several other Boards of Companies. His other interests included association with the Business Today magazine as a business writer and co-architect of the Business Today Top-10 corporate rankings.

He has an MBA from the Aberdeen Business School of the Robert Gordon University in Aberdeen, UK, for which, his dissertation was on Mergers & Acquisitions. He is a recipient of the distinguished Douglas Gourley Award of the Aberdeen Business School. He also has a Master's Degree in Economics from the University of Colombo. He is a Fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant, a Member of the Chartered Institute of Marketing and holds a Diploma in Marketing. Keith Bernard is an old boy of De Mazenod College.

Mrs. Uma Rajamantri

Uma Rajamantri is a tremendous resource for her marketing knowledge which she has gained from over 30 years of experience in the marketing communications industry. She brings to Lanka Hospitals, a keen focus on marketing and customer orientation. Uma's involvement with Sri Lanka's advertising industry from its nascent stages in the mid-80s, has given her a deep understanding of consumer behaviour. She was appointed to the Board of Lanka Hospitals on 10th November 2015.

Uma is a firm believer in continuous learning and ongoing professional development; as such, she has complemented her industry experience with an MBA from the prestigious Mahatma Gandhi University of India as well as Specialised Media training at the Mudra Institute of Communication, Ahmedabad, India.

Over the last three decades, Uma has worked on almost every local and international brand in the country during her time at Ogilvy & Mather and GroupM. She has garnered praise for numerous industry innovations while she has frequently propelled under dogs to become market front runners. Her numerous accolades include 6 prestigious EFFIE awards, which recognises 'Effective Marketing Campaigns,' including the renowned 1st Gold award for the Trail Campaign.

Her long-standing relationship with the industry, direct association with numerous brands and participation at the cutting edge of change, has enabled Uma her capabilities, to go beyond conventional thinking, whilst executing her work. Her novel approach to brand communication continues to benefit from an inimitable mix of bright ideas, a positive attitude and a proactive philosophy.

Dr. Anil Abeywickrama

Dr. Anil Abeywickrama, MBBS, MS, MRCS Eng. is a Board Certified Specialist in Cardiothoracic Surgery since 2011. Currently, Dr. Abeywickrama is attached to the Lady Ridgeway Hospital for Children as a Consultant Cardiothoracic Surgeon. He was appointed to the Board of Lanka Hospitals on 10th November 2015.

He is a surgeon with a combined practice in both adult and paediatric cardiac surgery. He has also worked as a consultant Cardiothoracic Surgeon at the National Hospital of Sri Lanka from 2014 to 2015. He has performed first series of Total Arterial Revascularisation of Myocardium with in situ Arterial grafts using Right Gastroepiploic Artery and bilateral Internal Mammary Arteries.

He is in the processes of establishing Cardiopulmonary Transplant and Mechanical Circulatory support programme in the Lady Ridgeway Hospital for Children in collaboration with the Freeman Hospital, Newcastle in the UK.

His special clinical interests are in Cardiopulmonary Transplant, Donor Management, Mechanical Circulatory Support Therapy, Total Arterial Revascularisation of Myocardium, Transcatheter Aortic Valve Implantation (TAVI), Surgery and Interventions in Aorta and Minimal access Cardiac surgery.

Mr. Asendra Chaminda Siriwardena

Mr. Asendra Siriwardena obtained the Bachelor of Laws Degree (LLB) from the Open University of Sri Lanka in the year 2000 and took oaths as an Attorney-at-Law in 2001. He is a practicing lawyer handling civil cases. He was appointed to the Board of Lanka Hospitals on 10th November 2015.

He also completed a Diploma Course in Mass Communication at the Sri Lanka Media Foundation.

Mr. Siriwardena is presently serving as a Board Member of National Insurance Trust Fund Board (NITF) since March 2015.

Mr. Kalyana Sundaram Srivastava

Mr. Kalyana Sundaram Srivastava, a professional with over 20 years experience across Pharmaceuticals, Vaccines, Healthcare, Diagnostics and Shipping both in India and Singapore. He is trained with professional qualifications in Finance and Secretarial/Compliance. He has had cross-functional exposure to Finance, Technical, Commercial and Medico Marketing Operations. He has leveraged financial ability and skills in translating corporate vision to overcome business challenges through focused business and finance initiatives. He has demonstrated multiple times, the ability to understand business holistically and always looks to secure common objectives, leading to partners seeking solutions. He was appointed to the Board of Lanka Hospitals on 27th November 2015.

Presently, he is with Fortis Healthcare International Pte Limited as CFO for International businesses.

Mr. Tissa Nanayakkara

Mr. Tissa Nanayakkara is the Senior Deputy General Manager – Retail Banking, at Seylan Bank. He has over 36 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. He resigned from his position on 6th November 2015.

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. He resigned from his position on 6th November 2015.

Prof. 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 and resigned from the position on 6th November 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 and 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 the 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 a number of 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.

Prof. Asita De Silva

Prof. 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 and resigned from the position on 6th November 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 1990s. Since then, he has been instrumental in transforming it into a leading healthcare delivery organisation. 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 and resigned on 26th November 2015.

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 organisation 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.

Exco Members



1. Mr. Aruna Jayakody
Chief Operating Officer – LHD

2. Dr. Prasad S. Medawatte
Deputy Director Medical Services

3. Mr. Badrajith Siriwardana
Chief Financial Officer

4. Mr. Deshantha Silva
Chief Executive Officer

5. Mr. Sanjeeva Serasinghe
Chief Human Resources Officer

6. Dr. Erasha Fernando
Director Medical Services

7. Mr. Sapumal Jayatissa
Chief Information Officer

Corporate Governance

1. The Corporate Governance Philosophy of Lanka Hospitals

Lanka Hospitals is unwavering in its commitment to quality. The Management is cognisant of the fact that in the business of providing healthcare and saving lives, a quality-oriented perspective that permeates every aspect of the organisation's operations, is pivotal to the long term growth of its brand's equity. This quality oriented philosophy was endorsed by The Joint Commission International Accreditation (JCIA), that was bestowed upon Lanka Hospitals last year. With this accreditation, Lanka Hospitals joined an exclusive group of 450 Hospitals from around the world, who share a common commitment to quality and patient care of the highest standards. The accreditation validates the distinctive business model Lanka Hospitals operates, on which includes high quality, proven excellence and compassionate care. These guiding principles are reflected not only in the Hospital's financial performance but also in non-financial practices and undertakings.

This culture of quality oriented performance has been built on the foundations of compliance and conformance criteria and a strong set of corporate values, that have been institutionalised at all levels of the Hospital. Values

such as integrity, fairness, accountability, transparency and consistency are of paramount importance and form the bedrock of all business and financial decisions made by the Hospital's management.

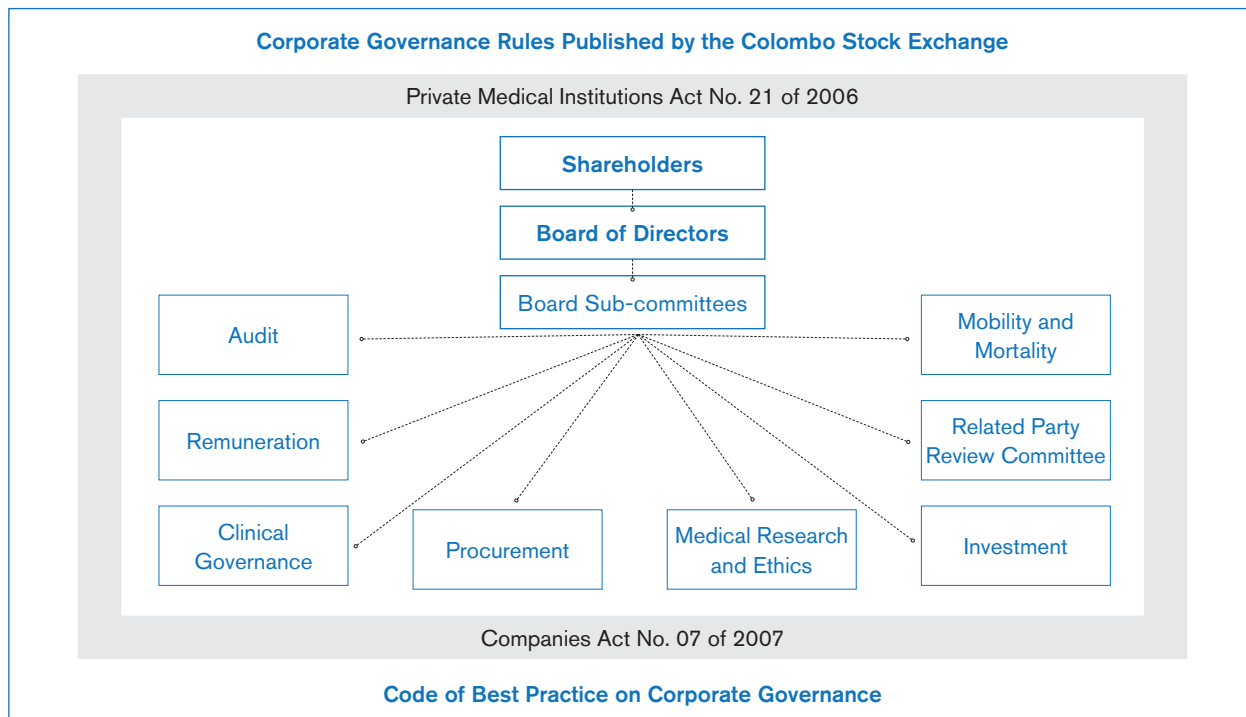
Lanka Hospitals' approach to corporate governance is effective and efficient and complies with the most updated industry codes and guidelines to ensure long term, sustainable results. It places the responsibility of upholding these principles on the Board of Directors, Senior Management and all employees to ensure the best interests of the Company and its stakeholders are not compromised.

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

2. Statement of Compliance

We declare that the undertaking outline below are adopted and put into practice 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, the Securities and Exchange Commission (SEC) of Sri Lanka as well as the Listing Rules on Corporate Governance, published by the Colombo Stock Exchange (CSE).

Corporate Governance Diagram



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 12 Directors as of 31st December 2015. All the Directors are Non-Executive Directors and of which nine Directors are Independent and three Directors are Non-Independent. As of the date of the Annual Report, the Board comprises 12 Non-Executive Directors, with nine Independent and three Non-Independent Directors. Changes to the Board during the accounting period and the subsequent changes after the accounting period are more fully explained in the table 'Composition of the Director Board' on page 58 and page 67. The names of the Directors who held office in the Company during the accounting year and as of the date of the Annual Report and their profiles are set out on page 44 to page 49.

The Board conducted 19 Board meetings in regular intervals during the 12-month period from 1st January 2015 to 31st December 2015. Details of the attendance at Board meetings are furnished on page 55.

Responsibilities of the Board

The Board of Directors provides direction to the Company and ensures that its responsibility to provide compassionate, cost effective healthcare services of the highest standards is not compromised. The Board comprises eminent professionals whose breadth of expertise and experiences have helped promote the core values of the organisation and have contributed immensely to its profitability.

The Board undertakes to:

- Maximise shareholder value
- Formulate, implement and monitor the Company's Corporate Strategy
- Approve the annual budget and evaluate performance against the budget and Key Performance Indicators
- Approve Interim Financial Statements before they are 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
- Fulfil 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 the Directors where necessary. The Company Secretary is responsible for keeping the Board informed with new laws, regulations and other requirements that are relevant to them as individual Directors as well as collectively as members of the Board.

Chairman and Chief Executive Officer

The two most important tasks for every public company are to conduct the business of the Board and facilitate executive responsibilities for the effective management of the Company's business. Lanka Hospitals has a clear division of responsibilities at the apex of the Company, since the Post of Chairman and Chief Executive Officer are headed by two different individuals. This ensures 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 ensure, *inter alia*, that:

- The effective participation of all Non-Executive Directors is secured;
- All Directors are encouraged to effectively contribute, for the benefit of the Company;
- The views of the Directors on issues under consideration are ascertained;
- The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.

Financial Acumen

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

Board Balance

There were 12 Directors on the Board of the Company as of 31st December 2015 and all of them were Non-Executive Directors (NEDs). Out of these Non-Executive Directors, nine Directors were independent; i.e., Directors 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 number is well above the minimum requirement prescribed by this code, which requires 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 pages 66 to 68. Further, the following information in relation to Directors is disclosed in the Annual Report:

The profiles of all Board members are provided on pages 44 to 49.

Details of related party transactions are provided on page 109.

The composition of the Board and Board Sub-committees and attendance at Board meetings are provided on pages 53 to 58.

B. Directors' Remunerations

Remuneration Procedure

The Company has established a formal, transparent and effective procedure for developing policies 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 for Board attendance. Accordingly, no Director is involved in deciding his/her own remuneration to avoid potential conflicts of interest.

Remuneration Committee

The Company has set up a Remuneration Committee and its composition satisfies the requirements specified in this code. Three members of the Remuneration Committee as of 31st December 2015 were Independent Non-Executive Directors. As of the Annual Report date, the Committee comprised three Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The members of the Remuneration Committee are as follows:

Name	Position	Directorship Status
Mr. Keith Bernard	Chairman	Non-Independent Non-Executive Director
Dr. Rohan Wijesundera	Member	Independent Non-Executive Director
Dr. Anil Abeywickrema	Member	Independent Non-Executive Director
Prof. Dilani Lokuhetty	Member	Independent Non-Executive Director

Disclosure of Remuneration

Please refer to the 'Remuneration Committee Report' on page 59 for disclosure of the remuneration policy of the Hospital and aggregate remuneration paid to Non-Executive Directors.

C. Relations with Shareholders

Constructive use of the 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 are 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 Chairpersons of the Remuneration and Audit Committees are available to answer questions at the AGM for matters under their purview.

Major Transactions

There were no major transactions during the year, which involved the acquisition, sale or disposition of greater than half of the net asset value of the Company, and which would materially alter/vary the net asset base of the Company. Nor has there been a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities.

D. Accountability and Audit

Financial Reporting

The Board presents, a balanced and understandable assessment of the Company's Financial Position, Performance and Prospects covering interim and other price sensitive public reports, reports to regulators and statutory authorities. Quarterly and Annual Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards. Further, the Company has complied with the reporting requirements of the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange.

Please refer to the 'Statement of the Directors' on page 70, outlining their responsibilities for the preparation and presentation of Financial Statements. And please refer to page 74 for the 'Auditors' Report' outlining their reporting responsibilities.

The Management Discussion and Analysis, covering the strategic initiatives undertaken during the year, Company's performance against industry trends and the future potential and market winning strategies is provided from page 16 to page 43.

Declaration by the Board on the growing concern of the Business is furnished on page 69 of the Annual Report of the Board of Directors.

Internal Control

A Company's system of internal control plays a key role in the management of risks that are significant to the fulfilment of its objectives. Hence the Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the hospital's assets. The Internal Controls prevailing at Lanka Hospitals facilitate the effectiveness and efficiency of operations; ensure the reliability of internal and external reporting and assist compliance with laws and regulations. The Company has a Medical Credential Committee which scrutinises the credential of all medical staff members who contribute to the health care services provided by 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 all financial information is reliable and accurate. Furthermore, they 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 which comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as of 31st December 2015 and as of the Annual Report date.

The members of the Audit Committee are as follows:

Name	Position	Directorship status
Mr. Damien Fernando	Chairman	Independent Non-Executive Director
Mr. Keith Bernard	Member	Non-Independent Non-Executive Director
Mr. Asendra Siriwardena	Member	Independent Non-Executive Director

Mr. Damien Fernando, the Chairman of the Audit Committee as of 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 all Financial Statements according to the Sri Lanka Accounting Standards. It further ensures that the internal controls and risk management procedures of the Hospital are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Audit Committee is responsible for making recommendations to the Board pertaining to the appointment, reappointment and removal of External Auditors and approves their remuneration and terms of engagement. Further, the Audit Committee is responsible for discussing the Audit plan, key Audit issues, management responses and the hospital's Audited Financial Statements and Quarterly Financial Statements.

Please refer page 73 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 and the Securities and Exchange Commission (SEC) of Sri Lanka. This Report is available from pages 51 to 58 and serves that requirement.

E. Institutional Investors

Shareholder Voting

The Hospital maintains a continuous dialogue with its 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 consideration to matters relating to the governance arrangements, particularly relating to the structure and composition of the Board.

