

**Distinctive
quality
Proven
excellence
Superior
care**

Annual Report 2013



**LANKA
HOSPITALS**

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Distinctive quality Proven excellence Superior care

At Lanka Hospitals we are setting the benchmark for the local healthcare industry. Each year we've outperformed our own achievements in many spheres, going far beyond the statutory requirements of our operations. This year's achievement of being the only Sri Lankan healthcare provider ever to win the Global Performance Excellence Award 2013 (GPEA)* in the highest category, which is recognised as the "World Class Award", followed hard on the heels of last year's success when we became the only hospital to be the "Winner" in the Large Scale Healthcare category at the National Quality Awards of 2012.

These awards prove our excellence and recognise us as a mature corporate citizen ranked with the nation's finest blue chip companies. From industry leadership, strategy and service, to knowledge management and operational excellence, we are confident of our capacity to keep delivering the most cost effective yet world-class healthcare services to the thousands of people we serve.

Because in the end, whatever honours and recognition we may achieve, our patients will always come first. Our accomplishments are simply a reflection of how important it is to us to keep delivering superior care and distinctive quality in all that we do.



* The Global Performance Excellence Award is awarded by the Asia Pacific Quality Organisation - a non-profit organisation that brings together professional societies from the Asia Pacific nations. To apply for this award, candidates must have previously won the National Quality Award in their own country within the last three years and must be recommended by the National Quality Award organisation after an assessment against benchmarks of leadership, strategic planning, customer focus, measurement, analysis and knowledge management, workforce focus, operations focus and financial results.

Financial Highlights

Revenue

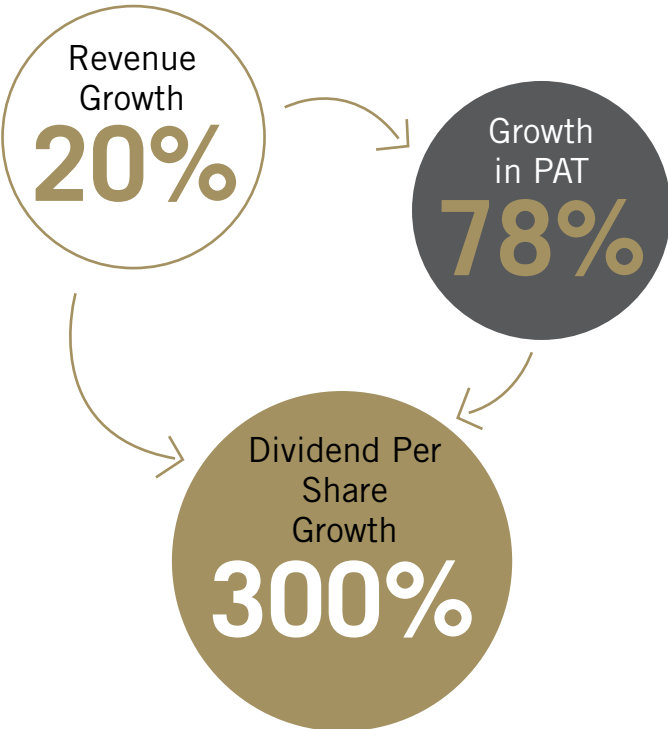
Rs. 4.07 bn

Profit Before Tax

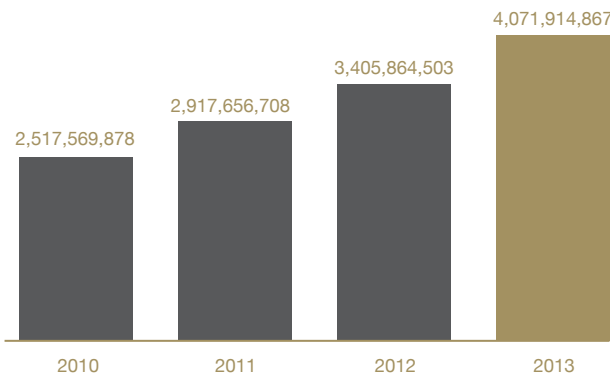
Rs. 756 mn

Total Assets

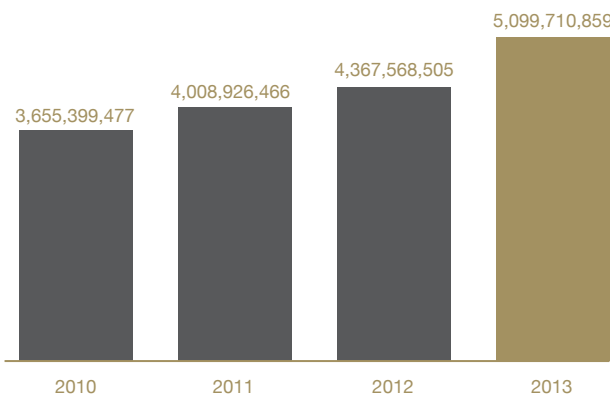
Rs. 5.09 bn



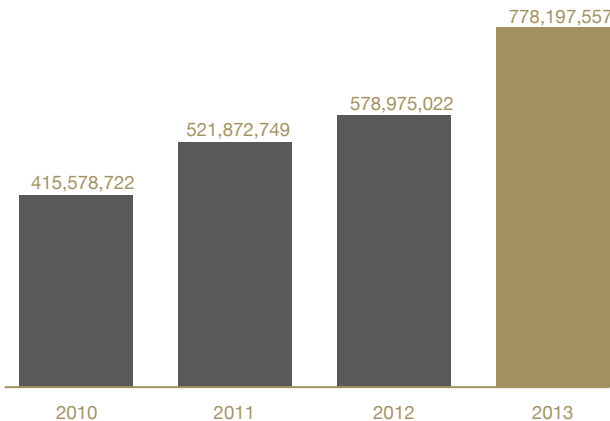
Revenue Rs.



Total Assets Rs.



Net Cash Flow from Operating Activities Rs.



Five Year Summary

		2013 Company	2012 Company	2011 Company	2010 Company	2009 Company (9 Months)*
Revenue	Rs.	4,071,914,867	3,405,864,503	2,917,656,708	2,517,569,878	1,424,391,757
Profit before interest & tax	Rs.	607,686,338	337,091,890	339,326,265	277,298,829	24,692,113
Profit after tax	Rs.	688,913,083	386,056,467	436,617,791	289,143,723	7,243,970
Total Assets	Rs.	5,099,710,859	4,367,568,505	4,008,926,466	3,655,399,477	2,731,414,156
Net Assets	Rs.	4,058,971,539	3,629,179,249	3,354,677,540	2,730,002,259	2,007,591,301
Annual revenue growth %**		20%	17%	16%	33%	-5%
Net cash flow from operating activities	Rs.	778,197,557	578,975,022	521,872,749	415,578,722	135,405,161
EBITDA**	Rs.	828,701,544	592,208,172	561,207,813	477,379,446	226,905,992
Profitability Indicators**						
Gross profit margin		58%	55%	57%	56%	55%
Operating Profit Margin		15%	10%	12%	11%	2%
Net Profit Margin		17%	11%	15%	11%	1%
Return on Capital Employed		19%	12%	11%	11%	1%
Liquidity & Debt Ratios**						
Current Ratio		2.44	3.11	2.67	1.77	1.15
Quick Ratio		2.19	2.78	2.31	1.57	0.98
Gearing ratio		N/A	N/A	N/A	0.82	2.63
Interest Cover		N/A	N/A	261.19	45.75	2.49
Equity**						
Dividend per share	Rs.	2.00	0.50	N/A	N/A	N/A
Dividend pay out		0.65	0.29	N/A	N/A	N/A
Earnings per share	Rs.	3.08	1.73	1.96	1.29	0.04
Net Assets Per share	Rs.	18.14	16.22	14.99	12.28	8.97

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

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

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

Vision Statement

To be the foremost and preferred Private Healthcare Facility in the Country, which will serve the Nation and her People to build a healthier community.

Mission Statement

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

Our Promise

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



Distinctive **quality**

We are proud to see our people performing in the marketplace, delivering quality care to our patients and achieving extraordinary things through strategy and leadership.

Chairman's Review



▶ We have balanced the triad of distinctive quality, proven excellence and superior care on a solid foundation of affordable healthcare for the people of Sri Lanka,

“ Working on the three founding pillars that we have continually espoused, Distinctive Quality, Proven Excellence and Superior Care, Lanka Hospitals has this year reached the zenith in the healthcare industry, become a benchmarked leader not only in Sri Lanka but also in the whole of the Asia Pacific Rim, outperforming our own ambitious goals, which we had set out for ourselves at the beginning of this year ”



Gotabaya Rajapaksa
Chairman

Chairman's Review Contd.

Dear Stakeholders,

It certainly has been an exciting year for Lanka Hospitals given that we have now achieved our vision of being the foremost and preferred private healthcare facility in the country, serving the nation and her people to build a healthier community. Working on the three founding pillars that we have continually espoused, Distinctive Quality, Proven Excellence and Superior Care, Lanka Hospitals has this year reached the zenith in the healthcare industry, become a benchmarked leader not only in Sri Lanka but also in the whole of the Asia Pacific Rim, outperforming our own ambitious goals, which we had set out for ourselves at the beginning of this year.

It is in this backdrop that I have great pleasure in presenting to you the Annual Report and Audited Statement of Account for the year ending December 2013, proving even more emphatically that Lanka Hospitals has managed a successful business enterprise while being conscious of our corporate stewardship. We have balanced the triad of distinctive quality, proven excellence and superior care on a solid foundation of affordable healthcare for the people of Sri Lanka, a formula that evidences phenomenal success as is seen in this report.

We have now donned the crown of being the only Sri Lankan corporate healthcare enterprise to win the Global Performance Excellence Award (GPEA) conferred by the Asia Pacific Quality Organisation, chosen from among the entirety of the Asia Pacific Rim nations. Being the "Winner" in the Large Scale Healthcare category at the National Quality Awards last year, it was a natural progression for us to reach higher, having augmented our strengths with other accreditations including

During the year under review, we have demonstrated our prowess from both an operational and financial standpoint. Our performance this year has been exceptional, given that the industry itself has displayed slow growth and we have in the converse, displayed an impressive trajectory.

a number of ISO certifications. While quality, excellence and superior care remain the overarching tenets in our focus, the benchmarks we have etched have also added fillip to the industry, encouraging industry players to push their boundaries, emulating our best practices. This, quintessentially, has developed the entire industry from a quality perspective, ensuring that the ultimate beneficiary is the patient, which to us at Lanka Hospitals is our vision achieved.

During the year under review, we have demonstrated our prowess from both an operational and financial standpoint. Our performance this year has been exceptional, given that the industry itself has displayed slow growth and we have in the converse, displayed an impressive trajectory. With a net revenue of over Rs 4 Bn which is a growth of 20% and a net profit of Rs 689 Mn which is an outstanding 78% incline in profitability, this year showcases the best financial performance since our inception. This accomplishment is even more impressive as we continued to maintain our pricing strategy of affordable healthcare, making Lanka Hospitals the most cost effective among Sri Lanka's healthcare entities, while maintaining a stringent focus on the proven excellence and distinctive quality that we have now become renowned for.



► The progress we have made has unequivocally placed us as a maven for the industry and given the map we have chartered for our future, I'm confident that we are on a sustainable and rewarding path for success. I am truly delighted to be steering your organisation at a time when we are tasked with mapping that progress and charting new frontiers.

Aligned with the Government's Ten Year Vision as etched in the Mahinda Chinthana and the South Asian Economic Hub Vision 2015, the healthcare industry is destined to be a key industry positioned to drive these visions. Being a state owned hospital therefore, we have a national obligation and responsibility to partner the government in this journey. We are paving the way for medical tourism to be a thrust driver within the tourism hub concept, having already attracted the largest number of medical tourists into our hospital over the year. The international accolades and certifications we have received positions us in good stead to improve on this paradigm even more, while next year will see us obtain Joint Commission International accreditation, the highest standard prevalent for global healthcare delivery and thus, give us the competitive edge to compete with other renowned global healthcare providers.

In facilitating knowledge expansion and in strengthening our international partnerships, we will be establishing Sri Lanka's first referral laboratory in collaboration with SRL India, the leading chain of clinical centre in India, housing the largest laboratory in Asia and the largest network laboratory in the region. This will be Sri Lanka's first CAP (College of American Pathology) accredited laboratory and infuses even more extensive scope and depth into clinical diagnosis, to ensure being at top of the mind recall as a referral centre in South Asia.

The progress we have made has unequivocally placed us as a maven for the industry and given the map we have chartered for our future, I'm confident that we are on a sustainable and rewarding path for success. I am truly delighted to be steering

your organisation at a time when we are tasked with mapping that progress and charting new frontiers. My appreciation is extended to my Board of Directors who have continued to add impetus to our journey and to the dynamic team, whose unwavering focus on ensuring we meet our vision is formidably rewarding.

Dear stakeholders: This is our year past and the year ahead; but it is also a time span where we see numerous transformations emerging. These transformations are encouraging and prompts us to further hone the ethos of distinctive quality, proven excellence and superior care we have always espoused. We will always remind ourselves of the need to balance the equation of a sustainable business enterprise that marries affordability and superior technology with a culture of empathy designed to benefit the nation. We intend continuing to set benchmarks and industry standards, being a role model and mentor that deserves replication, given our unwavering philosophy of personalised empathic care and progressive thought process that will set us apart as a world class centre of excellence.



Gotabaya Rajapaksa

Chairman

21 March 2014

Chief Executive Officer's Review



▶ Lanka Hospitals is now a benchmarked hospital, one that has proven unequivocally that it is the leader in healthcare in Sri Lanka and that our brand of distinctive quality is among the best in Asia.

“ We have exceeded our targets, reached beyond our envisaged plans and created expectations among our stakeholders and the industry, where performance bars for improvement, innovation, quality, superior care and customer service levels are continuously being raised. ”



Lakith Peiris
Chief Executive Officer

Chief Executive Officer's Review Contd.

Our financial performance this year has been one of record-breaking proportions, given that we have seen a spectacular 78% growth in profitability, posting a Net Profit of Rs 689 Mn, the highest in our hospital's history.

Here at Lanka Hospitals, we have constructed for ourselves a strong foundation that has been supported by years of unwavering focus, journeying towards a singular vision. Keeping the vision of being the foremost preferred healthcare provider in Sri Lanka and to be the best in Asia well in sight, we however built the trusses required to get to this zenith and this is a triad of excellence we take very seriously. Distinctive quality, proven excellence and superior care encompasses that triad, but it is a triad that gathers strength from visionary leadership, uncompromising ethics, innovative thinking, dynamic teamwork and a constant need to stay ahead.



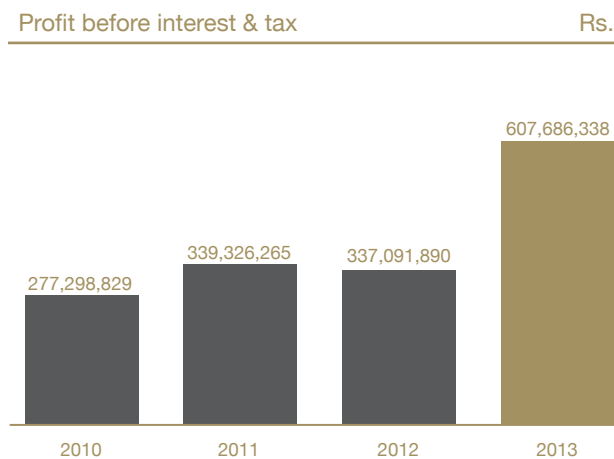
As such, Lanka Hospitals is now a benchmarked hospital, one that has proven unequivocally that it is the leader in healthcare in Sri Lanka and that our brand of distinctive quality is among the best in Asia. Both quantitatively and

qualitatively, our performance this year has been nothing less than record breaking and that is certainly a laurel we are proud to wear, given that the industry overall faced a relatively subdued year. We have exceeded our targets, reached beyond

our envisaged plans and created expectations among our stakeholders and the industry, where performance bars for improvement, innovation, quality, superior care and customer service levels are continuously being raised.

Proudly Wearing the Global Crown in Quality

It is one of those moments in our history that will always remain infinitely indelible; the moment when Lanka Hospitals was crowned with the Global Performance Excellence Award by the Asia Pacific Quality Organisation. This accolade to us is more than simply being adjudged a maven in quality. For us, we have proven that we are the role model in quality excellence, not only being the only Sri Lankan corporate healthcare entity to be conferred this award, but also being the best among Asia and the Asia Pacific Rim nations. Of course, we have always set our sights very high, given that our achievements at the National Quality Awards in 2012 as the champion in the Large Scale Healthcare category, paved the way for us to go beyond our shores and into the global healthcare arena, allowing us to benchmark ourselves against the very best in the world.



Armed as we are with a significant number of ISO certifications, that Total Quality Management culture we have and continue to imbue very strongly at Lanka Hospitals, has taken us to heights that are truly impressive. This year we gained full ISO 14001:2004 certification for Environmental Management Systems, giving us a positive nod for our environmental, health and safety standards. This augments

our achievement last year, when we gained ISO 22000:2005 in Food Safety Management becoming the first private hospital in Sri Lanka to gain this certification and donning the additional laurel of gaining a complete score of five out of five crowns for food hygiene. Another quality standard was conferred on us when we became the first hospital laboratory to be accredited with the ISO 15189:2007 certification for quality and competence requirements, particularly standardised for medical laboratories.

This quality culture is being espoused and permeated throughout our hospital for a primary reason, simply to ensure that our ultimate beneficiary, the patient's experience with us is one that exceeds expectations. Our customers continue to have immense confidence in our hospital, judging by the growth numbers we have seen this year. This has been unequivocally entrenched by our quality initiatives which have added impetus to our stakeholders. Our shareholders are seeing a tangible creation of wealth, our valued business partners enjoy working with us and are also enthusiastic about emulating the best practices we have initiated. Our community and the nation will surely benefit immensely due to the positive advantages we cascade with our world class excellence.

In being presented the GPEA, it is pertinent to note that Lanka Hospitals excelled as the best from among renowned regional leaders, role models and mentors, healthcare entities who have continually been upheld as virtuosos in these regions. Hence, this international accolade of excellence surely etches our presence as a global leader in healthcare, one that we intend to hone even further as our journey takes us into gaining the Joint Commission International accreditation next year.

Proving Our Excellence

Our financial performance this year has been one of record-breaking proportions, given that we have seen a spectacular 78% growth in profitability, posting a Net Profit of Rs 689 Mn, the highest in our hospital's history. Net revenue too has been noteworthy, notched at Rs 4 Bn, a growth of 20%, once again the highest in our history and way above industry average. This revenue intensity is due to key revenue centre, primarily our Centre of Excellence demonstrating marked and substantive increases.

Chief Executive Officer's Review Contd.

▶ The significance of our formidable financial performance is that we have delivered these figures despite maintaining a pricing strategy of affordable healthcare. While all our initiatives are conceptualised and instituted to create a healthcare entity of excellence, we continue to ensure that our financial fundamentals are strong and stable, girded with apt prowess to support our initiatives of imparting cost effective world class healthcare.

In the surgical arena, the operating theatres recorded a growth in excess of 42%, while Lanka Health Check inclined similarly to over 42%. Out Patient Services had an impressive year as well, posting 38% growth, while Gastroenterology moved upwards by 31%. In-patient services revenue notched 27% growth, with the number of admissions growing 8% and foreign admissions, aligned to our thrust to promote medical tourism seeing a noteworthy incline of 47%. Given that Average Revenue Per Occupied Bed Day (ARPOB) has also increased by 13%, coupled with a customer satisfaction survey conducted by an independent agency revealing that we have impressive customer satisfaction levels of 85%, this incline in in-patient services and foreign admissions surely points to the fact that are a proven Centre of Excellence in the healthcare industry. Laboratory services and Radiology also grew by 15% and 11% respectively this year. While the average theatre utilisation ratio was maintained at an impressive 54% there was an average increase of 170 hours of surgery per month.

Financial stability is surely the axis of sustainability in any organisation, which for Lanka Hospitals has emerged as the fundamental strength in continuing to develop our positives, while being very aware of challenges and sufficiently pragmatic to seek solutions to overcome these, while exploiting the burgeoning opportunities we observe. Our balance sheet is one of the best in the corporate sphere, given that we are well established in capital adequacy aligned with all regulatory diktats and also have zero gearing, which makes us absolutely debt free. These strong rudiments therefore has seen RAM Ratings affirm our long term and short term corporate credit ratings at A+ and P1, the only hospital in Sri Lanka to gain such a rating continuously for two years. The outlook on the long term rating was revised from stable to positive, premised on the Hospital's strong financial profile and improved business status. Some factors that did come

into play in these ratings are the Hospital's foray into the highly lucrative laboratory and diagnostic business, while the application for JCI Accreditation too, which will be obtained in 2014 also gained a positive nod.

The significance of our formidable financial performance is that we have delivered these figures despite maintaining a pricing strategy of affordable healthcare. While all our initiatives are conceptualised and instituted to create a healthcare entity of excellence, we continue to ensure that our financial fundamentals are strong and stable, girded with apt prowess to support our initiatives of imparting cost effective world class healthcare.

Evidenced by the rising numbers and myriad demographics that encompass not only Sri Lankans but also foreign clientele who visit our hospital, coupled with our singular responsibility of affordability to reach out to a larger cross section of customers, has seen large proportions of repeat customers, signaling the precept of customer loyalty. This loyalty cannot be sustained unless we, on our part, have lived up to or exceeded customer expectations, not only in levels of care but also in customer service. The positive experiences that our clientele have enjoyed while interacting with our hospital has held us in good stead for being at top of mind recall among our stakeholders, proving our excellence as a preferred healthcare provider in the country.

Epitomising Superior Care

We have always been cognisant of our responsibility in partnering the country's vision in healthcare, in meeting the United Nation's Millennium Development Goals set out in the Mahinda Chinthana, under which healthcare is a headlining objective. We work unwaveringly towards supporting these goals devoid of any ambiguity. While quality improvements continue to be infused, our ethos of care has also been

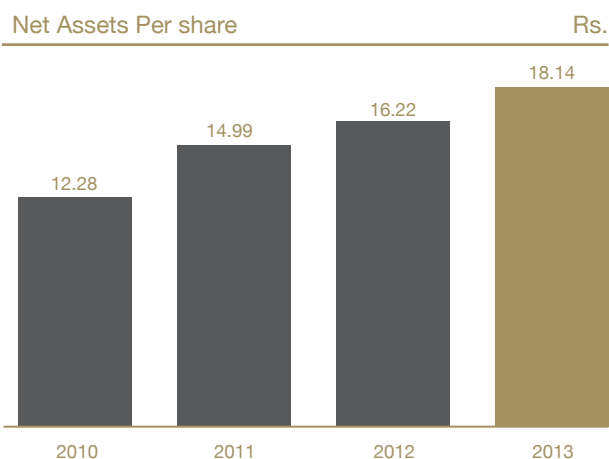
continuously under the microscope, because in developing our care philosophy, the vision is to position Sri Lanka as the next emerging healthcare hub in this region.

We are already on that journey, augmenting the Government's plans of adding medical tourism into driving its South Asia Economic Hub vision. Judging by the success of having more than 12% of our bed occupancy engaged by foreign clientele this year, our brand of superior care has surely made inroads into the psyche of this discerning client segment. The GPEA award, amply supported by our prospects for JCI accreditation next year and the improvements and innovations we have infused into our care purview, now enables us to stand shoulder to shoulder with the mature regional healthcare markets of Singapore, Thailand and India.

The level of care at Lanka Hospitals is most often considered to be iconoclastic, even by regional standards, where the ethos of care goes beyond the conventional orbit of the practice of medicine. Ours is care that extends to customised individualisation, where each patient receives undivided attention matched with unparalleled innovations to ensure a unique experience. These expansive levels of care are broadened considerably in the case of foreign clientele, where our intervention is extremely proactive, even extending to accompanying patients from foreign countries under the supervision of specialists, heli-ambulance services given that we are the only hospital in the country with facilities for air ambulances and infusing a culture of attention to detail that is assuredly unprecedented. This year also saw us add to our capacity in enhancing our levels of care by adding to the 8B and 8C wings with 12 Deluxe rooms, 11 Super Deluxe rooms and 3 High Dependency beds.

Superior care therefore is not simply on a medical platform but in a holistic sense, where a combination of world class best practices, competencies, specialties, facilities and customer service builds the foundation for a positive experience for our clientele.

While the performance of various Centre of Excellence and departments at Lanka Hospitals is available in greater detail in the Management Discussion & Analysis found in later pages of this Annual Report, let me highlight the main areas of achievement this year, that surely examples our unique brand of superior care.



The level of care at Lanka Hospitals is most often considered to be iconoclastic, even by regional standards, where the ethos of care goes beyond the conventional orbit of the practice of medicine. Ours is care that extends to customised individualisation, where each patient receives undivided attention matched with unparalleled innovations to ensure a unique experience.

Our Fertility Centre has gained a reputation as the best in the country and has tangibly proven success rates far beyond others in the industry. In fact, we celebrated the birth of our 600th IVF baby in December this year and had a 43% success rate in COH IVF cycles, placing us among the best centre in the world. We also pioneered the Embryo Cryo-preservation, or Vitrification for the first time in Sri Lanka.

We conducted 9,000 surgeries this year, which includes 420 spinal surgeries, the highest among any private healthcare provider. It is also interesting that our surgical department was the first in Sri Lanka to introduce fixed tariffs for surgical packages, given our emphasis on affordability. This was truly revolutionary. We do believe this takes the concept of care that much further, as patients are now able to estimate surgical expenditure prior to the procedure, heralding a new culture in healthcare provision.

Chief Executive Officer's Review Contd.

Similarly, our Kidney Care Centre performed the highest number of donor nephrectomies, complimented by an impressive 99 kidney transplants, once again, the highest among any private healthcare provider. Our Heart Centre has the unique feature of combining both Sri Lankan cardiac and foreign cardiac surgeons collaborating with each other on surgical procedures, which naturally cascades to the best in knowledge, skill and care when performing cardiac procedures.

Facilities to our sophisticated Dental Clinic, which in fact is one of the few Centres in Sri Lanka to possess the panoramic scanning dental X-ray facility, the Orthopantomogram, was added to with a team of OMF (Oral Facial Maxillary) Surgeons and a Consultant Restorative Dentist who perform complex procedures in anatomical areas of the mouth, jaw, face and associated structures. Another pioneering initiative, our Nuclear Medicine Centre completed 600 Myocardial perfusion studies just in the month of September for the first time in Sri Lanka, notching more firsts with the completion of 27 Tc99m Sestamibi Parathyroid scans in a total of 150, 3,000 radio iodine whole body scans and 5,000 renograms in single months.

Another milestone was the emergency triage system which aids better management of emergencies, where trained staff will categorise emergencies based on levels of care. We also commissioned a dedicated Isolation Room for infectious disease control. Two brand new ambulances were also added to our fleet aided by an islandwide pick up mechanism for added care facilities.

