

# IN SERVICE TO YOU

The Lanka Hospitals Corporation PLC  
Annual Report 2016



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## ABOUT US

THE LANKA HOSPITALS CORPORATION PLC COMMENCED OPERATIONS IN SRI LANKA ON 7TH JUNE 2002, UNDER THE BRAND NAME OF APOLLO HOSPITALS, A PART OF THE CHAIN OF APOLLO HOSPITALS FOUNDED BY THE RENOWN DR. PRATAP C. REDDY IN INDIA. AS THE ONLY PURPOSE BUILT PRIVATE HOSPITAL OF ITS KIND IN SRI LANKA, APOLLO COLOMBO REVOLUTIONISED SRI LANKA'S HEALTHCARE SERVICE OFFER, AND TODAY UNDER THE BRAND LANKA HOSPITALS, WE CONTINUE TO DOMINATE AND LEAD THE HEALTHCARE SECTOR. OURS IS STILL CONSIDERED TO BE THE BEST HEALTH CARE FACILITY IN THE COUNTRY.

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# IN SERVICE TO YOU

**NO ONE REALLY WANTS TO BE ILL, BUT WHAT IF THERE WAS A PLACE THAT CREATED A HEALING AND WHOLESOME ATMOSPHERE IN WHICH PATIENTS FEEL SAFE AND SECURE IN KNOWING THAT THEY ARE LOOKED AFTER BY THE BEST? WELCOME TO LANKA HOSPITALS, THE BEST HEALTHCARE PROVIDER IN SRI LANKA THAT IS WHOLLY DETERMINED TO ENSURE THAT YOUR EXPERIENCE HERE IS NOTHING LESS THAN CONVENIENT, WELCOMING AND CENTERED ON YOU. FROM THE BEST IN SERVICE FROM OUR PROFESSIONAL STAFF TO THE MOST COMPREHENSIVE RANGE OF MEDICAL OPTIONS THROUGH OUR DIVERSE CENTRES, WE MAKE SURE THAT EVERY PATIENT, AND EVERY INDIVIDUAL WHO WALKS THROUGH OUR DOORS ARE GIVEN THE BEST TREATMENT. WHAT ELSE WOULD YOU EXPECT FROM A HOSPITAL IN SERVICE TO YOU?**

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# VISION

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

# MISSION

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

# PROMISE

We believe that every person has the right to be treated with utmost respect and consideration.

Therefore at Lanka Hospitals, we care about our patients We care about their families who are anxious and concerned. We care about our colleagues and how we as a team, provide the best care to our patients. Because we care, we will be sincere, compassionate and sensitive to make a difference in the lives we touch.



LANKA  
HOSPITALS

සුවිච්චි සැලසුම • CARING CURING • பராமரித்தல் குணமாக்கல்

## ABOUT THIS REPORT

***THIS YEAR, WE EMBRACE THE PRINCIPLES OF INTEGRATED REPORTING, DEMONSTRATING THE SOUND APPRECIATION OF THE RESOURCES AND RELATIONSHIPS WE DEPEND ON TO CREATE SUSTAINABLE VALUE. THROUGH OUR FIRST INTEGRATED REPORT WE AIM TO CLEARLY AND CONCISELY ARTICULATE OUR APPROACH TO VALUE CREATION AS WELL AS OUR STRATEGY, PERFORMANCE AND OUTLOOK IN RELATION TO OUR FINANCIAL, SOCIAL AND ENVIRONMENTAL GOALS. THE REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE <IR> FRAMEWORK PRESCRIBED BY THE INTERNATIONAL INTEGRATED REPORTING COUNCIL AND HAS BEEN CAREFULLY STRUCTURED TO PRESENT MATERIAL INFORMATION WHERE IT IS MOST RELEVANT.***

### ***Scope and Boundary [G4-17, G4-28, G4-29, G4-32(a)]***

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The report covers the operations of The Lanka Hospitals Corporation PLC and its subsidiary, Lanka Hospitals Diagnostics (Pvt) Ltd. for the period from 1st of January to 31st December 2016. For completeness, material events up to the sign off date by the Board of Directors on 28th February 2017 have been included in this Report. The financial and non-financial information presented in the narrative report represents both entities unless otherwise stated. This year, we have also adopted the Global Reporting Initiative (GRI) - G4 guidelines for sustainability reporting. This is our first GRI report and is in line with the 'In Accordance-Core' criteria prescribed by GRI.

### ***Our Approach to Materiality***

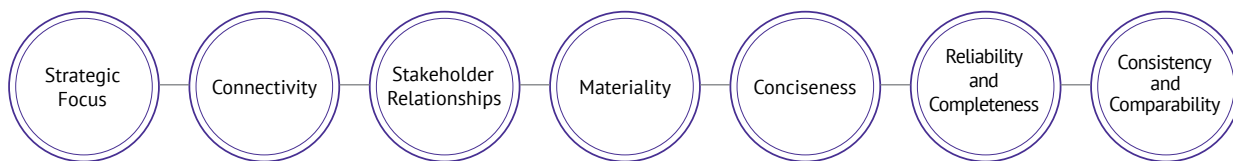
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The material content included in this Report has been selected through a structured and comprehensive process as detailed on page 30 of this report. This exercise enables us to clearly identify both internal and external issues which are of greatest significance to current and potential stakeholders and rather than simply providing a list of 'material issues' we have sought to ensure that the information presented herein relate to matters affecting our value creation. Understanding our organisation (pages 22 to 23), needs of our stakeholders (pages 27 to 29) our business model (page 32) and our value chain impacts form the basis for identifying these issues.

**REPORTING STANDARDS AND EXTERNAL ASSURANCE [G4-15, G4-33]**

	<b>INTEGRATED REPORT</b>	<b>ANNUAL FINANCIAL STATEMENTS</b>	<b>CORPORATE GOVERNANCE RISK MANAGEMENT REPORT</b>	<b>SUSTAINABILITY PERFORMANCE</b>
<b>Standards and Principles</b>	<ul style="list-style-type: none"> <li>» Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).</li> </ul>	<ul style="list-style-type: none"> <li>» Sri Lanka Financial Reporting Standards.</li> <li>» Companies Act No. 7 of 2007.</li> <li>» Listing Requirements of the Colombo Stock Exchange.</li> </ul>	<ul style="list-style-type: none"> <li>» Code of Best Practice on Corporate Governance issued by the ICASL and SEC.</li> </ul>	<ul style="list-style-type: none"> <li>» GRI- G4 guidelines(Core).</li> </ul>
<b>Assurance</b>		Messrs. KPMG, Chartered Accountants.		Messrs. KPMG, Chartered Accountants.

In preparing this Report, we have given due consideration to the following guiding principles, as prescribed by the <IR> Framework.



**FEEDBACK [G4-31]**

We understand that Integrated Reporting is a journey of continuous improvement and will seek consistently enhance the meaningfulness and readability of our report. We welcome your feedback, comments and queries which can be addressed to, Finance Manager, The Lanka Hospitals Corporation PLC, Contact Number: 011 543 9037.

## FINANCIAL HIGHLIGHTS

### FIVE YEAR SUMMARY

	2016		2015		2014		2013	2012
	Group	Company	Group	Company	Group	Company	Company	Company
Revenue	Rs. 5,886,441,551	4,902,083,201	5,514,070,918	4,810,837,891	4,753,588,586	4,491,554,590	4,071,914,867	3,405,864,503
Profit before interest & tax	Rs. 898,621,919	669,429,124	810,602,330	703,814,296	451,915,678	504,936,835	607,686,338	337,091,890
Profit after tax	Rs. 972,025,044	733,383,619	859,638,171	748,240,653	514,211,829	569,316,098	688,913,083	386,056,467
Total assets	Rs. 7,352,315,218	7,149,683,371	6,343,640,759	6,421,228,552	5,672,964,842	5,766,532,850	5,099,710,859	4,367,568,505
Net assets	Rs. 5,844,274,820	5,528,100,599	4,990,131,075	4,945,689,276	4,483,278,556	4,550,524,787	4,058,971,539	3,629,179,249
Annual revenue growth	7%	2%	16%	7%	N/A	10%	20%	17%
Net cash flow from operating activities	Rs. 1,104,901,569	828,185,288	1,374,614,765	1,243,727,379	603,518,686	693,096,582	790,758,939	578,975,022
EBITDA	Rs. 1,206,555,792	941,136,684	1,094,336,516	955,220,668	701,727,315	738,571,959	828,701,544	592,208,172

### Profitability Indicators

Gross profit margin	49%	47%	47%	46%	46%	46%	48%	45%
Operating profit margin	15%	14%	15%	15%	10%	11%	15%	10%
Net profit margin	17%	15%	16%	16%	11%	13%	17%	11%
Return on capital employed	15%	12%	16%	14%	10%	11%	15%	12%