F. Other Investors

Investing/Divesting Decision

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

Shareholder Voting

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

Directors' Attendance at Meetings (From 1st January 2015 – 31st December 2015)

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

Name of the Director	Number of Meetings	Attendance
Dr. Sarath Paranavitane	17	17
Ven. Thiniyawala Palitha Thero	18	16
Mr. Damien Fernando	17	15
Prof. Dilani Lokuhetty	17	14
Dr. Rohan Wijesundera	17	17
Prof. Mandika Wijeratne	14	13
Dr. Harsha Gunasekara	14	14
Prof. Asita De Silva	14	9
Mr. Tissa Nanayakkara	11	11
Mr. Samantha Perera	8	3
Mr. Keith Bernard	3	3
Mr. Asendra Siriwardena	3	2
Mr. Uma Rajamanthre	3	3
Dr. Anil Abeywickrema	3	3
Mr. K Srivastav	2	2
Prof. Dayasiri Fernando	3	3
Dr. G W K Wickramasinghe	3	3
Mr. P A Lionel	3	3
Mr. Malvinder Mohan Singh or his alternate	18	7
Mr. Daljit Singh or his alternate	18	7
Dr. Bandula Wijesiriwardena	3	3
Dr. Y D Nihal Jayathilaka	3	2
Mr. C L K P Jayasuriya	2	2

Compliance with Corporate Governance Rules as in 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 were 12 Directors as of 31st December 2015 and as at the date of the Annual Report. All these Directors on 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 comprised 9 Independent Non-Executive Directors as of 31st December 2015 and 9 Independent Non-Executive Directors as of 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 Directors have submitted declarations of Independence/ Non-Independence in the prescribed format.
7.10.3 (a)	Disclosure relating to the Directors	Names of Independent Directors should be disclosed in the Annual Report.	Complied with	Please refer to page 58 of this Report.
7.10.3 (b)	Disclosure relating to the Directors	In the event, a Director does not qualify as independent as per the rules of corporate governance, however 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 Independent Directors satisfy the 'criteria of independence' as per the rules on corporate governance.
7.10.3 (c)	Disclosure relating to the Directors	A brief résumé of each Director should be published in the Annual Report including his/her area of expertise.	Complied with	Please refer to pages 44 to 49 of this Report.
7.10.3 (d)	Disclosure relating to the Directors	A brief résumé of any new Director appointed to the Board should be provided to the Colombo Stock Exchange.	Complied with	Brief résumés 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 to page 59 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 of 31st December 2015, the Remuneration Committee comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director; and as of the date of the Annual Report, the composition has remained unchanged.
	Chairman of the Remuneration Committee	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board.	Complied with	Mr. Keith Bernard functioned as the Chairman of the Committee and he is a Non-Executive Director in the Board.

Rule No.	Subject	Requirement	Compliance Status	Details
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 to the Scope of the Remuneration Committee on page 59 of this Report.
7.10.5 (c)		The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee.	Complied with	Please refer to page 59.
		A statement of remuneration policy.	Complied with	Please refer to page 59.
		Aggregate remuneration paid to Executive and Non-Executive Directors.	Complied with	Please refer to page 59.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer to page 73.
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 of 31st December 2015 and as of the date of the Annual Report, the Audit Committee comprised two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Mr. Damien Fernando is a Non-Executive Director on 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 invitation.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Complied with	The 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 to the Audit Committee Report on page 73.
7.10.6 (c)		The Annual Report shall set out: The names of the Directors who comprises the Audit Committee.	Complied with	Please refer to the Audit Committee report on page 73.
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied with	Please refer to the Audit Committee Report on page 73.
		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 to the Audit Committee Report on page 73.

Composition of the Board of Directors

Composition as of 31st December 2015	
Name of the Director	Directorship Status
Dr. Sarath Paranavitane (Appointed on 03.03.2015)	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero (Appointed on 23.02.2015)	Independent Non-Executive Director
Prof. Dilani Lokuhetty (Appointed on 03.03.2015)	Independent Non-Executive Director
Dr. Rohan Wijesundera (Appointed on 03.03.2015)	Independent Non-Executive Director
Mr. Damien Fernando (Appointed on 03.03.2015)	Independent Non-Executive Director
Mr. Samantha Perera (Appointed on 01.06.2015)	Independent Non-Executive Director
Mr. Keith Damien Bernard (Appointed on 10.11.2015)	Non-Independent Non-Executive Director
Dr. Anil Abeywickrama (Appointed on 10.11.2015)	Independent Non-Executive Director
Mr. Umashanthie Rajamantri (Appointed on 10.11.2015)	Independent Non-Executive Director
Mr. Asendra Siriwardena (Appointed on 10.11.2015)	Independent Non-Executive Director
Mr. Kalyana Sundaram Srivastava (Appointed on 27.11.2015)	Non-Independent Non-Executive Director
Mr. Daljit Singh	Non-Independent Non-Executive Director
Mr. Parthasarathy Raghunath (Appointed on 27.11.2015)	(Alternate Director to Mr. Kalyana Sundaram Srivastava)
Mr. Ravi Sachdev (Appointed on 27.11.2015)	(Alternate Director to Mr. Daljit Singh)

Composition as of 26th February 2016	
Name of the Director	Directorship Status
Dr. Sarath Paranavitane	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero	Independent Non-Executive Director
Prof. Dilani Lokuhetty	Independent Non-Executive Director
Dr. Rohan Wijesundera	Independent Non-Executive Director
Mr. Damien Fernando	Independent Non-Executive Director
Mr. Samantha Perera	Independent Non-Executive Director
Mr. Keith Damien Bernard	Non-Independent Non-Executive Director
Dr. Anil Abeywickrama	Independent Non-Executive Director
Mr. Umashanthie Rajamantri	Independent Non-Executive Director
Mr. Asendra Siriwardena	Independent Non-Executive Director
Mr. Kalyana Sundaram Srivastava	Non-Independent Non-Executive Director
Mr. Daljit Singh	Non-Independent Non-Executive Director
Mr. Parthasarathy Raghunath	(Alternate Director to Mr. Kalyana Sundaram Srivastava)
Mr. Ravi Sachdev	(Alternate Director to Mr. Daljit Singh)

Remuneration Committee Report

The Remuneration Committee is a statutory committee that has been appointed by the Board of Directors of Lanka Hospitals. Its main mandate is to lay out the remuneration policy for the Company, as well as to determine the contractual terms and other benefits for the Staff, Management, Executive Directors and the Chairman of the Company.

Members of the Remuneration Committee

- Mr. Keith Bernard – Chairman (Non-IND/NED)
- Dr. Rohan Wijesundara – (IND/NED)
- Dr. Anil Abeywickrema – (IND/NED)
- Prof. Dilani Lokuhetty – (IND/NED)

Remuneration Policy for Lanka Hospitals

The remuneration policy has been drawn up to create a positive work ethos that encourages and rewards enhanced performance. Incentive packages, which are in consonance with existing industry practices, are provided based on regular reviews of achievements. The remuneration policy also ensures that the risk in remuneration strategy, policy and arrangements are adequately considered and that processes are in place to check unhealthy risk.

Scope of the Committee

The Committee is responsible for creating and approving the remuneration policy for the Staff, Management, Executive Directors and Chairman of the Board. The objectives of the policy are to establish the overarching principles and broad framework by which remuneration packages are determined and governed. The Committee shall recommend, exercise or may even delegate to a Sub-committee certain powers as the situation may require. These powers pertain to the Company's recruitment, promotions, remuneration packages, annual increments, bonuses and incentive plans and other matters as the Committee may consider necessary.

Fees

It has been determined that all Non-Executive Directors will receive a fee for attendance at Board meetings and for serving on Board Sub-committees, special committees and/or subsidiary boards. They will not receive any performance or incentive payments.

Meetings

The Remuneration Committee has met eight times through the last year and each of these meetings were attended by at least two members. Reports on the minutes of the meetings were handed over by the Chairman of the Committee to the Board of Directors. These reports, along with the minutes, have been tabled at Board meetings.

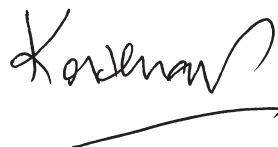
Professional Advice

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

Resignations and New Appointments to the Committee

Prof. Mandika Wijeyaratne and Mr. Tissa Nanayakkara have resigned from the Board of Directors and consequently from Remuneration Committee during the last year. The vacancies created by these two resignations were filled in with the appointment of Mr. Keith Bernard as the Chairman and the induction of Dr. Anil Abeywickrema and Dr. Rohan Wijesundara.

On behalf of the Committee



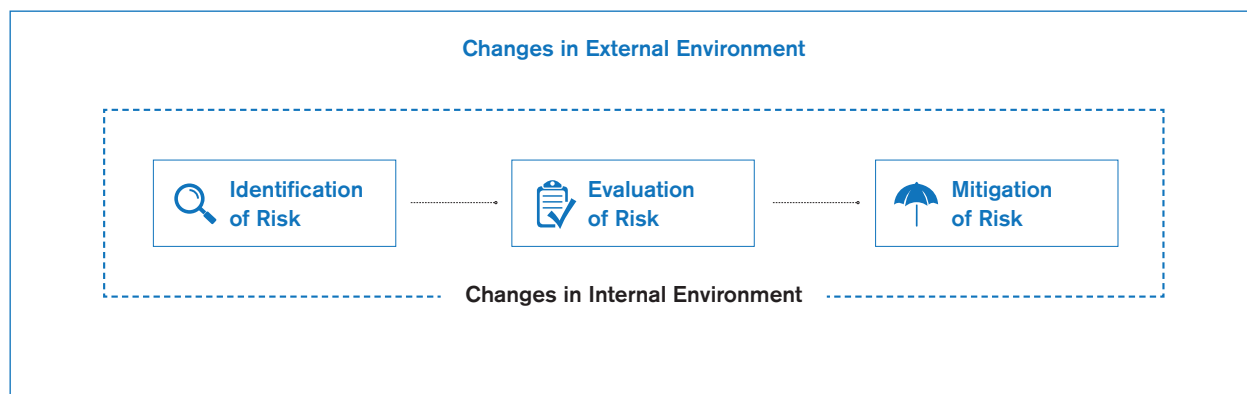
Keith Bernard

Chairman

Remuneration Committee — 26th February 2016

Risk Management

Lanka Hospitals is in the business of providing cost effective, quality healthcare 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 maintaining a robust risk management framework to identify, access and manage risks well in advance in order to maximise opportunities and to minimise negative outcomes.



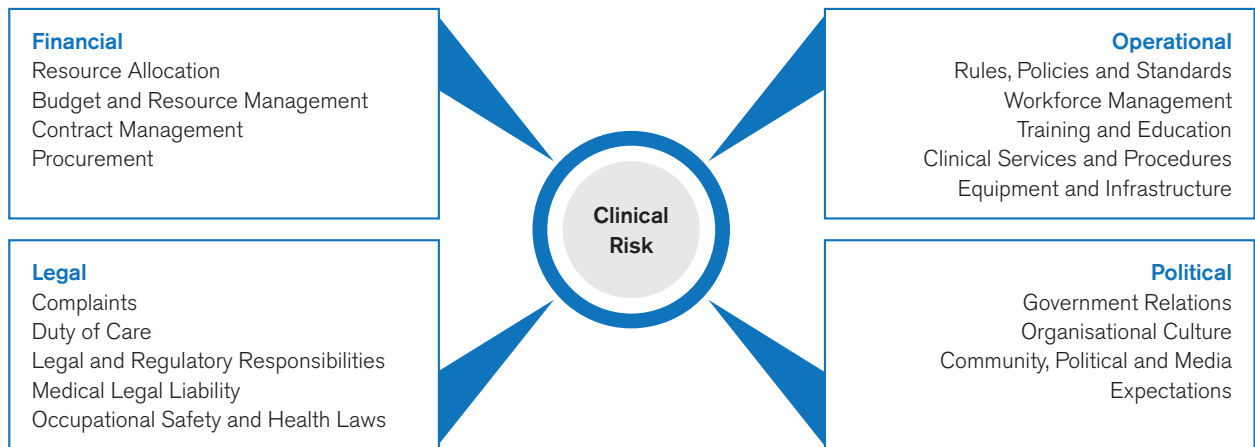
Lanka Hospitals has a robust Enterprise Risk Management (ERM) system which is being periodically reviewed and updated. This ERM has been enabled to identify healthcare related risks and manage them in an efficient manner. This includes the functions of the Board, availability of various Sub-committees, external consultations, accreditations and compliance, comprehensive policies and procedural management and maintaining a healthy organisational structure. A mechanism has been put in place in the form of regular meetings and forums, as well as formal risk identification processes to allow staff to raise an alert on

potential problems. The identified risk factors are evaluated by the management with input from the Directors, as well as external experts as may be required and an action plan is developed accordingly. The management is also taking steps to recognise and implement best practices wherever possible. Lanka Hospitals has received the much coveted JCIA accreditation. The stringent guidelines and requirements prescribed by the accreditation 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 hazards. At Lanka Hospitals clinical risk is perceived in various aspects as depicted in the diagram shown below:



The leadership of the Hospital has identified various risks stemming from above scenarios and has taken measures to address the same. In the event any risk is not eliminated, steps have been taken to mitigate them 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
- Anaesthesia and Surgical care
- Medication Management and use
- Infection Control

Examples of controls implemented to address the risks arising from above:

- 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 according to their needs and urgency of treatment.
- Reassessment of consent forms – all requirements of informed consent should be meticulously procured before a high risk procedure.
- Standardised nursing assessment which includes assessment of fall risk, pain management and pressure ulcers. Nurses have been provided detailed training in this regard.
- Identification and cataloguing of 'Look alike Sound alike' drugs. Policies on narcotic drugs and concentrated electrolytes have also been formulated.

Operational Risk

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

The following 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 hospital's requirements.
 - Poor inventory management – (stock outs, expiries, inadequate backup 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 to counter the above situations include:

- 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 under the guidance of the Remuneration Committee (Board Sub-committee) and external consultations such as Employers' Federation of Ceylon.
- A comprehensive technical evaluation is carried out through an appointed Technical Evaluation Committee which includes a Biomedical Engineer, as well as clinical experts when critical medical equipment is purchased. All equipment are subjected to a periodic review and calibration process in order to ensure consistent high levels of performance.

Financial Risk

- Gaps in internal control environments (systems, processes and people) and corporate governance (risk of frauds, malpractices, misuse or theft of assets and resources of the Company).
- Investment concentration risk, investment strategy not in-line with the corporate strategy and risk of poor investment decisions, (ensuring prudent investments in technology that present high profitability and growth potential).
- Risk of not selecting the best funding option for business requirements.

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 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 well considered measures and appropriate care to ensure risks are minimised in the legal and regulatory environment. The main risk in this regard is litigation. Following initiatives have been taken to address legal 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 detailed documentation from admissions to discharge of patients including proper consent forms wherever necessary.
- Processes to ensure the authenticity of legal documents with the assistance of in-house legal counsel.
- Rigorous scrutiny of contractual arrangements with the assistance of external legal advisors where necessary.
- Education on legal risk included in all training programmes conducted for the staff.
- Periodic regulatory compliance reporting mechanisms.

Reputation Risk

Reputation risk impacts the credibility of the business.

This may be a matter of corporate trust, which has a far reaching negative influence on reputation of Lanka Hospitals and a severe impact on shareholder value. The management is extremely vigilant at all times to identify situations where the reputation of the Hospital is at a stake. The following measures have been undertaken to prevent any such instance:

- Ensure seamless service of the highest possible standard in order to minimise customer dissatisfaction while building upon the trust.
- An open door policy by the Senior Management to accommodate and address any concerns or feedbacks by the stakeholders.
- Transparency in decision-making and the policies of the Hospital.
- Stringent corporate branding and media policies to prevent unwarranted information circulation.
- Robust regulatory compliance policies.
- Stringent selection process of clinicians, staff, suppliers and corporate partners in order to ensure that the profiles and credentials of all concerned parties are in-line with the norms and values of the Hospital.