We have also observed a marked increase in health check ups this year due to Lanka Hospitals honing in on the fact that urbanisation is surely creating a sedentary lifestyle, one that requires better health management to ward off NCDs which could gradually plague a perfectly healthy community. By pragmatically developing a visionary product portfolio for health checkups, Lanka Hospitals saw a 9% increase in standard health checkups and 131% increase in corporate health checkups, while a revolutionary product portfolio aimed at foreign clientele saw an influx of customers primarily from the Seychelles.

We have always maintained that our superior care relies heavily on the combination of three things – human touch, delivery and technology. While our consultants and specialists are surely some of the best in the region given their years of experience and proven track records, we have delivered on our promise of giving the nation the best in healthcare. However, being best is an evolving concept and neither the human touch nor delivery can be optimised, unless we are equipped with world-class technology, which we very proudly possess.

While each of our departments and facilities are surely among the best in the region, technology has always been continually upgraded and developed, as is seen in the commissioning of the latest neuro navigation system with the 3D C Arm in our new high end General Operation theatre, yet another first for Sri Lanka. In Gastroenterology too, technological enhancements are on par with the world's best as exemplified in our Argon plasma coagulation with intra-operative accessories which is considered the ultimate therapy in gastric ulcer bleeding and procedure-related bleeding, not available in any private sector hospital in Sri Lanka.

Our Cardiac Care Centre is the only facility to be equipped with the state of the art Allura Xper FD10 Flat Panel Cath Lab. We also commissioned a new fluoroscopy machine which constrasts x-ray studies for urology, GI and Gynaecology. The only private healthcare service provider to offer Nuclear Medicine for diagnostic, therapeutic and preventive care, Lanka Hospitals pioneered Nuclear Medicine in Sri Lanka, housing the only state-of-the-art Dual Detector Gamma Camera (SIEMENS-E Cam) in the country.

As mentioned in my review of 2012 of targeting the complete integration of the Hospital Information System in 2013, that target was achieved. The HIS is seeing Lanka Hospitals enhance IT infrastructure significantly,

There is one thread that runs through the entirety of our triad of excellence and that is our people. They remain the binding factor and a vital truss to build upon for the future.

enabling greater operational efficiencies and information dissemination, for more timely and effective decision making for both management and medical teams. Aiding our newly implemented patient safety mechanisms as well, the HIS augments the communication process, facilitating open interaction between doctors, customers and the hospital, redefining relationships between them more positively.

Our emphasis on patient safety remains utterly committed, displaying a culture of zero-tolerance, given that once a patient walks through our doors, they remain our ultimate responsibility. No compromise is possible given that patient safety is fundamental to permeating a milieu of superior care. Having worked on a policy of patient safety over the years, this year we focused emphatically on this critical area and implemented a six point plan that would eventually place us within an environment that totally guarantees patient safety. This is a goal we aspire to and will continue to aspire to and the six point plan therefore is aimed at being strategic in reaching our goal. While you will find this in detail in the MD&A, in a nutshell the six strategic areas of focus were on correct patient identification, effective communication, safety of high alert medication, infection control, reduction of patient falls and correct site, correct procedure, correct patient surgery.

We do realise that accurate patient identification is paramount to patient safety. With the introduction of patient ID bands with name and unique registration number, alert stickers for allergies, fall risks and pain levels, the incidence of errors has been minimised. The unique registration number also gives the medical team access to the patient's history. Communication too remains integral to patient safety and stringent procedures including read-back mechanisms, alert on panic values and accurate reading between locations and shift changes have now been introduced. Procedures have also been implemented to eliminate risks in disseminating LASA (look alike sound alike) drugs, narcotics and concentrated electrolytes, with guidelines now in place to minimise unintentional administration of wrong doses/ concentration/drugs. The establishment of the Pharmacy and Therapeutics Committee, the In Patient Drug Formulary and prescription audit will all aid in better medicine management and the end impact on patient safety. The process of ensuring correct site/correct procedure/correct patient surgery is done

through the use of the Safe Surgical checklist formulated through the WHO. This allows a brief pause before the incision to confirm the patient, the procedure and the site of operation. It is also an opportunity to ensure that the patient is correctly positioned and that any necessary implants or special equipment are available. Reporting of patient falls too has been brought into this culture of accountability, responsibility and transparency as this is an area that tends to be pushed undercover for fear of reprisal. Similarly infection control too gained further emphasis with Lanka Hospitals adopting the WHO Standards for hand hygiene, correct use of prophylactic and other antibiotic usage, laying the foundation for a stringent infection control framework.

Honing the Formula for Success

There is one thread that runs through the entirety of our triad of excellence and that is our people. They remain the binding factor and a vital truss to build upon for the future. It is they who drive the quest for distinctive quality, continue to ensure that Lanka Hospitals will possess and impart superior care in all spheres of healthcare and having proven beyond doubt that we are now a benchmarked leader in the healthcare industry, continue to raise the bar in proving our excellence.

However, the journey has been one of learning and development. Firstly, it has entailed us to herald mindset change where attitudes and approaches must be transformed. We began introducing processes and systems that would compliment this attitudinal change and imbued ownership of the entire team to our brand promise and delivery. The ultimate focus was on excellence and into this, we urged our team to channel their energy, while we infused investment, capacity expansion, technology and training and development into the equation. Since 2009, there has been a concentrated consciousness to hone skills, knowledge and competencies, which in tandem with our focus on introducing best practices, world class standards and state of the art technology, the team we have today has been shaped into a truly winning one.

We journeyed on the path of not simply being the best in Sri Lanka but the best in Asia and having won the GPEA award this year, we have now achieved that too, given that we competed with the crème de la crème in Asia and the Asia Pacific Rim. In addition, we were adjudged First Runner Up at the CIMA Business Awards which called Lanka Hospitals, 'A Thriving Business Model in the State Sector.'

Chief Executive Officer's Review Contd.

This competition recognises organisational turnarounds and successes, delving into the reasons for the outcomes achieved. Our ground breaking initiatives which spelled out the features of sustainable success and gaining leadership in a competitive industry as seen in this case study is surely driven by a team that is highly motivated, dynamic and intent on thinking into the future.

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

We do believe we have the best team in the medical sphere in Sri Lanka, given that our team is handpicked from among the crème de la crème. The commitment they possess is inherent and well observed in their treatment of all stakeholders. Ours is an environment where people can engage in a 'feel good' factor on a daily basis, where knowledge is built on a platform of continuous improvement and remuneration is well above industry standards. Our customers thus receive that brand of superior care because compassion, empathy and absolute knowledge remains the basis of our ultimate offering to them.

Given the customer centric model we espouse at Lanka Hospitals, we have also added the unique initiative of informing customers of their rights, a pioneering feature not done at any other hospital. The fact that patients now receive an estimate pertaining to any surgical procedure prior to the operation, which information is also disseminated via numerous communication channels including mass media, is a unique feature introduced in this customer centric milieu. Another introduction is that patients are informed of their right to a second opinion, options of treatment and ability to discuss their cases with the consultant thoroughly to get an informed opinion. This is the new culture we are encouraging, where the customer has authority, constructed on the trusses that every initiative, process, system and technology feature we introduce, ultimately benefits our customer.

This customer centricity is tangibly seen in the results of the customer satisfaction survey conducted in year 2012. Service excellence, surely being the turf of our team, has seen immense improvement and one of the highlights of the survey is that over 85% of our customers were extremely satisfied with Lanka Hospitals and willing to recommend us to others. This alone is ample evidence that we have surpassed customer expectations, but is a dynamic that we intend to continually improve upon, as customer satisfaction is an evolving concept. Through this, we strive for the ultimate positive experience a customer gains from our hospital.

Journeying into an Era of Excellence

The positive experience we espouse for our stakeholders is an evolutionary one and is a culmination of a multitude of factors. These factors, which revolve on the axis of distinctive quality, superior care and proven excellence however will require continuous focus, unbridled emphasis and unwavering vision. Our strategic direction therefore is mapped accordingly, honing in on opportunities and identifying gaps that need to be bridged.

JCI accreditation remains our primary focus for 2014. While all systems, processes and audits are now complete, we await the conferment of our accreditation in 2014 which will be yet another first for Sri Lanka's healthcare industry and a move that will add further impetus to the nation's drive in positioning Sri Lanka as a healthcare hub. Lanka Hospitals has continued to lead the way in this national goal, having already begun marketing the country's superior healthcare offerings to international markets which have already seen positive results. Having obtained the JCI accreditation, which will open myriad doors to the marketability of Lanka Hospitals, we intend marketing ourselves even more aggressively in 2014 and beyond targeting countries in Europe, Asia and Africa. These are countries which most often use competitive healthcare providers in the region and will have the option of using Sri Lanka which now has an award winning track record of excellence.

Last year, we discussed the need for Lanka Hospitals to strengthen foreign partnerships in its quest to be a leader in the region. In response to this, we have now set in motion the wheels to work with Asia's largest laboratory network, SRL India which also helps us to bridge the gap that exists in the specialised testing sphere in Sri Lanka. By expanding our laboratory services and imbuing a comprehensive diagnostics

environment into the entire healthcare industry in Sri Lanka, the advantages that will accrue with this partnership in positioning Sri Lanka as a medical hub will be phenomenal. By establishing Sri Lanka's first referral laboratory and tapping into the knowledge and technology that SRL India possesses, the technical transfer capabilities within our purview will be immense, given that we will have at least 500 new tests being introduced into Sri Lanka, intensifying our capabilities in laboratory work. Our intention is also to get this laboratory accredited by the College of American Pathology (CAP), notching yet another first in the country.

We also intend expanding our laboratory network within the country by commissioning nine regional laboratories and about two hundred exclusive pathology laboratories, each headed by a full time Consultant Pathologist with capabilities of research as well, operating within the network and franchise Centres.

Our milestones achieved this year have been incomparable and it is now habitual for Lanka Hospitals to continue setting benchmarks and lead the way in pioneering new areas in healthcare. One of our secrets to success has also been in astute cost management. It is in our DNA to be an affordable healthcare provider, which challenges us in managing a cost effective model that also reaps profits, where productivity and efficiency remains on a continually upward movement and prudent use of resources is encouraged. Being a capital intensive business, our investments are significant. However, we also have a business model that presents a stable balance sheet, that shows zero debt and strong cash flows. While the formula has been successful thus far, we intend to continue honing our cost management systems and processes, ensuring that governance, monitoring and control gain even more added focus.

In our journey ahead, we have already laid the groundwork and framework in areas we have identified as having opportunity, based on a strategy that we laid out in 2009. All initiatives we have worked on and implemented have been based on this long term strategy. We do know that Lanka Hospitals has now emerged as a leader in the healthcare space, requiring much more capacity enhancement and a wider and varied product mix. Next year will see us focus on super specialties such as GI and Neurosurgery to further buoy

our presence. These super specialties are identified according to emergence of demographic patterns, where we grasp the opportunities that arise due to these transformations.

Appreciation

Having now constructed a business model that focuses on technology, superior care, best practices, quality and profitability, ours is an entity that has proven sustainability but it is a model that requires continuous perfecting, a factor we recognise and work upon consistently. I'm most appreciative of the guidance and advice extended to me by the Chairman, whose vision we continue to uphold and the Board of Directors who add confidence to my abilities in achieving this strategic vision.

Our team has proven their excellence, imparting superior care worked within a culture of distinctive quality to etch our presence as the undisputed leader in the healthcare sphere, while pushing us towards even more ambitious goals in the future. We have seen a strengthening of the partnerships and relationships between our customers, valued business partners and medical fraternity and pledge to always maintain an unwavering focus on ensuring that we will be vigilant on affordability within a milieu of excellence.

We are proud to have produced an exceptional year in performance, being appreciative of our shareholders' continued loyalty and hope that we can continue this successful formula of creating wealth, while maintaining affordable healthcare for all.

While challenges do arise in our quest in attaining the zenith of distinctive quality, superior care and proven excellence on the platform of affordability, we do believe that our pragmatism, fortitude and vision will take us on the next step of that journey, where we can contribute far more effectively and efficiently into the nation's healthcare vision.



Lakith Peiris
Chief Executive Officer
21 March 2014

Medical Services Director's Review





▶ This year, while concentrating with greater emphasis on improving quality standards on par with global excellence which would take us towards JCI accreditation, we were enthusiastic about raising the bar on technology in the medical and surgical areas.

“ Our Centre for Knowledge and Quality management has now gained unreserved status as a role model, being emulated not only in Sri Lanka but abroad as well, well augmented with the kudos we have received for quality in the past and also fashioning the blueprint we have laid out for JCI accreditation, to be obtained in 2014 ”



Dr. Wimal Karandagoda
Director Medical Services

Medical Services

Director's Review Contd.

This year, we have truly espoused our ethos of threefold excellence, that of distinctive quality, proven excellence and superior care which have unequivocally been the foundation of our centre of excellence in healthcare. From an operational perspective, it has certainly been an year of achievement, being crowned with Asia's and the Asia Pacific Rims' most prestigious quality award, the Global Performance Excellence Award, which is testament to the unrelenting focus we infused over the years in the quality sphere.

This year, while concentrating with greater emphasis on improving quality standards on par with global excellence which would take us towards JCI accreditation, we were enthusiastic about raising the bar on technology in the medical and surgical areas. This positioned us to exceed the goals we had set for ourselves in hospital management including being positioned as a Centre of Knowledge and Quality Management which has seen us being upheld as a role model in this area. Adding value to these, we also lead the way in transplants, liver, neuro-surgical and other germane aspects of surgery. Clinical expertise too has seen considerable development with new diagnostic spheres including some pioneering initiatives being introduced to ameliorate the levels of expertise and competency our healthcare entity possesses.

From inception, our vision has been to obtain recognition as the preferred healthcare institution in the country and this we have attained, given the benchmarks we have achieved and the accolades we have been conferred, added to with the very positive stakeholder testimonies we have been endowed with. Using these benchmarks, kudos and recommendations however, we have always continued to raise the bar and this year, our concentration was on transforming our hospital with new technology, knowledge and capabilities. This has been aligned to creating a more enabling environment for the development of medical tourism, which is a driving thrust in the national development agenda and hub concept for South Asia.

Our goal of being the best referral centre in the healthcare industry in Sri Lanka to eventually become a referral hospital has also become a reality. A significant factor is that other Sri Lankan hospitals and practitioners maintain us at top of mind recall which has resulted in an impressive increase in the number of referrals, assuredly donning us with undisputed leadership status as the country's leading referral hospital.

We have proved repeatedly that we 'walk the talk' in operational excellence, which has also made us a case study for other industry stewards. We have undoubtedly become a catalyst in knowledge sharing. This is well evidenced by our uncompromising stance on practicing excellence in total quality management making us a mentoring Study Center for health managers, not only in the Sri Lankan private and public sectors, but also to those from South East Asia, including Vietnam, Cambodia, Bangladesh, Nepal and India and the African continent.

Our Centre for Knowledge and Quality management has now gained unreserved status as a role model, being emulated not only in Sri Lanka but abroad as well, well augmented with the kudos we have received for quality in the past and also fashioning the blueprint we have laid out for JCI accreditation, to be obtained in 2014. The fact that we have a stringent process of clinical auditing with immense focus on adverse incident reporting and a transparent and accountable process instituted through a formal management system instituted for public complaints which was initiated this year, adds value and credence to our plans. Therefore, this blueprint enables us to streamline care processes which includes the imperative of patient safety, currently one of the most focused areas in our care portfolio.

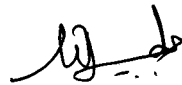
Another transformation we centered on is in making Lanka Hospitals a training hub, using our state of the art staff training facility to hone the competencies and knowledge we already have within and to permeate that knowledge to the rest of the healthcare industry as well. The stringent staff training on clinical care and management well supported by the ISO certifications we have been conferred with and the contemporary inhouse IT facilities, allows us to cascade superior levels of knowledge in nursing care, that remain unparalleled to date.

We have proved repeatedly that we 'walk the talk' in operational excellence, which has also made us a case study for other industry stewards. We have undoubtedly become a catalyst in knowledge sharing

Yet another milestone we have notched this year is that Lanka Hospitals is now a maven in paediatric care surgery, spearheaded by a world renowned Cardiothoracic Surgeon whose exceptional surgical talents especially in cardiac transplants augments the state of the art technology that the hospital already possesses, including ICU facilities deemed the best in the country. Supported by a team of committed surgeons, our transplant programme has broken new ground in kidney and liver transplants as well, gaining unprecedented success rates. We are also named among the best for spinal surgery, while liver surgery, another new phenomenon in surgical care in Sri Lanka, has achieved many a milestone.

Technology is billed to be further upgraded in the coming year, in tandem with our existing facilities in the Cardiothoracic Intensive Care Unit, the General Surgery Intensive Care Unit, the Emergency Unit and the Neonatal Intensive Care Unit to name a few. These are all second to none and well comparable with the region, but given our constant quest for excellence, improvements and pioneering dynamics will continue to be added. Over the last year, we have become a popular destination for medical and surgical emergencies, standing second only to the National Hospital's Accident Service. Our Fertility Care Centre has etched for itself the accolade of being A Centre of Excellence, metastasizing new life and new hope to our customers, while also adding the concept of quality customer care into an equation of customer service excellence. A plethora of over 350 competent consultants whose myriad specialities are historic for this country, add more kinetics to our proposition of superior care and proven excellence.

With our focus on quality having now reached the zenith of being on par with global standards, expediently supported by upgrades and pioneering technology introduced into both medical and surgical care, Lanka Hospitals is now poised for new chapters. These chapters are designed to ink the successes achieved in transplant and cardiac surgery, quality and service excellence, unmatched levels of care well augmented with specialty knowledge and state of the art facilities, our inroads into development of medical tourism and the unrelenting focus we continue to maintain via unprecedented levels of customer care.



Dr. Wimal Karandagoda
Director Medical Services
21 March 2014

Board of Directors

Left to Right

Mr. Gotabaya Rajapaksa, Dr. Gamini Wickramasinghe, Vidyajyothy Professor Dayasiri Fernando, Mr. Shivinder Mohan Singh



Left to Right

Mr. Malvinder Mohan Singh, Dr. Bandula Wijesiriwardena, Dr. Nihall Jayathilaka, Dr. Kanishka Karunaratne, Mr. P. A. Lionel

Not in the Picture

Ms. Roshini Cabraal, Mr. Sunil Godhwani



Board of Directors Contd.

Mr. Gotabaya Rajapaksa

RWP RSP psc MSc

Secretary to the Ministry of Defence & Urban Development

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

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

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

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

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

Ms. Roshini Cabraal

Ms. Roshini Cabraal is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka. She was appointed to the Board of Lanka Hospitals on 24th May 2010. Currently she is serving as the Deputy Chairperson of Lanka Hospitals. She has over 30 years of experience in Financial Management and Financial Consultancy Services which experience she gained working in large private sector Companies and Institutions and for six years at KPMG Ford Rhodes Thornton & Co as a Management Consultant. She currently works as an independent management consultant.

Vidyajothy Professor Dayasiri Fernando

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

He graduated MBBS from the University of Colombo with Honours and was awarded the Gold Medal for Operative Surgery. He qualified as a Surgeon obtaining both FRCS (England) and FRCS (Edinburgh). He further qualified as a Gastroenterology Surgeon being awarded the Smith & Nephew Fellowship from London and pioneered the establishment of Gastroenterology and G.I Endoscopy as a specialty in Sri Lanka.

As an academic he has trained many Surgeons and was an examiner at the MD (Surgery) and MBBS examinations of all the universities of Sri Lanka. He served on many academic bodies both locally and internationally including the Governing Councils of Gastroenterology and GI Endoscopy of the Asia Pacific Region. He was the President of the College of Surgeons of Sri Lanka in 1998 and was the Founder President of the Sri Lanka Society of Gastroenterology. He was a member of the Sri Lanka Medical Council from 2007-2010. He is a member of the Board of Governors of St. Thomas' College.

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

Dr. Gamini Wickramasinghe

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

He holds a Masters Degree in System Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered

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

He has over a decade of extensive senior level experience obtained in the United Kingdom and Belgium. He returned to Sri Lanka in 1983 and founded the Informatics Group of Companies and currently functions as its Chairman, one of the largest software development companies in the country.

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

Mr. P. A. Lionel

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

He held the positions of CEO of the Primary Dealer Unit of the bank and headed the Treasury and Investment Unit. He received broad exposure and extensive training in Treasury Management and FOREX Dealing activities in London from 1988 to 1989. He served as Head of Treasury at the BOC Branch in Karachi.

He has been functioning in the areas of treasury International and investment for over 25 years and innovations of BOC treasury was completely handled by Mr Lionel. All large

Board of Directors Contd.

syndications in the international market have been structured by him. Under his leadership BOC was able to launch 2 US Dollar Bond transactions mobilising one billion US Dollars.

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

Dr Bandula Wijesiriwardena

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

Dr Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College Of Physicians, the use of which became island wide with the subsequent involvement of Ministry of Health. He was able to continue an active academic career while working as a busy physician both in the state and private sectors. He

has many publications to his credit in both national and international peer reviewed journals. Dr Wijesiriwardena received a Presidential award for his clinical research in 2000. In recognition of his contribution to the field of medicine, Dr Wijesiriwardena was awarded Honorary Fellowships by The Ceylon College of Physicians, Royal Australasian College of Physicians and Colleges of Medicine of South Africa. He is also a Fellow of the American College of Physicians. Dr Wijesiriwardena was appointed to the Board of Lanka Hospitals on 27th February 2012.

Dr Nihal Jayathilaka

Dr Nihal Jayathilaka is the present Secretary to the Ministry of Health. Dr. Jayathilaka obtained his M.B.B.S degree from the Faculty of Medicine, Colombo in 1982 and M Sc. Medical Administration from the Post Graduate Institute of Medicine, Colombo in 1995.

Having worked in both the curative and preventive health institutions in remote rural areas of the country, Dr. Jayathilaka entered the field of Medical Administration at a very young age. Then he rose up in the field of Medical Administration gradually holding posts of the Regional Director of Health Services and Provincial Director of Health Services successfully for several years.

Dr. Jayathilaka reached another milestone in his administrative carrier in 1999 when he was appointed as the Additional Secretary/Medical Services in the Ministry of Health. As the Additional Secretary he was a supportive guiding force to both the technical and managerial staff at central, regional and provincial level. Wherever he worked Dr. Jayathilaka has steered the Health System towards quality improvement. His ability to handle intricate problems and situations patiently enabled him to face numerous challenges successfully and move forward.

Dr. Jayathilaka had his opportunity to gain skills and experience in a field beyond health when he was appointed as Secretary to the Ministry of Local Government & Provincial Councils from 2010 to 2012.

In his long journey in the field of Medical Administration, Dr. Jayathilaka gained knowledge and experience from many international training courses, workshops and seminars. He has represented the Ministry of Health at many national and international forums. He functioned as the chairman of several high level Committees in the Ministry. He was an active member of the Food Security and Cost of Living Control Committee headed by His Excellency the President. Dr. Jayathilaka is a founder member of the College of Medical Administrators of Sri Lanka.

Dr. Jayathilaka was awarded the Fellowship of the College of Medical Administrators in 2009. He was appointed to the board of Lanka Hospitals on 20th September 2012.

Mr. Malvinder Mohan Singh

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

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

Malvinder is the Executive Chairman of Fortis Healthcare Limited. He incubated and established the company, in the late 1990's. Since then, he has been instrumental in transforming it into a leading healthcare delivery 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.

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.

Mr. Shivinder Mohan Singh

Mr. Shivinder Mohan Singh is the Executive Vice Chairman of Fortis Healthcare Limited, a leading integrated healthcare delivery provider in the Asia-Pacific region, driven by a vision to save and enrich lives through clinical excellence. His significant contribution to the Indian Healthcare sector has been widely acknowledged and his strategy for Fortis and its execution has been recognised by the Harvard Business School as a case study. In his previous roles, he created the foundation of the culture of Fortis by leading the first hospital at Mohali as its COO. He is also one of the principal promoters of Religare Enterprises Limited and SRL Limited, India's largest diagnostic network. He was appointed to the Board of Lanka Hospitals on March 24, 2011. He is actively involved in many industry bodies and various new initiatives. Mr. Shivinder is on the Steering Committee of Federation of Indian Chambers of Commerce and Industry (FICCI). He is a board member of Aspen India and a Governing Council Member of All India Management Association (AIMA) and one of the Founders and the current Vice President of the Governing Council of NATHEALTH (the Healthcare Federation of India). He is also a board member for AIESEC, the world's largest student-run organisation and a platform for young people to explore and develop their leadership potential for a positive impact on society. He was recently nominated as a Young Global Leader 2013 by the World Economic Forum.

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

Board of Directors Contd.

Mr. Sunil Godhwani

Mr. Sunil Godhwani, Chairman and Managing Director, Religare Enterprises Limited, is the driving force behind the group and its vision. Mr. Sunil, with his strong leadership skills, believes in leading from the front and has nurtured a culture that is entrepreneurial, result oriented, customer focused and based on teamwork. He has given strategic direction to Religare's growth since his joining in 2001 and has been a key force in giving birth to Religare's current shape and form. He was appointed to the Board of Lanka Hospitals on 24th March 2011. Prior to joining Religare, Mr. Sunil has had a diverse and wide-ranging experience of over two decades in managing large scale business ventures. He also serves as Director on the Boards of various group companies like SRL Limited, AEGON Religare Life Insurance Company Limited, Ligare Voyages Limited, Fortis Healthcare Limited and other subsidiaries/ Group companies of Religare.

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

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

Dr. Kanishka Karunaratne

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

He is a Member of the South Asian Federation of Obstetrics and Gynecology (SAFOG), a member of the Asia Oceanic Federation of Obstetricians and Gynecologists (AOFCOG), a Member of the International Gynecological Cancer Society (IGCS) USA, a Member of Asia-Oceania Research

Organisation in Genital infection and Neoplasia (AOGIN). Dr Karunaratne is also a Hon. Fellow of Sri Lanka College of Surgeons, Hon. Fellow of Sri Lanka College of Obstetricians and Gynecologists, Fellow of Sri Lanka College of Oncologists, Member of the Sri Lanka Medical Association, a Member of Menopause Society of Sri Lanka, Member of the National Cancer Control Programme in Sri Lanka, a Member of the Task force in National Pap smear programme and Colposcopy UNFPDA United Nations family Planning Association, a Member of the British Society of Oncologists and a Member of the American Society of Gynecological Cancer.