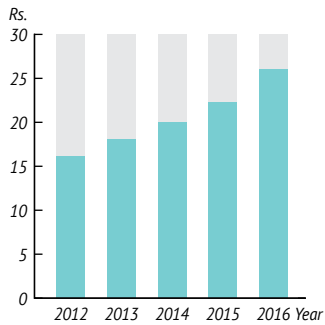
### Liquidity & Debt Ratios

Current ratio	3.19	2.47	2.77	2.31	2.36	2.23	2.44	3.11
Quick ratio	2.85	2.23	2.46	2.08	1.96	1.92	2.19	2.78
Gearing ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest cover	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

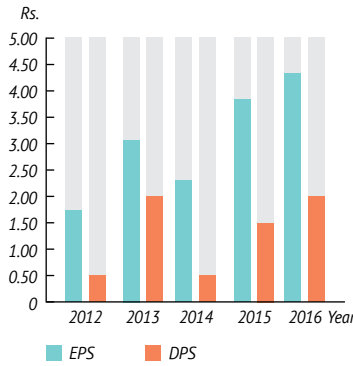
### Equity

Dividend per share	Rs. 2.00	2.00	1.50	1.50	0.50	0.50	2.00	0.50
Dividend pay out	0.46	0.61	0.39	0.45	0.22	0.20	0.65	0.29
Earnings per share	Rs. 4.34	3.28	3.84	3.34	2.30	2.54	3.08	1.73
Net Assets Per share	Rs. 26.12	24.71	22.30	22.11	20.04	20.34	18.14	16.22

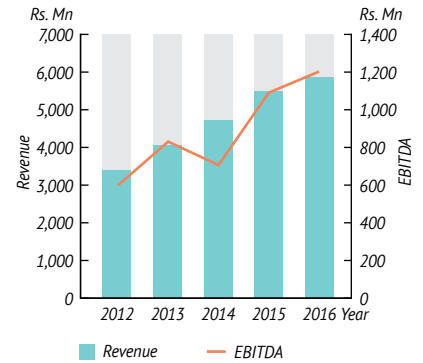




**Net Asset Per Share**



**EPS vs DPS**



**Revenue vs EBITDA**

**Rs. 447 Mn**  
Dividend Paid

**Rs. 5.9 Bn**  
Revenue

**Rs. 2.00**  
Dividend Per Share

**Rs. 972 Mn**  
Profit After Tax

**Rs. 1.2 Bn**  
EBITDA

**Rs. 26.12**  
Net Asset Per Share

**46%**  
Dividend Pay out Ratio

**Rs. 5.8 Bn**  
Net Assets

**Rs. 4.34**  
Earnings Per Share

## OVERVIEW OF OUR BUSINESS

We are Sri Lanka's most accredited multi-specialty tertiary care hospital and a leading player in the country's private healthcare industry. With a bed capacity of over 300 and over 550 consultants which include the largest resident consultant base in the country, we serve over 400,000 patients annually, amongst the largest patient volumes to be achieved by a single-location hospital. A multitude of international and local accreditations including the prestigious JCI Accreditation is testimony to our relentless focus on quality and provides assurance to stakeholders on our commitment to achieving excellence in patient care. We are also an industry leader in clinical and medical technology, offering over 500 medical procedures and specialty services in the Sri Lankan healthcare sector. We offer an unmatched range of primary, secondary and tertiary care health services, of which over 75 specialty services are currently offered only at our Hospital. Our team of 1,708 dedicated and highly-skilled healthcare professionals are the most sought-after in the industry and continue to be the driving force behind our success. **[G4-9]**

The Lanka Hospitals Group comprises of the parent entity (The Lanka Hospitals Corporation PLC) and its fully-owned

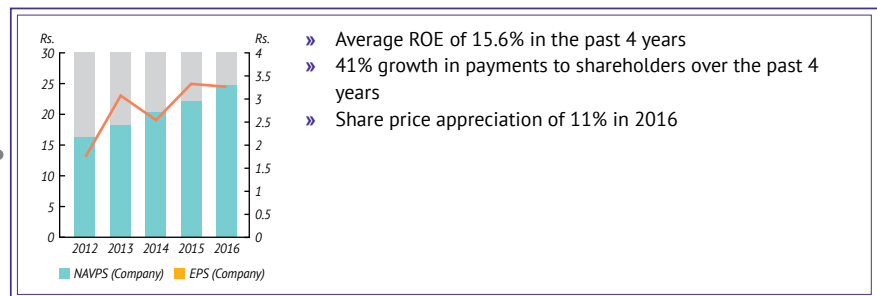
subsidiary, Lanka Hospitals Diagnostics (Pvt) Ltd., a leader in medical diagnostics. The former contributed 3% and 33% to the Group's assets and profit respectively during the year under review. The parent company is listed on the Main Board of the Colombo Stock Exchange, with a market capitalisation of Rs. 14,543 million as at end-December 2016.

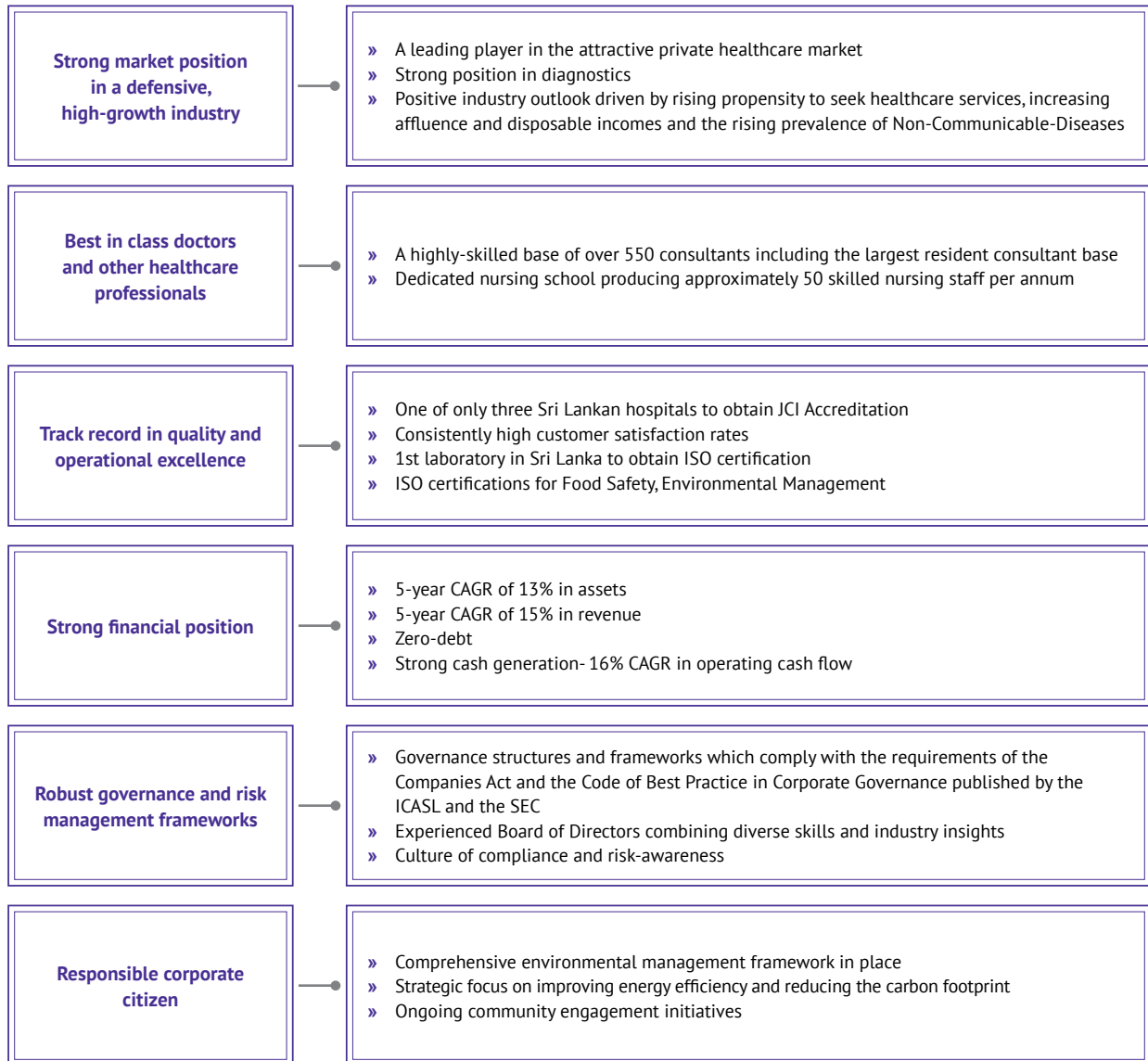
### What Sets Us Apart...