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 Consolidated Financial Statements for the year ended 31st December 2015 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 6th October 1997 and converted to a public limited liability company in Sri Lanka on 9th November 2001. It was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 28th July 2008 and bears 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. 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 Corporate Governance Code issued by The Institute of Chartered Accountants of Sri Lanka. This Report was reviewed and approved by the Board of Directors on 26th February 2016.

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 2. 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 8 to 11, 16 to 43 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 details 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

The Company provides world-class healthcare services at a reasonable cost. It's also a JCI Accredited Hospital in Sri Lanka.

2.2.2 Principal Activities of Lanka Hospitals Diagnostics (Private) Limited

Lanka Hospitals Diagnostics (Private) Limited – a fully-owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 6th February 2013 and gained Section 17 BOI approval. The commercial operation of the Company 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. Lanka Hospitals Diagnostics (Private) Limited has over 600 collection centres in the main cities and is planning to set up Regional Labs in Kandy, Galle and Kurunegala.

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 75 to 117.

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 appear on page 70.

2.5 Auditors' Report

The Independent Auditors, Messrs KPMG, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st December 2015 and the Auditors' Report issued thereon, is given on page 74 as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

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 pages 68 and 121. 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 31st December 2015, are given in Note 9 to the Financial Statements on page 96.

2.9 Corporate Donations by the Company

During the year, the Company has not made any donations. Year 2014 donation amount was Rs. 199,500/-.

3. Net Income and Profitability

The net income of the Group for 2015 was Rs. 5.51 Bn (Rs. 4.75 Bn in 2014), while LHC's net income was Rs. 4.81 Bn (Rs. 4.49 Bn in 2014). The profit after tax of the Group stood at Rs. 860 Mn (Rs. 514 Mn in 2014), while LHC's profit after tax was Rs. 748 Mn (Rs. 569 Mn in 2014).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

The interim dividend of Rs. 1/- per share for the year ending 31st December 2015 was paid on 18th December 2015. 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 2015 was Rs. 223,732,169/-. LHC also paid a final dividend of Rs. 0.50 per share for the year ended 31st December 2014 on 26th June 2015. The Board of Directors fulfilled the requirement of the Solvency Test in terms of provisions of the Companies Act No. 07 of 2007 immediately after the payment of interim/final dividends. The Statement of Solvency of the Auditors was obtained in respect of the said interim/final dividends 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 78 to 79 in Notes to the Financial Statements.

5. Property, Plant and Equipment, Leasehold Property and Intangible Assets

Capital expenditure incurred on property, plant and equipment (including Capital Work in Progress), Intangible Assets and Leasehold Property of the Group amounted to Rs. 290 Mn, Rs. 11 Mn and Rs. 18.55 Mn respectively (Rs. 644 Mn, Rs. 29 Mn and Rs. 18.55 Mn in 2014), the details of which are given in Notes 13, 14 and 16 on pages 98 to 102 to the Financial Statements respectively. Capital expenditure approved and contracted for are given in Note 31 to the Financial Statements on page 110.

6. Market Value of Freehold Properties

The freehold lands and buildings on leasehold land of the Company were revalued by professionally qualified independent valuers as at 31st December 2014 and 2013 respectively. 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 13.2.1 to the Financial Statements on page 100.

7. Stated Capital

The Stated Capital as at 31st December 2015 was Rs. 2,671,543,090/-, comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2014, 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 Highlights of the year on pages 3 and 122.

9. Major Shareholdings

Details of the top twenty shareholders, percentages of their respective holdings and percentage holding of the public are given in Section on 'Investor Relations' on page 120.

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 120 to 122.

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 31st December 2015, consisted of Twelve Directors (Eleven Directors as at 31st December 2014) with wide financial, medical and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors Profiles' on pages 46 to 49.

Names of the Directors of the Company as at the end of 2015, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Directorship Status
Dr. Sarath Paranavitane	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero	Independent Non-Executive Director
Prof. Menaka Dilani Samarawickrema Lokuhetty	Independent Non-Executive Director
Mr. Daljit Singh or his alternate	Non-Independent Non-Executive Director
Dr. Rohan Lalith Wijesundera	Independent Non-Executive Director
Mr. Lintotage Udaya Damien Fernando	Independent Non-Executive Director
Mr. Majuwanage Samantha Perera	Independent Non-Executive Director
Mr. Keith Damien Bernard	Non-Independent Non-Executive Director
Dr. Anil Abeywickrama	Independent Non-Executive Director
Mr. Ranathunge Arachchige Dona Umashanthie Rajamantri	Independent Non-Executive Director
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Independent Non-Executive Director
Mr. Kalyana Sundaram Srivastava or his alternate	Non-Independent Non-Executive Director

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2015

Name of the Director

Dr. Sarath Paranavitane
 Ven. Thiniyawala Palitha Thero
 Prof. Menaka Dilani Samarawickrema Lokuhetty
 Mr. Lintotage Udaya Damien Fernando
 Mr. Keith Damien Bernard
 Dr. Anil Abeywickrama
 Mr. Hewakumanayakage Asendra Chaminda Siriwardena

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:

Name of the Director	Appointments	Resignations
Mr. Gotabaya Nandasena Rajapaksa		9th January 2015
Mrs. Roshini Sunethra Cabraal		9th January 2015
Mr. Chandima Lalith Kumar Perera Jayasuriya	19th January 2015	2nd March 2015
Dr. Gamini Wasantha Kumara Wickramasinghe		2nd March 2015
Mr. Pitumpe Appuhamilage Lionel		2nd March 2015
Prof. Dayasiri Priyalath Anura Fernando		2nd March 2015
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena		2nd March 2015
Dr. Yaddhegige Don Nihal Jayathilaka		3rd March 2015
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne		3rd March 2015
Mr. Shivinder Mohan Singh		3rd March 2015
Mr. Sanjeev Vashishta (Alternate Director to Mr. Daljit Singh)		3rd March 2015
Mr. Karthik Rajagopal (Alternate Director to Mr. Shivinder Mohan Singh)		3rd March 2015
Dr. Harsha Hemal Gunasekara	3rd March 2015	6th November 2015
Prof. Hithanadura Asita De Silva	3rd March 2015	6th November 2015
Prof. Serosha Mandika Wijeyaratne	3rd March 2015	6th November 2015
Mr. Sapugahawattage Tissa Nanayakkara	27th March 2015	6th November 2015
Ven. Thiniyawala Palitha Thero	23rd February 2015	
Dr. Sarath Paranavitane	3rd March 2015	
Prof. Menaka Dilani Samarawickrema Lokuhetty	3rd March 2015	
Dr. Rohan Lalith Wijesundera	3rd March 2015	
Mr. Lintotage Udaya Damien Fernando	3rd March 2015	
Mr. Karthik Rajagopal (Alternate Director to Mr. Daljit Singh)	6th March 2015	
Mr. Majuwanage Samantha Perera	1st June 2015	
Mr. Keith Damien Bernard	10th November 2015	
Dr. Anil Abeywickrama	10th November 2015	
Ms. Ranathunge Arachchige Dona Umashanthiee Rajamantri	10th November 2015	
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	10th November 2015	
Mr. Malvinder Mohan Singh		26th November 2015
Mr. Parthasarathy Raghunath (Alternate Director to Mr. Malvinder Mohan Singh)		26th November 2015
Mr. Karthik Rajagopal (Alternate Director to Mr. Daljit Singh)		26th November 2015
Mr. Kalyana Sundaram Srivastava	27th November 2015	
Mr. Ravi Sachdev (Alternate Director to Mr. Daljit Singh)	27th November 2015	
Mr. Parthasarathy Raghunath (Alternate Director to Mr. Kalyana Sundaram Srivastava)	27th November 2015	

11.1.4 Recommendations for Re-election

1. Directors who were Appointed to fill Casual Vacancies

All the Directors appointed to the Board to fill casual vacancies and are permitted to hold office only until the following AGM, so, they are required to offer themselves for re-election at this Annual General Meeting. Accordingly, Mr. M Samantha Perera, Mr. Keith Damien Bernard, Dr. Anil Abeywickrema, Ms. R A D Umashanthie Rajamantri, Mr. H A C Siriwardena and Mr. K S Srivastava offer themselves for re-election as Directors of the Company 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. Accordingly, Mr. Daljit Singh and Ven. Thiniyawala Palitha Thero are subject to retire by rotation and being eligible offer themselves for re-election.

11.1.5 Details of Directors' Attendance at Directors' meetings are presented on page 55 under Corporate Governance Section.

11.1.6 Board Sub-committees

Audit Committee, Remuneration Committee and Related Party Review Committee are the 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	No of Shares
Dr. Sarath Paranavitane	Nil
Ven. Thiniyawala Palitha Thero	Nil
Prof. Menaka Dilani Samarawickrema Lokuhetty	Nil
Mr. Daljit Singh or his alternate	Nil
Dr. Rohan Lalith Wijesundera	Nil
Mr. Lintotage Udaya Damien Fernando	7,100
Mr. Majuwanage Samantha Perera	Nil
Mr. Keith Damien Bernard	Nil
Dr. Anil Abeywickrama	Nil
Mr. Ranathunge Arachchige Dona Umashanthie Rajamantri	Nil
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Nil
Mr. Kalyana Sundaram Srivastava or his alternate	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 109. 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 31st December 2015 are given in Note 9 to the Financial Statements on page 96.

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 the 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 32 to the Financial Statements on page 110.

14. Appointment of Auditors

At the request made by the Major Shareholder, Sri Lanka Insurance Corporation Limited, to change the Auditors to Messrs KPMG, Chartered Accountants, being the Group Auditors' Company intimated the proposal to change the Auditors to then Auditors Messrs PricewaterhouseCoopers. On expiration of statutory period as required by the Section 160 of the Companies Act No. 07 of 2007, the Company called for an Extraordinary General Meeting of the Shareholders on 30th October 2015 and passed the resolution to change the Auditors from Messrs PricewaterhouseCoopers, Chartered Accountants to Messrs KPMG, Chartered Accountants. Messrs KPMG, Chartered Accountants retires at this Annual General Meeting. The retiring Auditors, have signified their willingness to continue functioning as the Auditor to the Company. A resolution to reappoint Messrs KPMG 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 2015 are disclosed in Note 9 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 the 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 30 to the Financial Statements.

18. Annual General Meeting

The Annual General Meeting of the Company will be held on 24th June 2016 at 2.00 p.m. at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

For and on behalf of the Board,



Dr. Sarath Paranavitane
Chairman



Keith Bernard
Director

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



Accounting Systems Secretarial Services (Private) Limited
Secretaries to the Company — 26th February 2016

Statement of Directors' Responsibility

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) and (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 account 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 the Statement of Financial Position as at 31st December 2015, Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Cash Flows Statement for the year 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 26th February 2016 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 account 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 2015, 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 account 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. 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,



Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company — 26th February 2016

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Financial Calendar 2015 and Proposed Financial Calendar 2016

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

	2015 Submitted on	2016 to be submitted on or before
For the 3 months ended 31st March (unaudited)	14th May 2015	15th May 2016
For the 3 and 6 months ended 30th June (unaudited)	5th August 2015	15th August 2016
For the 3 and 9 months ended 30th September (unaudited)	12th November 2015	15th November 2016
For the 3 months and year ended 31st December (unaudited)	29th February 2016	28th February 2017

Report of the Audit Committee

Audit Committee being the Sub-committee of the Board of Directors empowered among other things to examine any matters relating to the financial affairs of the Company, to review and monitor the financial reporting.

Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities on ensuring the quality of financial reporting relating to –

- Integrity of Financial Statements and the adequacy of Internal Controls System and Risk Management.
- Compliance by the Company with statutory requirements.
- Independence and performance of internal and external audit functions.
- Adherence to the policies and procedures established by the Board of Directors.

Composition of the Committee and Meetings

The Committee, as at 31st December 2015, comprised of two Independent Non-Executive Directors and one Non-Executive Director as follows:

Mr. Damien Fernando – Chairman (Independent, Non-Executive Director, appointed w.e.f. 3rd March 2015).

Mr. Keith Bernard – (Non-Executive Director, appointed w.e.f. 10th November 2015).

Mr. Asendra Siriwardana (Independent, Non-Executive Director appointed w.e.f. 10th November 2015).

The profile of each member is set out on page 44 to 49 of this Annual Report.

The Company Secretary 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 held four meetings during the period under review and the proceedings of the Committee meetings are regularly reported to the Board of Directors.

Financial Reporting

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the quarterly and annual Financial Statements that portray a true and fair view of the affairs of the Company, in accordance with the Company's accounting records and in conformity with Accounting Standards, Companies Act and Rules and Regulations of CSE and SEC. The Committee reviewed the Company's interim and annual Financial Statements, prior to submission to the Board for approval. The Committee evaluated the adequacy and effectiveness of accounting policies adopted.

Internal Controls and Risk Management

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems in place in order to ensure that financial reporting system can be relied upon in the preparation and presentation of Financial

Statements, the processes are in place to safeguard the assets of the Company and orderly and efficient conduct of business, including adherence to the internal policies and statutory requirements.

The Committee revived the Company's approach to its exposure to the business, financial and operational risk and the adequacy of the ongoing risk management system established by the management.

Internal Audit

The main objective of the internal audit function is to have an independent review of the system of internal controls established by the management and to determine the extent of adherence by the management and staff responsible for the function. In addition, the internal audit reviews the efficiency and effectiveness of business units and reports on the compliance with statutory requirements.

The internal audit plan was reviewed by the Committee to ensure that it covers the significant financial and operational aspects of the Company. The Head of Internal Audit was invited to be present at all Audit Committee deliberations. Observations made in the internal audit reports were reviewed and where necessary corrective actions were recommended and the implementation was monitored.

The effectiveness of the internal audit function is reviewed regularly by the Audit Committee.

External Audit

The Committee reviewed and approved the external audit plan presented by the External Auditors and monitored the progress of the external audit. The External Auditors kept the Audit Committee informed on an ongoing basis of all matters of significance. The Committee met the External Auditors and discussed issues arising from the audit and corrective action taken where necessary. The Committee reviewed the Management Letter issued by the External Auditors, the management responses thereto and also attended to matters specifically addressed to them.

The Committee assessed the performance of the External Auditors and their independence. The Audit Committee has recommended to the Board of Directors, that Messes KPMG, Chartered Accountants to be reappointed as Auditors for the financial year ending 31st December 2016, subject to the approval of the shareholders at the next Annual General Meeting.