Mr. Vishal Bali

(Alternate Director to Mr. Malvinder Mohan Singh)

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

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

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

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

Dr. Daphne Khoo Hsu Chin

(Alternate Director to Mr Shivinder Mohan Singh)

Dr. Daphne Khoo completed her medical training at the National University of Singapore. She trained in Endocrinology at the Singapore General Hospital and the Cleveland Clinic Foundation, USA. From 2004 to 2011 she was Head of Endocrinology at the Singapore General Hospital. Concurrently, she was also Director of Clinical Governance and Quality Management at Singapore Health Services. She has held leadership positions in the areas of Clinical and Service Quality, Enterprise Risk, Patient Safety and Chronic Disease Management in Singapore's largest healthcare cluster. She is a Past President of the Association of Women Doctors, Singapore, the Endocrine and Metabolic Society, Singapore and the ASEAN Federation of Endocrine Societies. She has published widely and was conferred the Nagataki Distinguished Scientist Award from the Asia-Oceania Thyroid Association in 2007. Dr. Khoo was an adjunct Associate Professor with the Duke-National University of Singapore Medical School. She was appointed to the Board of Lanka Hospitals as an Alternate Director on 28th March 2013 and served in the Board up to 31st January 2014.

Mr. Ramesh Krishnan

(Alternate Director to Mr Sunil Godhwani)

Mr. Ramesh Krishnan was the Vice President of Integration and Growth with Fortis International and was responsible for the Post Merger Integrations of all the international assets that Fortis acquired his remit also includes the growth initiatives (organic and inorganic) that Fortis Healthcare pursues internationally. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th December 2012 and served in the Board up to 17th September 2013.

He is a Chemical Engineer from Annamalai University, Chidambaram and an MBA in international business from Indian Institute of Foreign Trade, New Delhi. He has more than 18 years of professional experience behind him in multiple functions including business development, Mergers & Amalgamations, post merger integration, strategic planning and programme management.

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

Dr. Nalaka Godahewa

Dr Nalaka Godahewa is currently the Chairman of the Securities and Exchange Commission of Sri Lanka. He was previously the Chairman of Sri Lanka Tourism and the Managing Director of Sri Lanka Insurance Corporation.

Academically qualified in three different disciplines, Dr Godahewa holds a BSc Honours Degree in Electronics and Telecommunications Engineering from the University of Moratuwa, a Masters in Business Administration from the University of Sri Jayawardanapura and a PhD from the University of South Australia. He is a Fellow Member of both CIMA and CIM UK. He was appointed to the Board of Lanka Hospitals in August 2009 and served in the board up to 15th November 2013.

Mr. A. M. Mohan De Alwis

Mr. Mohan De Alwis, was the former Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Limited and Management Services Rakshana (Pvt) Limited. He has wide and diversified managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand, Hayleys Plc, Star Garments

Board of Directors Contd.

Limited and Smart Shirts Limited. He has over 30 years of experience in the mercantile sector. He was appointed to the Board of Lanka Hospitals on 24th May 2010 and served in the Board up to 20th December 2013.

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

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

Mr. Balinder Singh Dhillon

(Alternate Director to Mr. Shivinder Mohan Singh)

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

Having worked as counsel in practice and with corporate houses such as Hindustan Unilever Limited and INTRIA Items Inc., (a wholly owned subsidiary of CIBC Bank, Canada), he has more than 22 years of experience in corporate law, governance, risk management, and strategic planning and implementation. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011 and served in the Board up to 6th March 2013.

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

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

Mr. Sandeep Puri

(Alternate Director to Mr Sunil Godhwani)

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

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

As an ethical watchdog within the Group would also work towards creating concrete measures to maintain and protect a transparent and a well-balanced system of corporate governance that goes beyond just compliance.

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

Mr. Daljit Singh

(Alternate Director to Mr Shivinder Mohan 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 38 years of rich management experience.

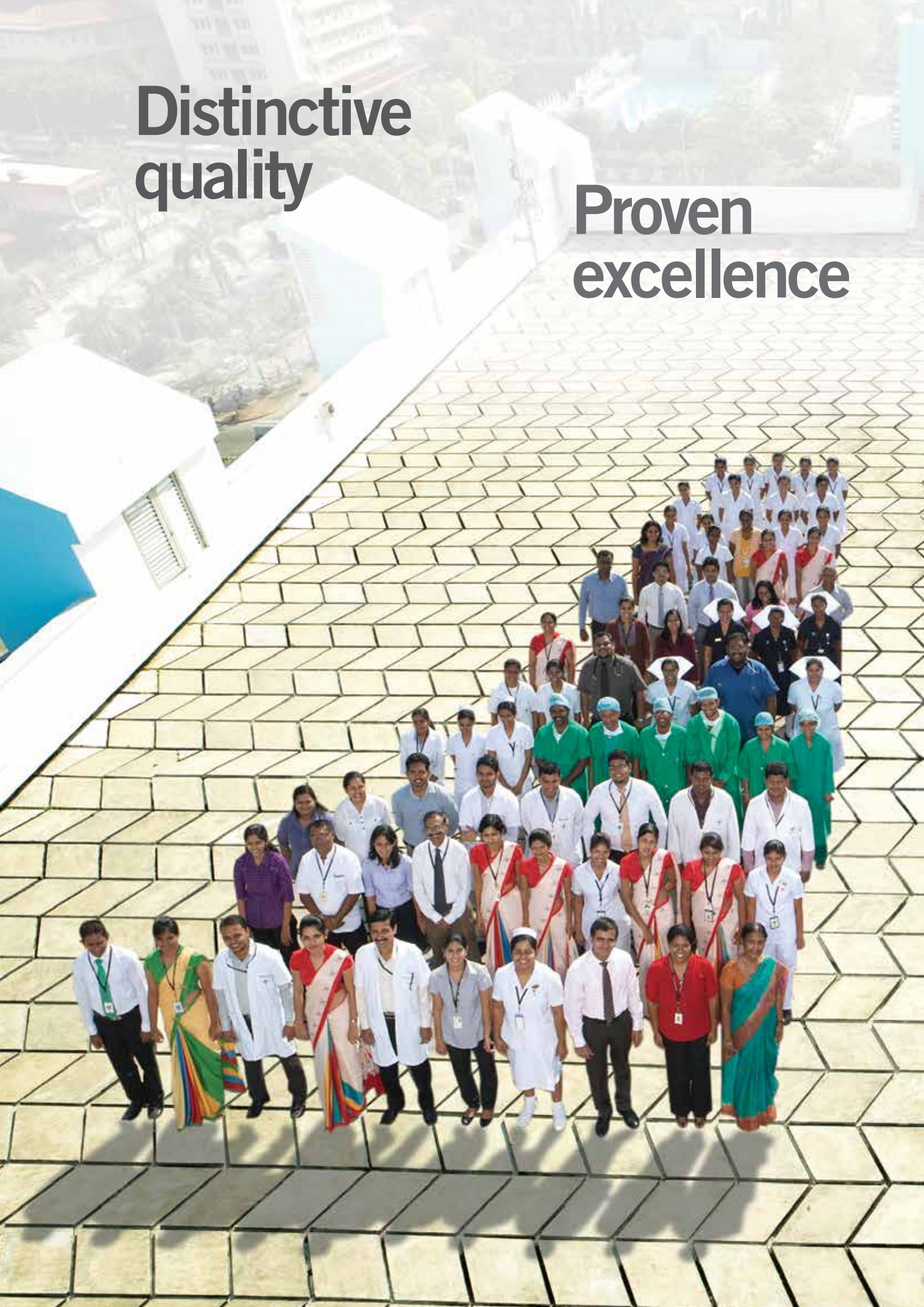
Mr. Singh has been a pivotal member of the top team of Fortis that formulated and implemented Fortis' growth strategy to position it as India's leading Healthcare delivery organisation in a short span of 10 years. Mr. Singh is an acknowledged expert and thought leader in the domain of Healthcare Delivery. 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 fulfillment. He also leads and facilitates workshops on Strategy, Business Planning & Leadership.

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

**Distinctive
quality**

**Proven
excellence**



Superior care



EXCO Members



Left to Right

Mr. Chaaminda Kumarasiri (Chief Financial Officer), Mr. Nilantha Rathnayake (Head of Marketing), Dr. K. T. Iraivan (Deputy Director Medical Services), Mr. Lakith Peiris (Chief Executive Officer), Mr. A. C. Jayakody (General Manager Operations – Lanka Hospitals Diagnostics (Private) Limited), Dr. W. Karandagoda (Director Medical Services), Mr. P. V. Sapumal Jayatissa (Assistant General Manager – ICT)



Proven
excellence

Winning the Global Performance
Excellence Award 2013 has
proved our excellence and
leadership in our field

Management Discussion & Analysis

The Industry Accelerates

Sri Lanka's healthcare industry has continued to remain one of the most emulated models in this region given the unique features of a free healthcare policy practiced by the government sector hospitals, ideally complimented with contemporary healthcare facilities provided by the private sector. The free healthcare provided to all citizens of the country has been named as one of the primary factors for Sri Lanka gaining considerable upward movement in the Human Development Index and other germane indices, to be placed among the best countries in healthcare in the South Asian region.

The local healthcare sphere is geographically well disbursed through a network of general hospitals, teaching hospitals, provincial and base hospitals, augmented by a comprehensive support system. While in terms of bed capacity, the private sector yet seems relatively small in comparison to the public sector healthcare industry which accounts for about 93% bed capacity, the demand for private sector healthcare facilities has grown exponentially in the last few years, due to state of the art equipment, facilities and care being introduced into the industry. However, for out-patient facilities, the trend balances more evenly to both sectors serving out-patients in equal parts. However, the inherent drawbacks in the public health system has seen paradigm shifts especially from urban areas, where long waiting queues, overcrowding and limited availability of facilities and medicines prompting patients to move towards the private healthcare system.

Healthcare expenditure in total for Sri Lanka has seen a compounded annual increase of 11% on average, with the private sector increasing 12% of its expenditure and the government sector seeing a 10% incline. However, total expenditure to GDP has declined, positioning the country considerably lower in comparison to both regional and more developed economies. Nearly 40% is expended on in-patient care, while medical equipment and suppliers and out-patient care make up the balance. While the public sector does dominate the healthcare industry particularly in bed capacity, private sector expenditure continued on a steady incline of as much as 55% or more, attributed primarily to out-patient costs and medical equipment and supplies. This expenditure, if detailed broadly, could be attributed to consultation fees, room rates and ancillary costs as well as the purchase of drugs from private sector hospitals, which could point to drug shortages in the government sector despite these

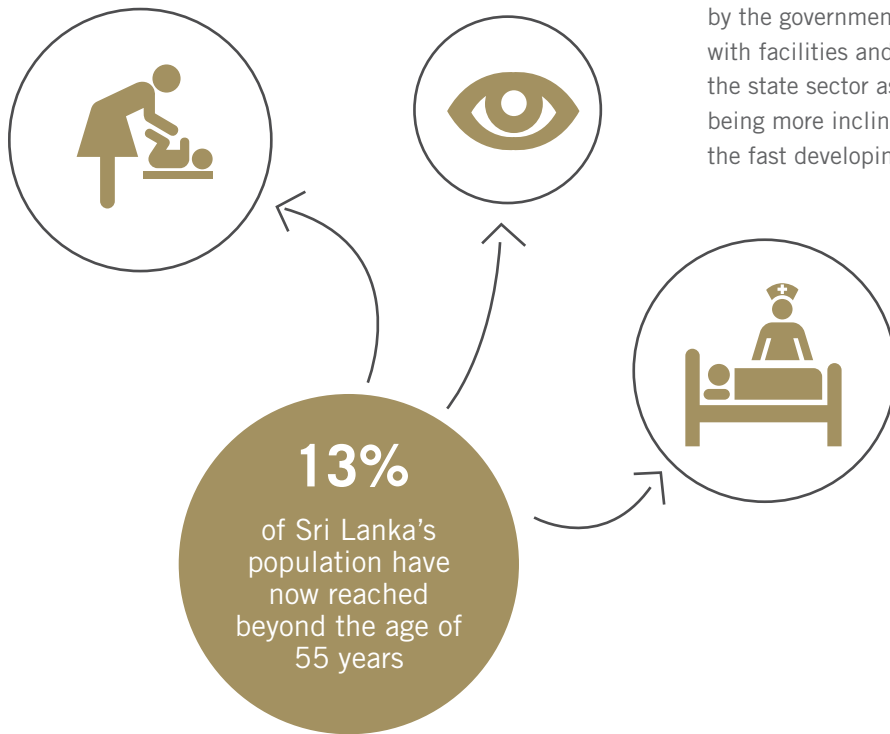
hospitals providing drugs free of charge. It is also pertinent to note that 'Out of Pocket' (OOP) expenditure dominates private healthcare spending, accounting for as much as 80%, primarily due to the low penetration levels of health insurance in the country and some drawbacks including facilities, equipment and medicine shortages prevalent in the government sector hospitals.

Sri Lanka's healthcare industry has continued to remain one of the most emulated models in this region given the unique features of a free healthcare policy practiced by the government sector hospitals, ideally complimented with contemporary healthcare facilities provided by the private sector.

On average, healthcare expenditure in total for Sri Lanka has seen a compounded annual increase of

11%

With over 13% of Sri Lanka's population having now reached beyond the age of 55 years which is double the figure of four decades ago, the World Bank estimates that Sri Lanka will have an aging population closer to 17% by 2021 and by 2041, one out of four will be elderly, making Sri Lanka's population the oldest in Asia. This is a significant dynamic to contend with for any nation and while the prevalence of chronic diseases and disability increases in an aging population which would increase the demand for healthcare, the cascading impact is that healthcare expenditure per



by the government into healthcare and in an overall context, with facilities and capacity expansion being infused by the state sector as well, there is a shift towards patients being more inclined to visit tertiary hospitals. In addition, the fast developing road infrastructure and thus increased

accessibility, is also prompting a change in geographic patterns with patients opting to visit the main tertiary and private hospitals in the city.

The Government's Five Plus One Hub Vision has also driven the concept of medical tourism into the spotlight. While this has seen considerable infusion of investment by the private healthcare sector into the industry, it has also seen the public sector healthcare system develop rapidly, aligning itself to the product and service offerings of the private healthcare sector, including in the spheres of technology, service and quality. In fact, this has seen patients becoming more aware of standards and

► The Government's Five Plus One Hub Vision has also driven the concept of medical tourism into the spotlight.

capita will also grow upwards. However, there has been a marked focus by the government on healthcare, where astute policies are being introduced to assuage some of the fallouts that may occur due to these factors. The north and east specifically has seen a significant investment impetus

accreditation which has permeated a quality consciousness among all stakeholders in the industry. Thus, the rapid development of the entirety of the industry has propelled key health indicators on an upward trajectory, with stakeholders being more discerning on the available healthcare facilities and given the state of the art milieu available in some spheres, opting to remain in the country for critical surgery, where facilities may even be better than those in the more popular medical destinations in this region.

Private Sector Healthcare Burgeoning

Although Sri Lanka's healthcare industry continues to be dominated by the Government sector, the private sector continues to make inroads into this bastion, having placed itself on a platform of state of the art offerings and quality services. It is believed that out-patient care has seen the most impressive incline with a 50% increase in total patient volumes in the private healthcare sector, while in-patient continues to cater to a smaller share of about 10%. While conventionally, private healthcare has stemmed mainly from urban areas, recent trends are pointing to a changing scenario



Management Discussion & Analysis Contd.

with patients from semi-urban and even rural areas seeking private healthcare due to various inherent issues prevalent within the public healthcare sector.

The existing players within private healthcare sphere include public quoted companies which have recorded steady annual growth rates, notching impressive revenue growth between 13% to 25%. Industry profitability has also remained healthy, which however is also attributed to the fact that rising demand for private healthcare can create an unchecked elevation of hospital charges, based primarily on driving profit upwards. Although this is a capital intensive industry, the majority of players have moderate gearing levels, supported ably by debt protection metrics which prompt healthy cash flow generation and hence, given the profit retention, enables these entities to generate capital internally.

Paradigm changes in patient volumes, levels of competition, pricing flexibility and technological changes are some of the industry risk factors that have seen a transformation in the private healthcare sector's dynamics. The consistent increases in private healthcare has not deterred the increase in in-patient admissions which continues to rise, as does out-patient admissions. This has positioned the private healthcare industry on a significantly stable financial foundation, given the strong cash inflows experienced. There has also been impressive growth in the number of patients utilising diagnostic services, a result of an emerging pattern in recent times of the medical fraternity placing more emphasis on patient safety and hence, shifting to evidence based practices. Another advantageous factor that emerged last year was the introduction of medical insurance for state sector employees, which naturally has cascaded to patients in the state sector opting for private healthcare options, as opposed to reliance on the public healthcare system.

The changes in technology milieu however, have seen intense competition emanate from among the private sector healthcare players. The key competitive factors include the quality and choice of resident and visiting medical practitioners, quality of care and services offered which include facilities and equipment that may be monopolistic

While conventionally, private healthcare has stemmed mainly from urban areas, recent trends are pointing to a changing milieu with patients from semi-urban and even rural areas seeking private healthcare due to various inherent issues prevalent within the public healthcare sector.

and hospital charges. An intrinsic feature in the private healthcare system is that it is doctor-centric rather than institution-centric, with patient volumes largely dependent on the consultants available. However, over the years, key private sector healthcare players have sought to differentiate themselves, positioning themselves in niche areas and developing those into state of the art competencies and capacity expansion, to eventually create a strong presence and reputation among patients in that niche area.

Private healthcare providers however tend to set themselves in geographically urban areas, primarily in the main cities of the country with Colombo being the hub. There have been some acquisitions seen in the industry where consolidation and ownership change has spurred the main cities of Colombo, Galle and Kandy to see an increase of 70% in bed capacity in the private sector, being just under 5,000 beds. Investment too has been considerably heavy in capacity expansion, with private hospitals upgrading existing equipment and investing in new technology, some of which have placed Sri Lanka as a pioneer in the region. This includes radiation treatment, transplant procedures and cardiac treatment which have spurred a change in patient dynamics as well, with medical tourism now taking on a more encouraging hue, well aligned with the government's vision of making Sri Lanka a hub for medical tourism.

 The consistent increases in private healthcare has not deterred the increase in in-patient admissions which continues to rise, as does out-patient admissions.

The emphasis on infusing a state of the art working platform for medical professionals has also seen an indirect negative impact on the brain drain pattern experienced a few years ago, with medical professionals preferring to remain within Sri Lanka given the opportunities that are now available. However, this is a slow process and will take time to have any tangible results on the overall medical sector.

Being a capital intensive industry due to the investment infused into medical equipment, infrastructure and technology, private healthcare providers have been vying for superiority in numerous areas by investing in state of the art capacity expansion and equipment upgrades, which have averaged annually to approximately Rs 250 Mn, continuing to increase each year. While the existing private healthcare providers have established themselves and created strong



brand names to continue to lure increasing numbers of patients, the capital intensive nature of the industry and ensuing funding constraints however, may prove to be a deterrent to a new entrant.

Sri Lanka include demographic changes, limitations prevalent in public healthcare, rising incidences of Non-Communicable Diseases (NCDs) and the increase in awareness among stakeholders of not only health but available medical services.

With this emphasis on medical tourism coupled with the fact that stakeholders are now more aware of the availability and applicability of the offerings by private sector healthcare in addition to other myriad factors that has propelled private healthcare into a burgeoning milieu, the development observed has been significantly impressive. Some of the key factors driving this upward trajectory in private healthcare in

While Sri Lanka is estimated to have the world's oldest aging population by 2041 which would change demographics significantly for the country, inadequate capacity and limited availability of specialty treatment and laboratory services as well as disparities in service quality within the public healthcare system, have been factors for the growth seen in private healthcare. Opportunity has also emerged for the

Management Discussion & Analysis Contd.

private sector due to rapid urbanisation, sedentary lifestyle and aging population. These have increased the prevalence of NCDs including heart disease, asthma, cancer and diabetes which account for nearly 85% of ill health, disability and early death. The WHO affirms that changes in lifestyles have intensified other NCD risk factors including obesity, increased alcohol consumption and unhealthy diets.

Given that NCDs require specialised treatment entailing longer hospital stays, coupled with the fact that demographic and epidemiological transitions are also common factors in NCD increases, the private healthcare system, which has already envisaged these changing paradigms, will continue to reap benefits from this pattern of increasing NCDs. The fact that patients themselves are more educated and remain acutely aware of health factors and the use of medical services, has posed a conundrum to the public healthcare system, which has seen the complacent reliance on diagnosis, shift to a demand for more educated decision making involving both patient and doctor. This has also spurred patients seeking private healthcare on demand as seen in the outpatient utilisation per capita decreasing in the public sector, while private hospital services for out-patients has risen ten fold in the last two decades as has the number of in-patients treated.

A multitude of factors will drive steady growth in the private healthcare sector, although there are a number of these that do require focus. One such is that the ensuing intensity in competition may hamper profitability. A good example is the room capacity expansion which has seen an increase of over 55% in the last five years. While seeing an occupancy of 80% at present, any further increases would result in oversupply in the longer term and create price competition among players as a consequence, putting pressure on profitability margins over the medium and long term.

Another such challenge is the shortage of skilled medical personnel, a high dependence on visiting specialists to attract patients given the doctor-centric nature of the industry and the fact that graduates from local medical facilities are absorbed into the government sector limiting the number of hours they can work in the private sector. These are issues to look out for in the future. Another factor that continues to pose a challenge is the brain drain of medical personnel, which empirical evidence suggests nearly 50% of the doctors completing compulsory training in developed countries opt to reside in those countries. The relatively lower remuneration

▶ **Lanka Hospitals now becomes the only hospital to be rated A+ and P1 (Positive) by RAM Ratings**

received by the medical officers in the public sector and the nursing fraternity also contributes to significant brain drain. The private sector does have confidence however, that given the continued capacity development engaged in within these hospitals, they will be able to retain and attract those who have migrated, back to Sri Lanka.

Industry analysts observe however that the various industry risks are balanced by the growth potential of the sector, against the backdrop of rising health awareness and the limitations of the public healthcare system, relatively resilient demand, high entry barriers and flexibility in pricing. However, intensifying competition among players and the need to provide appropriate quality of care to preserve brand name, coupled with the capital intensive nature of the business may act to increase the level of risk in the industry over the longer term.

Committing ourselves to the WHO Six Building Blocks

Lanka Hospitals has been committed to the World Health Organisation's Framework for Action in Healthcare, using the six building blocks within that framework to establish strong fundamentals in creating a culture of quality, care and excellence. The key purpose of the framework is to promote a common understanding of the health system, the challenges that ensue and the areas that need strengthening and investment. It also introduces a strong culture of accountability, transparency, monitoring and ownership. The six building blocks provide a useful method to clarify essential functions, the challenges faced and pave the way for a more integrated response that recognises the inter-dependence of each part of the health system.

The six building blocks assuredly form the base of our strategic intent. These are, firstly delivering effective, safe and quality health services in a timely manner with minimum waste of resources, secondly a well performing health workforce that is responsive, fair and efficient to achieve to the best health outcomes, thirdly a well functioning Health



Information System and fourthly equitable access to essential medical products, vaccines and technology of assured quality, safety, efficacy and cost-effectiveness. The fifth building block is the introduction of a good health financing system to raise adequate funds for health and lastly, leadership and governance that implements strategic policy frameworks to create a culture of absolute compliance.

Strong Financial Fundamentals

Given this emphasis on the six building blocks, we have constructed a unique model, one that is now being emulated by others in the industry. Having built a very sustainable business model, we have also maintained unrelenting concentration on strong financial fundamentals, which are the keys to having surpassed all records in our financial performance this year. Undoubtedly, among the unsurpassed strengths we possess is our financial stability, the fundamental in creating an on-going business concern. We are extremely proud that today, we are among the most financially stable corporates in the country, given that we have strong cash flows and zero gearing and the fact that the greater proportion of equity we possess is ably perceived as a measure of our financial strength.

This was well evidenced when RAM Ratings reaffirmed Lanka Hospitals at A+ and P1 in the long term and short term credit ratings. The long term outlook was revised from stable to positive due to RAM Ratings taking into account the strong financial profile that the Hospital possesses and also the comprehensive and stringent requirements needed for JCI accreditation. Accordingly Lanka Hospitals now becomes the only hospital to be rated A+ and P1 (Positive) by RAM Ratings.

The fact that we have achieved 20% turnover growth, showcased at Rs 4 Bn, in an industry that has posted a marginal growth of 6% proves that what we have implemented into our fundamentals is astute. Our profit after tax this year stands at an impressive Rs 689 Mn, at a 78% incline over last year, which while being impressively high must also be taken in the context that Lanka Hospitals achieved this milestone, while maintaining cost effectiveness and affordability at its performance core.

2013 has been our best performing year given that all our Key Performance Indicators were well above envisaged forecast. Key revenue centers too performed well above average, demonstrating substantive increases. In the surgical arena, operating theatres and Lanka Health Check recorded revenue growth of 42% each, Out Patient services a growth of 38% and Gastroenterology 31% above the figures of 2012. Laboratory services also increased by 15%, while Radiology grew by 11%.

While Average Revenue Per Occupied Bed Day (ARPOB) increased by 13%, in-patient revenue also upwardly inclined 27% while numbers increased by 8%. A positive feature this year was the increase in foreign admissions, up by a significant 47% over last year, which reflects that our marketing strategy to entice more foreign clientele is surely bearing results. There was greater emphasis on health check ups this year as well, given the rising incidences of NCDs, which rewardingly saw a 9% increase in standard check ups and a phenomenal 131% increase in corporate health checkups which heralded a revenue increase of 42%.

Our strong fundamentals and emphasis on governance and a culture that reaches beyond compliance was well established when Lanka Hospitals won the Silver Award in the Healthcare

Management Discussion & Analysis Contd.



The Lanka Hospitals team after receiving the CIMA Business Case Awards 2013



The CFO of Lanka Hospitals receiving the Silver Award in the Healthcare Sector at the Annual Report Awards Ceremony 2013

Sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. In addition, our organisational success, turnaround and the mapping of our journey matched with the emerging outcomes became a winning case study at the CIMA Business Case Awards 2013 when Lanka Hospitals gained First Runner Up Position. We were named, 'A Thriving Business Model in the State Sector.' This study clearly detailed our business model, of having initially been an under-performing private sector entity being completely revolutionised under the astute leadership of the state sector. We also dispelled negative theories prevalent

about state sector entities, showcasing that successful management and strategic vision can be the formula of success for any organisation.

Strategic Direction Based on Quality, Care and Excellence

Based on an unwavering focus of ensuring that this triad of distinctive quality, proven excellence and superior care, is the overarching factor that Lanka Hospitals has now etched itself in the annals of the healthcare industry as a benchmarked leader. Having now surpassed some of the strongest and most robust international healthcare players given the crowning award received this year, the triad is now positioned to be further improved and strengthened. The Global Performance Excellence Award (GPEA) conferred by the Asia Pacific Quality Organisation has placed us at the zenith in the global healthcare industry, proving that quality for us is a way of life and the combining thread that runs through our milieu of superior care to reach unmatched excellence. Throughout however, we have stringently maintained an unrelenting focus to being a world class, yet affordable healthcare entity in the country, never compromising on either, but well entrenching both in our everyday operations.