 Unmatched Quality Focus	 Excellence in Patient Care
 Highly-skilled Team of Healthcare Professionals	 Range of Services and Facilities
 Largest Number of Resident Consultants	 Strategic Location

## INVESTMENT CASE

**Consistent track record in shareholder value creation**





**OVERVIEW OF OUR BUSINESS CONTD.****PERFORMANCE HIGHLIGHTS****Financial Performance**

	METRIC	GROUP			COMPANY		
		2016	2015	Y-O-Y CHANGE (%)	2016	2015	Y-O-Y CHANGE (%)
<b>PERFORMANCE</b>							
Revenue	Rs. million	5,886	5,514	7	4,902	4,811	2
Gross profit	Rs. million	2,860	2,613	9	2,294	2,236	3
Earnings before interest and tax	Rs. million	899	811	11	669	704	(5)
Profit before tax	Rs. million	1,081	967	12	827	857	(4)
Profit after tax	Rs. million	972	860	13	733	748	(2)
Gross profit margin	%	49	47	3	47	46	1
EBIT margin	%	15	15	4	14	15	(7)
Net profit margin	%	17	16	6	15	16	(4)
Net operating cash flow	Rs. million	1,105	1,375	(20)	828	1,244	(33)
<b>FINANCIAL POSITION</b>							
Assets	Rs. million	7,352	6,344	16	7,150	6,421	11
Shareholder's funds	Rs. million	5,844	4,990	17	5,528	4,946	12
Debt	Rs. million	-	-	-	-	-	-
Gearing ratio	%	N/A	N/A	N/A	N/A	N/A	N/A
<b>SHAREHOLDER RETURN</b>							
Return on equity	%	16.63	17.23	(3)	13.27	15.13	(12)
Earnings per share	Rs.	4.34	3.84	13	3.28	3.34	(2)
Dividend per share	Rs.	2.00	1.50	33	2.00	1.50	33
Net asset value per share	Rs.	26.12	22.30	17	24.71	22.11	12
Market price per share	Rs.	N/A	N/A	N/A	65.00	60.30	8
P/E ratio	Times	N/A	N/A	N/A	19.83	18.03	10
Dividend yield	%	N/A	N/A	N/A	3.08	2.49	24
Dividend payout	%	46.08	39.06	18	60.99	44.91	36
Market capitalisation	Rs. million	N/A	N/A	N/A	14,543	13,491	8

**Non-financial Performance**

NON-FINANCIAL PERFORMANCE	GROUP			
	METRIC	2016	2015	Y-O-Y CHANGE (%)
<b>EMPLOYEE VALUE CREATION</b>				
Employees	No	1,708	1,558	10
Investment in training	Rs. million	8.28	6.65	25
Total training hours	Hours	36,356	21,166	72
Female participation rate	%	79.25	73.46	8
Employee injury rate	%	0.35	0.39	(10)
Revenue per employee	Rs. million	3.45	3.55	(3)
Net profit per employee	Rs. million	0.57	0.55	3
<b>CUSTOMER VALUE CREATION</b>				
Overall customer satisfaction rate	%	91.2	85.00	7
<b>ENVIRONMENTAL IMPACT</b>				
Energy consumption	MJ	33,983	32,098	6
Water consumption	M <sup>3</sup>	121,495	123,032	(1)
Carbon footprint	CO <sub>2</sub>	5,510,148	5,278,826	4

**OPERATIONAL HIGHLIGHTS**

Treating over  
**287,000**  
in-house  
patients  
since inception



Promoting  
preventative  
healthcare with over  
**67,000 health checks**  
over the last 5 years



Performing more than  
**93,000 Dialysis**  
sessions since 2007 at the  
lowest cost among the  
major city hospitals



Facilitated  
over **2.8Mn**  
consultation  
sessions  
since 2007

**OVERVIEW OF OUR BUSINESS CONTD.****OUR EXCELLENCE****Accreditations**

The Hospital has obtained a host of international and national accreditations for multiple areas of our operations, which provides independent assurance to our stakeholders on the quality of our service.

**Joint Commission International (JCI) Accreditation**

The gold standard in global healthcare, JCI is widely accepted to be the author and evaluator of the most rigorous international standards in patient safety and quality.

**Medical Travel Quality Alliance**

International safety and quality standards in the treatment of medical tourists rate.

**ISO 15189-Medical Laboratory Accreditation**

Quality and competence management system for medical laboratories.

**ISO 22000:2005- Food Safety Management**

Demonstrates the organisation's ability to control food safety hazards in order to ensure that food is safe.

**Crowns for Food Hygiene**

Best practices in food hygiene and awarded by the Chamber of Commerce and Municipal Council.

**ISO 14001: Environmental Management Systems**

Design and implementation of a set of standards of effective environmental management.

### AWARDS AND ACCOLADES



Merit Award Sri Lanka National Energy Efficiency - 2010



Sri Lankan National Quality Award  
(Healthcare-large scale) - 2012



Only hospital in Asia and Asia Pacific Rim to receive the  
World Class Global Performance Excellence Award-2013



World Business Leader at the BIZZ 2014 - by  
World Confederation of Business



Silver Award at the 52nd Annual Report Awards organized by the Institute of  
Chartered Accountants of Sri Lanka







## CHAIRMAN'S REVIEW [G4-1]

***“TODAY WE ARE THE SINGLE LARGEST PRIVATE SECTOR TERTIARY CARE FACILITY IN THE COUNTRY...”***

“The Hospital is functioning at maximum capacity and expansion is a priority. Resources will be allocated for optimising our current location, expanding our locations in the country and beyond its shores, new technology and people. We will continue to widen the scope of services offered, catering to emerging trends in healthcare.”

Dear Shareholders,

The Lanka Hospitals Corporation recorded its highest profit of Rs. 972 Mn in 2016 and balance sheet growth of 16%. Market capitalisation of Rs. 14.5 Bn exceeds the Rs. 7.3 Bn net worth of the company with the net worth accounting for 51% of market capitalisation. The intrinsic value of the share reflects its potential based on its non-monetised assets such as adherence to globally-accepted standards of care; structures, systems and processes that facilitate high levels of customer satisfaction, availability of skills and expertise and a proven track record of performance. Total return to shareholders for 2016 is 11% comprising dividends and capital gains, supported by strong demand and a vision of becoming the preferred healthcare facility in the country. Today we are the single largest private sector tertiary care facility in the country, having consistently expanded our menu of services and invested in upgrading technology to cater to the demand for an increasing range of health services.

### A DYNAMIC LANDSCAPE

Healthcare expenditure in the country was Rs. 321.2 Bn in 2014 equivalent to 3.5% of GDP with private expenditure accounting for 54% of the total. Bed capacity in the sector has increased over the years with the public sector

totaling 76,949 beds and the private sector accounting for 6,028 beds, well spread throughout the country. Sri Lanka compares well with the global average of 27 beds per 10,000 population with 36 beds which is also higher than the average for Upper Middle Income countries of 27 beds.

Shortage of skilled healthcare professionals constrains expansion of the sector and Lanka Hospitals is fortunate in having the largest in-house team of specialists and medical officers, positioning it well for growth. Lanka Hospital Nurses Training School graduates approximately 50 nurses each year on completion of a three year Diploma, supplying a much needed talent pipeline to the Hospital.

The rise of Non-Communicable Diseases globally has been a key area of focus for the sector as the top three causes of death in 2012 were Ischaemic heart disease (23.6%), strokes (11%) and Diabetes Mellitus (7.4%). This has given rise to increasing levels of awareness for regular health checks to facilitate prevention and early detection, widening the scope of services provided by hospitals and growth of its relevance to a wider population.

Medical tourism has been a rapidly growing area of interest for the private sector hospitals in Sri Lanka and the Government support to develop this sector is timely, despite the increased regulation that comes with the territory. Initial efforts have been successful although there is more that can be done to develop the full potential of this sector given the cost of procedures sought by medical travellers and the facilities available. Currently Sri Lanka attracts medical tourists from Maldives, Bangladesh, India, Seychelles, China and the Middle East and It is noteworthy that over 15% of patients were foreigners in 2012.

A few challenges require the attention of policymakers such as increased taxes for healthcare which resulting in increased inequities and reduced access to quality healthcare. Similarly, new entrants also drive up the overall cost profiles in the sector as economies of scale

**CHAIRMAN'S REVIEW CONTD.**

decline. Further, better co-ordination between legislation, regulation and enforcement would bring clarity and facilitate smooth operations. Escalating healthcare costs remains a key concern, particularly in the private sector where financing the same means hardship in some cases where insurance is not available.

**A STRATEGY FOR SEAMLESS CARE**

The role of the Hospital continues to evolve to cater to the needs of an ageing population, an increasing incidence of Non-Communicable Diseases (NCDs), expanding declining fertility rates and increased awareness of issues impacting health and well-being. Lanka Hospitals strategy has been multi-faceted as we invested in diagnostics, creating centres of excellence for treatment of NCDs and fertility, expanding our reach and supporting people to reach their wellness goals.