Damien Fernando
Chairman, Audit Committee
26th February 2016

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
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TO THE SHAREHOLDERS OF THE LANKA HOSPITALS CORPORATION PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of The Lanka Hospitals Corporation PLC, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at 31st December 2015, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information set out on pages 75 to 117 of the Annual Report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditors' judgment, 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 the 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 Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the Financial Statements of the Company give a true and fair view of its financial position as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,
 - and the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo
26th February 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne ACA
R.M.D.B. Rajapakse ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statement

Group				Company	
For the year ended 31st December					
	Note	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue	5	5,514,070,918	4,753,588,586	4,810,837,891	4,491,554,590
Direct costs		(2,313,872,996)	(2,064,103,867)	(1,990,191,485)	(1,938,626,017)
Gross profit		3,200,197,922	2,689,484,719	2,820,646,406	2,552,928,573
Other income	6	36,003,006	39,023,418	41,248,035	44,415,918
Staff costs	7	(1,462,052,368)	(1,287,936,841)	(1,301,608,218)	(1,206,734,222)
Depreciation on property, plant and equipment (other than medical equipment)		(163,982,638)	(151,596,755)	(147,773,753)	(142,739,622)
Changes in fair value of investment property	15	–	–	3,592,000	16,298,000
Other expenses		(799,563,591)	(837,058,863)	(712,290,173)	(759,231,812)
Finance income	8	156,284,582	70,050,613	153,588,980	67,773,826
Profit before taxation	9	966,886,913	521,966,291	857,403,277	572,710,661
Income tax expense	10	(107,248,742)	(7,754,462)	(109,162,624)	(3,394,563)
Profit for the year		859,638,171	514,211,829	748,240,653	569,316,098
Attributable to:					
Equity holders of the Company		859,638,171	514,211,829	748,240,653	569,316,098
Earnings per share (Rs.)	11	3.84	2.30	3.34	2.54

The Notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit for the year	859,638,171	514,211,829	748,240,653	569,316,098
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Surplus on revaluation of property, plant and equipment	—	42,226,851	—	42,226,851
Actuarial gains/(losses) on defined benefit obligations	857,138	(9,231,382)	468,204	(9,231,382)
Income tax on other comprehensive income	(102,856)	1,107,765	(56,185)	1,107,766
	754,282	34,103,234	412,019	34,103,235
Items that are or may be reclassified subsequently to profit or loss	—	—	—	—
Other comprehensive income for the year, (net of tax)	754,282	34,103,234	412,019	34,103,235
Total comprehensive income for the year	860,392,453	548,315,063	748,652,672	603,419,333
Attributable to:				
Equity holders of the Company	860,392,453	548,315,063	748,652,672	603,419,333

The Notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

Statement of Financial Position

Group				Company	
As at 31st December	Note	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	13	3,649,506,893	3,659,633,442	3,336,320,389	3,341,179,986
Intangible assets	14	61,000,763	32,454,593	33,852,110	8,270,712
Investment property	15	–	–	102,000,000	98,408,000
Advance lease premium	16	175,442,852	161,579,772	175,442,852	161,579,772
Investment in subsidiary	17	–	–	414,000,020	350,000,020
		3,885,950,508	3,853,667,807	4,061,615,371	3,959,438,490
Current assets					
Inventories	18	272,338,834	307,431,533	227,568,161	250,746,754
Trade and other receivables	19	425,924,122	472,182,400	399,232,907	456,539,553
Amounts due from related companies	20	5,433,868	5,627,096	74,890,167	71,764,397
Economic service charge recoverable		8,123,850	–	6,007,834	–
Income tax recoverable		–	34,150,928	–	34,250,940
Other financial assets – fixed deposits	21	1,530,610,023	905,292,238	1,480,610,023	905,292,238
Cash and cash equivalents	22	215,259,554	94,612,840	171,304,089	88,500,478
		2,457,690,251	1,819,297,035	2,359,613,181	1,807,094,360
Total assets		6,343,640,759	5,672,964,842	6,421,228,552	5,766,532,850
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	994,281,265	1,028,471,651	960,466,514	993,054,665
Retained earnings		1,324,306,720	783,263,815	1,313,679,672	885,927,032
Total equity attributable to equity holders of the Company		4,990,131,075	4,483,278,556	4,945,689,276	4,550,524,787
Non-current liabilities					
Retirement benefit obligations	25	118,241,007	105,319,751	106,174,862	95,957,847
Deferred tax liabilities	26	347,228,336	314,105,948	346,209,399	310,386,586
		465,469,343	419,425,699	452,384,261	406,344,433
Current liabilities					
Amounts due to related companies	27	28,480,938	13,014,110	4,769,075	4,769,075
Trade and other payables	28	659,799,560	559,516,366	826,624,486	629,121,883
Income tax payable		20,471,835	–	19,538,605	–
Bank overdraft	22	179,288,008	197,730,111	172,222,849	175,772,672
		888,040,341	770,260,587	1,023,155,015	809,663,630
Total liabilities		1,353,509,684	1,189,686,286	1,475,539,276	1,216,008,063
Total equity and liabilities		6,343,640,759	5,672,964,842	6,421,228,552	5,766,532,850

The Notes form an integral part of these Financial Statements.

I certify that the above Financial Statements for the year ended 31st December 2015 are in compliance with the requirements of the Companies Act No. 07 of 2007.



Badrajith Siriwardana
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,



Dr. Sarath Paranavitane
Chairman

26th February 2016
Colombo



Keith Bernard
Director

Consolidated Statement of Changes in Equity

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1st January 2014	2,671,543,090	1,020,435,186	354,851,302	4,046,829,578
Total comprehensive income for the year				
Profit for the year	–	–	514,211,829	514,211,829
Other comprehensive income	–	42,226,851	(8,123,617)	34,103,234
	–	42,226,851	506,088,212	548,315,063
Transaction with owners of the Group				
Dividend	–	–	(111,866,085)	(111,866,085)
Other movements in equity				
Depreciation transfer of surplus on revaluation of building	–	(34,190,386)	34,190,386	–
Total other movements	–	(34,190,386)	34,190,386	–
Balance as at 31st December 2014 (Previously reported)	2,671,543,090	1,028,471,651	783,263,815	4,483,278,556
Super gain tax paid during the year (Note A)	–	–	(17,941,680)	(17,941,680)
Adjusted Balance as at 1st January 2015	2,671,543,090	1,028,471,651	765,322,135	4,465,336,876
Total comprehensive income for the year				
Profit for the year	–	–	859,638,171	859,638,171
Other comprehensive income	–	–	754,282	754,282
	–	–	860,392,453	860,392,453
Transaction with owners of the Group				
Dividend	–	–	(335,598,254)	(335,598,254)
Other movements in equity				
Depreciation transfer of surplus on revaluation of building	–	(34,190,386)	34,190,386	–
Total other movements	–	(34,190,386)	34,190,386	–
Balance as at 31st December 2015	2,671,543,090	994,281,265	1,324,306,720	4,990,131,075

Note-A Super Gain Tax

As being part of Sri Lanka Insurance Corporation Limited Group, the Group was liable for Super Gain Tax of Rs. 17.94 Mn (Company – Rs. 17.89 Mn). According to the provisions of Part III of the Finance Act No. 10 of 2015 ('Act'), the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supercedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

The Notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

Statement of Changes in Equity

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1st January 2014	2,671,543,090	1,020,435,186	366,993,263	4,058,971,539
Total comprehensive income for the year				
Profit for the year	–	–	569,316,098	569,316,098
Other comprehensive income	–	42,226,851	(8,123,616)	34,103,235
	–	42,226,851	561,192,482	603,419,333
Transaction with owners of the Company				
Dividend	–	–	(111,866,085)	(111,866,085)
Other movements in equity				
Transfer of revaluation surplus attributable to the extent of building treated as investment property	–	(37,019,221)	37,019,221	–
Depreciation transfer of surplus on revaluation of building	–	(32,588,151)	32,588,151	–
Total other movements	–	(69,607,372)	69,607,372	–
Balance as at 31st December 2014 (Previously reported)	2,671,543,090	993,054,665	885,927,032	4,550,524,787
Super gain tax paid during the year (Note A)	–	–	(17,889,930)	(17,889,930)
Adjusted Balance as at 1st January 2015	2,671,543,090	993,054,665	868,037,102	4,532,634,857
Total comprehensive income for the year				
Profit for the year	–	–	748,240,653	748,240,653
Other comprehensive income	–	–	412,019	412,019
	–	–	748,652,672	748,652,672
Transaction with owners of the Company				
Dividend	–	–	(335,598,254)	(335,598,254)
Other movements in equity				
Depreciation transfer of surplus on revaluation of building	–	(32,588,151)	32,588,151	–
Total other movements	–	(32,588,151)	32,588,151	–
Balance as at 31st December 2015	2,671,543,090	960,466,514	1,313,679,672	4,945,689,276

Dividend per Share – 2015 (Note 12)

Rs. 1.50

Dividend per Share – 2014 (Note 12)

Rs. 0.50

The Notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

Cash Flow Statement

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash flow from operating activities				
Profit before taxation	966,886,913	521,966,291	857,403,277	572,710,661
Adjustments for:				
Interest income	(61,584,446)	(64,570,999)	(58,853,650)	(62,290,868)
Depreciation on property, plant and equipment	271,174,585	241,888,960	243,756,135	227,630,046
Amortisation of intangible assets	7,876,129	3,239,205	2,966,765	1,321,606
Amortisation of advance lease premium	4,683,472	4,683,472	4,683,472	4,683,472
Net change in fair value of investment property	–	–	(3,592,000)	(16,298,000)
Provision for retiring gratuity	28,583,543	33,416,953	24,932,013	24,055,049
Impairment loss on inventory	1,610,162	3,265,378	837,040	3,265,378
Impairment loss on trade receivables	4,771,263	7,333,024	4,771,263	7,333,024
Write-off of capital work-in-progress	–	2,874,516	–	2,874,516
Loss on disposal of property, plant and equipment	151,870	3,955,063	151,870	3,955,063
Operating cash flows before working capital changes	1,224,153,491	758,051,863	1,077,056,185	769,239,947
(Increase)/decrease in inventories	33,482,537	(134,720,905)	22,341,553	(78,036,124)
(Increase)/decrease in trade and other receivables	53,388,762	(19,030,500)	65,695,982	(4,567,283)
Increase/(decrease) in amounts due from related companies	193,228	(1,319,849)	(67,125,770)	(64,315,328)
Increase/(decrease) in trade and other payables	98,773,210	17,961,281	195,992,619	89,344,136
Increase in amounts due to related companies	15,466,828	2,027,181	–	532,146
	1,425,458,056	622,969,071	1,293,960,569	712,197,494
Cash generated from operations				
Retiring gratuity paid	(13,295,165)	(4,208,142)	(12,736,810)	(4,208,142)
Income tax paid	(37,548,126)	(15,242,243)	(37,496,379)	(14,892,770)
Net cash inflow from operating activities	1,374,614,765	603,518,686	1,243,727,380	693,096,582

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash flows from investing activities				
Acquisition of property, plant and equipment	(278,003,268)	(629,587,346)	(255,851,771)	(406,335,132)
Expenditure incurred on capital work-in-progress	(12,432,155)	(16,954,935)	(12,432,155)	(16,954,935)
Purchase of intangible assets	(10,977,008)	(27,154,828)	(3,102,872)	(1,053,348)
Proceeds from disposal of property, plant and equipment	3,790,226	4,407,274	3,790,226	4,407,274
Advance lease premium paid	(18,546,552)	(18,546,552)	(18,546,552)	(18,546,552)
Interest income received	41,558,848	64,570,999	39,685,217	62,945,812
(Investment)/withdrawal in other financial assets	(625,317,785)	17,189,263	(575,317,785)	17,189,263
Additional investment in subsidiary	–	–	–	(275,000,000)
Net cash generated from investing activities	(899,927,694)	(606,076,125)	(821,775,692)	(633,347,618)
Cash flows from financing activities				
Dividend paid	(335,598,254)	(111,866,085)	(335,598,254)	(111,866,085)
Net cash outflow from financing activities	(335,598,254)	(111,866,085)	(335,598,254)	(111,866,085)
Net increase/(decrease) in cash and cash equivalents	139,088,817	(114,423,524)	86,353,434	(52,117,121)
Cash and cash equivalents at the beginning of the year	(103,117,271)	11,306,253	(87,272,194)	(35,155,073)
Cash and cash equivalents at the end of the period (Note A)	35,971,546	(103,117,271)	(918,760)	(87,272,194)
Note A – Analysis of cash and cash equivalents				
Favourable balances				
Cash in hand and at bank	116,259,554	54,612,840	115,304,089	53,500,478
Short term investments	99,000,000	40,000,000	56,000,000	35,000,000
	215,259,554	94,612,840	171,304,089	88,500,478
Unfavourable balances				
Bank overdrafts	(179,288,008)	(197,730,111)	(172,222,849)	(175,772,672)
Cash and cash equivalents	35,971,546	(103,117,271)	(918,760)	(87,272,194)

The Company granted Rs. 64 Mn in 2014 to the subsidiary company, Lanka Hospitals Diagnostics (Private) Limited and during the year 2015, the subsidiary Company issued 6.4 Mn ordinary shares against the funds received from the parent Company.

The Notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

Notes to the Consolidated Financial Statements

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 6th October 1997 and reregistered on 28th July 2008 under the Companies Act No. 07 of 2007, that came into effect on 3rd 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 fully owned 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 6th February 2013. The ultimate parent of the Company is The Lanka Hospitals Corporation PLC.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Company as at, and for the year ended 31st December 2015, comprise the Financial Statements of Company and its subsidiary (together referred to as the 'Group').

1.3 Date of Authorisation for Issue

These Consolidated Financial Statements were authorised for issue by the Board of Directors on 26th February 2016.

1.4 Principal Activities and Nature of Operations

The principal activities of the Company and the Group are to provide healthcare and laboratory services. There were no significant changes in the nature of principal activities of the Company and the Group during the financial year.

1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate and ultimate parent is Sri Lanka Insurance Corporation Limited, which is incorporated in Sri Lanka.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Group and the separate Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

The Consolidated Financial Statements of the Group, which comprise the Statement of Financial Position and the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Cash Flows together with accounting policies and notes to the Financial Statements.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the Financial Statements.

2.3 Basis of Measurement

The Consolidated and Separated Financial Statements have been prepared on the historical cost basis, except that land and buildings, investment property are measured at fair value, and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the Financial Statements.

These Financial Statements have been prepared on the basis that the Company and the Group would continue as a going concern for the foreseeable future.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

2.5 Use of Estimates, Judgments and Assumptions

The preparation of Financial Statements of the Group, in conformity with Sri Lanka Accounting Standards, requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which, form the basis of making a judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements, is stated below:

2.5.1 Fair Value of Non-Financial Assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market in the most advantageous market that is accessible by the Group for the asset or liability,

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5.2 Useful Lives of Depreciable Assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.5.3 Defined Benefit Obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as mortality rates, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.5.4 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.5.5 Recognition of Deferred Tax Assets

Management applies significant judgement to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.5.6 Measurement of Fair Values

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the Chief Financial Officer.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about assumptions made in measuring fair value is included in the respective notes to the Consolidated Financial Statements.

2.6 Materiality and Aggregation

Each material class of similar items are presented separately in the Consolidated Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Comparative Information

The comparative information have been reclassified where necessary to conform to the current year's presentation.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the Financial Statements by the Group and the Company, unless otherwise indicated.

3.1 Basis of Consolidation

3.1.1 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1.2 Subsidiary

Subsidiary is an entity controlled by the Group. Control is achieved when the Group is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Financial Statements of subsidiary are included in the Consolidated Financial Statements from the date of acquisition, being the date on which the Group obtains control and continues to be consolidated until the date when such control ceases.

3.1.3 Non-Controlling Interest

For each business combination, the Group elect to measure any non-controlling interest in the acquiree either –

- At fair value
- At their proportionate share of the acquiree's identifiable assets, which are generated at fair value.

Change in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

Adjustment to non-controlling interests are based on a proportionate amount or the net amount of the subsidiary.

Group does not have any non-controlling interest as at the reporting date.

3.1.4 Loss of Control

On the loss of control, the Group immediately derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.1.5 Reporting Date

Group's subsidiary has the same reporting period as the parent Company.

3.1.6 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra group transactions, are eliminated in preparing the Consolidated Financial Statements.

3.2 Foreign Currencies

3.2.1 Foreign Currency Transactions

The Financial Statements of the Group are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Group.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

3.3 Financial Instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities, other than financial instruments, recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.3.1 Non-Derivative Financial Assets

3.3.1.1 Initial Recognition and Measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

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

3.3.1.1.1 Financial Assets at Fair Value Through Profit or Loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value and any changes therein, are recognised in the income statement.

Attributable transaction costs of fair value through profit or loss financial assets, are recognised in the income statement when incurred.

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds.

The Group has not designated any equity instruments in fair value through profit and loss category.

3.3.1.1.2 Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction costs are significant. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

3.3.1.1.3 Held-to-Maturity Financial Assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to-maturity.

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the financial year, the Group has not designated any financial assets as held-to-maturity investments.

3.3.1.1.4 Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to the income statement.

During the financial year, the Group has not designated any financial assets as available-for-sale financial assets.

3.3.1.2 Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired.

A financial asset is impaired if, there is objective an evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

3.3.1.2.1 Loans and Receivables

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment.

All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

3.3.1.3 Derecognition of Financial Assets

The Group derecognises a financial asset when;

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement; and either

- The entity has transferred substantially all the risks and rewards of the asset; or
- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received together with receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

3.3.2 Non-Derivative Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.3.2.1.1 Financial Liabilities at fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Gains or losses on liabilities held-for-trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

3.3.2.1.2 Other Financial Liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities.

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

3.3.2.2 Derecognition of Financial Liabilities

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

3.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities 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.

3.3.4 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

3.3.5 Stated Capital

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

3.4 Property, Plant and Equipment

3.4.1 Recognition and Measurement

Items of property, plant and equipment other than land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition for its intended use and borrowing costs if the recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land and buildings in the statement of financial position at the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period, the Group will revalue such land and buildings every 3 years.