Our strategy has always been based on establishing ourselves as true leaders in numerous aspects within the healthcare space. This strategy has over the years seen success, as evidenced by the milestones we have notched, given that the strategic direction has always upheld the triad of distinctive quality, superior care and proven excellence. Having identified our strengths and continued to build upon these strengths, we have surpassed our competition and created benchmarks, benchmarks that we are now pushing upwards and outwards given that we are now positioning ourselves against the best healthcare providers in the world. These three pillars have been placed on the foundation of affordability based on the unwavering vision of being Sri Lanka's most affordable private healthcare hospital.

With quality being the axis upon which Lanka Hospitals revolves on, we have proven beyond doubt that our brand of quality is distinctive and permeates to our unparalleled culture of care and excellence. One of the key areas we have been continually focusing on in the quality sphere has been in patient safety, while quality in the larger context has prompted us to further strengthen our processes and in



The CEO of Lanka Hospitals after receiving the Global Performance Excellence Award (GPEA) in Bali-Indonesia.

tandem, add more input and emphasis via human capital, knowledge base and skills and innovation. Adding onto our accolade of the Global Performance Excellence Award, by next year, Lanka Hospitals will be accredited with the JCI standard, the first healthcare provider in Sri Lanka to have this prestigious international accreditation.

Our excellence is proven. We worked on a foolproof formula of exploiting the strengths we possess. Building on the competencies, capabilities, knowledge and skills we possess in surgical areas for instance, has seen us construct Centres of Excellence over a period of time, observed in the quantitative evidence of an increase of 1,000 surgical procedures conducted during the year, bringing the total to a noteworthy 9,000 procedures. Our proven excellence is also augmented due to an ever increasing portfolio of medical specialists and consultants, as well as capacity enhancements including theatre capacity, facilities, equipment and technological innovations being added to over the year. Besides a strong financial foundation, our strengths are also well entrenched in our capabilities in the clinical and non-clinical areas, our human capital well supported by a progressive organisational structure, our emphasis on quality and unparalleled customer care.

Superior care therefore is well evidenced by the independent customer satisfaction surveys conducted periodically during the year, which have not only created yet another benchmark among healthcare providers in this country, but has also shown us at Lanka Hospitals, that we have met or exceeded customer expectations with our delivery. This superior care

culture we espouse is all-encompassing, given that the culture permeates throughout the hospital, through each member of the team, resident and medical professionals and even through our valued business partners and suppliers. Another factor that proves our superior care even further is that Lanka Hospitals has seen a significant ratio of return patients, promotion by word of mouth and an impressive foreign patient increase of about 50% into our patient portfolio.

Expanding the TQM Culture

With the Total Quality Management culture now well entrenched into every process, system and mindset at Lanka Hospitals, proven undoubtedly by the GPEA Award we were conferred with this year by the Asia Pacific Quality Organisation, distinctive quality is now a firmly etched commitment for our entire team. Quality is simply a way of life, a tenet we live by and an example we have created for others to follow. This is very simply due to the fact that we have been unwavering in achieving our quality goals, a commitment we made in our chartered map of 2009 and has culminated in being crowned the world's best in quality with the GPEA.

The awards and certifications we have been conferred therefore are simply a natural progression to the work we imbued throughout the years, permeating it across the entire organisation. Having been accredited with ISO 14001:2004 Certification for Environmental Management Systems, ISO 22000:2005 for Food Safety Management gaining an unprecedented 5 out of 5 Crowns for Food Hygiene and the first hospital laboratory to be accredited with ISO 15189:2007, all point us in the direction of now developing even further on what we have gained. These thus saw us also win the Sri Lanka National Quality Awards 2012 in the Large Scale Healthcare category, the only healthcare provider in Sri Lanka to wear such a laurel.

Our next quest is in being JCI accredited in 2014. This process is almost at completion and will certainly improve our marketability and standing not only in Sri Lanka, given that we will be the first hospital to be accredited with the JCI standard, but also place us among the regional and global greats in healthcare. We intend to use our distinctive quality platforms and accolades as the benchmarks for the entire industry and in fact, have seen positive signs of others emulating similar paradigms.

Management Discussion & Analysis Contd.

Quality being an overarching tenet and underlying ethos in the entirety of our hospital was well rewarded this year with the Asian Productivity Organisation's GPEA.

Medical Superiority

Lanka Hospitals is now firmly established as a leader in surgical procedures in the private healthcare industry, having not only increased surgeries by a significant 1,000 this year, but also in seeing a 54% average theater utilisation throughout the year. While highlights and achievements are given in further detail below, special mention is warranted that Lanka Hospitals performed the highest number of laproscopic donor nephrectomies and has seen a tangible shift from minor surgery to major surgery due to a more astute product mix. This pragmatic shift has brought forth more qualitative benefits, showcasing the hospital's superiority in complex surgical procedures, strengthening processes and seeing an overall upliftment of quality standards. With this product mix, we have also articulated a strategy to strengthen the doctor mix to compliment this strategy. This can be well observed in the fact that our operating profit this year has shown a growth of 87% compared to 2012, which is a direct contribution to our current product mix.

Quality being an overarching tenet and underlying ethos in the entirety of our hospital was well rewarded this year with the Asian Productivity Organisation's GPEA. However, while this is the culmination of this focus, since inception, quality has remained ingrained in each of our decisions, processes, systems and impacts. Quality is an evolution and in creating the benchmarks that we have, the focus has been looking both inward and outward so that the ultimate beneficiary is the patient, the competitive edge this emphasis on quality will bring to the country and in ultimately positioning Sri Lanka as a hub for medical tourism. Add service excellence into our unique brand of quality and we continue to raise the bar, given that it is an ongoing process needing continuous focus.

Similarly, ground breaking technology being used at Lanka Hospitals enhances our medical superiority. This year, the implementation of the Hospital Information System (HIS) was completed, adding a definite edge to efficiency and productivity. The HIS will now add a number of value

additions to the existing functions as well as add new ones including comprehensive detailed billing, better processes in patient registration by initiating electronic medical records currently in use for outpatients and will be extended to in-patients next year. Text messaging is also being used for information dissemination. The salary module too will have added impetus with better governance and control procedures being added through the HIS. Another innovative initiative is the use of mobile devices by both patients and doctors, assisting the dissemination of patient information for accuracy and better comprehension.

A Knowledge Hub of Excellence

Our status as a corporate leader not only in the healthcare industry but also in corporate stewardship, adds immense responsibility on us to ensure that the country does aspire towards making Sri Lanka a medical hub. While having set benchmarks and become a role model to be emulated, we do believe strongly that we must share our knowledge and competency capabilities, if this ultimate vision can be achieved. Having created Centers of Excellence in a number of specialist competencies and in an overall context, created a hospital that is surely a mentor to others, we have now placed Lanka Hospitals as a knowledge hub in healthcare, another facet that showcases our medical superiority. This we do by maximising the capabilities at the School of Nursing, which now not only trains and develops personnel required for our hospital, but extends training and development for personnel required for the industry.

The School of Nursing, which follows the curriculum dictated by the Ministry of Health conducts both theory and practical training, while adding yet another value dimension to nursing care by espousing the emphatic role that compassionate care plays in the nursing profession. With the course conducted over three years, the practical training imparted is comprehensive, based on simulation models in customised demonstration rooms. This is complimented via on the job practical clinical training within the hospital, including proactive training in specialised departments, where interaction with patients forms an integral facet to the training process. Headed by a Nursing Principal who is both foreign and locally qualified with support extended by four full time ably qualified nursing resource personnel, the Diploma in General Nursing issued by Lanka Hospitals is a qualification of repute within the healthcare industry both in Sri Lanka and abroad. Specialised training programmes are also conducted at the Lanka Hospitals Medical Training Center.

Another feature in our training programmes is the emphasis on quality, which was well augmented when the Hospital conducted international training programmes under the Asia-Africa Knowledge Co-creation Programme which focused on TQM healthcare services. It is apparent that professional and academic institutions are enthusiastic on emulating our quality systems which, with the hospital being declared a Centre of Excellence in Quality, well documented through the various accolades we have received, is able to impart such quality training with no compromise. We now support not only the Government and District hospitals in imparting this TQM curricula among medical professionals, but also have the Navy Hospital and the Ministry of Health coming to us for training, enabling them to maximise exposure in TQM and allied programmes.

Our commitment to sharing our knowledge ingrained within the triad of distinctive quality, proven excellence and superior care is taken further in national and international healthcare institutions. Lanka Hospitals, as a Knowledge Hub, creates awareness and shares our knowledge with numerous institutions in our bid to continue raising the bar at industry level.

Patient Safety Remains Paramount

One of the most significant focal points this year was in augmenting our processes and systems in patient safety, further strengthening the need for accountability, ownership and transparency. Six main areas that pertain to patient safety were identified, namely correct patient identification, effective communication, reduction of falls, infection control, correct site-correct procedure-correct patient surgery and safety of high alert medication.

Given the large numbers of patients being treated at any hospital, errors in identification can occur leading to drastic consequences. It is imperative therefore that patients are identified correctly and this identification must be unambiguous, clear and lucid, given that this is the initial information used for diagnosis and care. Patients at Lanka Hospitals now wear ID bands denoting name and unique registration number which become the central checking tool for every procedure or directive administered, with this process also further honing in on pain levels, allergies and fall risks denoted through alert stickers or special ID bands. To ensure correct identification of patients, the registration of patients was extended to out patient settings as well as this gives Consultants complete access to past and present patient history in both inpatient and out patient areas, making the care provided safer and more effective.

Communication among caregivers too is imperative, ensuring that no ambiguity prevails in issuing instructions to guarantee optimum care. The directives issued must be comprehensible, timely and actionable. Errors caused due to miscommunication, including wrong dosage or drugs, inaction to panic values and delayed reporting could cause debilitating outcomes. Important policies were introduced to reduce verbal instructions which could sometimes cause confusion or error. A read back mechanism is employed for verbal/telephone communication where verbal orders are issued in emergencies or when the consultant is involved in a procedure and if the consultant or doctor is not physically present on location. All panic values originating from the laboratory and radiology diagnostics are recorded at a uniform location for caregivers to take quick action. Both identification and communication are crucial especially in the handover of patient care between different caregivers and between different care locations and hence these mechanism strengthen communication channels, leaving no room for diversion. Also, all our laboratories and diagnostic venues have been instructed to be clear on panic values, communicating these to the right people at the right time.

Patient falls too tend to be minimally reported due to fallouts that may occur to the caregiver. This however has been turned around drastically as it is now imperative that patient falls are reported and a monitoring procedure supported by a comprehensive Fall Risk Assessment is well in place. This encourages team members to not only to have increased awareness of fall risks, but also to report falls that may occur, reaching towards a zero-fall environment within the hospital.

There are three types of high alert medications, namely narcotics which can be abused and pose high risk to patient safety in hospitals and hence requires absolute monitoring and control. LASA (Look Alike or Sound Alike) medications which require good knowledge for identification, and concentrated Electrolytes which need specialised dilution procedures as it is fatal if misused. Therefore, to minimise the probability of therapeutic duplication and unintentional administration of wrong doses/concentrations/drugs and in minimising abuse, Lanka Hospitals imposes different barrier levels designed to alert errors through new standards in prescription writing, drug storage and administration as well as the purchase of drugs to the hospital. The establishment of the Pharmacy and Therapeutics Committee, publishing of the Lanka Hospitals In Patient Drug Formulary and initiating of prescription audits have augmented this process and improved medication management and use. Also, all these medications are kept within stringent security environments to limit access to unauthorised personnel.

Management Discussion & Analysis Contd.

The Safe Surgical Checklist introduced by the World Health Organisation in a bid to reduce wrong site/wrong patient/wrong procedure surgeries around the world has been adopted at Lanka Hospitals for all invasive procedures. Healthcare associated infections create an entirely different dimension to patient safety in a hospital, causing severe patient harm, financial burden and mental trauma. We have now embarked on a continuous monitoring of infection rates as introduced by the World Health Organisation Standards for Hand Hygiene, in addition to implementing procedures for the correct use of prophylactic and other antibiotic usage to lay the foundation for a stringent infection control framework.

All these are well complimented with a comprehensive Incident Review and Reporting System which bring the onus on every staff member of the team to be responsible in reporting any incident that jeopardises the safety of those within the hospital. Incident Reports are brought to the notice of the Patient Safety committee who sit each month, tasked with reviewing the incidents and in introducing solutions and policies to assuage any further repetitions.

The safety codes which are introduced and practiced in real-time practice drills greatly uplift the staff's ability to respond to varied emergencies and disasters. Much emphasis has been placed on fire evacuation, cardiac arrest and child abduction in addition to other external and internal disaster situations. An impressive framework has been implemented to train the Hospital's team on basic life support, while other relevant team members undergo training on Advanced Cardiac Life Support, both as stipulated by the American Heart Association. Neonatal Advanced Life Support and Paediatric Advanced Life Support training is also underway.

Performance Gains Momentum

Fertility Centre

Established at an investment of Rs 30 Mn, our Fertility Center is positioned as a Centre of Excellence, equipped with state of the art technologically advanced equipment and offering myriad fertility procedures, some for the first time in Sri Lanka. The wide ranging services offered by the Centre includes IUI, IVF/ICSI, Testicular Sperm Aspiration Technique, Embryo Vitrification and Frozen Embryo Transfer, also has the latest technology for Assisted Reproduction Techniques.

One of the biggest milestones celebrated this year is the birth of the 600th IVF (In-vitro Fertilisation) baby in December, in addition to having 125 pregnancies at the time. This crowns us with the enviable status of being the most successful

fertility centre in Sri Lanka with our 43% success rate in COH IVF cycles and being on par with the best IVF centres in the world. A pioneering procedure in Sri Lanka was the Embryo Cryo-preservation, or Vitrification, which enhances the success rates of frozen embryo implantation.

Kidney Care Centre

Yet another Centre of Excellence, our Kidney Care Centre at Lanka Hospitals notched notable achievements this year including performing 99 kidney transplants, 11,470 dialysis, 13 Laproscopic Donor Nephrectomies and the highest number of Donor Nephrectomies conducted by any private healthcare hospital in 2013. Offering comprehensive and specialised care for kidney disease and renal related problems that may eventually lead to transplantation, the Centre is a recognised leader in renal care providing a spectrum of services ranging from dialysis to kidney transplantation, 24 hour haemodialysis services, peritoneal dialysis services, CRRT services, live and cadaveric kidney transplantation.

The Centre holds the laurel of having conducted more transplants than any other private healthcare provider in Sri Lanka. Focused on performing more cadaveric and pediatric transplants, the Hospital houses a unique combination of specialist teams comprising some of the best and most respected nephrologists and surgeons in the country. The Kidney Transplant Unit has six teams performing transplants regularly for both pediatric and adult kidney transplants, with the expert ability to perform Laproscopic Donor Nephrectomies with the tiniest of incisions. A dedicated transplant ICU adds to the superior care culture, augmented by the presence of specialised doctors and support teams available 24/7.

Heart Centre

Having notched some significant milestones within the healthcare industry in Sri Lanka, the Heart Centre is a Centre of Excellence and has earned the reputation of cutting edge cardio-thoracic care in Sri Lanka, on par with global standards. Manned by the finest internationally trained professionals, the thoracic keyhole surgery performed at the Centre is not available at any other hospital in Sri Lanka. We are also the first and only cardiac care facility in Sri Lanka to launch the state of the art Allura Xper FD10 Flat Panel Cath Lab with the latest technology. This is the only facility with capabilities of performing all complicated heart surgical procedures on both children and adults and has the honour of being the only hospital to have performed cardiac surgery on a 7 year old and 77 year old on the same day. Having seen a 17% increase in angiography, 26% growth

in angioplasty and 28% incline in valve and congenital and thoracic cases compared to 2012, the Centre is renowned for minimally invasive valve procedures, beating heart surgery, Video Assisted Thoracoscopy Surgery (VATS) or minimal access thoracic surgery, chest wall re-section and sleeve re-section. Experts in coronary artery bypass graft, Hypertrophy Cardiomyopathy (HOCM), interventional cardio-logical procedures, stent placements, device closure, valvuloplasty, pacemaker placement and implantable cardio-defibrillators for abnormal heart rhythms, the Centre has also gained repute for Cardiac Total Revascularisation, Aortic Dissection, Valve/ Arterial Switch Procedures, Atrial Septal Defect (ASD) and Tetralogy of Fallot (TOF).

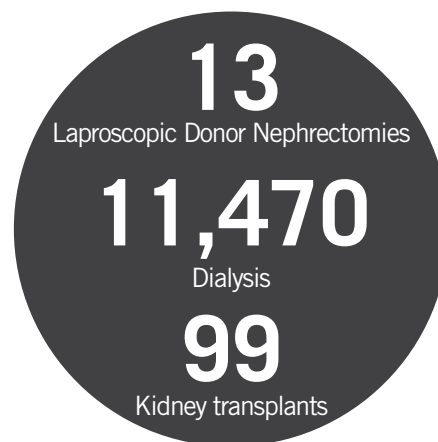
These include highly complex procedures requiring the input of the latest equipment, technology and specialist teams comprising both international and Sri Lankan cardiac care teams, the only hospital to possess a unique combination of Sri Lankan cardiac surgeons operating in collaboration with foreign cardiac surgeons. The team at the Centre comprises cardio-thoracic surgeons, paediatric surgeons, adult and paediatric cardiologists, an in-house cardiac anaesthesiologist, a highly trained clinical perfusionist, all supported by a well trained and professional cardiac nursing team. A dedicated cardiac surgical operating theatre, a fully equipped Cath Lab and a Blood Bank with facilities to conduct emergency angiograms and coronary angioplasty is also in place.

Surgical Department

Yet another successive department that has continually proven itself, our surgical department performed, as mentioned 9,000 surgeries this year including the highest number of spinal procedures of 420 in any private hospital. Average theatre utilisation ratio was maintained at 54% with an average increase of 170 hours of surgery per month. The SICU has averaged in excess of 63% bed occupancy, the highest since inception, which is also attributed to the expansion of surgical packages and the product mix of absolute affordability. Using this unique formula, the surgical department excelled in pre/ intra/post operative care gaining the confidence of visiting surgeons, prompting a pragmatic shift to major surgical procedures in liver, neuro and vascular. A unique combination of visiting and resident surgeons optimise the use of the theatres, while the 24/7 call roster for all major sub-specialties with 24 hour anaesthetists' cover is available.

All these signaled significant volume growth in surgical sub-specialties. YoY growth of 60% was seen in Obstetrics & Gynaecology, 30% in Vascular Surgery, 23% in General Surgery, 20% in Plastic Surgery and 15% in ENT. Given

► One of the biggest milestones celebrated this year is the birth of the 600th IVF (In-vitro Fertilisation) baby in December...



that our patient profile spans all ages from paediatric to geriatric, (one of the few healthcare providers to do so), with our specialisation in procedures from conventional to minimal invasive to complex procedures, also places us at the zenith in private healthcare. This saw us offer over fifty pre-designed surgical packages applicable to over 80% of the procedures performed, based primarily on affordability, but with distinctive quality and superior care being the overarching tenet.

Another unique feature introduced this year was the launch of fixed tariffs for surgical packages, enabling customers to gain knowledge of the cost of expenditure of surgical procedures performed at the Hospital. Patients thus know the entire cost of a procedure, long before admission, creating a new culture in the entire healthcare sphere, which places customer rights and interests ahead of those of healthcare providers.

Capacity expansion too continued as planned with 8B and 8C wings increasing room capacity with the addition of 12 deluxe rooms, 11 super deluxe rooms and three high dependency beds. We also commissioned the new General Operation Theatre which is a state of the art theatre for neuro-surgical procedures equipped with the latest 3D C Arm, another accolade which notches our medical superiority, given that it is the world's latest neuro-navigation system and the country's first 3D C Arm for diagnostic imaging.

Management Discussion & Analysis Contd.

Gastroenterology

Equipped with the latest high definition narrow band imaging scopes, implementing a range of diagnostic and therapeutic procedures, the Gastroenterology Department is a self-contained unit specialising in the diagnosis and treatment of gastro-intestinal hepatology disorders. The unit is headed by a team of consultant gastroenterologists and surgeons including some of the most eminent gastroenterologists in the country. The year saw the unit commence the process of sourcing yet another fully fledged HD Endoscopy Unit and the construction of Sri Lanka's most modern GI Centre.

Lanka Hospitals became the first major city hospital to have a dedicated unit to perform capsule endoscopies and argon plasma coagulation with intra operative accessories, which is considered the gold therapy in gastric ulcer bleeding and procedure related bleeding, which is not available at any other private sector hospital. Due to these visionary initiatives, the unit posted volume growth of 28% YoY and revenue growth in excess of 30%. This unit currently offers Upper Gastro-Intestinal Endoscopy, Colonoscopy, Bronchoscopy, Argon Plasma Coagulation, Capsule Endoscopy, ERCP, Variceal Banding, Hemorrhoid Therapy, Endotherapy and all biopsy procedures.

Emergency Services

Manned by a highly trained and qualified team of doctors and nurses to attend to walk-in patients and ambulance evacuees, the 24 hour emergency services the hospital offers is a critical catalyst in support services to both clinical and medical services. 24 hour on-call specialists and a dedicated mini-theatre for minor surgery is also available, while this year, the hospital placed a further number of ACLS trained emergency doctors into the unit.

Two brand new ambulances were added to the modern fleet of four ambulances with state-of-the-art facilities to transport critically ill patients, supported by a nationwide ambulance pick up service and 24 hour air ambulance service. Lanka Hospitals is also the only hospital to be equipped with a helipad for ease of critically ill patients being airlifted.

A 24 hour emergency triage system was launched this year, based at the emergency entrance and manned by a trained nursing officer, who categorises patients into different levels of care at the emergency treatment unit, depending on the severity of the patient condition. These conditions are demarcated into red, yellow and green zones for better identification and early care for the most needed. A separate

isolation room was also established for the treatment of infectious diseases. A 9% increase was seen in revenue, while ambulance pick ups increased by 33%, reflecting the positive reputation that has been established by Lanka Hospitals in the sphere of emergency care.

Radiology & Imaging Sciences

Operating a fully fledged imaging unit functioning 24/7 manned by both local and foreign radiologists, the unit is equipped with state of the art imaging equipment including Magnetic Resonance Imaging (MRI), Computed Tomography (CT) and ultra-sound scans including 4D ultrasound technology. A 15% increase was posted in ultra sound scans this year, while a 10% increase was seen in x-rays and 11% increase in radiology revenue over 2012. The year also saw the commissioning of a new Fluoroscopy machine which constrasts x-ray studies for Urology, Gastrointestinal and Gynecology.

Mother & Baby Care Centre

A significant accolade was received this year when the unit received the Lanka Hospitals Quality Award for having performed error free operations for a long period of time and promoting safe motherhood. The centre achieved the highest number of deliveries of 204, which is a record in a single month, in October this year.

Specialising from conception, through pregnancy and delivery, to post-natal and pediatric treatment, the Centre prides itself on having some of the most qualified consultant gynaecologists, obstetricians and paediatricians. Value additions at the Centre include a play centre, dedicated OPD for Obstetrics & Gynaecology and paediatrics and a dedicated mother and baby ward customised for birthing and bonding until the early stages of post natal recovery.

Dental Clinic

Having seen a 54% increase in dental surgery this year and a remarkable increase in cosmetic surgery, the clinic introduced a team of OMF (Oral Facial Maxillary) Surgeons and a Consultant Restorative Dentist to perform complex procedures in anatomical areas of the mouth, jaw, face and associated structures. With the clinic providing preventive, cosmetic, prosthetic and periodontal dentistry and also performing more complex oral surgeries, the Clinic is one of the few centres in Sri Lanka to possess the full spectrum of diagnostic techniques including Orthopantomogram (OPG), a panoramic scanning dental X-ray that facilitates a complete 180 degree view of the upper and lower jaw.



Headed by a team of foreign and local full time and visiting dental experts specialising in implant, aesthetic and reconstructive dentistry, we also have among our team are Prosthodontists, who are specialists in oral prostheses and restorations. Preventive dentistry for children is also offered in our specialty of paediatric dentistry.

Eye Clinic

A dedicated team of local and foreign consultant ophthalmologists, highly trained nurses and access to the most up-to-date technology, makes ours the only private eye clinic in Sri Lanka to offer a complete range of services in a central location. Having opened the fourth eye consultation room with the latest in slit lamps and other support implements, spearheaded by more consultant eye surgeons joining the fray, the Clinic also introduced new surgical packages for cataract surgery this year. We also perform laser treatment and are equipped for 24/7 emergency treatment as well.

ENT Centre

Having broken ground through many complex ENT procedures, this Centre saw a 15% increase in surgery given the ample support and backup that is prevalent within. It is pertinent to note that in 2010, it was this Centre that

pioneered the bilateral cochlear implant, with the patient receiving cochlear implants in both ears through simultaneous surgery. The Centre is well equipped with state of the art equipment spearheaded by local and foreign resident consultant surgeons working around the clock.

Nuclear Medicine Centre

It is we who pioneered Nuclear Medicine imaging among the private sector healthcare providers in Sri Lanka, being equipped with the state of- the-art Dual Detector Gamma Camera (SIEMENS-E Cam), the first and only in Sri Lanka, it is also laudable that the Centre completed 600 Myocardial perfusion studies in September, another first for Sri Lanka. More firsts for Sri Lanka were notched this year when the Centre completed 27 Tc99m Sestamibi Parathyroid scans, having now completed 150 such scans in 2013. Yet another first was that we completed the highest of 3,000 radio iodine whole body scans in January 2013 and 5,000 renograms in March 2013.

We remain the only private healthcare service provider in Sri Lanka to offer Nuclear Medicine for diagnostic, therapeutic and preventive care. This very capital intensive Nuclear Medicine Centre was established with the primary aim of facilitating access to stakeholders within various demographics, giving them the availability of this specialty of medical imaging and therapy using radio isotopes.

Health Check

Having seen the impacts that the increasing sedentary lifestyle and germane effects are having on the general population, Lanka Hospitals commissioned a Health Check Clinic offering a range of health screenings, to promote a proactive lifestyle choice for the early detection of critical diseases. These health checks can be obtained either at the hospital or through mobile services, which on request can be located at various points.

Services on offer include a diabetic follow up investigation, healthy living package, cancer screening, children's health screening, diabetic check, executive heart check, pre-marital screening as well as a screening package for senior citizens, stroke prevention health check, well woman check, whole body check and renal donor screening package.

There has been a 9% increase in the number of standard health checkups, while corporate health checkups have seen a phenomenal increase of 131%, all prompting a healthy revenue increase of 42%.

Management Discussion & Analysis Contd.

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The year also saw the introduction of a medical screening package for schools aimed at students involved in sport conducted by a consultant cardiologist and consultant sports medicine physicians. In our bid to increase the share of medical tourism, new health check ups were also introduced for foreign clientele, which saw an influx of visitors from the Seychelles. We have been selected as the primary medical screening centre for candidates selected for employment in Korea by the Sri Lanka Foreign Employment Bureau.