Developing a talented health workforce has been a key priority, supported by the strategic initiatives to strengthen health policies and organisation capacity. These are reflected in the JCI, MTQA and ISO certifications obtained enhancing the intrinsic value of the company and its intellectual capital. It also enhanced health service delivery which contributed to maintaining a high customer satisfaction rate which is a key performance indicator. We continue to pursue opportunities for meaningful collaboration to enhance our service capability. Inculcating our corporate culture and values throughout the organisation is key to sustaining growth and earnings in the long term and considerable attention is given to communicating the same in a structured manner. Expanding our footprint is also a key priority and we are rolling out a strategy to drive this concept in the coming years in identified locations. Our aspiration is to meet the healthcare needs of the surrounding population by organising outreach programmes and developing functional linkages with the primary healthcare system of the era.

**GOVERNANCE**

Mr. W.T.L. Weeratne was appointed as an Independent Non-Executive Director to fill a vacancy that arose during the year and Mr. M.A. Gore was appointed as Alternate Director to Mr. K.S. Srivastava. We also came under the purview of the Ministry of Public Enterprise Development in 2016 as the Government restructured the Ministry portfolios during the year. To comply with the Government procurement guidelines, we implemented changes in the existing procurement guidelines of Lanka Hospitals PLC.

**WAY FORWARD**

The Hospital is functioning at maximum capacity and expansion is a priority. Resources will be allocated for optimising our current location, expanding our locations in the country and beyond its shores, new technology and recruitment of trained and skilled people. We will continue to widen the scope of services offered, meet the emerging new trends in healthcare. Plans are finalised for putting in place a comprehensive programme for strategic philanthropy. The Health sector is expected to maintain its growth momentum with increasing focus on medical tourism. Financing of healthcare is high on the agenda of a number of countries who face escalating costs of healthcare and shortages of skilled personnel and Sri Lanka is no different.

Lanka Hospitals will maintain its growth trajectory, carefully balancing patients' rights, the need for affordable healthcare and the need to create long-term value. Our vision is to provide care that is respectful of, and responsive to, individual patient preference, needs and values, ensuring that patients value guide all clinical decisions.



**Dr. Sarath Paranavitane**  
Chairman

28th February 2017

# CENTRE FOR BLOOD DISORDERS

The only one of its kind in Sri Lanka, the Lanka Hospitals' dedicated Centre for Blood Disorders facilitates the treatment of all blood related cancers including Leukemia, Myeloma and Lymphoma as well as bone marrow transplants.

The Centre is headed by Sri Lanka's only specialised haemato-oncologist who is listed on the Specialists Registry of UK and adopts global protocols and standards in all systems and processes. With a 100% success rate in bone marrow transplants and a transplant related mortality death rate of zero, the Centre is one of the most preferred facilities for bone marrow transplants.





**CONVENIENCE  
REDEFINED**



**AMBULANCE**

LANKA HOSPITALS

WPLW 0692

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EMERGENCY CALL  
1566

# LANKA HOSPITAL OPENS ADVANCED 'ONE-STOP' GASTROENTEROLOGY (GE) CENTRE

Another unique venture by Lanka Hospitals, the fully-fledged GE Centre combines state-of-the-art technology and the skills of highly specialised medical professionals to facilitate treatment for Gastro-Intestinal (GI) disorders. The GE incorporates international healthcare standards to ensure the provision of effective and swift treatment for patients suffering from stomach pain, heart burn, spasm of gastritis or any other GI related ailment. The GE Centre is also the only facility in Sri Lanka which offers Endoscopic Ultrasound (EUS), Endo Bronchial Ultrasound (EBUS) and PH Manometry studies, using state-of-the-art technology. EUS combines endoscopy and ultrasound in order to obtain images and information about the digestive tract and the surrounding tissue and organs, facilitating more accurate, affordable and convenient diagnostics. Meanwhile, EBUS combines scoping with ultra-sonography to identify lesions within and around the trachea (wind pipe).









## GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

*“LANKA HOSPITALS BECAME THE FIRST HOSPITAL TO BE CERTIFIED FOR MEDICAL TOURISM IN SRI LANKA ...”*

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“We have maintained our customer satisfaction ratio at 91% throughout the year as we continued to focus on operational excellence and best-in-class clinical practices, pursuing a goal of providing high quality treatments in one location.”

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I am pleased to report that The Lanka Hospitals Corporation PLC has delivered a profit of Rs. 972 Mn for the year 2016, an increase of 13% over the previous year and the highest profit in the history of the company. Assets growth was 16% as we continued to invest in state of the art technology enhancing our treatment and diagnostic capabilities. The balance sheet strengthened during the year as retained earnings remained the key funding source for growth, enhancing our resilience and capacity for growth. Our commitment to patient care is paramount and we maintain the highest standards in line with international best practice as evinced by our accreditations and consistent customer satisfaction rates.

### PERFORMANCE

Revenue growth was supported by 40% growth in diagnostics and 21% growth in revenue from the Pharmacy operations. Growth of diagnostic services was driven by an increased footprint and expansion of diagnostic capabilities to offer an unparalleled menu facilitating greater accuracy in diagnosis. Pharmacy revenue growth was supported by our strategy of ensuring that patients would have convenient access to medications dispensed by a competent and

knowledgeable staff within a controlled environment. We opened 7 pharmacies in principal towns during the year extending our services beyond the hospital premises and opened an outlet adjacent to the Emergency unit for the convenience of these customers. Revenue from the hospital services grew marginally by 2% as competition within the industry intensified during the year. Lanka Hospitals continues to have the largest panel of consultants who opt to treat patients in a fully-fledged tertiary care facility with access to in-house specialists throughout the day.

Continuous improvement in processes, increasing automation and capacity building enabled us to marginally increase profit margins while maintaining competitive rates for patient care, a significant achievement in an intensely competitive environment which also has increasing regulation on pricing. The contribution from Lanka Hospital Diagnostics was a key driver to increased profitability increasing from 13% in 2015 to 25% in 2016 as enhanced capability facilitated economies of scale.

Return on assets was maintained at 13% during the year despite significant investments in state of the art technology which are expected to realise their full potential in the forthcoming year. ROE declined marginally from 17.2% in 2015 to 16.6% in 2016 due to the same reason. Both ROE and ROA are amongst the highest in the industry, comparing well with our peers. Our Earnings per share grew by 13% to Rs. 4.34 proving our ability to deliver value to our stakeholders. Net assets per share increased by 17% to Rs. 26.12 per share reflecting our strategy of continuous investments and prudent growth.

### A COMMITMENT TO CARE

Underlying our strong financial performance is a proven track record of delivering value to a diverse group of stakeholders, carefully balancing their concerns and needs. We have maintained our customer satisfaction ratio at 91% throughout the year as we continued to focus on operational excellence and best-in-class clinical practices,

**GROUP CHIEF EXECUTIVE OFFICER'S REVIEW CONTD.**

pursuing a goal of providing high quality treatments in one location.

The Joint Commission International accreditation in 2014 paved the way for a paradigm shift in patient safety by implementation of best clinical practice up to the highest standard processes. Consequently, we comply with over 2500 standards which cover all aspects of patient care. We are now preparing to renew the JCI accreditation under the new 6th edition guidelines, continuously improving our processes.

Lanka Hospitals became the first hospital to be certified for medical tourism in Sri Lanka as we complied with the requirements of the Medical Travel Quality Alliance, strengthening our positioning in the medical tourism business segment which is a key strategy for growth. Growth in this key segment was supported by successful entry in to Seychelles which resulted in over 715 patients visiting our hospital and 126 admissions in 2016. Patients from existing markets, Maldives and Bangladesh, continue to trust our care, demonstrating consistent growth through customer referrals from satisfied customers.

Lanka Hospitals Diagnostics continues to improve its policies, processes and practices in preparation for accreditation from the College of American Pathologists, building on its ISO certification. Rs. 369 Mn was invested in new equipment to expand the range of diagnostic tests by 1,051 enabling us to offer the most extensive test menu in the country.

Capital expenditure during the year in patient care facilities was Rs. 358 Mn enhancing our treatment capabilities. The Women Wellness Centre was opened during the year to facilitate treatment for women from puberty to menopause through a dedicated team with a deep understanding of the issues in privacy and comfort. The Eye Centre opened during the year consolidated our capability with the latest technology available for Lasik eye surgery. Our Centre for Blood Disorders is a dedicated,

fully-equipped facility that specialises in treating blood-related cancers including bone marrow transplant treatment under the expert guidance of a highly qualified and internationally experienced haemato-oncologist, enabling Sri Lankans to obtain this treatment at a fraction of the cost charged in overseas facilities. The Neurosciences unit is the only department in the private healthcare sector in Sri Lanka to offer the services of 3 full-time Neurologists/Surgeons who are present all day to facilitate cases of emergency and the only hospital in the country to carry out long-term video EEG monitoring. We invested in a new building to house administration and other support functions, releasing space for expansion of clinical area, which will be completed in the 1st half of 2017.