Any revaluation increase arising on the revaluation of such land and buildings are recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset, previously recognised in the income statement, in which case, the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land and buildings, are recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land and buildings.

Upon disposal, any related revaluation reserve, is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land and buildings are disclosed in Note 13 to the Financial Statements.

3.4.2 Significant Components of Property, Plant and Equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

3.4.3 Subsequent Cost

The Group recognises in the carrying amount of property, plant and equipment, the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

3.4.4 Depreciation

Depreciation is based on the cost of an asset, less its residual value.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held-for-sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

Leased assets over the periods of the lease

Buildings on leasehold Land	40 years
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

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

Depreciation methods, useful lives and the residual values are reviewed at each reporting date and adjusted accordingly.

3.4.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when item is derecognised.

3.4.6 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

3.5 Investment Properties

3.5.1 Recognition and Measurement

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as investment properties.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

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.

In the Consolidated Financial Statements, properties which are occupied by companies within the Group for the production or supply of goods and services or for administrative purposes is treated as property, plant and equipment, while these properties are treated as investment property in the Financial Statements of the Company owning the asset.

3.6 Leases

3.6.1 Finance Leases

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

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

3.6.2 Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.6.3 Determining Whether an Arrangement Contains a Lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criterias are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, if the Group concludes that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset.

Subsequently, as payments are made, the liability is reduced and imputed finance cost on the liability, is recognised using the Group's incremental borrowing rate.

3.7 Intangible Assets

3.7.1 Initial Recognition and Measurement

The Group recognises intangible assets, if it is probable that the expected future economic benefits that are attributable to the asset, will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination, is the fair value of the asset at the date of acquisition.

The cost of an internally-generated intangible asset, arising from the development phase of an internal project, which is capitalised, includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is expensed in the income statement as and when incurred.

3.7.2 Subsequent Costs

Subsequent expenditure on intangible assets, is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.7.3 Subsequent Measurement

After initial recognition, an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset, is assessed to be either finite or indefinite.

Intangible assets with finite lives, are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset, with a finite useful life, is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, is accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

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

3.7.4 Intangible Assets Recognised by the Group

3.7.4.1 Computer Software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets.

The Group amortises computer software over period of 6 2/3 years.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value after making due allowance for obsolete items. The cost of inventories is based on a first-in first-out. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.9 Impairment – Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

An impairment loss is recognised, if the carrying amount of an asset or its cash-generating unit exceeds its recoverable

amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the income statement.

Impairment losses recognised, in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

3.9.1 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3.9.2 Reversal of Impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are recognised in the income statement.

3.10 Liabilities and Provisions

Liabilities classified as current liabilities in the statement of financial position are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances that become repayable after one year from the reporting date.

All known liabilities have been accounted for in preparing the Financial Statements.

3.11 Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.12 Employee Benefits

3.12.1 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 in cash as ex gratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

3.12.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan, under which, an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan, are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

3.12.2.1 Employees' Provident Fund and Employees' Trust Fund

The Group contributes a sum not less than 12% of the gross emoluments of employees employed in Sri Lanka as provident fund benefits and 3% as trust fund benefits.

3.12.3 Defined Benefit Plan – Retiring Gratuity

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans, is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method by qualified Actuary, as recommended by

LKAS –19. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees.

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

The liability is not externally funded.

Group recognises all actuarial gains and losses, arising from defined benefit plans immediately in the statement of other comprehensive income, as they occur.

3.13 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue, can be reliably measured.

3.13.1 Hospital Revenue

Revenue from hospital service is recognised at the point of delivering services. Service income is recognised by reference to the stage of completion of the transactions at the end of the reporting period.

Consultancy fees collected on behalf of the in-house and visiting consultants by the Group do not form part of revenue are excluded from the revenue.

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

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

3.13.2 Pharmacy Revenue

Revenue from the sale of goods in the course of ordinary activities, is measured at the fair value of the consideration received or receivable, net of returns, trade discounts.

Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

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

3.13.3 Rental Income from Investment Property

Rental income arising from renting of investment property is recognised as other income on a straight-line basis over the terms of agreement.

3.13.4 Interest Income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating effective interest rate, the Group estimates the future cash flows, considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all transaction costs and fees and points paid or received that are an integral part of effective interest rate.

Interest income is included under finance income in the income statement.

3.14 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency, has been charged to income statement in arriving at the profit for the year.

3.15 Income Tax Expense

Income tax expense comprises of current tax and deferred tax. The income tax expense is recognised in the income statement, except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

3.15.1 Current Tax

The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

Taxation for the current and previous periods to the extent unpaid, is recognised as a liability in the Financial Statements. When the amount of taxation already paid in respect of current and prior periods, exceeds the amount due for those periods, the excess is recognised as an asset in the Financial Statements.

3.15.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary differences will be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15.3 Economic Service Charge

As per the provisions of the Economic Service Charge Act No. 13 of 2006, economic service charge is payable on the liable turnover at specified rates. Economic Service Charge is deductible from the income tax liability. Any unclaimed liability is carried forward and set-off against the income tax payable as per the relevant provisions in the Act.

3.16 Segment Reporting

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.

3.17 Statements of Cash Flows

The Statement of Cash Flows has been prepared using the 'indirect method' in accordance with LKAS 7 – 'Statement of Cash Flows'.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks and short term deposits with banks.

Interest paid is classified as operating cash flows, interest received are classified as investing cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the cash flow statement.

3.18 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which not wholly within control of the Group.

Commitments and contingent liabilities are disclosed in Notes 30 and 31 to the Financial Statements.

3.19 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies and decisions of the other, irrespective of whether a price is being charged.

3.20 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company, by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Events Occurring after the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

4. New and Amended Standards Issued but not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly, these standards have not been applied in preparing these Financial Statements. The Company is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its Financial Statements. Such impact has not been quantified as at the reporting date. The Company will be adopting these standards when they become effective.

4.1 Standards Issued but not yet Adopted which may have a Significant Impact

SLFRS 9 – 'Financial Instruments' – effective for annual periods beginning on or after 1st of January 2018.

This standard replaces the existing guidance in LKAS – 39 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption is permitted.

The Group is assessing the potential impact on its Consolidated Financial Statements, resulting from the application of SLFRS 9.

4.2 Standards Issued but not yet Adopted which may not have a Significant Impact

SLFRS 15 – 'Revenue from Contracts with Customers' – effective for annual periods beginning on or after 1st January 2018.

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 – 'Revenue', LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption is permitted.

4.3 Standards Issued but not yet Adopted which is not Expected to have an Impact

SLFRS 14 – 'Regulatory Deferral Accounts' – effective for annual periods beginning on or after 1st January 2016.

Amendment to LKAS 16 and LKAS 41 – 'Agriculture: Bearer Biological Plants' – effective for annual periods beginning on or after 1st January 2016.

Amendments to SLFRS 10, SLFRS 12 and LKAS 28 – 'Investment Entities': Applying the Consolidation Exception – effective for annual periods beginning on or after 1st January 2016.

Amendments to LKAS 27 – 'Equity Method in Separate Financial Statements' – effective for annual periods beginning on or after 1st January 2016.

Amendments to SLFRS 10 and LKAS 28 – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' – effective for annual periods beginning on or after 1st January 2016.

Amendments to SLFRS 11 – 'Accounting for Acquisitions of Interests in Joint Operations' – effective for annual periods beginning on or after 1st January 2016.

5. Revenue

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Hospital revenue	4,243,678,473	3,706,401,028	3,540,445,446	3,444,367,032
Pharmacy revenue	1,270,392,445	1,047,187,558	1,270,392,445	1,047,187,558
	5,514,070,918	4,753,588,586	4,810,837,891	4,491,554,590

6. Other Income

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Rent income	7,360,000	4,550,000	12,850,000	9,950,000
Car park income	26,250,100	22,331,667	26,250,100	22,331,667
Sundry income	2,544,776	16,096,814	2,299,805	16,089,314
Gain/(loss) on disposal of property, plant and equipment	(151,870)	(3,955,063)	(151,870)	(3,955,063)
	36,003,006	39,023,418	41,248,035	44,415,918

7. Staff Cost

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Salaries and other related costs	1,345,163,749	1,173,244,925	1,199,018,115	1,106,413,556
Defined contribution plan cost – EPF and ETF	88,305,076	81,274,964	77,658,090	76,265,617
Defined benefit plan cost – Retiring gratuity	28,583,543	33,416,953	24,932,013	24,055,049
Total staff cost	1,462,052,368	1,287,936,841	1,301,608,218	1,206,734,222
Number of employees	1,553	1,553	1,351	1,404

In addition to the staff cost, following staff cost has been included in direct cost.

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Staff cost included in direct cost	12,824,950	5,237,850	–	–

8. Finance Income

	Group		Company	
<i>For the year ended 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Interest income from;				
– Call deposit	7,142,729	10,192,718	5,264,672	7,912,587
– Fixed deposits – Sri Lankan Rupees	19,566,113	30,275,526	18,713,373	30,275,526
– Fixed deposits – Foreign Exchange Earners Account (FEEA)	34,875,604	24,102,755	34,875,604	24,102,755
Gain on translation of foreign currency	94,700,136	5,479,614	94,735,330	5,482,958
	156,284,582	70,050,613	153,588,980	67,773,826

9. Profit Before Taxation

	Group		Company	
For the year ended 31st December	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit before taxation is stated after charging all expenses including the following:				
Directors' remuneration and fees	31,840,000	16,000,000	28,880,000	14,000,000
Auditors' remuneration				
– Statutory audit	1,010,000	890,000	720,000	660,000
– Non-audit services	250,000	264,240	250,000	114,240
Amortisation of intangible assets	7,876,129	3,239,205	2,966,765	1,321,606
Impairment loss of trade receivables	4,771,263	7,333,024	4,771,263	7,333,024
Impairment loss of inventories	1,610,162	3,265,378	837,040	3,265,378
Amortisation of advanced lease premium	4,683,472	4,683,472	4,683,472	4,683,472
Legal expenses	5,908,637	5,940,059	3,973,161	5,237,259

10. Income Tax Expense

	Group		Company	
For the year ended 31st December	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Recognised in income statement				
Income tax expense				
Taxation on the profit for the year	57,457,920	640,536	56,624,704	–
Under/(over) provision in respect of previous year	16,771,291	(30,001,148)	16,771,291	(30,001,148)
	74,229,211	(29,360,612)	73,395,995	(30,001,148)
Deferred tax expense				
Origination of temporary difference	33,019,531	37,115,074	35,766,629	33,395,711
	107,248,742	7,754,462	109,162,624	3,394,563
Recognised in statement of other comprehensive income				
Deferred tax expense on temporary difference	102,856	(1,107,765)	56,185	(1,107,766)
	102,856	(1,107,765)	56,185	(1,107,766)
Tax reconciliation statement				
Profit before taxation	966,886,913	521,966,291	857,403,277	572,710,661
Less:				
Income not liable for tax and exempt income	(232,387,696)	(367,107,753)	(126,088,501)	(367,107,753)
Allowable expenses	(483,985,862)	(427,119,595)	(483,985,862)	(427,119,595)
Income from other sources	(26,425,566)	(38,188,113)	(23,449,798)	(38,188,113)
Add:				
Disallowable expenses	308,720,106	306,526,890	308,720,106	306,526,890
Business income	532,807,894	(3,922,281)	532,599,221	46,822,089
Add; Income from other sources	26,425,566	38,188,113	23,449,798	38,188,113
Tax losses	–	53,031,999	–	–
Less: Qualifying payments	(115,442,875)	(85,010,203)	(115,442,875)	(85,010,203)
Taxable income	443,790,585	2,287,629	440,606,144	–
Income tax at 12%	50,058,761	–	50,058,761	–
Income tax at 28%	7,399,158	640,536	6,565,943	–
Taxation on profits for the year	57,457,920	640,536	56,624,704	–

10.1 The Lanka Hospitals Corporation PLC is liable to income tax at 12% on business profit and 28% on other income. Lanka Hospitals Diagnostics (Private) Limited, the subsidiary company, is exempt from tax for a period of seven 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. Lanka Hospitals Diagnostics (Private) Limited commenced its commercial operation in July 2014.

10.2 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 qualified investment, the Company has already claimed Rs. 84,151,965, Rs. 85,010,023 and Rs. 115,442,875 for the year of assessment 2013/14, 2014/15 and 2015/16 respectively. The Company has a carried forward unclaimed investment relief of Rs. 128,595,959/-, as of 31st December 2015.

11. Earnings Per Share

Earnings per share is calculated by dividing the net profit for the year attributable to the equity holders of the Company, by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
<i>For the year ended 31st December</i>				
Profit attributable to the shareholders (Rs.)	859,638,171	514,211,829	748,240,653	569,316,098
Weighted average number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Earnings per ordinary share (Rs.)	3.84	2.30	3.34	2.54

12. Dividend Per Share

	Group		Company	
	2015	2014	2015	2014
<i>For the year ended 31st December</i>				
Interim dividend (Rs.)	223,732,169	111,866,085	223,732,169	111,866,085
Final dividend (Rs.)	111,866,085	–	111,866,085	–
Number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share – Interim (Rs.)	1.00	0.50	1.00	0.50
– Final (Rs.)	0.50	–	0.50	–

The final dividend of Rs. 111,866,085 relates to final dividend for the year ended 31st December 2014 which was proposed and approved by the Board of the Directors on 5th June 2015. Accordingly the said dividend is considered for the dividend per share computation for the year ended 31st December 2015.

13. Property, Plant and Equipment

13.1 Group

<i>For the year ended 31st December</i>	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.
Cost or valuation					
Balance as at 1st January 2015	54,945,002	2,344,804,387	1,819,254,403	236,341,018	66,079,433
Additions during the year	—	15,263,368	183,107,760	11,574,059	9,501,689
Transfer from capital work-in-progress	—	6,780,252	—	5,854,978	—
Transfer to Intangible assets	—	—	—	—	—
Transfer among asset categories	—	(1,500,000)	—	—	(5,583,507)
Disposals during the year	—	—	(5,475,500)	—	—
Balance as at 31st December 2015	54,945,002	2,365,348,007	1,996,886,663	253,770,055	69,997,615
Accumulated depreciation					
Balance as at 1st January 2015	—	85,062,826	923,020,000	132,303,226	37,069,845
Charge for the year	—	87,180,117	107,191,947	14,798,782	4,306,192
Transfers during the year	—	(9,891)	—	—	(489,814)
Disposals during the year	—	—	(1,597,941)	—	—
Balance as at 31st December 2015	—	172,233,052	1,028,614,006	147,102,008	40,886,223
Carrying amounts					
As at 31st December 2015	54,945,002	2,193,114,955	968,272,657	106,668,047	29,111,392
As at 31st December 2014	54,945,002	2,259,741,561	896,234,403	104,037,792	29,009,588

13.1.1 Property, plant and equipment as at 31st December 2015, includes fully depreciated assets, having a gross carrying amount (cost) of Rs. 1.37 Bn (2014 – 1.32 Bn) that are still in use.