Laboratory Services

The only ISO 15189 accredited medical laboratory in Sri Lanka, the superiority seen in the the levels of quality is well evidenced with this certification, which is also assessed by the Sri Lanka Accreditation Board. Our laboratory is extremely stringent on maintaining quality standards which also includes internal controls and measures ably supported by external quality assurance programmes in clinical laboratory testing from RIQAS UK, National STD/AIDS control programs, National Blood Transfusion services, Bacteriology EQAS programmes of MRI, Inter Laboratory comparisons and PT through the Sri Lanka Accreditation Board.

While this has set the blueprint for the 15% revenue we have achieved this year, our biggest milestone has been in inking the MOU with SRL India, Asia's largest laboratory network and a leader in laboratory services for the commission of a referral laboratory, the first of its kind in Sri Lanka. Having always been an entity that seeks opportunities based on emerging paradigms as seen in the industry outlook detailed at the beginning of this MD&A, the state of the art referral laboratory services heralds a new business model for laboratory and diagnostic services not only for us, but for Sri Lanka as well.

We intend introducing new diagnostic specialisations designed to further develop standard procedures, which will comply with requirements and recommendations of the College of American Pathology. This will see the laboratory notch yet another first in Sri Lanka, being the first to be CAP accredited as well. There will be over 500 new tests introduced into the laboratory's testing milieu in Sri Lanka. This will undoubtedly

add to Lanka Hospitals' ability to further penetrate the market both in an urban and rural context through the comprehensive network of over 200 laboratories which will soon be a part of our network. Seven new departments will also be commissioned, namely Molecular Biology, New Born Screening, Allergy, Liquid Cytology, Flow Cytometry, Cytogenesis and HLA Typing, thus enhancing the quality of medical care we impart and shortening the diagnosis time in critical illnesses.

A Team Destined to Conquer

We do recognise, honour and respect the integral role our team plays in placing us at the zenith of healthcare in this country. They have not only positioned us at the top in Sri Lanka, but have also helped us don the laurel of being the best in this region, now vying for top place now in the world. It is this team that continues to raise the bar, encouraging each other to set benchmarks, reach it and then move upwards and outwards. However, none of this would be possible if our team in itself is not equipped with the apt skills, knowledge and tools to position ourselves against the best in the world. Having now proven that we are undoubtedly the preferred healthcare provider in Sri Lanka and having begun attracting foreign clientele who will surely position us a preferred medical provider in Asia, our Team is now being developed to meet the competitive goals that are bound to emerge.

This year has been one in which we emphatically worked on developing employee competencies, beginning with a comprehensive Competency Assessment spanning all job cadres, enabling the identification of existing training gaps which were quickly bridged through training and development programmes.

Medical team members continued their training on each specialty, while BLS (Basic Life Support) training was conducted across the Hospital, given that it remains a vital feature in our brand of superior care. BLS training was conducted by our qualified in-house trainers and final certification presented after a practical and written

examination. Currently, about 50% of the team have gained certification, with 2014 seeing the balance being certified on completion of the training.

Lanka Hospitals also conducted training on Disaster Management & Fire Training and Employee Rights & Patients' Rights, with it being compulsory that all information is disseminated to the team, clearly and comprehensibly.

The total training programmes conducted for the year were 232, accounting for a total of 30,975 training hours, further augmented by outbound training programmes to inculcate team spirit, unity and leadership. This is further encouraged through extracurricular sporting activities organised in collaboration with the Wellness Club, where annual Sports Carnivals bring together the entire team ranging from marathons to netball, concluding with a talent show.

In addition, to continue seeing an upward trajectory in employee satisfaction levels, we hone policies and Standard Operating Procedures, which includes numerous benefit schemes such as the leave encashment scheme, new performance initiative and mobile phone policy.

Good work-life balance remains crucial to the well being of our team and we are also enthusiastic about spiritual welfare, which encourages team members to participate in religious activities held throughout the year. The Hospital funded numerous such activities, which it deems must be held monthly to maximise the impact it would have on our team's spiritual well being. Pirith ceremonies, Dahadesum and mass as well as Muslim and Hindu ceremonies were held, while this year also saw a Peduru Party organised for the first time, bringing together all levels of the team, including the Directors.

Taking our Brand of Excellence Beyond

We have continued to build and strengthen Lanka Hospitals on our unique brand of excellence on the three pillared foundation which has surely brought in phenomenal results. However, our recipe for success does not tolerate complacency and the next year will see us focusing on strengthening the base to develop our international clientele. Having seen the rising numbers of international patients now seeking our care, we do know that we are creating a favourable reputation among this segment as a reputed quality conscious hospital of practicing world class standards. We have also analysed

our regional competition who do tap into this market and know full well that our standards of infrastructure, specialty, quality and unique care are comparable or even better, proven unconditionally by the global kudos we have received. We stand in good stead to further grow this clientele base, which would also add fillip to the country's goal of making Sri Lanka a medical hub and forming a nucleus for medical tourism in the region. Armed with the JCI certification we will be conferred with next year, we will begin aggressively marketing Lanka Hospitals as a hub in medical tourism in South Asia.

Hence, our priority for 2014 will be to complete the JCI, while in tandem, capacity expansion plans too will get underway. This includes the establishment of some new departments designed to have advantageous impacts on diagnoses, all vital for the strategic direction we have mapped out for ourselves. One of our biggest projects is in strengthening our foreign partnerships where we intend to expand our laboratory services with intent on having a more comprehensive diagnostics purview. We have seen an immense gap in the specialised testing space and will next year, be establishing Sri Lanka's first referral laboratory using the knowledge and technical transfer capabilities of one of Asia's largest laboratory networks, SRL India. We intend this laboratory to be the first CAP (College of American Pathology) accredited laboratory in Sri Lanka. This will see an introduction of at least five hundred new tests into the testing sphere, in addition to a more technologically and technically sound testing being introduced for other laboratory services being implemented in Sri Lanka.

Based on our vision to be the foremost and preferred private healthcare facility in the country, serving the nation to build a healthier community, it is more than apparent that we are now poised for higher realms. We have proved that we are the foremost and preferred private healthcare facility in Sri Lanka given our quantitative and qualitative results this year, with a performance that far surpasses average industry indicators and a brand of quality, care and excellence that is unmistakably unique.

We are moving on, looking at horizons beyond the shores of our island, with a vision to being the catalyst in making Sri Lanka a medical hub, where medical knowledge, technology, infrastructure and quality of care will continue to surpass standards of excellence, but all within a strong focus on affordability.

Corporate Social Responsibility

As one of the foremost players in the country's healthcare sector, Lanka Hospitals considers it a responsibility to proactively promote good health among the community. We believe that by promoting behavioural changes to instill better health, we ensure a thriving productive community which in turn, has a positive socio-economic impact on the country. Our very proposition is a socially responsible one – the provision of superior quality healthcare at an affordable price to the thousands of patients and their families who seek our assistance every day. Community-consciousness and sustainability are therefore integral to our business. In addition, we undertook a series of socially responsible initiatives during the year to promote health and awareness among the community. It must be noted that many of our projects have been ongoing for a number of years, reflecting our long-term commitment to engage with these communities:

Energy Efficiency

With climate change taking on proportions of cataclysmic impact prompting severe consequences to human health, safety and well being, it is imperative that the healthcare sector embraces the need for a call to action, taking responsibility to play a more impactful role in climate change mitigation. The healthcare industry in itself, globally, ranks second in energy consumption, with hospitals expending approximately twice the total energy per square foot as conventional corporate offices, given the intensive nature of the sector and the continuous operational hours. In Sri Lanka, no quantifiable analysis has been conducted to collate energy consumption in the healthcare sector, although Lanka Hospitals, being aware of the need for greater emphasis on energy efficiency, has been implementing strategies that would ultimately reduce energy consumption and thereby our carbon footprint.

Having already gained insight to the overall energy consumption paradigms within the hospital, based on the monitoring process and results obtained in 2012 through the establishment of our Emergency Management System, we now possess an EMS that is well ingrained into the psyche of the entire team. Championed by the Energy Steering Committee comprising members of the management, there were specified phases of the EMS that were implemented in 2013. This was well supported through intensive training

and development on energy management cascaded to all team members, conducted in collaboration with the Sri Lanka Energy Managers' Association and Sri Lanka Sustainable Energy Authority.

Another achievement this year was the completion of the energy audit, during the first quarter of the financial year, which also led the way to pursuing the recommendations and options within the energy audit report, for a better energy management culture.

We also initiated the collation of energy related data from electrical sub meters. This data was infused into a comprehensive reporting system which enables the measurement and forecast of our energy consumption in various scenarios.

While these initiatives have succeeded in prompting a tangible reduction in energy consumption, we also remain well aware that we must continue adding, improving and developing upon the processes already in place to continue maximising the advantages of the EMS and ultimately trigger much more positive qualitative and quantitative results to advantageously impact our carbon footprint.

Infection Control Plan & Strategies

The challenging path of obtaining the Joint Commission International Accreditation (JCIA) is now almost complete but it will also place Lanka Hospitals at the pinnacle of distinctive quality and superior care given that it is an accreditation that only 141 other hospitals in 27 countries worldwide has achieved. This surely proves our excellence and our commitment to continuously raising the bar, in not only adopting international standards of healthcare but also in inculcating a culture of absolute conformance to controlling infection rates associated with healthcare. This focus on minimising infection and following good infection control practices is well augmented through the 1,300 audit parameters mandated with JICA.

The Infection Control Plan at Lanka Hospitals has three primary goals; firstly to reduce the risk of healthcare associated infection to the patient; secondly to protect the healthcare worker and other visitors to the hospital from potentially infectious agents and thirdly to reduce the overall

hospital mortality and associated expenditure. Infection prevention and control strategies are spearheaded by the Infection Control Team and the Infection Control Committee, under the aegis of the management.

We stringently practice all activities on WHO Guidelines. These include recommended guidelines on Hand Hygiene, ongoing activities on blood and body fluid safety, safer clinical practices especially those involving devices, equipment and work environment safety, healthcare worker safety through immunisation and infectious patient management, proper linen management, waste management, surveillance of hospital practices by regular audits and activities supplemented by continued medical education of the staff.

Hospital Associated Infection (HAI) rates on surgical site infections, catheter related blood stream infections and urinary tract infections, as well as ventilator-associated pneumonia are monitored through continuous and ongoing data collection and analysis. These results are shared with the Infection Control Committee membership and subsequently used for necessary planning and implementation of corrective action.

The Central Sterile Supply Department (CSSD), operating theatres, dialysis unit, endoscopy unit, Blood Bank, In-vitro Fertilisation unit, laundry, mortuary, hospital ambulances and food and water supplies are routinely subjected to surveillance and audits with a view to correcting any shortcomings. Domestic cleaning practices are strengthened through frequent checks and constant education and awareness being cascaded to housekeeping.

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

Hospital waste management is the responsibility of all hospital personnel. Hospital waste consists of hazardous and non-hazardous waste generated in different departments of the hospital. All waste is segregated at the point of generation, before disposal. Waste segregation is amply supported by the hospital waste management colour code, which is based on the colour codes approved by the Ministry of Health.

Tracking, documenting and reporting all 'notifiable diseases' to the Regional Director of Health is also implemented stringently. This not only serves to protect in-patients and staff, but also the general public.

It is compulsory for all staff to receive Hepatitis B immunisation based on Occupational, Health & Safety Standards prevalent in the hospital. All teams involved in healthcare are also safeguarded against blood and body-fluid transmitted pathogens. The 'Policy on Needle Stick Injury and Exposure to Blood and Body Fluids' is prepared and practiced with a view to protecting staff from these harmful pathogens.

Medical camp and a Dengue Awareness Campaign for Nagasena Maha Vidyalaya, Moratuwa

The frequent dengue outbreaks and the high risk associated with the spread of dengue can only be controlled through the awareness and interventions of the general public. As such, this year too we organised a dengue awareness programme and medical camp which took place at Sri Parakrama Bahu Vidyalaya in Narahenpita. The programme engaged over 80 students and 10 teachers who were subjected to medical checkups and health checks, respectively. The programme included a medical talk on dengue by a medical doctor as well as the distribution of leaflets and posters containing vital information and tips on dengue and its prevention. The programme was undertaken in association with the Lanka Hospitals Wellness Club which donated a computer for the benefit of the school children.



Corporate Social Responsibility Contd.

Medical camp and a Dengue Awareness campaign at the Defence Housing Scheme, Dematagoda

In collaboration with the Ministry of Defence, we undertook a dengue awareness programme and a medical camp at the Defence Housing Scheme in Dematagoda. The programme, which had 600 participants, involved medical check-ups and a medical talk by a medical doctor in both Sinhala and Tamil as well as the distribution of leaflets and posters on dengue, in the area.

Dengue awareness programme with Mother Sri Lanka
We continued our partnership with 'Mother Sri Lanka' to create awareness of dengue, distributing over 5000 informative dengue awareness brochures and 2000 posters among outstation schools. Mother Sri Lanka is a public-private-NGO partnership which, under the leadership of the President's Office, brings together diverse perspectives to drive change and inclusiveness within the community. Lanka Hospitals supported Mother Sri Lanka's workshops on dengue and also sponsored the final award ceremony of the programme.

Educational Sessions on Diabetes and Medical Camp for General Public

The rise of Diabetes in Sri Lanka has necessitated urgent action to create awareness of the disease, and in commemoration of 'World Diabetes Day', Lanka Hospitals organised educational sessions and a free medical camp for the general public. The check up included diabetes-related health indicators such as BMI, RBS and vision checks while participants were also offered a special discount when purchasing glucometers.

Promoting a Healthy Workforce

Lanka Hospitals was chosen as the preferred partner to carry out medical camps at leading public and private companies such as Virtusa, Nestle Lanka and Sri Lanka Fisheries and Harbour Corporation. The medical check ups carried out at the camps included obtaining BMI and RBS readings, and a consultation with a medical doctor.



Parent Crafting Programme

Undertaken for the third successive year, the Parent Crafting Programme is a free monthly programme aimed at new parents and parents-to-be. This novel programme was created to help people prepare for their baby and imparts information from pre natal to post natal care of both the mother and baby, including practical technical aspects and psychological aspects.

The overall objective of the programme is changing the perceptions regarding parenthood and the role of each parent in the healthcare and development of the baby. It addresses attitudinal requirements, mother's health and nutritional awareness, physical exercise during and after pregnancy as well as the overall health and development of the baby. Participants have the opportunity to interact with gynaecologists and pediatricians.

The programme was held every last Sunday of the each month and saw the participation of over 185 parents in 2013.

60+ Elderly Care Programme

Demographic data indicates that Sri Lanka is moving towards a doubling of its ageing population over the next two decades as life expectancy increases with the growth in preventive and curative health services. The ageing population in Sri Lanka poses major socioeconomic impacts to the country, and has a heavy influence on the healthcare sector of the country.

Lanka Hospitals continued with its 60+ elderly care programme, which offers a special health check package to Senior Citizens in celebration of International Elders Day. The programme aims to prepare the community for the social, psychological and physical challenges of aging. The programme deals with the biological and physiological changes associated with ageing, the social and the consequent emotional changes. It explores critical areas related to ageing such as nutrition patterns, exercise regimes, medication, rest and sleep patterns as well the assessment of risk factors and their management especially in the areas of obesity, diabetes, arthritis, bone fracture and heart disease.

Risk Management

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

Lanka Hospitals has a robust Enterprise Risk Management (ERM) system which is being periodically reviewed and updated. This ERM has the capability to identify healthcare related risks and to manage them in an efficient manner. This includes the direction of the Board, availability of various sub committees, external consultation, accreditations and compliance, comprehensive policies and procedures and a conducive organisational culture. A mechanism is in place

for the staff to alert on any risk factor via various meetings and forums on a regular basis in addition to the formal risk identification process. The identified risk factors are evaluated by the management with the input of the Directors as well as external experts as necessary and an action plan is developed accordingly. The management is also taking steps to recognise and implement the best practices where ever possible. As the hospital is in a journey towards obtaining the JCIA accreditation, the JCIA guidelines and requirements are considered paramount in our ERM model.

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

Clinical Risk

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



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

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

- Patient safety
- Providing care and continuity of care
- Patient and family rights
- Assessment of patients
- Anesthesia and Surgical care
- Medication Management and Use
- Infection Control

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

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

Operational Risk

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

The following risks have been identified as operational risks;

- Utility and facility outage (A/C, air supply, electricity, water and other facilities)

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

Controls in place to address risks arising from above areas:

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

Financial Risk

- Risk of having gaps in Internal Control environment (Systems, Processes, and People) and corporate governance (Risk of fraud, malpractice, misuse, or theft of assets and resources of the Hospital).

Risk Management Contd.

- Risk of poor investment decisions, (invest in right technology and right areas that have potential for growth and profits) Investment concentration risk, investment strategy not in line with the corporate strategy.
- Risk of not selecting the best funding option for business requirements.

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

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

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

Reputation Risk

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

- Ensuring a seamless service at a 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.
- Ensuring transparency in decision making and the policies of the hospital.
- A stringent corporate branding and media policy to prevent unwarranted information circulation.
- A robust regulatory compliance policy.
- A stringent selection process of clinicians, staff, suppliers and corporate partners in order to ensure that the profiles and credentials of those parties are in line with the norms and values of the hospital.

Corporate Governance

1. The Corporate Governance Philosophy of Lanka Hospitals

Caring and curing is the life blood of Lanka Hospitals. We have cared, cured and changed the lives of countless patients over a decade by operating in a unique business model which is based on a three tier approach. The three tier model of Lanka Hospitals is consisting of distinctive quality, proven excellence, and superior care which are the guiding principles throughout its journey of success. The three tier model ensures that our success will be reflected not only in our financial performance but also in other non-financial dimensions by achieving a number of accolades in terms of superior quality.

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

We have nurtured a culture of integrity, fairness, accountability, transparency and consistency in all what we do to ensure that we are at forefront of our industry establishing high standards of health care.

Our approach to Corporate Governance is indeed effective and efficient and complies with the leading codes and guidelines to ensure long term results, a sustainable organisation, while fulfilling our promises to all our stakeholders. It signifies that it is the responsibility of the Board of Directors, Senior Management and all employees at large to uphold and act in the best interest of the company and its stakeholders in fulfilling its stewardship obligations.

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

2. Statement of Compliance

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

3. Code of Best Practice on Corporate Governance

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

- A. The Board of Directors
- B. Directors 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 are furnished as follows.

A. The Board of Directors

Composition of the Board and Attendance at Board Meetings

The Lanka Hospitals Board of Directors comprises of 11 Directors as at 31st December 2013. All the Directors are Non-Executive Directors and of which 7 Directors are Independent and 4 Directors are Non-Independent. As at the Date of the Annual Report the Board comprises of 11 all Non-Executive Directors, with 7 Independent and 4 Non-Independent Directors. Changes to the Board during the accounting period and the subsequent changes after the accounting period are more fully explained in the table 'composition of the Director Board' on page 69. The names of the Directors who held office during the accounting year and as at the date of the Annual Report and their profiles are set out on pages 26 to 33.

The Board met at regular intervals and conducted 11 Board meetings during the 12 month period from 1st January 2013 to 31st December 2013. Details of the attendance at Board Meetings are furnished on page 65.

Responsibilities of the Board

The Board of Directors are responsible for ensuring that the Hospital is placed in the right direction and acknowledge their responsibility to provide quality healthcare service.

Corporate Governance Contd.

Directors are equipped with a balance of skills and experience appropriate to run a profitable and high quality health care service.

Further the Board is responsible to;

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

Company Secretary

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

Chairman and Chief Executive Officer

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

Chairman's Role

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

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

Financial Acumen

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

Board Balance

There were 11 Directors of the company as at 31st December 2013 and all of them are Non- Executive Directors (NEDs). Out of these Non- Executive Directors 7 Directors are independent; i.e. those Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. This is well above the minimum requirement prescribed by this code which is two Non-Executive Directors or Non- Executive Directors equivalent to one third of the total number of NEDs, whichever is higher. Each Non- Executive Director has submitted a signed and dated declaration of his/her independence or non- independence against the specified criteria set out in the code.

Supply of Information

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

Disclosure of information in respect of Directors

The details of the Board of Directors are provided on page 69. Further the following information in relation to Directors is disclosed in the annual report.

The profiles of all Board members are provided on pages 26 to 33. Details of related party transactions are provided on pages 116 to 117.

The composition of the Board and Board Sub Committees, and attendance at Board Meetings are provided on pages 64 to 69.

B. Directors Remunerations

Remuneration Procedure

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

Remuneration Committee

The Company has set up a remuneration committee and its composition satisfies the requirements specified in this code. All members of the remuneration committee are Non- Executive Directors and out of which there are two Independent Non- Executive Directors and one Non-Independent, Non- Executive Director as at 20th December 2013. As at 31st December 2013 the committee comprises of two Independent Non-Executive Directors.

The members of the Remuneration Committee are as follows:

Name	Position	Directorship status
Mr Mohan De Alwis (Ceased to be serving on the Remuneration Committee on 20-12-2013)	Chairman	Non- Independent Non-Executive Director
Mrs Roshini Cabraal	Member	Independent Non-Executive Director

Name	Position	Directorship status
Dr Gamini Wickremasinghe (Appointed to the Remuneration Committee on 30-08-2013)	Member	Independent Non-Executive Director
Dr Nalaka Godahewa (ceased to be serving on the Remuneration Committee on 15-11-2013)	Member	Independent Non-Executive Director

Disclosure of Remuneration

Please refer the 'Remuneration Committee Report' on page 70 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 is provided in the proxy form, which is circulated to shareholders 15 working days prior to the AGM.

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

Major Transactions

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

Corporate Governance Contd.

D. Accountability and Audit

Financial Reporting

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

Please refer the "statement of the Directors" on page 78, setting out their responsibilities for the preparation and presentation of financial statements. And please refer page 81 for the "Auditors Report" setting out their reporting responsibilities.

The Management Discussion & Analysis, covering the strategic initiatives undertaken during the year, Company's performance against industry trends, and the future potential and market winning strategies is set out from pages 38 to 53.

Declaration by the Board on the going concern of the Business is furnished on page 77 of the Annual Report of the Board of Directors.

Internal Control

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

risks, and ensure that the financial information is reliable and accurate and further contribute to the prevention and detection of fraud.

Audit Committee

The Board needs to have a formal and transparent arrangement, in order to consider the selection and application of accounting policies, financial reporting, and internal control principles and to maintain an appropriate relationship with the hospital's External Auditor. For this purpose an Audit Committee has been established and it consists entirely of Independent Non- Executive Directors as at 31st December 2013.

The members of the Audit Committee are as follows:

Name	Position	Directorship status
Mrs. Roshini Cabraal	Chairperson	Independent Non-Executive Director
Professor Dayasiri Fernando	Member	Independent Non-Executive Director
Mr P A Lionel (Appointed to the Audit Committee on 12-12-2013)	Member	Independent Non-Executive Director
Dr Nalaka Godahewa (ceased to be serving on the Audit Committee on 15-11-2013)	Member	Independent Non-Executive Director

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

The Audit committee assists the Board in the preparation, presentation, and adequacy of disclosures in the financial statements according to the Sri Lanka Accounting Standards, and further ensures that the internal controls and risk management procedures of the hospital are adequate to meet the requirements of the Sri Lanka Auditing Standards. Audit Committee is responsible in making recommendations to the

Board pertaining to the appointment, re- appointment, and removal of External Auditors and approves their remuneration and terms of engagement. Further the Audit Committee is responsible to discuss the Audit plan, key audit issues, management responses, and the hospital's audited financial statements and quarterly financial statements.

Please refer page 79 for the Audit Committee Report.

Corporate Governance Disclosures

The Directors of the Hospital discloses the hospital's level of adherence to the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities and Exchange Commission (SEC) of Sri Lanka. This report from pages 61 to 69 serves that requirement.

E. Institutional Investors

Shareholder Voting

The Hospital maintains a continuous dialog 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 weight for matters relating to the governance arrangements, particularly relating to the structure and composition of the Board.

F. Other Investors

Investing/ Divesting Decision

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

Shareholder Voting

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

Directors 'Attendance at Meeting (From 1st January 2013- 31st December 2013)

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

Name of the Director	Number of Meetings	Attendance
Mr. Gotabaya Rajapaksa	11	9
Mrs. Roshini Cabraal	11	10
Mr. A. M. Mohan De Alwis – Ceased to be in the Board on 20/12/2013	11	10
Professor Dayasiri Fernando	11	10
Dr. Gamini Wickramasinghe	11	6
Mr. P. A. Lionel	11	9
Mr. Malvinder Mohan Singh	11	2
Mr. Shivinder Mohan Singh	11	1
Mr. Sunil Godhwani	11	0
Mr. Vishal Bali (Alternate Director to Mr. Malvinder Mohan Singh)	11	3
Dr K H C Daphne- (Alternate Director to Mr. Shivinder Mohan Singh) Mr. Balinder Singh Dhillon resigned on 06/03/2013 & appointed Dr Daphne.	9	0
Mr. Ramesh Krishnan – (Alternate Director to Mr. Sunil Godhwani) Mr R Krishan Resigned & Mr S Puri appointed on 17/9/2013	8	4
Dr. Bandula Wijesiriwardena	11	10
Dr. Nihal Jayathilaka	11	8
Dr. Kanishka Karunaratne – Appointed on 28/11/13	1	0
Dr. Nalaka Godahewa - Ceased to be in the Board on 15/11/2013	8	4

Corporate Governance Contd.