Our milestones in clinical practice include delivery of 1,000 IVF babies by March 2017 with a success rate of 42% for In-Vitro Fertilisation (IVF) and Intra Cytoplasmic Sperm Injection (ICSI) treatments. Lanka Hospitals maintains its position as the market leader in cardiac surgery, consistently recording the highest number of heart surgeries in 2016.

We continued our community reach activities through awareness building programs on relevant topics such as diabetes, parenting, prevention of strokes.

**DRIVING OPERATIONAL EXCELLENCE**

Lanka Hospitals took the initiative of organising Clinical sessions 2016, a forum created for medical professionals to share knowledge and maintain continuous education among the medical fraternity in the country. The inaugural sessions were an interesting mix of lectures, presentations and interactive sessions categorised under three separate symposia throughout the day which were chaired by individual panels of medical experts. It attracted over 175 reputed medical professionals and employees of private and Government healthcare entities who came together to strengthen Sri Lanka's aspiration of becoming a world class destination for medical tourism.

An industry-wide shortage of skilled staff makes managing people a critical challenge for every entity in the sector with economic migration and intense competition for talent exacerbating the issue. Turnover rates of responsibility for patient care is shared across departments and this necessitates a systematic approach to training, developing and motivating our team to deliver internationally benchmarked levels of service. We invested in internal and external training in both technical areas as well as team building exercises to develop our staff. Higher levels of automation during the year enhanced employee productivity and improved morale as processes were streamlined making their work more efficient. We invested in a digital feedback system which is tablet based ensuring greater coverage of patients and increasing the accuracy of data in measuring customer satisfaction KPIs. Lanka Hospitals also gained recognition from the National Apprentice and Industrial Training Authority as an approved employer, facilitating access to talent. Staff welfare activities ensured that teams came together in a spirit of camaraderie for sports, religious and ethnic festivals.

Investments in energy efficient equipment and lighting enabled us to manage our carbon footprint, energy cost and moving towards a paperless environment. Customer onboarding for paperless reports via web based systems also commenced during the year as we sharpened focus on lean consumption models.

### WAY FORWARD

We will continue our goal of becoming a one-stop shop for health and well-being of patients and will invest in state-of-the-art technology to facilitate their care. Our programme to develop centres of excellence in areas which require high levels of technology and specialised care will continue in 2017 as well. The opening of a Renal and genito-urinary centre to cater to the growing number of patients in this category is scheduled for the first half of the year 2017. A General and Hemato Oncology Centre is also scheduled for 2017, expanding patient treatment options in this critical area. A Thoracic and Respiratory

Medicine Centre to address thoracic and pulmonary diseases will be the first of its kind in the country, facilitating treatment for a growing category of diseases for an increasing number of patients.

We will also expand our footprint with two centres in the the country and two off-shore, taking our refined model of patient care beyond our single location model, enhancing our reach. Our goal is to do this while maintaining a customer satisfaction rate above 90% in all locations and detailed implementation plans are in place to deliver this in the medium term.

### ACKNOWLEDGEMENTS

Our achievements set out in this report is the result of a carefully crafted strategy which has been communicated, implemented and finetuned over time. I wish to thank the Chairman and the Board of Directors for their vision and guidance in determining strategy and objective review of performance. The excellent service provided by our distinguished panel of Consultants and doctors is key to our success and I extend my sincere appreciation of their services. My team joins me in thanking officials of the Ministry of Health whose assistance is invaluable for ensuring regulatory compliance. I place on record my sincere appreciation of the hard work and dedication of the team at Lanka Hospitals who have delivered a commendable performance.

I thank all our patients for continuing to trust Lanka Hospitals with your health and look to your support in developing facilities to cater to your well-being in the future.



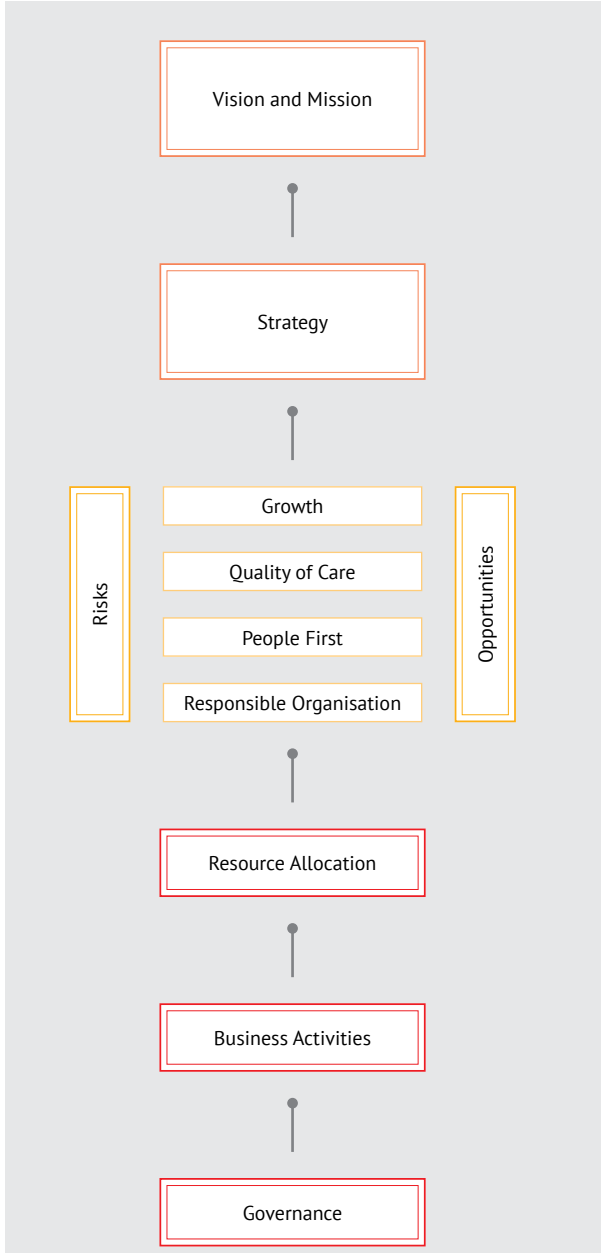
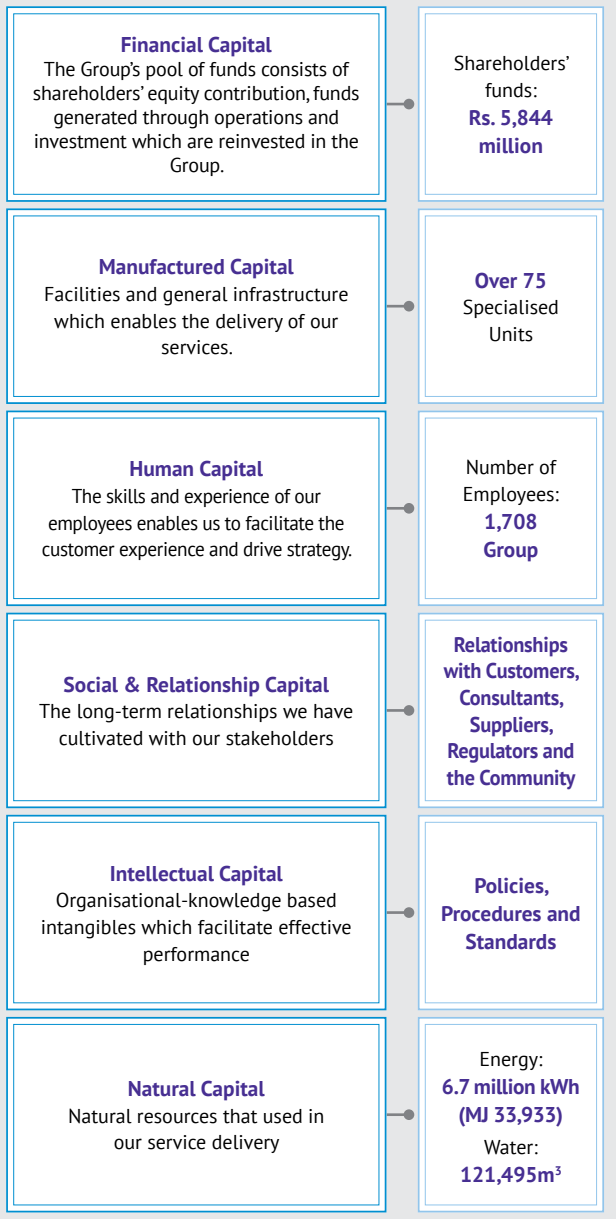
**Dr. Prasad Medawatte**  
*Group Chief Executive Officer*