13.2 Company

<i>For the year ended 31st December</i>	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.
Cost or valuation					
Balance as at 1st January 2015	54,945,002	2,220,988,267	1,704,815,872	203,157,713	44,333,951
Additions during the year	—	8,432,299	182,541,396	10,064,309	3,481,706
Transfer from capital work-in-progress	—	6,780,252	—	5,854,978	—
Transfer to intangible assets	—	—	—	—	—
Transfer among asset categories	—	—	—	—	—
Disposals during the year	—	—	(5,475,500)	—	—
Balance as at 31st December 2015	54,945,002	2,236,200,818	1,881,881,768	219,077,000	47,815,657
Accumulated depreciation					
Balance as at 1st January 2015	—	81,559,908	917,618,219	130,728,812	36,048,497
Charge for the year	—	83,125,729	95,982,382	11,448,430	2,190,167
Transfers during the year	—	—	—	—	—
Disposals during the year	—	—	(1,597,941)	—	—
Balance as at 31st December 2015	—	164,685,637	1,012,002,660	142,177,242	38,238,664
Carrying amounts					
As at 31st December 2015	54,945,002	2,071,515,181	869,879,108	76,899,758	9,576,993
As at 31st December 2014	54,945,002	2,139,428,359	787,197,653	72,428,901	8,285,454

Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles Rs.	Capital work in progress Rs.	Total Rs.
180,973,922	546,889,149	30,944,086	24,117,956	22,020,201	32,654,806	5,359,024,363
11,591,433	37,651,904	1,218,295	—	8,094,760	12,432,155	290,435,423
—	2,253,291	—	—	—	(14,888,521)	—
—	—	—	—	—	(25,445,292)	(25,445,292)
—	7,083,507	—	—	—	—	—
—	(78,000)	—	—	—	—	(5,553,500)
192,565,355	593,799,851	32,162,381	24,117,956	30,114,961	4,753,148	5,618,460,994
96,739,645	368,810,776	29,494,637	9,591,773	17,298,192	—	1,699,390,920
19,759,501	24,588,602	2,316,969	6,029,484	5,002,991	—	271,174,585
—	499,705	—	—	—	—	—
—	(13,463)	—	—	—	—	(1,611,404)
116,499,146	393,885,620	31,811,606	15,621,257	22,301,183	—	1,968,954,101
76,066,209	199,914,231	350,775	8,496,699	7,813,778	4,753,148	3,649,506,893
84,234,277	178,078,373	1,449,449	14,526,183	4,722,009	32,654,806	3,659,633,442

Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles Rs.	Capital work in progress Rs.	Total Rs.
142,818,503	545,488,324	30,944,086	24,117,956	22,020,201	32,654,806	5,026,284,681
5,591,011	36,427,995	1,218,295	—	8,094,760	12,432,155	268,283,926
—	2,253,291	—	—	—	(14,888,521)	—
—	—	—	—	—	(25,445,292)	(25,445,292)
—	—	—	—	—	—	—
—	(78,000)	—	—	—	—	(5,553,500)
148,409,514	584,091,610	32,162,381	24,117,956	30,114,961	4,753,148	5,263,569,815
94,003,446	368,761,211	29,494,637	9,591,773	17,298,192	—	1,685,104,695
13,591,257	24,068,726	2,316,969	6,029,484	5,002,991	—	243,756,135
—	—	—	—	—	—	—
—	(13,463)	—	—	—	—	(1,611,404)
107,594,703	392,816,474	31,811,606	15,621,257	22,301,183	—	1,927,249,426
40,814,811	191,275,136	350,775	8,496,699	7,813,778	4,753,148	3,336,320,389
48,815,057	176,727,113	1,449,449	14,526,183	4,722,009	32,654,806	3,341,179,986

13.2.1 Details of Company's freehold land and leasehold buildings stated at valuations are indicated below:

13.2.1.1 Freehold land carried at revalued amount

Location	Method of valuation	Effective date of valuation	Property valuer	Extent	Significant unobservable inputs	Carrying amount as at 31.12.2015 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2014	Mr. A A M Fathihu (FIV), Chartered Valuer	10.35 perches	Estimated price per perch Rs. 2,700,000	27,945,002	20,484,002	7,461,000
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2014	Mr. A A M Fathihu (FIV), Chartered Valuer	10.00 perches	Estimated price per perch Rs. 2,700,000	27,000,000	21,742,849	5,257,151
				20.35 perches		54,945,002	42,226,851	12,718,151

13.2.1.2 Building on Leasehold and Carried at Revalued Amount

Location	Method of valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Cost as at 31.12.2015 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net Carrying amount Rs.
578, Elvitigala Mawatha, Colombo 05	Depreciated replacement cost method	31st December 2013	Mr. A A M Fathihu (FIV), Chartered Valuer	Estimated value per square foot Rs. 6,790	1,504,507,260	116,863,886	1,387,643,374

13.2.3 Property, plant and equipment as at 31st December 2015, includes fully depreciated assets having a gross carrying amount (cost) of Rs. 1.37 Bn (2014 – 1.32 Bn) that are still in use.

13.2.4 Capital work-in-progress as at 31st December 2015, mainly comprises cost incurred on Hospital Information System Integration project.

14. Intangible Assets – Computer Software

As at 31st December	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cost				
Balance at the beginning of the year	36,263,637	7,048,809	10,162,157	7,048,809
Additions during the year	10,977,008	27,154,828	3,102,872	1,053,348
Transferred from capital work in progress	25,445,292	2,060,000	25,445,292	2,060,000
Balance as at the end of the year	72,685,936	36,263,637	38,710,320	10,162,157
Accumulated amortisation				
Balance at the beginning of the year	3,809,044	569,839	1,891,445	569,839
Amortisation charge for the year	7,876,129	3,239,205	2,966,765	1,321,606
Balance as at the end of the year	11,685,173	3,809,044	4,858,210	1,891,445
Carrying amount	61,000,763	32,454,593	33,852,110	8,270,712

15. Investment Property

	Group		Company	
<i>As at 31st December</i>	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Balance at the beginning of the year	–	–	98,408,000	–
Transferred from property, plant and equipment	–	–	–	82,110,000
Change in fair value	–	–	3,592,000	16,298,000
Balance as at the end of the year	–	–	102,000,000	98,408,000

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/- upto 31st October 2015 and Rs. 495,000/- from 1st November 2015 to 31st October 2017.

Details of Investment Property

<i>Location</i>	Building extent	Carrying amount at cost Rs.	Fair value Rs.	Last revaluation date
No. 578, Etiviligala Mawatha, Colombo 05	11,500 square feet	82,110,000	102,000,000	31st December 2015

Income on Investment Property

<i>for the year ended 31st December</i>	2015 Rs.	2014 Rs.
Rental income	5,490,000	5,400,000
	5,490,000	5,400,000

The above building has been revalued by independent qualified valuer on the current replacement cost basis on 31st December 2015, valuation is carried out by Mr. A A M Fathihu (FIV), Chartered Valuer.

There has been no impairment on investment property, which requires a provision as at the reporting date.

The fair value measurement for all investment properties, has been categorised as a Level 2 based, on the inputs to the valuation techniques used.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

<i>Valuation technique</i>	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Replacement cost method	Value per square foot determined, based on similar properties value and depreciated for period used	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser/(higher) - Square feet value was higher/(lesser)

16. Advance Lease Premium

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Balance at the beginning of the year	161,579,772	147,716,692	161,579,772	147,716,692
Premium paid during the year	18,546,552	18,546,552	18,546,552	18,546,552
Amortisation during the year	(4,683,472)	(4,683,472)	(4,683,472)	(4,683,472)
Balance as at the end of the year	175,442,852	161,579,772	175,442,852	161,579,772

The Company has entered into a 99-year 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 31st December 2015, a sum of Rs. 194 Mn is payable by 2026. (31st December 2014 – Rs. 213 Mn).

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

17. Investment in Subsidiary – Lanka Hospitals Diagnostics (Private) Limited

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Balance at the beginning of the year	–	–	350,000,020	50,000,020
Issue of shares by subsidiary company	–	–	64,000,000	300,000,000
Balance as at the end of the year	–	–	414,000,020	350,000,020

17.1 Movement of Number of Shares

	Group		Company	
<i>As at 31st December</i>	2015	2014	2015	2014
Balance at the beginning of the year	–	–	35,000,002	5,000,002
Issue of shares by subsidiary company	–	–	6,400,000	30,000,000
Balance as at the end of the year	–	–	41,400,002	35,000,002

Company holds 100% shares of Lanka Hospitals Diagnostics (Private) Limited, incorporated in Sri Lanka and the principal activity of the subsidiary company is providing laboratory services.

18. Inventories

As at 31st December	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Medical items	260,610,032	291,378,966	215,066,237	234,694,187
Non-medical items	8,995,050	11,407,467	8,995,050	11,407,467
Engineering stocks	3,933,772	3,854,829	3,933,772	3,854,829
Food and beverages	3,675,520	4,055,648	3,675,520	4,055,648
	277,214,374	310,696,911	231,670,579	254,012,132
Less: Impairment loss on inventories	(4,875,540)	(3,265,378)	(4,102,418)	(3,265,378)
	272,338,834	307,431,533	227,568,161	250,746,754

19. Trade and Other Receivables

As at 31st December	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade receivables (Note 19.1)	279,725,206	336,336,677	268,165,736	330,962,472
Impairment loss on trade receivables	(22,055,266)	(17,284,003)	(22,055,266)	(17,284,003)
	257,669,940	319,052,674	246,110,470	313,678,469
Deposits and prepayments	52,081,723	56,928,370	40,349,348	54,304,316
Advances and other receivables	83,519,499	83,573,994	80,977,876	75,929,988
Interest income receivable	32,652,960	12,627,362	31,795,213	12,626,780
	425,924,122	472,182,400	399,232,907	456,539,553

19.1 Trade Receivables

As at 31st December	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade receivable – Parent Company	37,378,837	28,841,165	35,105,060	26,268,190
– Other receivable	209,051,298	282,275,667	199,765,605	279,474,437
Patients not yet discharged	33,295,071	25,219,845	33,295,071	25,219,845
	279,725,206	336,336,677	268,165,736	330,962,472

20. Amounts Due from Related Companies

As at 31st December	Relationship	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Sri Lanka Insurance Corporation Limited	Parent Company	5,433,868	5,627,096	5,433,868	5,627,096
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	–	–	69,456,299	66,137,301
		5,433,868	5,627,096	74,890,167	71,764,397

21. Other Financial Assets – Fixed Deposits

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Fixed deposits – Foreign Exchange Earners Account (FEEA)	1,080,610,023	652,272,574	1,080,610,023	652,272,574
Fixed deposits – Sri Lankan Rupees	450,000,000	253,019,664	400,000,000	253,019,664
	1,530,610,023	905,292,238	1,480,610,023	905,292,238

22. Cash and Cash Equivalents

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Favourable balance				
Repo	99,000,000	40,000,000	56,000,000	35,000,000
Cash in hand and at bank	116,259,554	54,612,840	115,304,089	53,500,478
	215,259,554	94,612,840	171,304,089	88,500,478
Unfavourable balance				
Bank overdraft	(179,288,008)	(197,730,111)	(172,222,849)	(175,772,672)
Cash and cash equivalents for the purpose of statement of cash flow	35,971,546	(103,117,271)	(918,760)	(87,272,194)

23. Stated Capital

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Issued and fully paid				
223,732,169 Ordinary shares	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 dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

24. Revaluation Reserve

	Group		Company	
<i>As at 31st December</i>	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Balance at the beginning of the year	1,028,471,651	1,020,435,186	993,054,665	1,020,435,186
Surplus on revaluation of freehold land	–	42,226,851	–	42,226,851
Transfer of revaluation surplus attributable to the extent of building treated as investment property	–	–	–	(37,019,221)
Depreciation transfer on revaluation of building	(34,190,386)	(34,190,386)	(32,588,151)	(32,588,151)
Balance as at the end of the year	994,281,265	1,028,471,651	960,466,514	993,054,665

25. Retirement Benefit Obligations

25.1 Description of the Post-Employment Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

25.2 Movement in Defined Benefit Obligations

	Group		Company	
<i>As at 31st December</i>	2015 Rs. '000	2014 Rs. '000	2015 Rs.	2014 Rs.
Balance as at 1st January	105,319,751	66,879,558	95,957,847	66,879,558
Included in profit or loss				
Current service cost	18,578,167	25,658,924	15,816,018	16,297,020
Interest cost	10,005,376	7,758,029	9,115,995	7,758,029
	28,583,543	33,416,953	24,932,013	24,055,049
Included in other comprehensive income				
Actuarial (gain)/ loss recognised	(857,138)	9,231,382	(468,204)	9,231,382
	(857,138)	9,231,382	(468,204)	9,231,382
Other				
Contributions paid by the employer	(13,295,165)	(4,208,142)	(12,736,810)	(4,208,142)
Contributions payable by the employer	(1,509,984)	–	(1,509,984)	–
	(14,805,149)	(4,208,142)	(14,246,794)	(4,208,142)
Balance at 31st December	118,241,007	105,319,751	106,174,862	95,957,847

Description of the Valuation Method Used and the Information About the Valuer

LKAS 19 – 'Employee Benefits' requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving the above figure.

25.3 Actuarial Assumptions

The following were the principal actuarial assumptions at the reporting date:

	Group		Company	
<i>As at 31st December</i>	2015	2014	2015	2014
Discount rate (%)	9.50	9.50	9.50	9.50
Future salary growth (%)	10	10	10	10
Staff turnover rate (%)	1-22	10-16	22	16
Retirement age	60 Years	60 Years	60 Years	60 Years

25.4 Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

As at 31st December	Group		Company	
	2015		2014	
	+1%	-1%	+1%	-1%
	Rs.	Rs.	Rs.	Rs.
Discount rate	112,599,173	124,613,522	102,299,684	110,366,452
Future salary growth	125,067,992	112,082,815	110,784,298	101,840,638

26. Deferred Tax Liabilities

26.1 Group

26.1.1 Recognised Deferred Tax Assets and Liabilities

	Net balance as at 1st January 2015 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Recognised directly in equity Rs.	Net balance at 31st December 2015 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	326,744,318	34,208,991	—	—	360,953,309	360,953,309	—
Investment property	—	—	—	—	—	—	—
Employee benefits	(12,638,370)	(1,653,407)	102,856	—	(14,188,920)	—	(14,188,920)
Intangible assets	—	1,136,943	—	—	1,136,943	1,136,943	—
Impairment loss on inventory	—	(100,445)	—	—	(100,445)	—	(100,445)
Impairment loss on trade receivables	—	(572,552)	—	—	(572,552)	—	(572,552)
	314,105,948	33,019,531	102,856	—	347,228,336	362,090,252	(14,861,916)

	Net balance as at 1st January 2014 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Recognised directly in equity Rs.	Net balance at 31st December 2014 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	286,124,187	40,620,131	—	—	326,744,318	326,744,318	—
Employee benefits	(8,025,547)	(3,505,057)	(1,107,765)	—	(12,638,370)	—	(12,638,370)
Intangible assets	—	—	—	—	—	—	—
Impairment loss on inventory	—	—	—	—	—	—	—
Impairment loss on trade receivables	—	—	—	—	—	—	—
	278,098,640	37,115,074	(1,107,765)	—	314,105,948	326,744,318	(12,638,370)

26.1.2 Potential Impact of Income Tax Rate Change

A change in the Income Tax rate from 12% to 15% has been recommended by the Government Budget for 2016, which was approved by the Parliament on 19th December 2015. Since the new tax rate of 15% had not been published through a gazette by the Parliament as at the reporting date, being 31st December 2015, the new rate was not considered to be substantially enacted as at that date. Accordingly, the Company has not applied the tax rate of 15% for the computation of deferred tax in the Financial Statements for the year ended 31st December 2015. The potential impact on the deferred tax, due to the proposed income tax rate change is shown below:

26.1.2.1 Deferred Tax Liabilities

As at 31st December	Group 2015 Rs.	Company 2015 Rs.
Balance as at 1st January	326,744,318	321,901,527
Deferred tax liabilities reversed during the year recognised in profit or loss	125,868,497	127,627,696
Deferred tax liabilities originated during the year recognised in other comprehensive income	–	–
Balance as at 31st December	452,612,815	449,529,223

26.1.2.2 Deferred Tax Assets

As at 31st December	Group 2015 Rs.	Company 2015 Rs.
Balance as at 1st January	(12,638,369)	(11,514,941)
Deferred tax liabilities reversed during the year recognised in profit or loss	(6,067,597)	(5,322,764)
Deferred tax liabilities originated during the year recognised in other comprehensive income	128,571	70,231
Balance as at 31st December	(18,577,395)	(16,767,474)
Net deferred tax liability as at 31st December	434,035,420	432,761,749

26.2 Company

26.2.1 Recognised Deferred Tax Assets and Liabilities

	Net balance as at 1st January 2015 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Recognised directly in equity Rs.	Net balance at 31st December 2015 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	319,945,767	38,477,687	–	–	358,423,454	358,423,454	–
Investment property	1,955,760	(1,892,779)	–	–	62,981	62,981	–
Employee benefits	(11,514,941)	(1,282,226)	56,185	–	(12,740,983)	–	(12,740,983)
Intangible assets	–	1,136,943	–	–	1,136,943	1,136,943	–
Impairment loss on inventory	–	(100,445)	–	–	(100,445)	–	(100,445)
Impairment loss on trade receivables	–	(572,552)	–	–	(572,552)	–	(572,552)
	310,386,586	35,766,629	56,185	–	346,209,399	359,623,378	(13,413,979)

	Net balance as at 1st January 2014 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Recognised directly in equity Rs	Net balance at 31st December 2014 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	286,124,187	33,821,580	–	–	319,945,767	319,945,767	–
Investment property	–	1,955,760	–	–	1,955,760	1,955,760	–
Employee benefits	(8,025,547)	(2,381,629)	(1,107,765)	–	(11,514,941)	–	(11,514,941)
Intangible assets	–	–	–	–	–	–	–
Impairment loss on inventory	–	–	–	–	–	–	–
Impairment loss on trade receivables	–	–	–	–	–	–	–
	278,098,640	33,395,711	(1,107,765)	–	310,386,586	321,901,527	(11,514,941)

27. Amounts Due to Related Companies

		Group		Company	
As at 31st December	Relationship	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Sri Lanka Insurance Corporation Limited	Parent Company	4,769,075	4,769,075	4,769,075	4,769,075
Super Religare Laboratories Limited – SRL	Subsidiary Company of Fortis Global Healthcare Holdings Pte Limited	23,711,863	8,245,035	–	–
		28,480,938	13,014,110	4,769,075	4,769,075

28. Trade and Other Payables

		Group		Company	
As at 31st December		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade payables (Note 28.1)		223,605,874	222,926,003	409,352,643	299,562,004
Other payables					
– Accrued expenses		147,528,139	133,546,201	145,225,067	131,557,032
– Advance received		62,398,723	54,501,918	62,108,457	54,211,652
– Economic Service Charge Payable		7,180,325	342,877	6,212,560	–
– Withholding tax payable		26,518,655	39,919	22,271,268	39,919
– Other payables		192,567,844	148,159,449	181,454,491	143,751,277
		659,799,560	559,516,366	826,624,486	629,121,883

28.1 Trade Payables

		Group		Company	
As at 31st December		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade payables – Lanka Hospitals Diagnostics (Private) Limited		–	–	219,665,960	98,006,242
– Other trade payable		223,605,874	222,926,003	189,686,683	201,555,762
		223,605,874	222,926,003	409,352,643	299,562,004

29. Related Party Transactions

29.1 Identity of the Related Parties

The Company has a related party relationship with Sri Lanka Insurance Corporation Limited, Lanka Hospitals Diagnostics (Private) Limited and Super Religare Laboratories Limited.