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

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1. (a)	Non- Executive Directors	Two or one third of the Directors, whichever is higher, should be Non- Executive Directors.	Complied with	There are 11 Directors as at 31 December 2013, and as at the date of the Annual Report. All these Directors in the board are Non- Executive Directors.
7.10.2. (a)	Independent Directors	Two or one third of Non- Executive Directors, whichever is higher, should be independent.	Complied with	The Board comprises of 7 Independent Non- Executive Directors as at 31st December 2013, and as at the Date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non- Executive Director should submit a declaration of independence/ Non- Independence in the prescribed format.	Complied with	All the Directors have submitted declaration of Independence/ Non- Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of independent Directors should be disclosed in the annual report.	Complied with	Please refer page 69 of this report
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Complied with	All the Independent Directors satisfy the “criteria of independence” as per rules on corporate governance
7.10.3.(c)	Disclosure relating to the Directors	A brief resume of each Director should be published in the annual report including the areas of expertise.	Complied with	Please refer pages 26 to 33 of this report
7.10.3.(d)	Disclosure relating to the Directors	Provide to the Exchange, a brief resume of any new Director appointed to the board.	Complied with	Brief resumes of all newly appointed Directors have been provided to the Colombo Stock Exchange
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer page 70 of this report

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.5 (a)	The composition of the Remuneration Committee	The Remuneration Committee shall comprise a minimum of two independent Non- Executive Directors or Non- Executive Directors, a majority of whom shall be Independent, whichever is higher.	Complied with	The Remuneration Committee comprises a majority of Independent Non Executive Directors at at 20th December 2013 and comprises of all Independent Non-Executive Directors as at 31st December 2013.
	Chairman of the Remuneration Committee	One Non- Executive Director shall be appointed as Chairman of the committee by the Board.	Complied with	Mr. Mohan De Alwis functioned as the Chairman of the Committee and he is a Non Executive Director in the Board. He ceased to be serving on the Remuneration Committee on 20th December 2013.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer /Director Medical Services and the fees of Directors.	Complied with	Please refer the Scope of the Remuneration Committee on page 70 of this report.
7.10.5 (c)		The annual report shall set out: The names of the Directors that comprise the Remuneration Committee. A statement of remuneration policy. Aggregate remuneration paid to Executive and Non- Executive Directors.	Complied with Complied with Complied with	Please refer page 70. Please refer page 70. Please refer page 70.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer pages 79 to 80.
7.10.6 (a)	Composition of the Audit Committee	The Audit Committee shall comprise a minimum of two independent Non- Executive Directors, or Non- Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with	The Audit Committee comprises of all Independent Non- Executive Directors.

Corporate Governance Contd.

Rule No.	Subject	Requirement	Compliance Status	Details
		One Non- Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Ms Roshini Cabraal is a Non-Executive Director in the Board.
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Complied with	Chief Executive Officer and Chief Financial Officer attend meetings by invitations.
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Complied with	Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka.
7.10.6 (b)		The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Complied with	Please refer the Audit Committee Report on pages 79 to 80.
7.10.6 (c)		The annual report shall set out:		
		The names of the Directors who comprises the Audit Committee.	Complied with	Please refer the Audit Committee Report on pages 79 to 80.
		The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Complied with	Please refer the Audit Committee Report on pages 79 to 80.
		A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Complied with	Please refer the Audit Committee Report on pages 79 to 80.

Composition of the Board of Directors

Composition As at 31st Dec 2013	
Name of the Director	Directorship Status
Mr. Gotabaya Rajapaksa	Independent Non Executive
Mrs. Roshini Cabraal	Independent Non Executive
Professor Dayasiri Fernando	Independent Non Executive
Dr. Gamini Wickramasinghe	Independent Non Executive
Mr. P. A. Lionel	Independent Non Executive
Mr. Malvinder Mohan Singh	Non- Independent Non Executive
Mr. Shivinder Mohan Singh	Non-Independent Non Executive
Dr. Sunil Godhwani	Non- Independent Non Executive
Mr. Vishal Bali	(Alternate Director to Mr Malvinder Mohan Singh)
Dr. K. H .C. Daphne	(Alternate Director to Mr Shivinder Mohan Singh)
Mr. Sandeep Puri	Alternate Director to Mr Sunil Godhwani
Dr. Bandula Wijesiriwardena	Non -Independent Non Executive
Dr. Nihal Jayathilaka	Independent Non Executive
Dr. N.L Kanishka Karunaratne	Independent Non Executive

Composition As at 21st March 2014 (Reporting Date)	
Name of the Director	Directorship Status
Mr. Gotabaya Rajapaksa	Independent Non Executive
Mrs. Roshini Cabraal	Independent Non Executive
Professor Dayasiri Fernando	Independent Non Executive
Dr. Gamini Wickramasinghe	Independent Non Executive
Mr. P. A. Lionel	Independent Non Executive
Mr. Malvinder Mohan Singh	Non- Independent Non Executive
Mr. Shivinder Mohan Singh	Non-Independent Non Executive
Dr. Sunil Godhwani	Non- Independent Non Executive
Mr. Vishal Bali	(Alternate Director to Mr Malvinder Mohan Singh)
Dr. Mr Daljith Singh	(Alternate Director to Mr Shivinder Mohan Singh)
Mr. Sandeep Puri	Alternate Director to Mr Sunil Godhwani
Dr. Bandula Wijesiriwardena	Non -Independent Non Executive
Dr. Nihal Jayathilaka	Independent Non Executive
Dr. N.L Kanishka Karunaratne	Independent Non Executive

Remuneration Committee Report

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

Dr. Gamini Wickramasinghe- Chairman (IND/NED)
Mrs. Roshini S. Cabraal - (IND/NED)
Mr. P. A. Lionel - (IND/NED)

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

Policy

The Hospital's remuneration policy aims to attract, motivate and retain management in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Hospital. A key objective of the committee is to ensure the risk in remuneration strategy, policy and arrangements is adequately considered and that processes are in place to control unhealthy risk-taking. It also ensures that the remuneration arrangements focus executives on achieving long-term business objectives and growth in shareholder wealth. The Hospital's remuneration framework for the CEO/DMS and Senior Management is designed to create and enhance value for all stakeholders and to ensure alignment between the short and long-term interests and its Senior Management.

Scope

The Committee reviews all significant changes in salary structures and terms and conditions relating to all staff at various levels of the organisation.

Under its terms of reference, the Remuneration Committee will assist the Board in its responsibility for setting remuneration policies in line with the entity's long-term interests.

The Committee recommends to the Board of Directors the recruitments, promotions, remuneration packages, annual increments and bonuses of the CEO/DMS and Senior Management. The basis of annual salary increments and the bonuses for all staff is also subjected to the scrutiny of the Remuneration Committee.

The CEO attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed. The Assistant General Manager – Human Resources, Chief Financial Officer and other members of the Executive Committee also attend the Remuneration Committee by invitation when necessary.

Fees

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

Meetings

The Committee met eight times during 2013. A report based on the minutes of the committee meetings is given by the Chairman of the committee to the Board and the minutes tabled at the Board meetings. At least two members of the Committee have attended each meeting held during the year.

Professional Advice

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

Resignations and new Appointments to the Committee

Mr. Mohan De Alwis (Chairman) and Dr Nalaka Godahewa have resigned from the Board of Directors and consequently from the Remuneration Committee during the year. The vacancies created by the resignations of the above two directors were filled by the appointment of Dr. Gamini Wickramasinghe (as the Chairman) and Mr. P. A. Lionel.

On behalf of the Committee:



Dr. Gamini Wickramasinghe
Chairman - Remuneration Committee

21 March 2014

Superior care

Through better technology,
world class medical expertise
and competitive pricing we
deliver superior care to every
patient we see.



Annual Report of the Board of Directors on the Affairs of the Company

1. General

The Directors of The Lanka Hospitals Corporation PLC(Company) have pleasure in presenting to the shareholders this Report together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended December 31, 2013 of the Company and the Group and the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007.

The Lanka Hospitals Corporation PLC(LHC) was incorporated as a private limited liability company on 06th October 1997 and converted to a public limited liability company in Sri Lanka on 09th November 2001 and was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 28th July 2008 under the Company Registration No. PQ 180. The ordinary shares of LHC are quoted on the main board of the Colombo Stock Exchange since 10th January 2003. RAM Ratings has affirmed LHC A+/PI (stable) for financial stability and future outlook – for two consecutive years and has revised the outlook on the long-term rating to Positive from Stable in their latest rating report. Accordingly, the revised rating is A+/P1(Positive). The registered office of the Company is at No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

This Report provides the information as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices on Corporate Governance. This Report was approved by the Board of Directors on March 21, 2014.

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 4. 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 10 to 19, 38 to 53 provide an overall assessment on the operational performance and financial

position of LHC and its subsidiary, and the state of affairs together with important events that took place during the year in detail as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of LHC and its Subsidiary

LHC-Provisioning of world class healthcare services at a reasonable cost.

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of LHC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation are expected to commence in 2014. The principal activity would be the provisioning of state-of-the-art laboratory services with the technical know how shared from SRL Limited -India.

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 82 to 86.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the LHC and its subsidiary and Group Financial statements appearing on page 78.

2.5 Auditors' Report

The Independent Auditors, PricewaterhouseCoopers performed the audit on the Consolidated Financial Statements for the year ended December 31, 2013 and the Auditors' Report issued thereon is given on page 81 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

under review. The share ownership of Directors is disclosed on pages 75 to 76. The Interests Register is available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.8 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended December 31, 2013, are given in Note 10 to the Financial Statements on page 99.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs. 39,000/- (Rs. 39,101/- in 2012).

3. Net Income and Profitability

The net income of the Group for 2013 was Rs. 4.07Bn. (Rs. 3.41Bn. in 2012), while LHC's net income was Rs. 4.07Bn. (Rs. 3.41Bn. in 2012).

The profit after tax of the Group stood at Rs.677 Mn (Rs. 386 Mn in 2012), while LHC's profit after tax was Rs. 689 Mn (Rs. 386 Mn in 2012).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

The interim dividend of Rs.1.50 per share paid on 20th December 2013 is recommended by the Directors as the final dividend for year 2013. 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 2013 was Rs.335,598,253.50. The Company being a section 17 B0I registered entity, was exempted from 10% withholding tax. (LHC paid a final dividend of Rs. 0.50 per share in 2012)

The Board of Directors fulfilled the requirement of the Solvency Test in terms of the Section 31 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividends. The Statement of Solvency of the Auditors was obtained in respect of the said interim dividend payment conforming to the statutory provision.

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on page 85 in Notes to the Financial Statements.

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

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Company amounted to Rs. 417.04Mn., Rs. 5.84Mn and Rs. 18.55Mn respectively (Rs. 250.21Mn., Rs. 1.21Mn, and Rs. 18.55Mn in 2012), the details of which are given in Note 14 on pages 102 to 106 to the Financial Statements respectively. Capital expenditure approved and contracted for are given in Note 14 to the Financial Statements on pages 102 to 106.

6. Market Value of Freehold Properties

The buildings of the Company were revalued by professionally qualified independent valuers as at December 31, 2013, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of freehold properties owned by the Company are given in Note 14.2.1 to the Financial Statements on page 104.

7. Stated Capital

The Stated Capital as at December 31, 2013 was Rs. 2,671,543,090/= comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/= as at December 31, 2012 comprising of 223,732,169 ordinary voting shares).

8. Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the 'Financial Highlights' on page 119.

9. Major Shareholdings

Details of the top twenty shareholders, percentages of their respective holdings and percentage holding of the public are given in the Section on 'Investor Relations' on page 118.

10. Distribution Schedule for Shareholdings

Information on the distribution of shareholdings and the respective percentages are given in the Section on 'Investor Relations' on page 118.

Annual Report of the Board of Directors on the Affairs of the Company Contd.

11. Directors

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

11.1.1 List of Directors

The Board of Directors of the Company as at December 31, 2013 consisted of eleven Directors (twelve Directors as at December 31, 2012) with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 26 to 33.

Names of the Directors of the Company as at the end of 2013, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Executive/ Non Executive	Independence/ Non Independence
Mr Gotabaya Nandasena Rajapaksa	Non Executive	Independent
Mrs Roshini Sunethra Cabraal	Non Executive	Independent
Professor Dayasiri Priyalath Anura Fernando	Non Executive	Independent
Dr Gamini Wasantha Kumara Wickramasinghe	Non Executive	Independent
Mr Pitumpe Appuhamilage Lionel	Non Executive	Independent
Dr Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Non Executive	Non Independent
Dr Yaddehige Don Nihal Jayathilaka	Non Executive	Independent
Mr Malvinder Mohan Singh	Non Executive	Non Independent
Mr Shivinder Mohan Singh	Non Executive	Non Independent

Name of the Director	Executive/ Non Executive	Independence/ Non Independence
Mr Sunil Godhwani	Non Executive	Non Independent
Dr Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Non Executive	Independent

Alternate Directors on the Board

Mr Vishal Bali
(Alternate Director to Mr Malvinder Mohan Singh)

Dr K H C Daphne
(Alternate Director to Mr Shivinder Mohan Singh)

Mr Sandeep Puri
(Alternate Director to Mr Sunil Godhwani)

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2013.

Mr Gotabaya Nandasena Rajapaksa
Mrs Roshini Sunethra Cabraal
Professor Dayasiri Priyalath Anura Fernando
Dr Gamini Wasantha Kumara Wickramasinghe
Mr Pitumpe Appuhamilage Lionel
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge
Bandula Chandranath Wijesiriwardena

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.

New Appointments during 2013

Mr Sandeep Puri – Alternate Director to Mr Sunil Godhwani (Appointed w.e.f 30-09-2013)
Dr Nanayakkara Liyanage Kanishka Ganganath Karunaratne (Appointed w.e.f 28 -11 -2013)

Resignations/Relinquishments/Cessations During 2013

Mr Gnanadurai Ramesh Krishnan (Resigned w.e.f 17-09 -2013) Alternate Director to Mr Sunil Godhwani

Dr Nalaka Harshijeewa Godahewa (Resigned w.e.f.15-11-2013)

Mr Adambarage Modantha Mohan De Alwis(Resigned w.e.f 20-12-2013)

11.1.4 Recommendations for Re-election

1. Directors who were appointed to fill casual vacancies

Dr Nanayakkara Liyanage Kanishka Ganganath Karunaratne was appointed to fill a casual vacancy on the Board during the year 2013 is permitted to hold office only until the following AGM, hence, he is required to offer himself for re-election 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. The Directors who have been longest in office (subject to retirement by rotation) are the following Directors,

Dr Gamini Wasantha Kumara Wickremasinghe appointed on 01st July 2010

Mr Pitumpe Appuhamilage Lionel appointed on 01st July 2010

Mr Malvinder Mohan Singh appointed on 24th March 2011.

Mr Shivinder Mohan Singh appointed on 24th March 2011.

Mr Sunil Godhwani appointed on 24th March 2011

Accordingly, three Directors, out of the above five Directors are required to retire by rotation at this Annual General Meeting. Dr Gamini Wickremasinghe and Mr Pitumpe Appuhamilage Lionel being the longest in office out of the above 05 directors, would offer themselves for re-election at this Annual General Meeting. Mr Malvinder Mohan Singh agreed between his co-directors Mr Shivinder Mohan Singh and Mr Sunil Godhwani to offer himself for re-election at this Annual General Meeting.

In accordance with the Section 210 of the Companies Act No.07 of 2007, Prof. D P A Fernando having attained the age of 74 years, is required to offer himself for re-election in order that he hold office until the conclusion of the next Annual General Meeting in 2015. A shareholder has deposited a resolution stating that the retiring age of 70 years shall not

apply to Prof. D P A Fernando and proposing re-election of Prof. Fernando for a further year according to Section 211 of the Companies Act No.07 of 2007.

11.1.5 Details of Directors attendance at Directors' meetings are presented on pages 65 under Corporate Governance section.

11.1.6 Board Sub-Committees.

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

11.2 . Disclosure of Directors' Dealing in Shares

Name of the Director	No of ordinary voting shares held as at 31st December 2013	No. of ordinary voting shares held as at 31st December 2012
Mr Gotabaya Nandasena Rajapaksa	Nil	Nil
Mrs Roshini Sunethra Cabraal	Nil	Nil
Professor Dayasiri Priyalath Anura Fernando	Nil	Nil
Dr Gamini Wasantha Kumara Wickramasinghe	Nil	Nil
Mr Pitumpe Appuhamilage Lionel	Nil	Nil
Dr Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Nil	Nil

Annual Report of the Board of Directors on the Affairs of the Company Contd.

Name of the Director	No of ordinary voting shares held as at 31st December 2013	No. of ordinary voting shares held as at 31st December 2012
Dr Yaddehige Don Nihal Jayathilaka	Nil	Nil
Mr Malvinder Mohan Singh	Nil	Nil
Mr Shivinder Mohan Singh	Nil	Nil
Mr Sunil Godhwani	Nil	Nil
Mr Vishal Bali (Alternate Director to Mr Malvinder Mohan Singh)	Nil	Nil
Dr K H C Daphne (Alternate Director to Mr Shivinder Mohan Singh)	Nil	Nil
Mr Sandeep Puri (Alternate Director to Mr Sunil Godhwani)	Nil	Nil
Dr Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Nil	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 117. These interests have been declared at Directors' meetings.. Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' remuneration and other benefits, in respect of the Group and the Company for the financial year ended December 31, 2013 are given in Note 10 to the Financial Statements on page 99.

12. Statutory Payments

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

13. Events after date of the Statement of Financial Position

No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 32 to the Financial Statements on page 116.

14. Appointment of Auditors

The Board of Directors of the Company decided to adopt a Policy of rotation of Auditors, once in every five years, in keeping with the principles of good Corporate Governance. Accordingly, the present Auditors Messrs PricewaterhouseCoopers, Chartered Accountants were appointed as Auditors of the Company, at the Annual General Meeting held in June 2012. Accordingly, PricewaterhouseCoopers will serve for a maximum period of five years consecutively, subject to them being re-elected by shareholders, upon a recommendation of the Board of Directors, annually.

The retiring Auditors, Messrs PricewaterhouseCoopers, Chartered Accountants have signified their willingness to continue functioning as the Auditor to the Company.

A resolution to re-appoint PricewaterhouseCoopers as Auditors and granting authority to the Directors to fix their remuneration will be proposed at this Annual General Meeting. The fees paid to auditors for the statutory audit of the financial year ended 31st December 2013 are disclosed in Note 10 to the Financial Statements.

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

15. Directors' Declarations

The Directors declare that-

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

16. Going Concern

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

17. Contingent Liabilities

Details with regard to the contingent liabilities are given in note 30 to the financial statement.

18. Annual General Meeting

The Annual General Meeting of the Company will be held on 30th April 2014 at 9.00am at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5

For and on behalf of the Board



Roshini S Cabraal
Deputy Chairperson



P A Lionel
Director

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



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

21 March 2014

Statement of Responsibility of Directors

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

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the LHC are responsible for ensuring that the Group and the LHC keep proper books of 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 of the Statement of Financial Position as at December 31, 2013, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

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

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

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the LHC and the Group have been certified by the LHC's Chief Financial Officer, the Officer responsible for their preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on February 21, 2014 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 2013, 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,

21 March 2014

Report of the Audit Committee

The Audit Committee is constituted as a subcommittee to the Board of Directors in accordance with Corporate Governance guidelines and in compliance with the listing rules of the Colombo Stock Exchange. The Audit Committee comprises of the following Independent Non Executive Directors.

- Mrs. Roshini S Cabraal – Chairperson
- Dr. Nalaka Godahewa – Member (resigned w.e.f.15-11-2013)
- Prof. Dayasiri Fernando – Member
- Mr. P A Lionel – Member (appointed w.e.f.12-12-2013)

The profile of each member is set out on pages 26 to 33 of this Annual Report.

The Charter of the Audit Committee clearly defines the role and responsibility of the Audit Committee and is periodically reviewed and revised by the Board of Directors. The main role and the responsibilities of the Audit Committee include;

- a) Monitoring the integrity of the Financial Statements and reviewing of significant reporting judgments contained therein so as to be in compliance with Sri Lanka Financial Reporting Standards.
- b) Reviewing the system of internal control and risk management.
- c) Reviewing the company's process for monitoring compliance with laws and regulations.
- d) Monitoring the effectiveness of the internal audit function.
- e) Reviewing the independence and performance of the external auditors.

Meetings of the Audit Committee.

The Committee held 07 meetings during the period under review. The attendance of the members was as follows,

Name of Member	Attendance
Mrs. Roshini Cabraal	7/7
Dr. Nalaka Godahewa (resigned w.e.f. 15-11-2013)	4/7
Prof. Dayasiri Fernando	7/7
Mr. P. A. Lionel (appointed w.e.f.12-12-2013)	3/7

The Company Secretary functions as the Secretary to the Audit Committee. The Chief Executive Officer, Head of Internal Audit and Chief Financial Officer attend Audit Committee meetings by invitation. Members of the EXCO and Management Committee were invited for the meetings as and when required. The proceedings of the Committee meetings are regularly reported to the Board of Directors.

Summary of Principal Activities

The key activities carried out by the Audit Committee during the year 2013 include the following.

- a) Review of the quarterly financial statements, and discussion with the management on matters arising thereon and recommending the quarterly financial statements to the Board of Directors for their approval.
- b) Review of and recommending the Audited Financial Statements for the year 2013 for the approval of the Board of directors after discussion of those financial statements including the matters highlighted in the management letter with the management and external auditors
- c) Review of the appropriateness of procedures in place, for enterprise risk management.
- d) Review of the extent of compliance with the laws and regulations of the country and adherence to the policies of the company.
- e) Review of the adequacy and effectiveness of internal control systems to mitigate financial and non-financial risks. In addition to the internal and external audit function the committee recommended special assignments which were performed through outsourced external audit firms in order to strengthen the internal controls.
- f) Monitoring and review of the effectiveness of the internal audit function and the independence and performance of the external audit function.
- g) Review of new policies, and the revisions to internal policies and procedures as recommended by the management, in order to ascertain their alignment with effective internal control processes and best business practices.
- h) Review of procedures and policies in place for the significant investment portfolio of the company in order to minimize the risk related to investments.

Report of the Audit Committee Contd.

- i) Recommendation of special assignments to be performed through external parties to assess the accuracy and completeness of the recently upgraded IT system of the company.

Internal Audit

The Internal Audit Function is performed by the internal audit division of the company with the Head of Internal Audit directly reporting to the Audit Committee. The internal audit division carries out independent audits in accordance with the internal audit plan which is developed based on the assessment of the company's exposure to the business and financial risks. The internal audit plan was reviewed and approved by the Audit Committee prior to the beginning of the financial year.

The internal audit function, in addition to reviewing the efficiency and effectiveness of internal controls, reviews the efficiency of business units and monitors and reports on the compliance with statutory requirements.

The Audit Committee reviewed and deliberated on internal audit reports, which included recommendations to improve internal controls together with agreed management action plan to resolve the issues raised. Internal Audit division follows up the implementation of recommendations and reports progress to the Audit Committee. The effectiveness of the internal audit function is reviewed annually by the Audit Committee.

External Auditors

The Audit Committee met with M/s PricewaterhouseCoopers, Chartered Accountants, prior to commencement of the annual audit to discuss the audit scope, approach and methodology to be adopted. A special Audit Committee meeting was convened to discuss the Management Letter issued by the External Auditors and management's responses thereto.

The Audit Committee having evaluated the independence and performance of the External Auditors has recommended to the Board that M/s PricewaterhouseCoopers Chartered Accountants be reappointed as the auditors of the company for the financial year ending 31st December 2014.

On behalf of the Committee:



Roshini S. Cabraal

Chairperson, Audit Committee

21st February 2014

Independent Auditor's Report



To the Shareholders of The Lanka Hospitals Corporation PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of The Lanka Hospitals Corporation PLC, the consolidated financial statements of the Company and its subsidiary as at 31 December 2013 which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 82 to 117.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

4 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

5 In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 December 2013 and of the financial performance and cash flows for the year then ended of the Group in accordance with Sri Lanka Accounting Standards, of the Group, so far as concerns the shareholders of the Company.

Report on other Legal and Regulatory Requirements

6 These financial statements also comply with the requirements of Section 151 (2) and Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

21st February 2014
COLOMBO

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

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2013	2012	2013	2012
Revenue	6	4,071,914,867	3,405,864,503	4,071,914,867	3,405,864,503
Cost of services		(1,691,623,737)	(1,547,801,112)	(1,691,623,737)	(1,547,801,112)
		2,380,291,130	1,858,063,391	2,380,291,130	1,858,063,391
Other operating income	7	29,673,963	24,676,069	29,673,963	24,676,069
Staff costs	8	(977,905,509)	(794,369,926)	(977,905,509)	(794,369,926)
Depreciation on property, plant and equipment	14	(127,957,387)	(135,869,012)	(127,930,076)	(135,869,012)
Other operating expenses		(708,706,858)	(615,408,632)	(696,443,170)	(615,408,632)
Finance income	9	148,113,568	101,872,054	147,906,570	101,872,054
Profit before tax	10	743,508,907	438,963,944	755,592,908	438,963,944
Income tax expense	11	(66,737,785)	(52,907,477)	(66,679,825)	(52,907,477)
Profit for the year		676,771,122	386,056,467	688,913,083	386,056,467
Other comprehensive Income					
Surplus on revaluation of buildings	14	212,924,950	-	212,924,950	-
Tax effect on surplus on revaluation	24	(25,550,994)	-	(25,550,994)	-
Actuarial losses on defined benefit plan	23	(2,816,027)	(3,564,052)	(2,816,027)	(3,564,052)
Tax on actuarial losses	24	337,923	427,686	337,923	427,686
Other comprehensive income net of tax		184,895,852	(3,136,366)	184,895,852	(3,136,366)
Total comprehensive income for the year		861,666,974	382,920,101	873,808,935	382,920,101
Profit attributable to Equity holders		676,771,122	386,056,467	688,913,083	386,056,467
Basic earnings per share	12	3.02	1.73	3.08	1.73
Dividend per share	13	2.00	0.50	2.00	0.50

The Notes on the pages 87 to 117 are an integral part of these financial statements.

Figures in brackets indicate deductions.

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Statement of Financial Position

(all amounts in Sri Lanka Rupees)

	Note	Group		Company	
		31 December 2013	2012	31 December 2013	2012
ASSETS					
Non current assets					
Property, plant and equipment	14	3,226,050,122	2,816,577,386	3,198,699,967	2,816,577,386
Intangible asset	15	6,478,970	1,191,357	6,478,970	1,191,357
Advance lease premium	16	147,716,692	133,853,616	147,716,692	133,853,616
Investment in subsidiary	17	-	-	50,000,020	-
		3,380,245,784	2,951,622,359	3,402,895,649	2,951,622,359
Current assets					
Inventories	18	175,976,006	149,342,552	175,976,006	149,342,552
Trade and other receivables	19	471,748,339	261,349,660	470,974,639	261,349,660
Amounts due from related parties	20	4,307,247	3,743,040	32,449,069	3,743,040
Cash and cash equivalents	21	1,063,876,822	1,001,510,894	1,017,415,496	1,001,510,894
		1,715,908,414	1,415,946,146	1,696,815,210	1,415,946,146
Total assets		5,096,154,198	4,367,568,505	5,099,710,859	4,367,568,505
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090
Revaluation reserve		1,020,435,186	858,344,308	1,020,435,184	858,344,308
Retained earnings		354,851,302	99,291,851	366,993,265	99,291,851
Total equity		4,046,829,578	3,629,179,249	4,058,971,539	3,629,179,249
Non current liabilities					
Retirement benefit obligations	23	66,879,558	51,503,824	66,879,558	51,503,824
Deferred tax liabilities	24	278,098,640	231,360,245	278,098,640	231,360,245
		344,978,198	282,864,069	344,978,198	282,864,069
Current liabilities					
Borrowings (book overdraft)	25	135,055,180	110,543,349	135,055,180	110,543,349
Amounts due to related parties	26	4,236,929	4,625,452	4,236,929	4,625,452
Trade and other payables	27	550,989,564	340,356,386	542,462,223	340,356,386
Income tax payable	28	14,064,749	-	14,006,790	-
		704,346,422	455,525,187	695,761,122	455,525,187
Total liabilities		1,049,324,620	738,389,256	1,040,739,320	738,389,256
Total equity and liabilities		5,096,154,198	4,367,568,505	5,099,710,859	4,367,568,505

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



Chaaminda Kumarasiri
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 21 February 2014.