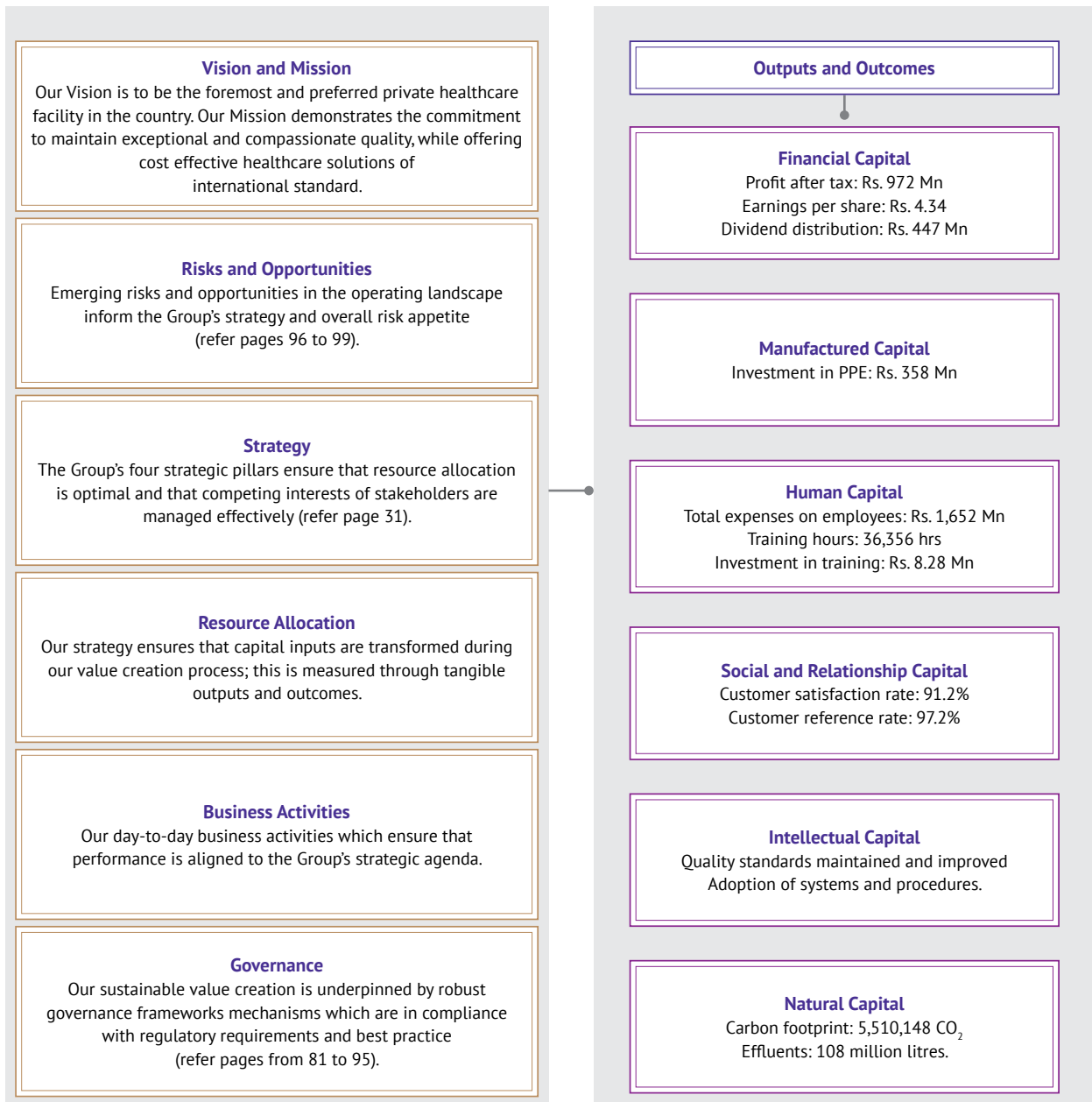
28th February 2017

## OUR INTEGRATED VALUE CREATION MODEL

Lanka Hospital's value creation model graphically depicts the inter-relation between the capitals that are input to the Group's value creation process, its business activities, strategic focus areas and the outputs and outcomes of this process.

### CAPITAL INPUTS





## OPERATING CONTEXT AND STRATEGY

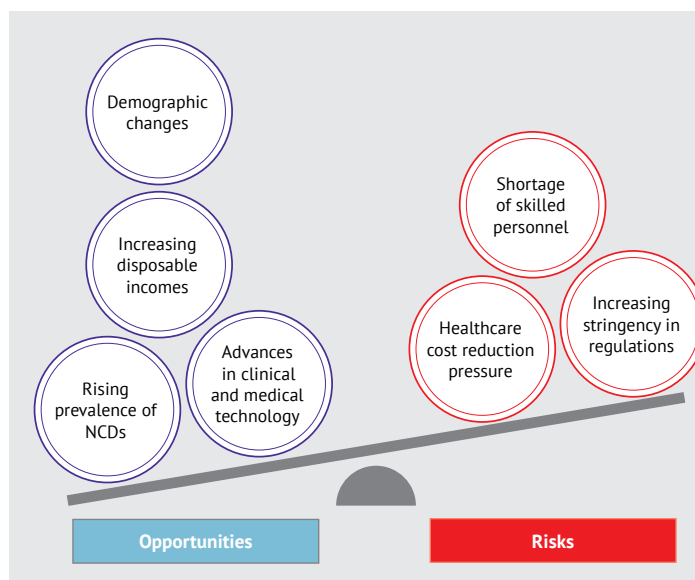
### OUR VALUE ADDITION [G4-EC1]

#### GROUP VALUE ADDITION AND DISTRIBUTION

	2016 Rs.	Group 2015 Rs.
<b>Value Created</b>		
Revenue	5,886,441,551	5,514,070,918
Other income	52,543,367	36,003,006
Finance income	182,832,019	156,284,582
<b>Total Value Created</b>	<b>6,121,816,937</b>	<b>5,706,358,506</b>
<b>Value Distributed</b>		
Cost of Materials & Services bought in	3,114,378,974	3,013,879,624
To the Employees as Remuneration	1,652,481,280	1,474,877,314
To the Government as Revenue	74,997,766	74,229,211
To Shareholders as Dividend	447,464,338	335,598,254
<b>Total Value Distributed</b>	<b>5,289,322,359</b>	<b>4,898,584,403</b>
<b>Total Value Retained</b>	<b>832,494,579</b>	<b>807,774,103</b>
<b>Value Retained Expansion &amp; Growth</b>		
Profit Retained	524,560,706	524,039,917
Depreciation & Amortisation	307,933,873	283,734,186
<b>Total Value Retained Expansion &amp; Growth</b>	<b>832,494,579</b>	<b>807,774,103</b>

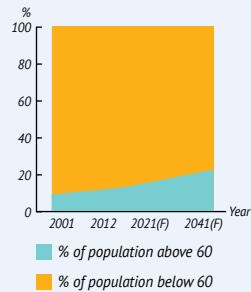
### MATERIAL OPPORTUNITIES AND RISKS

We have identified several emerging opportunities and risks in our operating landscape which could potentially impact our ability to create value over the medium to long term. These developments are monitored on an ongoing basis and their implications are a vital input in determining strategy.



**DEMOGRAPHIC CHANGES**

Longer life expectancy and an increasingly ageing population will contribute towards the growth in demand for healthcare in Sri Lanka. By 2041, 25% of the country's population is projected to be above 60 years.



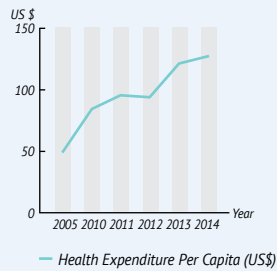
Source: Dept. of Census and Statistics

**IMPLICATIONS**

Demand for specialised healthcare needs of the elderly, including Alzheimer's disease, arthritic conditions cardiovascular diseases and other geriatric services would continue to increase.

**INCREASING DISPOSABLE INCOMES**

Personal disposable incomes have continued to rise following Sri Lanka's transition to a middle income earning country while per capita health expenditure has witnessed parallel increases.



**IMPLICATIONS**

Increased spending capacity and higher propensity to seek healthcare services reflects the significant upside potential in the healthcare industry.

**OPERATING CONTEXT AND STRATEGY CONTD.****RISING PREVALENCE OF NON-COMMUNICABLE-DISEASES (NCDs)**

The United Nations Interagency Taskforce on NCDs concluded in 2015 that NCDs have emerged as a serious economic and public health issue in Sri Lanka and is fueled by sedentary lifestyles, unhealthy diet and tobacco/alcohol use. According to the Annual Health Bulletin of the Ministry of Health, approximately 75% of hospital deaths are caused by NCDs.