29.2 Transactions with the Key Management Personnel

Key Management Personnel include the members of the Board of Directors of the Company. The compensation of Key Management Personnel for the year ended 31st December 2015 amounted to Rs. 31,840,000/-. (2014 - Rs. 28,880,000/-)

29.3 Transactions with Related Entities

Company	Relationship	Details of Transactions	Transactions during the year Rs.	Balance as at 31st December 2015 (Payable)/ Receivable (Rs.)	Balance as at 31st December 2014 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided by Company	137,417,470	35,105,060	26,268,190
		Amounts received	(128,580,600)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance, general insurance and vehicle hiring charges	(11,777,542)	(4,769,075)	(4,769,075)
		Amounts paid	11,777,542		
		Services provided by the Company including Auditorium hiring and food and beverage services	13,151,823	5,413,869	5,627,096
		Amounts received	(13,365,050)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/receivable by the Company	69,456,298	69,456,299	66,137,301
		Amounts received	(2,137,301)		
		Shares issued	(64,000,000)		
		Laboratory services provided to Company	(536,709,718)	(219,665,960)	(98,006,242)
		Amounts paid	415,050,000		
Super Religare Laboratories Limited	Subsidiary Company of Fortis Global Healthcare Holdings Pte Limited	Technical services provided to Lanka Hospitals Diagnostics (Private) Limited	(61,326,241)	(23,711,863)	(8,245,035)
		Amounts paid	45,859,413		

30. Contingent Liabilities

Pending litigations against The Lanka Hospitals Corporation PLC, with a maximum liability of Rs. 182 Mn, exist as at the reporting date. Based on the information currently available and the current status of the above cases, the management is of the view that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the result of the operations and the financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these Financial Statements in this respect.

There were no material contingent liabilities as at the reporting date, which require adjustments to or disclosure in the Financial Statements, other than mentioned above.

31. Capital Commitments

31.1 The following commitments for capital expenditure approved by the Directors as at 31st December, have not been provided for in the Financial Statements:

As at 31st December	2015 Rs.	2014 Rs.
Approximate amount approved but not contracted for	–	–
Approximate amount contracted for but not incurred	194,738,754	213,285,302

31.2 The Company has entered into a 99-year lease agreement with the Urban Development Authority. In terms of this agreement, annual lease premium payable is as follows:

As at 31st December	Annual lease premiums (Excluding taxes) Rs.
1999 to 2003	9,273,274
2004 to 2025	18,546,548
2026	9,273,274

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

	Group/Company	
As at 31st December	2015 Rs.	2014 Rs.
Within one year	18,546,548	18,546,548
One year to five years	74,186,192	74,186,192
After five years	102,006,014	120,552,562

31.3 Lanka Hospitals Diagnostics (Private) Limited is committed to make a minimum investment of Rs. 500,000,000/- in project fixed assets, to be entitled for a tax exemption period of seven years. The Company has invested Rs. 306,756,793/- in fixed assets as at the reporting date and has a balance commitment amounting to Rs. 193,243,207/-.

32. Events Occurring After the Reporting Date

No circumstances have arisen since the reporting date, which require adjustments to or disclosure in the Financial Statements.

33. Segment Reporting

There are no distinguishable components to be identified as segments for the Group and the Company. Therefore, no segment reporting is disclosed in these Financial Statements.

34. Reclassification of Comparative Figures

Reclassification of comparative figures for Income Statement, Profit or Loss and Other Comprehensive Income and the Statements of Changes in Equity for the year.

34.1 Deferred Tax on Depreciation of Revalued Assets

Deferred tax liability on depreciation of revalued leasehold building has to be directly adjusted in the Income Statement. However, this adjustment has been done through other comprehensive income in the financial year 2014.

34.2 Elimination of Rental Income from LHD on Group Financials

Rent income of Rs. 5.4 Mn received during the year 2014 from LHD by LHC, has not been eliminated in the Consolidated Financial Statements of the Group in the financial year 2014.

The Financial Statements for the year ended 31st December 2014, was reclassified due to the above two transactions and the Financial Statements were not restated, since the value of these transactions were immaterial.

35. Financial Risk Management Objectives and Policies

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

35.1 Market Risk Management

The market risk occurs due to the actual cash flow originating from a financial instrument being different to the expected cash flow. This anomaly could occur due to the impact of external factors such as fluctuations in market interest rates and exchange rates. Market risk could possibly result in the revenues and expenses of the Group being adversely affected, thereby impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk, the Group has put into practice a number of policies and procedures.

Currency Risk

The Company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 1,080,610,023/- (USD 7,613,147). The Group's and the 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.

Interest Rate Risk

Changes in market interest rates result in the fluctuation of present values of future cash flows derived from financial instruments, thereby giving rise to interest rate risk. Values of financial instruments could rise or decline, depending on the variations in interest rates resulting in mark-to-market gains or losses in investment portfolios. Mark to market values could have an impact on the reported financial results of the Group. Interest-rate risk arises on interest bearing financial assets recognised in the statement of financial position.

The interest rate risk of the Company arises from financial instruments, which are exposed to variable or fixed rate interest rates. Financial instruments with fixed interest rates are subject to variations in fair values, due to market interest rate movements.

Equity Price Risk

Equity 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.

35.2 Liquidity Risk Management

Liquidity refers to the availability of cash or assets, which can be converted to cash in a short period of time in order to meet future liabilities of a business. An entity would require sufficient funds for a number of purposes such as operational requirements, debt servicing and investments. Additionally, a shortage of liquidity would have a negative impact on stakeholder confidence in a business entity. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Management of working capital, by shortening the working capital cycle, is given a high priority by the Group. The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain maximum credit in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

The table below summarises financial assets and liabilities of the Company.

As at 31st December	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash in hand and at bank	215,259,554	94,612,840	171,304,089	88,500,478
Trade and other receivables within 30 days	108,450,208	120,117,624	95,460,734	107,047,751
Short term deposits	1,530,610,023	905,292,238	1,480,610,023	905,292,238
Total liquid assets	1,854,319,785	1,120,022,702	1,747,374,846	1,100,840,467
Less:				
Bank overdraft	179,288,008	197,730,111	172,222,849	175,772,672
Trade payables on demand	223,605,874	222,926,003	409,352,643	299,562,004
Other payables on demand	436,193,686	336,590,363	417,271,843	329,559,879
Total demand liabilities	839,087,568	757,246,477	998,847,335	804,894,555
Excess/short liquidity through operating cycle	1,015,232,217	362,776,225	748,527,511	295,945,912

35.3 Credit Risk Management

Credit risk refers to the risk borne by the Group owing to the risk of a counterparty defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

As at 31st December	Group				Company			
	2015		2014		2015		2014	
	Rs.	Exposure	Rs.	Exposure	Rs.	Exposure	Rs.	Exposure
Trade and other receivables	425,924,122	20%	472,182,400	32%	399,232,907	20%	456,539,553	32%
Other financial assets	1,530,610,023	70%	905,292,238	62%	1,480,610,023	72%	905,292,238	62%
Cash and cash equivalents	215,259,554	10%	94,612,840	6%	171,304,089	8%	88,500,478	6%
Total	2,171,793,699	100%	1,472,087,478	100%	2,051,147,019	100%	1,450,332,269	100%

The Group Treasury manages the risk arising from investments made in financial institutions in accordance with the policy direction provided by the Board. The transactions are carried out only with a limited number of institutions, all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimise the unsystematic risk.

36. Capital Management

The capital management strategy of the Group has the twin key objectives of ensuring the availability of a sufficient amount of capital for long term investments and growth, while maintaining an adequate liquidity buffer for business operations. Sustaining the financial health to withstand economic cycles, while maintaining stakeholder confidence in the Group, is another vital requirement that it has integrated into the capital management strategy.

Capital not being available in sufficient quantities or at a reasonable cost, is a factor which can retard the performance of the Group. The management, being conscious of these factors, has implemented the capital management policy to ensure the long term sustainability and competitiveness of the Group. In this regard, another important factor that the Group is aware of, is to make certain that there is no idle capital, which will act as a drag on the returns generated. Too much capital invested in a business, will have a dampening impact on the performance, while too little capital, will prevent an organisation from achieving its long term objectives.

36.1 Capital Management Policy

The capital management policy of the Group is aimed at maximising the return on scarce capital, whilst safeguarding the already invested capital. Ensuring that there is adequate capital for the Group to invest and grow, while continuing with its regular business operations, requires decision makers to look at many facets of the business and consider a number of variables, both internal and external. The rapid pace of change in the operating environment, has a profound impact on many factors affecting the use of capital and a deep understanding derived from years of experience in a business sector, is vital to ensure successful management of capital.

37. Classification of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities, by category, as defined in LKAS 39 – ‘Financial Instruments: Recognition and Measurement’ under headings reported in the Statement of Financial Position and related fair value hierarchy.

37.1 Group

	Held-to-Maturity	Fair value through profit or loss	Available- for-sale	Loans and receivables	
	Rs.	Rs.	Rs.	Rs.	
As at 31st December 2015					
Non-financial assets					
Property, plant and equipment					
Freehold land	-	-	-	-	
Leasehold building	-	-	-	-	
Total non-financial assets	-	-	-	-	
Financial assets					
Trade and other receivables	-	-	-	425,924,122	
Other financial assets	-	-	-	1,530,610,023	
Cash and cash equivalents	-	-	-	215,259,554	
Total financial assets	-	-	-	2,171,793,699	
Financial liabilities					
Trade and other payables	-	-	-	-	
Bank overdraft	-	-	-	-	
Total financial liabilities	-	-	-	-	
As at 31st December 2014					
Non-financial assets					
Property, plant and equipment					
Freehold land	-	-	-	-	
Leasehold buildings	-	-	-	-	
Total non-financial assets	-	-	-	-	
Financial assets					
Trade and other receivables	-	-	-	472,182,400	
Other financial assets	-	-	-	905,292,238	
Cash and cash equivalents	-	-	-	94,612,840	
Total financial assets	-	-	-	1,472,087,478	
Financial liabilities					
Trade and other payables	-	-	-	-	
Bank overdraft	-	-	-	-	
Total financial liabilities	-	-	-	-	

Other financial liabilities Rs.	Non-financial assets Rs.	Total carrying amount Rs.	Fair Value Rs.	Fair Value			
				Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
-	54,945,002	54,945,002	54,945,002	54,945,002	-	-	54,945,002
-	2,193,114,955	2,193,114,955	2,263,000,000	-	2,263,000,000	-	2,263,000,000
-	2,248,059,957	2,248,059,957	2,317,945,002	54,945,002	2,263,000,000	-	2,317,945,002
-	-	425,924,122	425,924,122	-	-	-	425,924,122
-	-	1,530,610,023	1,530,610,023	-	-	-	1,530,610,023
-	-	215,259,554	215,259,554	-	-	-	215,259,554
-	-	2,171,793,699	2,171,793,699	-	-	-	2,171,793,699
659,799,560	-	659,799,560	659,799,560	-	-	-	659,799,560
179,288,008	-	179,288,008	179,288,008	-	-	-	179,288,008
839,087,568	-	839,087,568	839,087,568	-	-	-	839,087,568
-	54,945,002	54,945,002	54,945,002	54,945,002	-	-	54,945,002
-	2,259,741,561	2,259,741,561	2,263,000,000	-	2,263,000,000	-	2,263,000,000
-	2,314,686,563	2,314,686,563	2,317,945,002	54,945,002	2,263,000,000	-	2,317,945,002
-	-	472,182,400	472,182,400	-	-	-	472,182,400
-	-	905,292,238	905,292,238	-	-	-	905,292,238
-	-	94,612,840	94,612,840	-	-	-	94,612,840
-	-	1,472,087,478	1,472,087,478	-	-	-	1,472,087,478
559,516,366	-	559,516,366	559,516,366	-	-	-	559,516,366
197,730,111	-	197,730,111	197,730,111	-	-	-	197,730,111
757,246,477	-	757,246,477	757,246,477	-	-	-	757,246,477

37.2 Company

	Held-to-Maturity	Fair value through profit or loss	Available- for-sale	Loans and receivables	
	Rs.	Rs.	Rs.	Rs.	
As at 31st December 2015					
Non-financial assets					
Property, plant and equipment					
Freehold land	-	-	-	-	
Leasehold building	-	-	-	-	
Investment property	-	-	-	-	
Total non-financial assets	-	-	-	-	
Financial assets					
Trade and other receivables	-	-	-	399,232,907	
Other financial assets	-	-	-	1,480,610,023	
Cash and cash equivalents	-	-	-	171,304,089	
Total financial assets	-	-	-	2,051,147,019	
Financial liabilities					
Trade and other payables	-	-	-	-	
Bank overdraft	-	-	-	-	
Total financial liabilities	-	-	-	-	
As at 31st December 2014					
Non-financial assets					
Property, plant and equipment					
Freehold land	-	-	-	-	
Leasehold buildings	-	-	-	-	
Investment property	-	-	-	-	
Total non-financial assets	-	-	-	-	
Financial assets					
Trade and other receivables	-	-	-	456,539,553	
Other financial assets	-	-	-	905,292,238	
Cash and cash equivalents	-	-	-	88,500,478	
Total financial assets	-	-	-	1,450,332,269	
Financial liabilities					
Trade and other payables	-	-	-	-	
Bank overdraft	-	-	-	-	
Total financial liabilities	-	-	-	-	