Approved and signed for and on behalf of the Board.



Roshini S. Cabraal
Deputy Chairperson



P.A. Lional
Director

The Notes on the pages 87 to 117 are an integral part of these financial statements.
Figures in brackets indicate deductions.

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Group Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Stated capital	Revaluation reserve	Retained earning / (loss)	Total
Balance as at 1 January 2012	2,671,543,090	883,627,386	(200,492,936)	3,354,677,540
Comprehensive income for the year				
Profit for the year	-	-	386,056,467	386,056,467
Other comprehensive income net of tax	-	-	(3,136,366)	(3,136,366)
Total comprehensive income for the year	-	-	382,920,101	382,920,101
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Transactions with owners:				
Dividend paid	-	-	(111,866,085)	(111,866,085)
Balance as at 31 December 2012	2,671,543,090	858,344,308	99,291,851	3,629,179,249
Comprehensive income for the year				
Profit for the year	-	-	676,771,122	676,771,122
Other comprehensive income net of tax	-	187,373,956	(2,478,104)	184,895,852
Total comprehensive income for the year	-	187,373,956	674,293,018	861,666,974
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Transactions with owners:				
Dividend paid	-	-	(447,464,338)	(447,464,338)
Balance as at 31 December 2013	2,671,543,090	1,020,435,186	354,851,302	4,046,829,578

The Notes on the pages 87 to 117 are an integral part of these financial statements.
Figures in brackets indicate deductions.

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Company Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Stated capital	Revaluation reserve	Retained earning / (loss)	Total
Balance as at 1 January 2012	2,671,543,090	883,627,386	(200,492,936)	3,354,677,540
Comprehensive income for the year				
Profit for the year	-	-	386,056,467	386,056,467
Other comprehensive income net of tax	-	-	(3,136,366)	(3,136,366)
Total comprehensive income for the year	-	-	382,920,101	382,920,101
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Transactions with owners:				
Dividend paid	-	-	(111,866,085)	(111,866,085)
Balance as at 31 December 2012	2,671,543,090	858,344,308	99,291,851	3,629,179,249
Comprehensive income for the year				
Profit for the year	-	-	688,913,083	688,913,083
Other comprehensive income net of tax	-	187,373,956	(2,478,104)	184,895,852
Total comprehensive income for the year	-	187,373,956	686,434,979	873,808,935
Depreciation transfer	-	(28,730,771)	28,730,771	-
Tax effect on depreciation transfer	-	3,447,693	-	3,447,693
Transactions with owners:				
Dividend paid	-	-	(447,464,338)	(447,464,338)
Balance as at 31 December 2013	2,671,543,090	1,020,435,186	366,993,263	4,058,971,539

The Notes on the pages 87 to 117 are an integral part of these financial statements.

Figures in brackets indicate deductions.

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Statement of Cash Flow

(all amounts in Sri Lanka Rupees)

	Note	Group 31 December		Company 31 December	
		2013	2012	2013	2012
Cash flow from operating activities					
Profit before tax		743,508,907	438,963,944	755,592,908	438,963,944
Adjustments for :					
Interest income	9	(148,113,568)	(101,872,054)	(147,906,570)	(101,872,054)
Depreciation on property, plant and equipment	14	220,495,094	255,093,866	220,467,783	255,093,866
(Gain) / loss on disposal of property, plant and equipment	10	(1,800,000)	895,915	(1,800,000)	895,915
Amortisation of intangible assets	15	547,423	22,416	547,423	22,416
Amortisation of advance lease premium	16	4,683,474	4,683,474	4,683,474	4,683,474
Provision for defined benefit obligation	23	17,640,150	14,496,980	17,640,150	14,496,980
Provision for impairment of trade receivable	19	991,442	1,336,636	991,442	1,336,636
Operating profit before working capital changes		837,952,922	613,621,177	850,216,610	613,621,177
Increase in inventories		(26,633,454)	(4,152,203)	(26,633,453)	(4,152,203)
Increase in trade and other receivables		(211,390,120)	(17,572,522)	(210,616,420)	(17,572,522)
Increase in amounts due from related company		(564,207)	(1,897,526)	(3,706,029)	(1,897,526)
Increase / (decrease) in amounts due to related company		(388,522)	377,955	(388,522)	377,955
Increase in trade and other payables		210,633,176	29,352,047	202,105,834	29,352,047
Cash generated from operating activities		809,609,795	619,728,928	810,978,020	619,728,928
Tax paid	28	(27,700,019)	(31,474,972)	(27,700,019)	(31,474,972)
Defined benefit obligation paid	23	(5,080,443)	(9,278,934)	(5,080,443)	(9,278,934)
Net cash flow from operating activities		776,829,333	578,975,022	778,197,558	578,975,022
Cash flow from investing activities					
Purchase of property, plant and equipment	14	(417,042,880)	(250,214,864)	(389,665,413)	(250,214,864)
Purchase of Intangible assets	15	(5,835,036)	(1,213,773)	(5,835,036)	(1,213,773)
Proceeds from disposal on property, plant and equipment		1,800,000	2,886,500	1,800,000	2,886,500
Advance lease premium paid	16	(18,546,550)	(18,546,545)	(18,546,550)	(18,546,545)
Interest income	9	148,113,568	101,872,054	147,906,570	101,872,054
Investment in subsidiary		-	-	(50,000,020)	-
Advance paid against share capital of Lanka Hospital Diagnostics (Pvt) Ltd		-	-	(25,000,000)	-
Net cash flow from investing activities		(291,510,898)	(165,216,628)	(339,340,449)	(165,216,628)
Cash flow from financing activities					
Dividend paid	13	(447,464,338)	(111,866,085)	(447,464,338)	(111,866,085)
Net cash flow from financing activities		(447,464,338)	(111,866,085)	(447,464,338)	(111,866,085)
Net increase in cash and cash equivalents		37,854,097	301,892,310	(8,607,229)	301,892,310
Cash and cash equivalents at the beginning of the year		890,967,545	589,075,235	890,967,545	589,075,235
Cash and cash equivalents at the end of the year	21	928,821,642	890,967,545	882,360,316	890,967,545

The Notes on the pages 87 to 117 are an integral part of these financial statements.

Figures in brackets indicate deductions.

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Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

1 General Information

- a The Lanka Hospitals Corporation PLC (“the Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka. The Company was incorporated under the Companies Act, No. 17 of 1982 on 6 October 1997 and re-registered on 13 July 2008 under the Companies Act, No. 07 of 2007, that came into effect on 3 May 2007. The registered office of the Company and principal place of business is located at No.578, Elvitigala Mawatha, Narahenpita, Colombo-5, Sri Lanka.
- b 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 on 6 February 2013. The ultimate parent of the company is The Lanka Hospitals Corporation PLC.

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

Principal Activities and Nature of Operations

The principal activity of the Company and the Group is 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 under review.

Parent Enterprise and Ultimate Parent Enterprise.

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

2 Basis of Preparation

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS & LKAS), Promulgated by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No.7 of 2007 and the listing rules of Colombo Stock Exchange.

These consolidated Financial Statements, which comprise the Statement of Financial Position, and the Statements of Comprehensive Income, Changes in Equity and Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards applicable for periods beginning on or after 1 January 2012. New accounting standards, amendments and interpretations issued but not effective for the financial year and not early adopted.

For all periods up to and including the 12 month period ended 31 December 2011, the Company prepared its financial statements in accordance with the previous Sri Lanka Accounting Standards (SLAS). These financial statements for the year ended 31 December 2012 are the first the Company has prepared in accordance with new Sri Lanka Accounting Standards as applicable for periods beginning on or after 1 January 2012 (SLFRS / LKAS).

These consolidated Financial Statements were authorised for issue by the Board of Directors on 21 February 2014.

2.2 Basis of Measurement

The Financial Statements of the Company and the Group, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flows have been prepared on the basis that the group and company are going concerns and on a historical cost basis, except for following:

- Buildings on leasehold land
- Defined benefit obligations

2.3 Functional and Presentation Currency

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

2.4 Comparative Information

The Financial Statements for the comparative periods comprises results for the twelve month periods from 1 January 2012 to 31 December 2012. In this circumstance, the comparative information for the Statement of Financial

Notes to the Financial Statements Contd.

Position, Statement of Comprehensive income, Statement of Changes in Equity and Cash Flow Statement and related notes are comparable with the current period.

2.5 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with LKAS/SLFRS requires Management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could results in outcomes that require material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 Summary of significant Accounting Policies

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

3.1 Basis of Consolidation

The consolidated financial statements are prepared on the historical cost basis and unless otherwise stated the accounting policies have been consistently applied by the Group enterprises. The consolidated financial statements (Group) comprise the financial statement of the company and its subsidiary. Intra group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

3.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The consolidated accounts are prepared to a common financial year end of 31st December.

3.2 Foreign Currency Translation

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

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

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

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

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

3.3 Financial Instruments

3.3.1 Non-derivative Financial Assets

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

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

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

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

Loans and receivables

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

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

3.3.2 Non-derivative Financial Liabilities

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

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

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

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

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

3.4 Stated Capital

Ordinary shares

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

3.5 Property, Plant and Equipment

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

3.5.1 Recognition and Measurement

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

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

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

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

3.5.2 Revaluation

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

Any surplus arising on the revaluation is recognised in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation

Notes to the Financial Statements Contd.

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

3.5.3 Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.5.4 Depreciation

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

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

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2013 (see Note 14.1.1).

3.5.5 De-Recognition

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

3.6 Intangible Assets

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

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

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

- Software 6 2/3 years

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

3.7 Leases

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

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

3.7.1 Lease Payments

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

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

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

3.8 Impairment

3.8.1 Non-derivative Financial Assets

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

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

3.8.1.1 Loans and Receivables

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

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

3.8.2 Non-Financial Assets

An impairment loss in respect of a financial asset 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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

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the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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

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

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

3.9 Inventories

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

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

3.10 Trade Receivables

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

3.11 Cash and cash Equivalents

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

3.12 Employee Benefits

3.12.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.12.2 Defined Benefit Plan

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

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and

the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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

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

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

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

The liability is not externally funded.

3.12.3 Short-term Employee Benefits

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

3.13 Provisions

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

3.14 Revenue

3.14.1 Hospital Revenue

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

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

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

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

3.14.2 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.

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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.

3.15 Rental income

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

3.16 Other income

Other Income is recognised on an accrual basis.

3.17 Finance income and Finance costs

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

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

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

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

3.18 Income tax

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

3.18.1 Current Tax

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

The Lanka Hospitals Corporation PLC

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

Lanka Hospitals Diagnostics (Pvt) Ltd

In accordance with the powers conferred by the Board of Investment of Sri Lanka under Section 17 of the BOI Law No. 4 of 1978, the company is exempt from income tax for a period of 7 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever comes first.

3.18.2 Deferred Tax

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

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

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

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

3.19 Earnings per Share

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

3.20 Segment Reporting

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

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

3.21 Determination of Fair Value

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

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

3.21.1 Property, Plant and Equipment

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

3.21.2 Trade and Other Receivables

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

3.21.3 Non-Derivative Financial Liabilities

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

4 Financial Risk Management Objectives and Policies

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

Risk management is carried out by a risk management committee under policies and procedures approved by the audit committee. The committee identifies and evaluates financial risks in close cooperation with the Company's treasury function. Treasury function is governed by the treasury committee, headed by the Chief Finance Officer and within the requirements of an approved treasury policy.

- (a) Market Risk
- (i) *Foreign Exchange Risk*

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

The following significant exchange rates are applied during the year:

Exchange rate as at Year ended 31 December	2013	2012
US Dollar (USD)	129.44	128.35
Great Britain Pound (GBP)	212.73	207.07
Euro (EUR)	177.50	168.23

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(ii) Price Risk

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

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

(iii) Cash Flow and Fair Value Interest Rate Risk

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

(b) Credit Risk

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

		Group 31 December		Company 31 December	
		2013	2012	2013	2012
Trade and other receivables		446,376,210	248,724,151	445,602,510	248,724,151
SLIC trade receivable		25,372,129	12,625,509	25,372,129	12,625,509
Total trade receivable	[Note 19]	471,748,339	261,349,660	470,974,639	261,349,660
Cash and cash equivalents	[Note 21]	1,063,876,822	1,001,510,894	1,017,415,495	1,001,510,894

(c) Liquidity Risk

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

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

5 Critical Accounting Estimates and Assumptions

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

(a) Defined Benefit Plan

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

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

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

(b) Income Taxes

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

Notes to the Financial Statements Contd.

6 Revenue

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Hospital services	3,199,346,286	2,688,571,500	3,199,346,286	2,688,571,500
Pharmacy revenue	872,568,581	717,293,003	872,568,581	717,293,003
	4,071,914,867	3,405,864,503	4,071,914,867	3,405,864,503

7 Other Operating Income

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Rent income	4,160,000	1,350,000	4,160,000	1,350,000
Car park income	20,325,060	19,342,625	20,325,060	19,342,625
Sundry income	3,388,903	3,983,444	3,388,903	3,983,444
Gain on disposal of property, plant & equipment	1,800,000	-	1,800,000	-
	29,673,963	24,676,069	29,673,963	24,676,069

8 Staff Costs

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Salaries, fees, wages and other related costs	897,091,592	724,238,355	897,091,592	724,238,355
Defined benefit plan cost				
- retirement gratuity [Note : 23.1]	17,640,150	14,496,980	17,640,150	14,496,980
Defined contribution plan cost - EPF and ETF	63,173,767	55,634,591	63,173,767	55,634,591
	977,905,509	794,369,926	977,905,509	794,369,926

Average number of employees employed during the year :

	1,397	1,273	1,397	1,273
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9 Finance Income

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Interest income from				
-Call deposits	4,878,216	11,091,468	4,671,218	11,091,468
-Fixed deposits - LKR	114,607,707	74,979,737	114,607,707	74,979,737
-Fixed deposits - FEEA	16,066,265	5,504,257	16,066,265	5,504,257
-Commercial papers	-	2,392,416	-	2,392,416
Gain on translation of foreign currency	12,561,380	7,904,176	12,561,380	7,904,176
Total finance income	148,113,568	101,872,054	147,906,570	101,872,054

10 Profit Before Tax

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Directors' remuneration	11,925,000	4,150,000	11,925,000	4,150,000
Auditors' remuneration				
- Statutory audit	820,000	675,274	720,000	675,274
- Non audit services	124,480	469,747	124,480	469,747
Provision for impairment of receivable	991,442	1,336,636	991,442	1,336,636
Legal expenses	3,002,456	4,642,252	3,002,456	4,642,252
Amortisation of advanced lease premium	4,683,472	4,683,472	4,683,472	4,683,472
Gain / (loss) on disposal of property plant and equipment	1,800,000	(895,915)	1,800,000	(895,915)

Notes to the Financial Statements Contd.

11 Income Tax Expense

In accordance with and subject to the power conferred on the Board of Investment of Sri Lanka, under section 17 of the BOI Law No. 4 of 1978, the operating profits and income accruing to the Company is exempt from tax for a period of 12 years from 2002 and the Lanka Hospitals Diagnostics (Pvt) Ltd (subsidiary) is exempt from income tax for a period of 7 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever comes first.

However, income tax has been provided at the normal rates of tax on non-trading income which is taxable at a rate of 28% (2012 - 28%).

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Tax expense				
Current tax				
Taxation on profit for the year [Note : 11.1]	41,764,768	31,474,972	41,706,808	31,474,972
	41,764,768	31,474,972	41,706,808	31,474,972
Deferred tax				
Origination and reversal of temporary differences	24,973,017	21,432,505	24,973,017	21,432,505
	24,973,017	21,432,505	24,973,017	21,432,505
	66,737,785	52,907,477	66,679,825	52,907,477

11.1 Reconciliation of the Income tax Expense

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Non-trading income				
Sundry income	9,348,903	5,333,444	9,348,903	5,333,444
Car park income	20,325,060	19,342,625	20,325,060	19,342,625
Taxable Interest income	119,485,923	87,734,546	119,278,925	87,734,546
Taxable income	149,159,886	112,410,615	148,952,888	112,410,615
Tax rates applicable	28%	28%	28%	28%
Taxation on non-trading income	41,764,768	31,474,972	41,706,808	31,474,972
Taxation on profits for the year	41,764,768	31,474,972	41,706,808	31,474,972

12 Basic Earnings Per Share

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Profit attributable to the Ordinary Shareholders	676,771,122	386,056,467	688,913,083	386,056,467
Weighted average number of ordinary shares applicable	223,732,169	223,732,169	223,732,169	223,732,169
Basic earnings per share (Rs.)	3.02	1.73	3.08	1.73

13 Dividend Per Share

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Equity dividend on ordinary shares declared and paid during the year.*	447,464,338	111,866,085	447,464,338	111,866,085
Number of shares in issue at the time of dividend payout	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share (Rs)	2.00	0.50	2.00	0.50

Previous year final dividend of Rs 0.50 per share and the current year interim dividend of Rs 1.50 per share paid during the financial year 2013.

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

Notes to the Financial Statements Contd.

14 Property, Plant and Equipment

14.1 Group

	Free Hold Land	Building On Leasehold Land	Medical Equipments	Furniture and Fittings	Office Equipment
At 1 January 2012					
Cost	12,718,151	2,198,205,962	1,138,852,434	148,738,618	35,017,940
Accumulated depreciation	-	(54,765,200)	(700,251,578)	(96,346,557)	(28,580,108)
Net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Year ended 31 December 2012					
Opening net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Additions	-	13,030,318	112,716,618	19,462,884	2,598,722
Disposals	-	-	-	(4,597,648)	-
Depreciation on disposals	-	-	-	815,233	-
Depreciation charge [Note 14.5]	-	(55,139,159)	(119,224,854)	(15,042,309)	(3,433,849)
Closing net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
At 31 December 2012					
Cost	12,718,151	2,211,236,280	1,251,569,052	163,603,854	37,616,662
Accumulated depreciation	-	(109,904,359)	(819,476,432)	(110,573,633)	(32,013,957)
Net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Year ended 31 December 2013					
Opening net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Additions	-	4,422,829	289,324,246	17,798,608	3,559,629
Revaluation surplus	-	212,924,950	-	-	-
Disposals	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
Depreciation charge [Note 14.5]	-	(55,357,297)	(92,537,707)	(10,216,204)	(2,108,724)
Closing net book amount	12,718,151	2,263,322,404	628,879,159	60,612,625	7,053,610
At 31 December 2013					
Cost	12,718,151	2,263,322,404	1,540,893,298	181,402,462	41,176,291
Accumulated depreciation	-	-	(912,014,139)	(120,789,837)	(34,122,681)
Net book amount	12,718,151	2,263,322,404	628,879,159	60,612,625	7,053,610

14.1.1 The buildings of the Group were revalued as at 31 December 2013 by Messrs A.A.M Fathihu - F.I.V (Sri Lanka) incorporated valuer. Only the surplus on revaluation relating to the building was incorporated in the financial statements from its effective date which is 31 December 2013. Such assets were valued on market approach (Direct Comparison method) and Cost approach basis, the surplus arising from the revaluation was transferred to the revaluation reserve and the value of the buildings of the group has been reflected in the financial statements at the revalued amount.

Computers	Other Equipment	Kitchen Equipment	Medical Vehicles	Moter Vehicles Others	Capital work in progress	Total
92,938,057	384,845,808	24,440,135	8,901,926	17,470,201	-	4,062,129,232
(62,296,000)	(277,817,260)	(4,025,029)	(8,901,926)	(3,906,770)	-	(1,236,890,428)
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
22,550,547	31,875,738	3,918,759	12,336,558	5,250,000	26,474,721	250,214,864
-	-	-	(4,450,963)	(700,000)	-	(9,748,611)
-	-	-	4,450,963	700,000	-	5,966,196
(8,327,511)	(39,862,802)	(8,215,807)	(1,383,297)	(4,464,278)	-	(255,093,866)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
115,488,604	416,721,546	28,358,894	16,787,521	22,020,201	26,474,721	4,302,595,484
(70,623,511)	(317,680,062)	(12,240,836)	(5,834,260)	(7,671,048)	-	(1,486,018,098)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
11,672,972	39,490,594	624,569	-	-	50,149,433	417,042,880
-	-	-	-	-	-	212,924,950
-	-	-	(4,450,963)	-	-	(4,450,963)
-	-	-	4,450,963	-	-	4,450,963
(10,679,990)	(33,117,796)	(8,579,660)	(3,084,144)	(4,813,572)	-	(220,495,094)
45,858,075	105,414,282	8,162,966	7,869,117	9,535,581	76,624,154	3,226,050,122
127,161,576	456,212,140	28,983,462	12,336,558	22,020,201	76,624,154	4,762,850,695
(81,303,501)	(350,797,858)	(20,820,496)	(4,467,441)	(12,484,620)	-	(1,536,800,573)
45,858,075	105,414,282	8,162,966	7,869,117	9,535,581	76,624,154	3,226,050,122

Notes to the Financial Statements Contd.

14.2 Company

	Free Hold Land	Building On Leasehold Land	Medical Equipments	Furniture and Fittings	Office Equipment
At 1 January 2012					
Cost	12,718,151	2,198,205,962	1,138,852,434	148,738,618	35,017,940
Accumulated depreciation	-	(54,765,200)	(700,251,578)	(96,346,557)	(28,580,108)
Net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Year ended 31 December 2012					
Opening net book amount	12,718,151	2,143,440,762	438,600,856	52,392,061	6,437,832
Additions	-	13,030,318	112,716,618	19,462,884	2,598,722
Disposals	-	-	-	(4,597,648)	-
Depreciation on disposals	-	-	-	815,233	-
Depreciation charge [Note 14.5]	-	(55,139,159)	(119,224,854)	(15,042,309)	(3,433,849)
Closing net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
At 31 December 2012					
Cost	12,718,151	2,211,236,280	1,251,569,052	163,603,854	37,616,662
Accumulated depreciation	-	(109,904,359)	(819,476,432)	(110,573,633)	(32,013,957)
Net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Year ended 31 December 2013					
Opening net book amount	12,718,151	2,101,331,921	432,092,620	53,030,221	5,602,705
Additions	-	4,422,829	289,324,246	17,527,708	3,559,629
Revaluation surplus	-	212,924,950	-	-	-
Disposals	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
Depreciation charge [Note 14.5]	-	(55,357,297)	(92,537,707)	(10,215,172)	(2,108,724)
Closing net book amount	12,718,151	2,263,322,404	628,879,159	60,342,757	7,053,610
At 31 December 2013					
Cost	12,718,151	2,263,322,404	1,540,893,298	181,131,562	41,176,291
Accumulated depreciation	-	-	(912,014,139)	(120,788,805)	(34,122,681)
Net book amount	12,718,151	2,263,322,404	628,879,159	60,342,757	7,053,610

14.2.1 The buildings of the company were revalued as at 31 December 2013 by Messrs A.A.M Fathihu - F.I.V (Sri Lanka) incorporated valuer. Only the surplus on revaluation relating to the building was incorporated in the financial statements from its effective date which is 31 December 2013. Such assets were valued on market approach (Direct Comparison method) and Cost approach basis, the surplus arising from the revaluation was transferred to the revaluation reserve and the value of the buildings of the company has been reflected in the financial statements at the revalued amount.

Computers	Other Equipment	Kitchen Equipment	Medical Vehicles	Moter Vehicles Others	Capital work in progress	Total
92,938,057	384,845,808	24,440,135	8,901,926	17,470,201	-	4,062,129,232
(62,296,000)	(277,817,260)	(4,025,029)	(8,901,926)	(3,906,770)	-	(1,236,890,428)
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
30,642,057	107,028,548	20,415,106	-	13,563,431	-	2,825,238,804
22,550,547	31,875,738	3,918,759	12,336,558	5,250,000	26,474,721	250,214,864
-	-	-	(4,450,963)	(700,000)	-	(9,748,611)
-	-	-	4,450,963	700,000	-	5,966,196
(8,327,511)	(39,862,802)	(8,215,807)	(1,383,297)	(4,464,278)	-	(255,093,866)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
115,488,604	416,721,546	28,358,894	16,787,521	22,020,201	26,474,721	4,302,595,484
(70,623,511)	(317,680,062)	(12,240,836)	(5,834,260)	(7,671,048)	-	(1,486,018,098)
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
44,865,093	99,041,484	16,118,058	10,953,261	14,349,153	26,474,721	2,816,577,386
11,378,736	39,490,594	624,569	-	-	23,337,102	389,665,413
-	-	-	-	-	-	212,924,950
-	-	-	(4,450,963)	-	-	(4,450,963)
-	-	-	4,450,963	-	-	4,450,963
(10,653,711)	(33,117,796)	(8,579,660)	(3,084,144)	(4,813,572)	-	(220,467,783)
45,590,118	105,414,282	8,162,966	7,869,117	9,535,581	49,811,823	3,198,699,967
126,867,340	456,212,140	28,983,462	12,336,558	22,020,201	49,811,823	4,735,473,229
(81,277,222)	(350,797,858)	(20,820,496)	(4,467,441)	(12,484,620)	-	(1,536,773,262)
45,590,118	105,414,282	8,162,966	7,869,117	9,535,581	49,811,823	3,198,699,967

Notes to the Financial Statements Contd.

14.3 Group

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

	Cost	Depreciation if assets were carried at cost	Cumulative net carrying amount
Building on lease hold land	1,432,065,699	358,100,450	1,073,965,249

Company

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

	Cost	Depreciation if assets were carried at cost	Cumulative net carrying amount
Building on lease hold land	1,432,065,699	358,100,450	1,073,965,249

14.4 Information on the Freehold land of the Company

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

14.5 Depreciation Charge

Group

Depreciation expense of Rs. 92 537 707 (2012: Rs. 119,224,854) has been charged under 'cost of services' and Rs. 127,957,387 (2012: Rs. 135,869,012) under 'Depreciation on property plant and equipment' in the statement of comprehensive income.

Company

Depreciation expense of Rs. 92 537 707 (2012: Rs. 119,224,854) has been charged under 'cost of services' and Rs. 127,930,076 (2012: Rs. 135,869,012) under 'Depreciation on property plant and equipment' in the statement of comprehensive income.