**IMPLICATIONS**

The increasing prevalence of NCDs provides an opportunity for private operators to improve their presence in specialised services such as oncology, cardiology, and endocrinology.

**SHORTAGE OF SKILLED HEALTHCARE PERSONNEL**

Shortage of doctors, nurses and other allied health staff is a key challenge facing the sector. According to the Institute of Policy Studies, Sri Lanka has the highest doctor expatriation rate in the region while nurse migration was also relatively high. The majority of doctors graduating from local medical faculties are absorbed by the Government sector and these doctors can only practice in the private sector subsequent to completing the required number of hours at State hospitals.

**IMPLICATIONS**

Shortage of skilled staff could affect the overall quality of care provided by the healthcare sector while limiting its ability to successfully cater to the rising demand.

**INCREASING REGULATORY STRINGENCY**

The primary regulatory body governing the private healthcare industry is the Private Health Services Regulatory Council (PHSRC). The scope and stringency of regulations have continued to increase in recent years with PHSRC having regulatory purview over the following aspects (among others)

- » Pricing of hospitals fees and medical investigations
- » Standard of care
- » Profile and qualification of employees
- » Patient billing and information provided

**IMPLICATIONS**

Increased cost of compliance and regulations and more intensified competition due to price ceilings



**STAKEHOLDER ENGAGEMENT [G4-24,G4-25,G4-26,G4-27]**

The Group engages with stakeholders who can potentially impact its business and are directly affected by the organisation's activities to ensure that the Group's strategy is aligned to stakeholder needs and concerns. Lanka Hospitals has established clear lines of communication between its various stakeholders and strives to consistently build and maintain these relationships.

STAKEHOLDER	IMPORTANCE OF ENGAGEMENT	ENGAGEMENT MECHANISM AND FREQUENCY	KEY TOPICS AND CONCERNS RAISED	RESPONSE STRATEGIES
Shareholders	Shareholders provide capital to fund future growth plans.	<ul style="list-style-type: none"> <li>» Annual General Meeting</li> <li>» Interim financial statements (Quarterly)</li> <li>» Annual Report</li> <li>» Corporate website</li> <li>» Announcements made to the Colombo Stock Exchange (as and when required)</li> </ul>	<ul style="list-style-type: none"> <li>» Return on Investment</li> <li>» Sustainable growth</li> <li>» Corporate Governance and ethics</li> <li>» Risk Management</li> <li>» Growth opportunities and future outlook</li> <li>» Reputation</li> </ul>	<ul style="list-style-type: none"> <li>» Clear communication and interaction with shareholders</li> </ul>
Employees	Employees facilitate the customer experience and drive our strategy.	<ul style="list-style-type: none"> <li>» Performance appraisal (Annual)</li> <li>» Email communications/ notices</li> <li>» Department meetings/team meetings, one to one meetings with direct line manager (as and when required)</li> <li>» Employee intranet</li> <li>» Work-life balance</li> <li>» Employee satisfaction surveys such as Great Place to Work (GPTW)</li> </ul>	<ul style="list-style-type: none"> <li>» Competitive levels of remuneration and benefits</li> <li>» Training and development</li> <li>» Prospects for career progression</li> <li>» Job security</li> <li>» A conducive and ethical work environment</li> <li>» Employee safety and well being</li> </ul>	<ul style="list-style-type: none"> <li>» Provide a challenging work environment which rewards employees</li> <li>» Employees are sent for various in-house as well as external training programmes</li> <li>» The Lanka Hospitals Nurses Training School</li> <li>» Opportunities for career and personal growth</li> </ul>

**OPERATING CONTEXT AND STRATEGY CONTD.**

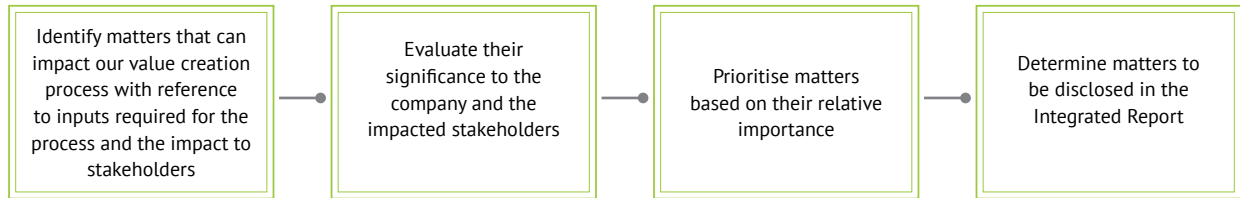
STAKEHOLDER	IMPORTANCE OF ENGAGEMENT	ENGAGEMENT MECHANISM AND FREQUENCY	KEY TOPICS AND CONCERNS RAISED	RESPONSE STRATEGIES
Consultants (specialists across all clinical disciplines)	Consultants are able to refer as well as attract patients to Lanka Hospitals.	<ul style="list-style-type: none"> <li>» One-on-one engagement</li> <li>» Conduct and sponsoring for CME programmes.</li> </ul>	<ul style="list-style-type: none"> <li>» Availability of the latest technology and equipment</li> <li>» Quality of nursing and support staff</li> <li>» Optimal infrastructure facilities</li> <li>» Customer base</li> </ul>	<ul style="list-style-type: none"> <li>» Prioritise on certain specialities and ensure that the facilities, equipment and support required are available</li> </ul>
Customers (local in/out patients and medical tourists)	Patient experience will have an impact on the Hospital's customer base.	<ul style="list-style-type: none"> <li>» Patient feedback surveys (In patients - On discharge, Out patients – as and when required )</li> <li>» Corporate website</li> <li>» One-on-one engagement</li> <li>» Social media</li> </ul>	<ul style="list-style-type: none"> <li>» Quality of service and care given</li> <li>» Responding to patient concerns and focusing on the quality of their experience</li> <li>» Attracting and retaining the best consultants/doctors</li> <li>» Access to affordable private healthcare either through self-pay or health insurance</li> <li>» Ability to facilitate the most up to date medical procedures</li> <li>» Low infection rates and medical errors</li> </ul>	<ul style="list-style-type: none"> <li>» Quality accreditations</li> <li>» Responding and taking action on information received from feedback surveys</li> <li>» Continue to attract the best consultants and doctors to Lanka Hospitals which will add to the existing panel of renowned consultants and doctors</li> <li>» IT services to be used to improve patient interaction and support</li> </ul>
Suppliers (medical suppliers, medical device manufacturers, pharmaceutical suppliers and other general suppliers)	To ensure that products to provide optimal service are available as required.	<ul style="list-style-type: none"> <li>» Regular meetings with and review of suppliers</li> <li>» Contract negotiations (as and when required)</li> </ul>	<ul style="list-style-type: none"> <li>» Fair and transparent tender processes</li> <li>» Negotiations with suppliers built on mutual respect and with a reasonable pricing structure</li> </ul>	<ul style="list-style-type: none"> <li>» Build and maintain relationships with suppliers</li> </ul>

STAKEHOLDER	IMPORTANCE OF ENGAGEMENT	ENGAGEMENT MECHANISM AND FREQUENCY	KEY TOPICS AND CONCERNS RAISED	RESPONSE STRATEGIES
Government/ regulators	Lanka Hospitals is required to adhere to all laws and regulations imposed by the government and regulatory bodies.	<ul style="list-style-type: none"> <li>» Membership in industry associations and participation in their forums</li> <li>» Direct engagement with Government officials and regulators at various levels</li> </ul>	<ul style="list-style-type: none"> <li>» Compliance with laws and regulations</li> <li>» Contribute to the development of healthcare regulation</li> </ul>	<ul style="list-style-type: none"> <li>» Public-Private Partnerships</li> <li>» To be updated on all laws and regulations and ensure compliance</li> <li>» Be actively involved in industry forums</li> </ul>
Third Party Payers (health insurance providers)	Provides funding for Lanka Hospitals as part of health insurance payments on behalf of patients.	<ul style="list-style-type: none"> <li>» Interaction on issues pertaining to quality, patient experience and doctor utilisation trends</li> <li>» Contract negotiations (as and when required)</li> <li>» Day-to-day interventions on patient case management</li> </ul>	<ul style="list-style-type: none"> <li>» Efficiencies in case management and billing</li> <li>» Cost reductions</li> <li>» Access to quality statistics</li> <li>» Meeting expectations regarding patient experience</li> <li>» Billed services relate to actual and necessary services provided</li> </ul>	<ul style="list-style-type: none"> <li>» Being part of preferred provider networks</li> <li>» Patient satisfaction</li> <li>» Sharing quality data</li> <li>» Implementing efficiency programmes to reduce costs</li> </ul>
Communities	Proactively engage and support the communities we operate in.	<ul style="list-style-type: none"> <li>» Conducting various medical awareness programmes and medical discussions</li> <li>» Community engagement and CSR initiatives</li> </ul>	<ul style="list-style-type: none"> <li>» Ethical practices</li> <li>» Social and environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>» Various medical awareness and discussion programmes conducted for the general public</li> <li>» Go green initiatives</li> </ul>