Other financial liabilities Rs.	Non-financial assets Rs.	Total carrying amount Rs.	Fair Value Rs.	Fair Value			
				Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
-	54,945,002	54,945,002	54,945,002	54,945,002	-	-	54,945,002
-	2,071,515,181	2,071,515,181	2,263,000,000	-	2,263,000,000	-	2,263,000,000
-	102,000,000	102,000,000	102,000,000	-	102,000,000	-	102,000,000
-	2,228,460,183	2,228,460,183	2,419,945,002	54,945,002	2,365,000,000	-	2,419,945,002
-	-	399,232,907	399,232,907	-	-	-	399,232,907
-	-	1,480,610,023	1,480,610,023	-	-	-	1,480,610,023
-	-	171,304,089	171,304,089	-	-	-	171,304,089
-	-	2,051,147,019	2,051,147,019	-	-	-	2,051,147,019
826,624,486	-	826,624,486	826,624,486	-	-	-	826,624,486
172,222,849	-	172,222,849	172,222,849	-	-	-	172,222,849
998,847,335	-	998,847,335	998,847,335	-	-	-	998,847,335
-	54,945,002	54,945,002	54,945,002	54,945,002	-	-	54,945,002
-	2,139,428,359	2,139,428,359	2,263,000,000	-	2,263,000,000	-	2,263,000,000
-	98,408,000	98,408,000	98,408,000	-	98,408,000	-	98,408,000
-	2,292,781,361	2,292,781,361	2,416,353,002	54,945,002	2,361,408,000	-	2,416,353,002
-	-	456,539,553	456,539,553	-	-	-	456,539,553
-	-	905,292,238	905,292,238	-	-	-	905,292,238
-	-	88,500,478	88,500,478	-	-	-	88,500,478
-	-	1,450,332,269	1,450,332,269	-	-	-	1,450,332,269
629,121,883	-	629,121,883	629,121,883	-	-	-	629,121,883
175,772,672	-	175,772,672	175,772,672	-	-	-	175,772,672
804,894,555	-	804,894,555	804,894,555	-	-	-	804,894,555



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Shareholder and Investor Information

Top 20 Shareholding as at 31st December

	Shareholder	2015		2014	
		No. of Shares	Holding	No. of Shares	Holding
1	Sri Lanka Insurance Corporation Limited – Life Fund	66,097,350	29.54%	66,097,350	29.54%
2	Fortis Global Healthcare Holdings Pte Limited	64,120,915	28.66%	64,120,915	28.66%
3	Sri Lanka Insurance Corporation Limited – 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 Limited BBH – Grandeur Peak Emerging Markets Opportunities Fund	1,640,200	0.73%	1,640,200	0.73%
6	Bank of Ceylon A/c Ceybank Unit Trust	1,541,077	0.69%	954,955	0.43%
7	Bank of Ceylon A/c Ceybank Century Growth Fund	684,033	0.31%	240,805	0.11%
8	Ceylon Investment PLC A/c # 01	448,000	0.20%	448,000	0.20%
9	Mr. D J N Hettiarachchi	287,847	0.13%	–	0.00%
10	Mr. H W M Woodward	220,300	0.10%	220,300	0.10%
11	Dr. D Rajakanthan	214,216	0.10%	199,420	0.09%
12	Bansei Securities Finance (Pvt) Limited/S M T B Samarakoon	202,567	0.09%	–	0.00%
13	Mr. A H Munasinghe	179,471	0.08%	179,471	0.08%
14	Mr. P A J Kumara	151,000	0.07%	–	0.00%
15	Mr. W W R U Wijekoon	124,289	0.06%	–	0.00%
16	Sezeka Limited	117,200	0.05%	–	0.00%
17	Pan Asia Banking Corporation PLC/S R Fernando	113,517	0.05%	–	0.00%
18	Mr. M N Cader	105,774	0.05%	–	0.00%
19	Ceylon Guardian Investment Trust PLC A/c 01	100,000	0.04%	200,000	0.09%
20	Mr. G C Gunathilleke	100,000	0.04%	–	0.00%
		213,857,399	95.59%	211,711,059	94.63%

Individual/Institution as at 31st December 2015

	No. of Shareholders	As a Percentage	No. of Shares	As a Percentage
Individual	7,475	97.80	9,536,740	4.26
Institution	168	2.20	214,195,429	95.74
	7,643	100.00	223,732,169	100.00

Resident/Non-Resident as at 31st December 2015

	No. of Shareholders	As a Percentage	No. of Shares	As a Percentage
Resident	7,617	99.66	157,410,175	70.36
Non-Resident	26	0.34	66,321,994	29.64
	7,643	100.00	223,732,169	100.00

Directors'/Senior Management Shareholdings as at 31st December

		2015	
	Position	No. of Shares	Holding
Board of Directors			
Dr. Sarath Paranavitane	Chairman	—	—
Ven. Thiniyawala Palitha Thero	Director	—	—
Prof. Menaka Dilani Samarawickrema Lokuhetty	Director	—	—
Dr. Rohan Lalith Wijesundera	Director	—	—
Mr. Lintotage Udaya Damien Fernando	Director	7,100	0.003%
Mr. Daljit Singh	Director	—	—
Mr. Majuwanage Samantha Perera	Director	—	—
Mr. Kalyana Sundaram Srivastava	Director	—	—
Mr. Keith Damien Bernad	Director	—	—
Dr. Anil Abeywickrama	Director	—	—
Ms. Ranathunga Arachchige Dona Umashanthiee Rajamantri	Director	—	—
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Director	—	—
Mr. Ravi Sachdev (Alternative Director to Mr. Daljith Singh)	Alternate Director	—	—
Mr. Parthasarathy Raghunath (Alternative Director to Mr. Kalyana Sundaram Srivastava)	Alternate Director	—	—
Senior Management			
Mr. Deshantha Silva	Chief Executive Officer	5,000	0.002%

	Group		Company	
	2015	2014	2015	2014
Earning Per Share (Rs.)	3.84	2.30	3.34	2.54
Dividend Per Share (Rs.)	1.50	0.50	1.50	0.50
Net Assets Value Per Share (Rs.)	22.30	20.04	22.11	20.34
Market Value Per Ordinary Share				
Highest Price (Rs.)	—	—	63.60	58.30
Lowest Price (Rs.)	—	—	38.10	40.00
Closing Price (Rs.)	—	—	60.30	48.00
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)	2.46	1.96	2.08	1.92

Summary of Share Ranges as at 31st December

	Share Range	2015			2014		
		No. of Shareholders	No. of Shares	Holding	No. of shareholders	No. of Shares	Holding
1	1 - 1,000	6,013	2,295,128	1.02%	5,951	2,316,514	1.03%
2	1001 - 5000	1,343	3,214,761	1.44%	1,401	3,416,844	1.53%
3	5,001 - 10,000	139	1,024,472	0.46%	133	952,067	0.43%
4	10,001 - 50,000	112	2,231,869	1.00%	100	2,144,830	0.96%
5	50,001 - 100,000	18	1,308,540	0.58%	8	660,670	0.29%
6	100,001 - 500,000	11	2,164,181	0.97%	17	4,018,181	1.79%
7	500,001 - 1,000,000	1	684,033	0.31%	1	954,955	0.43%
8	1,000,001 - and Above	6	210,809,185	94.22%	5	209,268,108	93.54%
		7,643	223,732,169	100.00%	7,616	223,732,169	100.00%

Public Shareholding

Public Shareholding as at 31st December 2015 – 16.73% (2014 – 16.73%)

Number of shares as at 31st December 2015 – 37,426,161 (2014 – 37,433,261)

Number of Shareholders as at 31st December 2015 – 7,639 (2014 – 7,613)

Ten Year Financial Summary

Group			Company							
			Year ended 31st December					Year ended 31st March		
			Audited							
In Rs. Mn	2015	2014	2013	2012	2011	2010	2009 9 months	2009	2008	2007
Revenue	5,514	4,754	4,072	3,406	2,918	2,518	1,424	1,997	1,564	1,554
Cost of services	(2,314)	(2,064)	(1,692)	(1,548)	(1,268)	(1,116)	(641)	(863)	(777)	(323)
Gross Profit	3,200	2,689	2,380	1,858	1,650	1,402	783	1,134	787	1,231
Other operating income	36	39	30	25	23	1	1	2	3	4
Staff costs	(1,462)	(1,288)	(978)	(794)	(684)	(553)	(340)	(434)	(315)	(630)
Depreciation	(164)	(152)	(128)	(136)	(117)	(104)	(78)	(107)	(172)	(143)
Other operating expenses	(799)	(837)	(696)	(615)	(533)	(469)	(312)	(485)	(390)	(432)
Finance income	156	70	148	102	42	20	8	—	—	—
Finance cost	—	—	—	—	(3)	(8)	(12)	(37)	(172)	(187)
Rebranding expenses	—	—	—	—	—	—	(29)	—	—	—
Change in fair value of investment property	—	—	—	—	—	—	—	—	—	—
Profit before tax	967	522	756	439	378	289	21	72	(259)	(157)
Income tax (expense)/release	(107)	(8)	(67)	(53)	59	—	(14)	(31)	(27)	2
Profit for the year	860	514	689	386	437	289	7	41	(286)	(155)
ASSETS										
Non-current assets										
Property, plant and equipment	3,650	3,660	3,199	2,817	2,825	2,779	2,262	2,388	2,514	2,727
Intangible assets	61	32	6	1	—	—	—	—	—	—
Investment in subsidiary	—	—	50	—	—	—	—	—	—	—
Advance lease premium	175	162	148	134	120	106	89	92	78	65
Investment property	—	—	—	—	—	—	—	—	—	—
	3,886	3,854	3,403	2,952	2,945	2,885	2,351	2,480	2,592	2,792
Current assets										
Inventories	272	307	176	149	145	86	57	58	51	60
Trade and other receivables	434	472	471	261	245	216	136	92	88	70
Amounts due from related parties	6	6	32	4	2	1	1	1	—	8
Income tax Receivable	—	34	—	—	—	—	—	—	—	—
Cash and cash equivalents	1,746	1,000	1,017	1,002	672	468	187	107	224	19
	2,458	1,819	1,696	1,416	1,064	771	381	258	363	157
Total assets	6,344	5,673	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	1,665
Revaluation reserve	994	1,028	1,020	858	883	740	320	331	341	406
Retained earning/(loss)	1,324	783	367	99	(200)	(682)	(984)	(1,002)	(1,058)	(776)
Total equity	4,990	4,483	4,059	3,629	3,355	2,730	2,008	2,001	1,955	1,295
Non-current liabilities										
Retirement benefit obligations	119	106	67	52	43	33	20	17	20	21
Government grants	—	—	—	—	—	—	—	1	2	3
Borrowings	—	—	—	—	—	—	23	45	220	406
Deferred tax liabilities	347	314	278	231	214	458	351	341	314	231
	466	420	345	283	257	491	394	404	556	661
Current liabilities										
Borrowings	179	198	135	111	82	152	80	101	276	813
Amounts due to related parties	28	13	4	5	4	5	4	22	5	15
Income tax payable	21	—	14	—	—	—	—	—	1	—
Trade and other payables	660	559	542	340	311	278	246	210	162	165
	888	770	695	456	397	435	330	333	444	993
Total liabilities	1,354	1,190	1,040	739	654	926	724	737	1,000	1,654
Total equity and liabilities	6,344	5,673	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 24th June 2016 at 2.00 p.m. 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 businesses:

1. To receive and consider the Annual Report and the Financial Statements of the Company for the year ended 31st December 2015 together with the Report of the Auditors' thereon.
2. To re-elect Mr. Daljit Singh, who retires by rotation in terms of Article 85 of the Articles of Association.
3. To re-elect Ven. Thiniyawala Palitha Thero, who retires by rotation in terms of Article 85 of the Articles of Association.
4. To elect as a Director, Mr. Samantha Perera, who was appointed to the Board in terms of Article 92 of the Articles of Association.
5. To elect as a Director, Mr. Keith Bernard, who was appointed to the Board in terms of Article 92 of the Articles of Association.
6. To elect as a Director, Mr. Asendra Chaminda Siriwardena, who was appointed to the Board in terms of Article 92 of the Articles of Association.
7. To elect as a Director, Dr. Anil Abeywickrema, who was appointed to the Board in terms of Article 92 of the Articles of Association.
8. To elect as a Director, Mrs. Umashanthie Rajamantri, who was appointed to the Board in terms of Article 92 of the Articles of Association.
9. To elect as a Director, Mr. Kalyana Sundaram Srivastava who was appointed to the Board in terms of Article 92 of the Articles of Association.
10. To reappoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.
11. To authorise the Directors to determine donations for the year 2016 and up to the date of the next Annual General Meeting.
12. Any other business of which due notice has been given.

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



Accounting Systems Secretarial Services (Private) Limited
Company Secretaries

Colombo, this 26th February 2016

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/Proxy holders are requested to bring with them an acceptable form of identity.

Form of Proxy

THE LANKA HOSPITALS CORPORATION PLC
(Company Registration No. PQ180)
No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5

Folio Number*

I/We.....(NIC.) of.....

..... being a shareholder/shareholders of The Lanka Hospitals

Corporation PLC, hereby appoint:.....

of (or failing him)

Dr. Sarath Paranavitane	or failing him
Ven. Thiniyawala Palitha Thero	or failing him
Prof. Dilani Lokuhetty	or failing him
Dr. Rohan Wijesundera	or failing him
Mr. Damien Fernando	or failing him
Mr. Daljit Singh	or failing him
Mr. Samantha Perera	or failing him
Mr. Keith Bernard	or failing him
Mr. Asendra Chaminda Siriwardena	or failing him
Dr. Anil Abeywickrema	or failing him
Mrs. Umashanthiee Rajamantri	or failing him
Mr. Kalyana Sundaram Srivastava	

as my/our Proxy to represent and speak and vote for me/us** and on my/our behalf at the 17th Annual General Meeting of the Company to be held on 24th June 2016 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 Resolutions 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 2015, together with the Report of the Auditors' thereon.	<input type="text"/>	<input type="text"/>
2. To re-elect Mr. Daljit Singh who retires by rotation in terms of Article 85 of the Articles of Association.	<input type="text"/>	<input type="text"/>
3. To re-elect Ven. Thiniyawala Palitha Thero, who retires by rotation in terms of Article 85 of the Articles of Association.	<input type="text"/>	<input type="text"/>
4. To elect as a Director, Mr. Samantha Perera, who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
5. To elect as a Director, Mr. Keith Bernard, who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
6. To elect as a Director, Mr. Asendra Chaminda Siriwardena, who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
7. To elect as a Director, Dr. Anil Abeywickrema, who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
8. To elect as a Director, Mrs. Umashanthiee Rajamantri, who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
9. To elect as a Director, Mr. Kalyana Sundaram Srivastava who was appointed to the Board in terms of Article 92 of the Articles of Association.	<input type="text"/>	<input type="text"/>
10. To reappoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.	<input type="text"/>	<input type="text"/>
11. To authorise the Directors to determine donations for the year 2016 and up to the date of the next Annual General Meeting.	<input type="text"/>	<input type="text"/>

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

.....
Signature

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

** Instructions as to completion of proxy form 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 vote as he thinks fit.

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 03, No. 11, Castle Lane, Colombo 4, on or before 22nd June 2016.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a Company/Incorporated body, this Form must be executed in accordance with the Articles of Association/Statute.

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 11 543 0000
Fax: +94 11 451 1199
E-mail: info@lankahospitals.com

Board of Directors

Dr. Sarath Paranavitane
Ven. Thiniyawala Palitha Thero
Prof. Dilani Lokuhetty
Dr. Rohan Wijesundera
Mr. Damien Fernando
Mr. Daljit Singh
Mr. Samantha Perera
Mr. Kalyana Sundaram Srivastava
Mr. Keith Bernard
Dr. Anil Abeywickrama
Ms. Umashanthie Rajamantri
Mr. Asendra Chaminda Siriwardena
Mr. Ravi Sachdev (Alternative Director to Mr. Daljith Singh)
Mr. Parthasarathy Raghunath (Alternative Director to
Mr. Kalyana Sundaram Srivastava)

Secretaries

M/s. Accounting Systems Secretarial Services (Private) Limited
Level 3, #11, Castle Lane, Colombo 04, Sri Lanka
Tel.: +94 11 250 5152

Auditors

M/s. KPMG
(Chartered Accountants)
No. 32A,
Sir Mohamed Macan Markar Mawatha,
Colombo 03
Tel.: +94 11 542 6426

Registrars to Shares

M/s. Accounting Systems Secretarial Services
(Private) Limited
Level 3, #11, Castle Lane, Colombo 04, Sri Lanka
Tel.: +94 11 250 5152

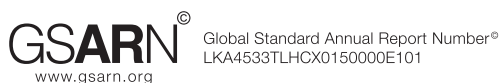
Bankers

Bank of Ceylon
Hatton National Bank PLC



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