15 Intangible Asset

	Group Computer Software	Company Computer Software
Year ended 31 December 2012		
Opening net book amount	-	-
Additions	1,213,773	1,213,773
Amortisation charge	(22,416)	(22,416)
Closing net book amount	1,191,357	1,191,357
At 31 December 2012		
Cost	1,213,773	1,213,773
Accumulated amortisation	(22,416)	(22,416)
Net book amount	1,191,357	1,191,357
Year ended 31 December 2013		
Opening net book amount	1,191,357	1,191,357
Additions	5,835,036	5,835,036
Amortisation charge	(547,423)	(547,423)
Closing net book amount	6,478,970	6,478,970
At 31 December 2013		
Cost	7,048,809	7,048,809
Accumulated amortisation	(569,839)	(569,839)
Net book amount	6,478,970	6,478,970

Amortisation of Rs.547,423 (2012 :Rs. 22,416) is included in the statement of comprehensive income under "other operating expenses".

16 Advance lease Premium

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Balance at the beginning of the year	133,853,616	119,990,545	133,853,616	119,990,545
Premium paid during the year	18,546,550	18,546,545	18,546,550	18,546,545
Amount charged to the statement of comprehensive income	(4,683,474)	(4,683,474)	(4,683,474)	(4,683,474)
Balance at the end of the year	147,716,692	133,853,616	147,716,692	133,853,616

The Company has entered into a 99-year lease agreement with the Urban Development Authority from 1999. In terms of this agreement as at 31 December 2013 a further sum of Rs. 232 mn is payable by 2026.

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

Notes to the Financial Statements Contd.

17 Investment in Subsidiary

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Lanka Hospital Diagnostic (Private) Limited (Fully owned subsidiary of the Company)	-	-	50,000,020	-
	-	-	50,000,020	-

18 Inventories

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Medical items	161,928,652	136,877,279	161,928,652	136,877,279
Non-medical items	9,634,642	7,311,925	9,634,642	7,311,925
Engineering items	1,040,119	2,119,050	1,040,119	2,119,050
Food and beverages	3,372,593	3,034,298	3,372,593	3,034,298
	175,976,006	149,342,552	175,976,006	149,342,552

The cost of inventories recognised as expense and included in 'cost of sales' in the "Group" and the "Company" amounted to Rs. 1,599,086,030 (2012: Rs. 1,428,576,258).

19 Trade and Other Receivables

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Trade receivables	221,662,596	90,897,319	221,662,596	90,897,319
Sri Lanka Insurance Corporation-Trade Receivables	25,372,129	12,625,509	25,372,129	12,625,509
Sundry debtors - Note 19.1	35,045,216	32,987,838	35,045,216	32,987,838
	282,079,941	136,510,666	282,079,941	136,510,666
Provision for impairment of trade receivables	(9,950,979)	(8,959,537)	(9,950,979)	(8,959,537)
Total trade receivables - net	272,128,962	127,551,129	272,128,962	127,551,129
Deposits and prepayments	51,947,479	45,331,962	51,208,279	45,331,962
Advances and other receivables	147,671,898	88,466,569	147,637,398	88,466,569
Total trade and other receivables - net	471,748,339	261,349,660	470,974,639	261,349,660

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Note 19.1 - Sundry debtors				
Trade receivables - WIP (patients not yet discharged)	20,642,997	21,982,807	20,642,997	21,982,807
Others	14,402,219	11,005,031	14,402,219	11,005,031
	35,045,216	32,987,838	35,045,216	32,987,838

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

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
At 1 January	8,959,537	7,622,901	8,959,537	7,622,901
Provision for trade receivables impairment	991,442	1,336,636	991,442	1,336,636
At 31 December	9,950,979	8,959,537	9,950,979	8,959,537

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

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

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

20 Amounts Due from Related Parties

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Sri Lanka Insurance Corporation Limited	4,307,247	3,743,040	4,307,247	3,743,040
Lanka Hospital Diagnostics (Private) Limited	-	-	3,141,822	-
Advance paid against share capital of Lanka Hospital Diagnostics (Private) Limited	-	-	25,000,000	-
	4,307,247	3,743,040	32,449,069	3,743,040

Other receivables from Sri Lanka Insurance Corporation Limited (SLIC) are mainly from Services provided by The Lanka Hospitals Corporation PLC including doctor fees of Sri Lanka Insurance Corporation Limited medical center, auditorium hiring and F&B services. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2012- Nil)

Notes to the Financial Statements Contd.

21 Cash and Cash Equivalents

	Group		Company	
	31 December		31 December	
	2013	2012	2013	2012
Cash in hand	6,111,384	22,107,164	5,961,740	22,107,164
Cash at bank	55,250,049	19,793,560	53,938,367	19,793,560
REPO investment	85,000,000	75,000,000	40,000,000	75,000,000
Fixed deposits - FEEA	343,941,965	170,179,304	343,941,965	170,179,304
Fixed deposit - LKR	573,573,424	714,430,866	573,573,424	714,430,866
	1,063,876,822	1,001,510,894	1,017,415,496	1,001,510,894

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

	Group		Company	
	31 December		31 December	
	2013	2012	2013	2012
Cash and bank balances	1,063,876,822	1,001,510,894	1,017,415,496	1,001,510,894
Bank overdrafts (book overdraft) [Note 26]	(135,055,180)	(110,543,349)	(135,055,180)	(110,543,349)
	928,821,642	890,967,545	882,360,316	890,967,545

22 Stated Capital

	Group		Company	
	31 December		31 December	
	2013	2012	2013	2012
Issued and fully paid - ordinary shares				
Number of shares	223,732,169	223,732,169	223,732,169	223,732,169
Value of shares (Rs)	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090

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

23 Retirement Benefit Obligations

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Balance at the beginning of the year	51,503,824	42,721,726	51,503,824	42,721,726
Current service cost	11,974,729	10,053,632	11,974,729	10,053,632
Interest cost	5,665,421	4,443,348	5,665,421	4,443,348
Actuarial loss	2,816,027	3,564,052	2,816,027	3,564,052
Benefits paid	(5,080,443)	(9,278,934)	(5,080,443)	(9,278,934)
Balance at the end of the year	66,879,558	51,503,824	66,879,558	51,503,824

23.1 The amount Recognised in the Comprehensive Income for the year as Follows:

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Amount recognised under staff cost:				
Current service cost	11,974,729	10,053,632	11,974,729	10,053,632
Interest cost	5,665,421	4,443,348	5,665,421	4,443,348
	17,640,150	14,496,980	17,640,150	14,496,980
Actuarial losses recognised in the statement of other comprehensive income	2,816,027	3,564,052	2,816,027	3,564,052
Total recognised in the comprehensive income	20,456,177	18,061,032	20,456,177	18,061,032

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

(1) Discount rate	11.60%	11.00%	11.60%	11.00%
(2) Salary increment rate	10.00%	10.00%	10.00%	10.00%
(3) Retirement age	60 years	55 years	60 years	55 years

The Group's and Company's retirement benefit obligation would have been Rs. 84,560,484/- as at the reporting date had their retirement benefit obligation been calculated as per the requirements of the payment of Gratuity Act. No 12 of 1983.

Notes to the Financial Statements Contd.

24 Deferred tax Liabilities

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Balance at the beginning of the year	231,360,245	213,803,119	231,360,245	213,803,119
Charged to profit for the year				
Origination of temporary differences	24,973,017	21,432,505	24,973,017	21,432,505
Charged to other comprehensive income				
Tax on actuarial losses	(337,923)	(427,686)	(337,923)	(427,686)
Charged to equity				
Effect on surplus on revaluation of property, plant and equipment	25,550,994	-	25,550,994	-
Tax effect on depreciation transfer	(3,447,693)	(3,447,693)	(3,447,693)	(3,447,693)
Balance as at the end of the year	278,098,640	231,360,245	278,098,640	231,360,245

24.1 Analysis of Deferred tax Liabilities

	Group			
	31 December 2013		31 December 2012	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Property, plant and equipment	1,224,803,557	146,976,427	1,004,135,376	120,496,245
Retirement benefit obligations	(66,879,558)	(8,025,547)	(51,503,824)	(6,180,459)
Revaluation on buildings	1,159,564,670	139,147,760	975,370,491	117,044,459
	2,317,488,669	278,098,640	1,928,002,043	231,360,245

	Company			
	31 December 2013		31 December 2012	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Property, plant and equipment	1,224,803,557	146,976,427	1,004,135,376	120,496,245
Retirement benefit obligations	(66,879,558)	(8,025,547)	(51,503,824)	(6,180,459)
Revaluation on buildings	1,159,564,670	139,147,760	975,370,491	117,044,459
	2,317,488,669	278,098,640	1,928,002,043	231,360,245

24.2 Deferred tax is Measured at 12% Being the Applicable Tax Rate.

25 Borrowings

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Bank overdraft *	135,055,180	110,543,349	135,055,180	110,543,349
	135,055,180	110,543,349	135,055,180	110,543,349

* Bank overdraft represents an accounting overdraft.

26 Amounts due to Related Parties

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Sri Lanka Insurance Corporation Limited	4,236,929	4,625,452	4,236,929	4,625,452
	4,236,929	4,625,452	4,236,929	4,625,452

Amounts due to related parties arise mainly from Fee for the insurance policy on Fire, Professional Indemnity, Staff Insurance, General Insurance and vehicle hiring charges. The payable bears no interest.

27 Trade and Other Payables

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Trade payables	193,472,674	117,179,679	187,472,674	117,179,679
Other payables				
- Advances received	43,734,572	24,835,263	43,734,572	24,835,263
- Economic service charge payable	2,684,484	2,288,255	2,684,484	2,288,255
- Other payables and accruals	311,097,834	196,053,189	308,570,493	196,053,189
	357,516,890	223,176,707	354,989,549	223,176,707
	550,989,564	340,356,386	542,462,223	340,356,386

Notes to the Financial Statements Contd.

28 Income tax Payable

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Taxation on,				
- current year's profit	exempt	exempt	exempt	exempt
- Other income	8,308,710	6,909,299	8,308,710	6,909,299
- Interest income	33,456,058	24,565,973	33,398,099	24,565,973
Payments made during the year	(27,700,019)	(31,474,972)	(27,700,019)	(31,474,972)
income tax payable	14,064,749	-	14,006,790	-

29 Financial Instruments by Category

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
29.1 Assets as Per Balance Sheet				
Loans and receivable				
Trade and other receivables excluding pre-payments	429,751,839	224,977,235	429,717,339	224,977,235
Cash and cash equivalents	1,063,876,822	1,001,510,894	1,017,415,496	1,001,510,894
	1,493,628,661	1,226,488,129	1,447,167,335	1,226,488,129

29.2 Liabilities as per Balance Sheet

	Group		Company	
	31 December 2013	2012	31 December 2013	2012
Other financial liabilities at amortised cost				
Borrowings	135,055,180	110,543,349	135,055,180	110,543,349
Trade and other payable excluding non financial liabilities	193,472,674	117,179,679	187,472,674	117,179,679
	328,527,854	227,723,028	322,527,854	227,723,028

29.3 Credit Quality of Financial Assets

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

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Cash at bank and short-term bank deposits				
AA+	1,050,967,956	970,470,023	1,004,656,274	970,470,023
AA-	6,797,482	8,933,707	6,797,482	8,933,707
	1,057,765,438	979,403,730	1,011,453,756	979,403,730

30 Contingent Liabilities

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

31 Capital Commitments and Others

31.1 Capital Expenditure Commitments

An Investment of Rs. 500Mn is committed by the subsidiary company, Lanka Hospitals Diagnostics (Pvt) Ltd.

31.2 Commitment on Land Lease

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

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

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

Notes to the Financial Statements Contd.

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

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

	2013	2012
No latter than 1 year	18,546,548	18,546,548
Later than 1 year and no later than 5 years	74,186,192	74,186,192
Later than 5 years	139,099,110	157,645,658
Total	231,831,850	250,378,398

32 Events after the Reporting Period

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

33 Related Party Transactions

(a) Parent and ultimate controlling party

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

(b) Transactions with Key Managements Personnel

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

33 Related Party Transactions

(i) Loans to Directors

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

(ii) Key management personnel compensation

The details of the compensation incurred on behalf of Key Management Personnel are as follows,

	Group 31 December		Company 31 December	
	2013	2012	2013	2012
Salaries and short term employee benefits	83,901,733	82,448,263	83,901,733	82,448,263
Post Employment Benefits	7,867,867	7,129,136	7,867,867	7,129,136
	91,769,600	89,577,399	91,769,600	89,577,399

(c) Transactions with Related Companies

The Company has related party relationships with its related group companies. The following transactions were carried out with related parties during the year ended 31 December 2013.

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

Name of the Company	Directors of the Company	Relationship	Nature of transaction	Transaction	Amounts	Outstanding	Company
				value	paid / (received)	balance as at	1 January
				2013	2013	31 December 2013	2012
Sri Lanka Insurance Corporation	Mr. Mohan de Alwis (Resigned on 20/12/2013)	Parent company	Services provided by The Lanka Hospitals Limited Corporation PLC.	117,804,740	(105,058,120)	25,372,129	12,625,509
			Premium paid for insurance policy on Fire, Vehicle, Professional Indemnity, Staff Insurance, General Insurance and vehicle hiring charges.	21,735,082	22,123,605	(4,236,930)	(4,625,452)
			Services provided by The Lanka Hospitals Corporation PLC including auditorium hiring and F&B services.	9,762,015	(9,197,808)	4,307,247	3,743,040
Lanka Hospitals Diagnostics (Pvt) Ltd	Mr. Gotabhaya Rajapaksa Mrs. R.S Cabraal Dr. Nalaka Godahewa (resigned on 15/11/2013) Mr. Mohan de Alwis (resigned on 20/12/2013) Prof. Dayasiri Fernando Dr. Gamini Wickramasinghe Dr. Bandula Wijesiriwardhana Mr. P.A. Lionel	Subsidiary company	Reimbursement of expenses and the rent income receivable by The Lanka Hospitals Corporation PLC	3,141,822	-	-	3,141,822

Rationale of the Transactions.

Sri Lanka Insurance Corporation Ltd is parent company of The Lanka Hospitals Corporation PLC.

Lanka Hospitals Diagnostics (Pvt) Ltd is fully owned subsidiary of The Lanka Hospitals Corporation PLC.

Shareholder and Investor Information

Top 20 Shareholding as at 31st December

Shareholder	2013		2012	
	No of shares	Holding	No of shares	Holding
1 Sri Lanka Insurance Corporation Ltd - Life Fund	66,097,350	29.54%	66,097,350	29.54%
2 Fortis Global Healthcare Holdings Pte Ltd	64,120,915	28.66%	64,120,915	28.66%
3 Sri Lanka Insurance Corporation Ltd - General Fund	56,080,643	25.07%	56,080,643	25.07%
4 Property Development PLC	21,329,000	9.53%	21,329,000	9.53%
5 Phillip Securities PTE LTD	1,276,803	0.57%	1,250,000	0.56%
6 Associated Electrical Corporation Ltd	602,739	0.27%	-	-
7 Mr. K. Rajakanthan	515,392	0.23%	-	-
8 Mr. T.L.M. Imtiaz	434,284	0.19%	365,387	0.16%
9 Bank of Ceylon A/c Ceybank Unit Trust	370,615	0.17%	-	-
10 Dr. S.K. Shanmugam	308,369	0.14%	-	-
11 Ceylon Guardian Investment Trust PLC	250,000	0.11%	-	-
12 Ceylon Investment PLC	242,000	0.11%	-	-
13 Mr. H.W.M.Woodward	220,300	0.10%	220,300	0.10%
14 The Ceylon Chamber of Commerce	218,265	0.10%	-	-
15 Hatton National Bank PLC	199,355	0.09%	-	-
16 Green Olive Investment Private limited	194,088	0.09%	-	-
17 Almas Organisation (Private) Limited	182,000	0.08%	-	-
18 Mr. M.M.C.J Fernandopulle	180,000	0.08%	240,000	0.11%
19 Mr. A.H Munasinghe	179,471	0.08%	179,471	0.08%
20 Peoples Leasing Finance PLC/ Carlines Holdings (pvt) Ltd	168,954	0.08%	-	-
	213,170,543	95.28%	209,883,066	93.81%

Individual / Institution as at 31st December 2013

	No of Shareholders	As %	No of Shares	As %
Individual	7,619	98.03	10,777,351	4.82
Institution	153	1.97	212,954,818	95.18
	7,772	100.00	223,732,169	100.00

Resident / Non-Resident as at 31st December 2013

	No of Shareholders	As %	No of Shares	As %
Resident	7,742	99.61	157,901,014	70.58
Non-Resident	30	0.39	65,831,155	29.42
	7,772	100.00	223,732,169	100.00

Directors'/Senior Management Shareholdings as at 31st December

Directors	Position	2013		2012	
		No of shares	Holding %	No of shares	Holding %
Mr. Gotabaya Rajapaksa	Chairman	-	-	-	-
Mrs. R. S. Cabraal	Deputy Chairperson	-	-	-	-
Prof. Dayasiri Fernando	Director	-	-	-	-
Dr. G. W. K. Wickramasinghe	Director	-	-	-	-
Mr. P. A. Lionel	Director	-	-	-	-
Mr. Malvinder Mohan Singh	Director	-	-	-	-
Mr. Shivinder Mohan Singh	Director	-	-	-	-
Mr. Sunil Godhwani	Director	-	-	-	-
Dr. N.N.A.P.Bandula Chandranath Wijesiriwardena	Director	-	-	-	-
Dr. Nihal Jayathilaka	Director	-	-	-	-
Dr. Kanishka Karunaratne	Director	-	-	-	-
Mr. Vishal Bali					
(Alternate Director to Mr. Malvinder Mohan Singh)	Alternate Director	-	-	-	-
Mr. Sandeep Puri					
(Alternate Director to Mr. Sunil Godhwani)	Alternate Director	-	-	-	-
Dr. Khoo Hsu Chin Daphne					
(Alternate Director to Mr. Shivinder Mohan Singh)	Alternate Director	-	-	-	-
Senior Management					
Mr. Lakith Peiris	Chief Executive Officer	-	-	-	-

		Group		Company	
		2013	2012	2013	2012
Earnings Per Share	Rs.	3.02	1.73	3.08	1.73
Dividend Per Share	Rs.	2.00	0.50	2.00	0.50
Net Asset Value Per Share	Rs.	18.09	16.22	18.14	16.22
Market Value per Ordinary Share					
- Highest value during the year	Rs.	-	-	45.90	57.00
- Lowest value during the year	Rs.	-	-	33.00	22.00
- Value at the end of the year	Rs.	-	-	40.50	39.20
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	2.19	2.78	2.19	2.78

Shareholder and Investor Information Contd.

Summary of Share Ranges

Share Range	2013			2012		
	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %
1 1 - 1,000	6,036	2,386,246	1.07	6,309	2,589,512	1.16
2 1,001 - 5,000	1,462	3,501,862	1.57	1,648	3,976,932	1.78
3 5,001 - 10,000	137	987,098	0.44	172	1,265,620	0.57
4 10,001 - 50,000	103	2,348,381	1.05	153	3,559,112	1.59
5 50,001 - 100,000	8	562,712	0.25	16	1,143,448	0.51
6 100,001 - 500,000	19	3,923,028	1.75	11	2,319,637	1.04
7 500,001 - 1,000,000	2	1,118,131	0.50	-	-	-
8 1,000,001 - & Above	5	208,904,711	93.37	5	208,877,908	93.36
	7,772	223,732,169	100.00	8,314	223,732,169	100.00

Public Shareholding as at 31st December 2013 - 16.73% (2012- 16.73%)

Number of Shares as at 31st December 2013 - 37,433,261 (2012- 37,433,261)

Ten Year Financial Summary

In Rs. Mn - Company	Year ended 31 December					Year ended 31 st March				
	2013	2012	2011	2010	2009	2009	2008	2007	2006	2005
	(9 Months)					(Restated)				
Revenue	4,072	3,406	2,918	2,518	1,424	1,997	1,564	1,554	1,632	1,478
Cost of services	(1,692)	(1,548)	(1,268)	(1,116)	(641)	(863)	(777)	(323)	(371)	(349)
Gross Profit	2,380	1,858	1,650	1,402	783	1,134	787	1,231	1,261	1,129
Other operating income	30	25	23	1	1	2	3	4	4	3
Staff costs	(978)	(794)	(684)	(553)	(340)	(434)	(315)	(630)	(577)	(504)
Depreciation	(128)	(136)	(117)	(104)	(78)	(107)	(172)	(143)	(133)	(131)
Other operating expenses	(696)	(615)	(533)	(469)	(312)	(485)	(390)	(432)	(369)	(381)
Finance income	148	102	42	20	8	-	-	-	-	-
Finance cost	-	-	(3)	(8)	(12)	(37)	(172)	(187)	(180)	(170)
Re- branding expenses	-	-	-	-	(29)	-	-	-	-	-
Profit before tax	756	439	378	289	21	72	(259)	(157)	4	(55)
Income tax (expense) / release	(67)	(53)	59	(0)	(14)	(31)	(27)	2	3	(1)
Profit for the year	689	386	437	289	7	41	(286)	(155)	7	(56)
ASSETS										
Non current assets										
Property, plant and equipment	3,199	2,817	2,825	2,779	2,262	2,388	2,514	2,727	2,299	2,418
Intangible asset	6	1	-	-	-	-	-	-	-	-
Investment in subsidiary	50	-	-	-	-	-	-	-	-	-
Advance lease premium	148	134	120	106	89	92	78	65	51	37
	3,403	2,952	2,945	2,885	2,351	2,480	2,592	2,792	2,350	2,455
Current assets										
Inventories	176	149	145	86	57	58	51	60	62	58
Trade and other receivables	471	261	245	216	136	92	88	70	68	49
Amounts due from related parties	32	4	2	1	1	1	-	8	-	-
Cash and cash equivalents	1,014	1,002	672	468	187	107	224	19	21	20
	1,696	1,416	1,064	771	381	258	363	157	151	127
Total assets	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949	2,501	2,582
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	1,665	1,665	1,665
Revaluation reserve	1,020	858	883	740	320	331	341	406	-	-
Retained earning / (loss)	367	99	(200)	(682)	(984)	(1,002)	(1,058)	(776)	(622)	(535)
Total equity	4,059	3,629	3,355	2,730	2,008	2,001	1,955	1,295	1,043	1,130
Non current liabilities										
Retirement benefit obligations	67	52	43	33	20	17	20	21	22	13
Government grants	-	-	-	-	-	1	2	3	4	4
Borrowings	-	-	-	-	23	45	220	406	603	796
Deferred tax liabilities	278	231	214	458	351	341	314	231	90	-
	345	283	257	491	394	404	556	661	719	813
Current liabilities										
Borrowings	135	111	82	152	80	101	276	813	600	457
Amounts due to related parties	4	5	4	5	4	22	5	15	14	14
Income tax payable	14	-	-	-	-	-	1	-	1	5
Trade and other payables	542	340	311	278	246	210	162	165	124	163
	695	456	397	435	330	333	444	993	739	639
Total liabilities	1,040	739	654	926	724	737	1,000	1,654	1,458	1,452
Total equity and liabilities	5,099	4,368	4,009	3,656	2,732	2,738	2,955	2,949	2,501	2,582

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 30th April 2014 at 9.00am at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5 for the purpose of conducting the following business:

1. To receive and consider the Annual Report of the Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2013 together with the Report of the Auditors' thereon.
2. To re-elect as a Director Dr Gamini Wickremasinghe who retires by rotation in terms of Article 85 of the Articles of Association of the Company.
3. To re-elect as a Director Mr P A Lionel who retires by rotation in terms of Article 85 of the Articles of Association of the Company.
4. To re-elect as a Director Mr Malvinder Mohan Singh who retires by rotation in terms of Article 85 of the Articles of Association of the Company.
5. To re-elect Prof. D P A Fernando as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

"RESOLVED THAT Prof. D P A Fernando who has reached the age of 74 be and is hereby re-elected as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007".
6. To re-elect as a Director Dr Kanishka Karunaratne who was appointed to the Board during the year 2013.
7. To re-appoint Messrs PriceWaterhouseCoopers Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.
8. To authorize the Directors to determine donations for the year 2014 and up to the date of the next Annual General Meeting.
9. Any other business of which due notice has been given.

By order of the Board of Directors of

THE LANKA HOSPITALS CORPORATION PLC



Disna Perera

Accounting Systems Secretarial Services (Private) Limited

Company Secretaries

Colombo, this 21 March 2014

Note: A shareholder who is unable to attend the meeting is entitled to appoint a proxy to attend an 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

Folio Number*

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

I/We.....
(NIC No.)..... of.....
.....
being a shareholder/shareholders of The Lanka Hospitals Corporation PLC, hereby
appoint:.....of.....
.....(or failing him)

Mr Gotabaya Rajapaksa	or failing him
Mrs R S Cabraal	or failing him
Prof. D P A Fernando	or failing him
Dr G W K Wickramasinghe	or failing him
Mr P. A Lionel	or failing him
Dr Nihal Jayathilake	or failing him
Mr Malvinder Mohan Singh	or failing him
Mr Shivinder Mohan Singh	or failing him
Mr Sunil Godhwani	or failing him
Dr B Wijesiriwardena	or failing him
Dr K Karunaratne	

as my/our Proxy to represent and speak and vote for me/us** and on my/our behalf at the 15th Annual General Meeting of the Company to be held onand at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

	For	Against
1) To receive and consider the Annual Report of the Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2013 together with the Report of the Auditors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect as a Director Dr Gamini Wickremasinghe who retires by rotation in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect as a Director Mr P A Lionel who retires by rotation in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect as a Director Mr Malvinder Mohan Singh who retires by rotation in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect as a Director Prof. D P A Fernando who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect as a Director Dr Kanishka Karunaratne who was appointed to the Board during the year.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-appoint Messrs PriceWaterhouseCoopers., the retiring Auditors and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8) To authorise the Directors to determine donations for the year 2014 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature

Notes: * Please indicate your folio number which is given in the address sticker carrying this annual report pack.
** Instructions as to completion appear overleaf.
Please indicate with and "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will votes as he thinks fit.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registrars to shares, National Asset Management Ltd, Union Bank Building, 7th Floor, No.64, Galle Road, Colombo 03 on or before 28th April 2014.
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 5430000
Fax: +94 11 4511199
E-mail: info@lankahospitals.com

Board of Directors

Mr. Gotabaya Rajapaksa
Mrs. R. S. Cabraal
Prof. Dayasiri Fernando
Dr. G. W. K. Wickramasinghe
Mr. P. A. Lionel
Mr. Malvinder Mohan Singh
(Alternate Director Mr. Vishal Bali)
Mr. Shivinder Mohan Singh
(Alternate Director Dr K H C Daphne)
Mr. Sunil Godhwani
(Alternate Director Mr Sandeep Puri)
Dr. Nihal Jayathilaka
Dr. N.N.A.P.Bandula Chandranath Wijesiriwardena
Dr. Kanishka Karunaratne

Secretaries

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

Auditors

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

Registrars to Shares

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

Bankers

Bank of Ceylon
Hatton National Bank PLC



**LANKA
HOSPITALS**

සුවිච්චි සැලසුන් • CARING CURING • ප්‍රාග්ධනීතව කුණාටුකල්