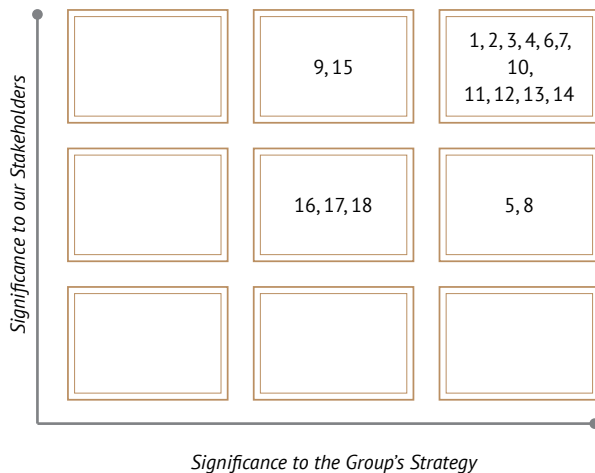
**OPERATING CONTEXT AND STRATEGY CONTD.**

**DETERMINING MATERIAL ISSUES [G4-18]**

The Group follows a systematic process to identify and prioritise the issues that are most material to our stakeholders, in order to ensure that these aspects inform strategy and underpin our corporate reporting. The process for determining material content is as follows;



Material issues are regularly reviewed based on changing operating dynamics, emerging risks and opportunities and stakeholder feedback. Accordingly, the material aspects included in this Report are a combination of those prescribed by the GRI guidelines and those specific to our industry, value creation model and strategy. We have also clearly identified how our material aspects correspond to the disclosures recommending by GRI.



● Growth

● Quality of Care

● People First

● Responsible Organisation





**[G4-19,G4-20,G4-21]**

	<b>MATERIAL ASPECT</b>	<b>CORRESPONDING GRI ASPECT</b>	<b>BOUNDARY</b>
<b>STRATEGIC PILLAR: GROWTH</b>			
1	Economic performance	Economic performance	Internal
2	Breadth of services		Internal
3	Technology	Indirect economic impacts	Internal
4	Consultant relationships		Internal
5	Operational efficiency		Internal
<b>STRATEGIC PILLAR: QUALITY OF CARE</b>			
6	Patient satisfaction	Customer satisfaction	Internal and external
7	Responsible care	Product responsibility, Marketing communications, Customer health and safety, Security practices, Compliance (PR), Product and service labelling, Customer privacy	Internal and external
8	Accreditations		Internal
9	Supply chain management	Procurement practices, Supplier assessment for labour practices	External
<b>STRATEGIC PILLAR: PEOPLE FIRST</b>			
10	Employee attraction	Employment, Equal remuneration	Internal
11	Employee productivity		Internal
12	Training and development	Training and Education	Internal
13	Health and safety	Occupational health and safety, customer health and safety	Internal
14	Employee satisfaction	Labour practice grievance mechanism	Internal
<b>STRATEGIC PILLAR: RESPONSIBLE ORGANISATION</b>			
15	Regulatory engagement and compliance	Compliance (SO)	External
16	Environmental impacts	Raw materials, Energy, Water, Waste and effluents, Emissions, Compliance (EN), Overall, Supplier environmental screening	Internal and external
17	Community skill development		External
18	Community engagement	Environmental grievance mechanisms, Local communities	External

**OPERATING CONTEXT AND STRATEGY CONTD.**

**OUR STRATEGY**

An increasingly dynamic and competitive operating landscape reinforces the need to differentiate our offering through a cohesive strategy which demonstrates commitment to our Vision and Mission, addresses the needs of our stakeholders and is effective in responding to emerging opportunities and risks.

 <p><b>GROWTH</b></p>	 <p><b>QUALITY OF CARE</b></p>	 <p><b>PEOPLE FIRST</b></p>	 <p><b>RESPONSIBLE ORGANISATION</b></p>
<p>Continue to grow market share locally while expanding contribution from regional customers</p> <p><b>Strategic drivers</b></p> <ul style="list-style-type: none"> <li>(1) Widening the breadth of services</li> <li>(2) Acquiring new technology</li> <li>(3) Attracting consultants</li> <li>(4) Attract regional patients through partnerships and medical tourism</li> </ul>	<p>Achieve excellence in patient care and maintain commitment to world-class healthcare</p> <p><b>Strategic drivers</b></p> <ul style="list-style-type: none"> <li>(1) Relentless quality focus through rigorous reporting and benchmarking</li> <li>(2) Enhance patient experience</li> <li>(3) Accreditations</li> <li>(4) Enhance service delivery</li> </ul>	<p>Nurture a team of motivated and skilled healthcare professionals</p> <p><b>Strategic drivers</b></p> <ul style="list-style-type: none"> <li>(1) Employee engagement</li> <li>(2) Investment in training and development</li> </ul>	<p>Ensure sustainable financial, social and environmental performance</p> <p><b>Strategic drivers</b></p> <ul style="list-style-type: none"> <li>(1) Minimising the environmental impact of operations</li> <li>(2) Continued engagement with stakeholders</li> <li>(3) Contribute towards community skill building</li> </ul>

# HEART CENTRE

We provide the country's most advanced cardio-thoracic care through a dedicated, fully-fledged Heart Centre. The Centre pioneered cardiac and cardiothoracic surgeries for children in Sri Lanka and over the last decade has performed more than 50 different surgical procedures with outstanding results.

Equipped with state-of-the-art technology and facilities, the Centre features an advanced catheterisation laboratory or cath lab, with diagnostic imaging equipment, two cardiac theatres, a modern 5-bed coronary care unit and a blood bank. The Centre also offers pre and post-operative patient counselling and physiotherapy.





# A RESTFUL HAVEN





# WOMEN'S WELLNESS CENTRE

The Lanka Hospital's Women's Wellness Centre is a dedicated facility for women, offering a wide range of holistic screening packages, diagnostics, consultations, treatments and post procedural checkups. The facility is equipped with state-of-the-art technology and equipment and is staffed by the country's most sought-after gynaecologists and specially trained nursing staff.

The Centre also features latest Digital Mammogram technology ensuring minimal discomfort and lowest levels of radiation to patients. Services offered include (but are not limited to) screening or breast cancer, prenatal and post-natal care, psychological care, parent crafting, health education and cosmetic surgery among many others.



## OUR PERFORMANCE

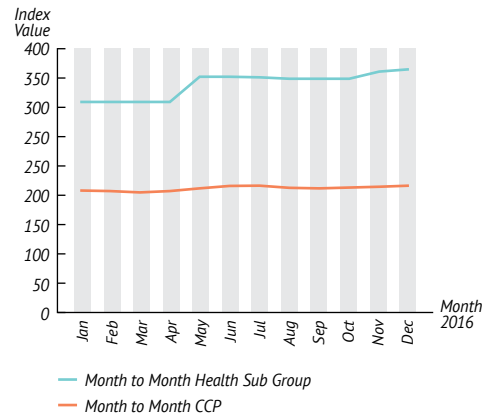
### ECONOMIC AND INDUSTRY ENVIRONMENT

#### Global Economy

The global economy is estimated to have grown by 3.1% in 2016 (2015: 3.2%), underpinned by stronger than anticipated growth in advanced economies while the performance of emerging markets were somewhat subdued.

Growth projection for advanced economies is estimated at 1.6% in 2016 (2015: 2.1%). In the United States, activity rebounded strongly after a weak first half of 2016, with unemployment levels continuing to fall. Output remains below potential in a number of other advanced economies, notably in the Euro area. Preliminary third-quarter growth figures were somewhat stronger than previously forecast in some economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of the Brexit vote. However it is to be noted that this forecast is particularly uncertain in light of potential changes in the policy stance of the United States under the incoming administration.

After five consecutive years of slow growth momentum, emerging markets and developing economies are projected to perform better from 2016 onwards, although the economic outlook for these economies still remains weaker than in the past. Economic growth in these economies is projected to be 4.1 % in 2016 (2015: 4.1%). The growth rate in China was somewhat stronger than expected in 2016, supported by continued policy stimulus. However, activity was weaker than expected in several Latin American countries currently in recession, such as Argentina and Brazil, as well as in Turkey. Activity in Russia was slightly better than expected, in part reflecting firmer oil prices.



**Month to Month Movements -  
CCPI vs Health Sub Group**

Source: Department of Census and Statistics

#### Outlook for 2017

Global economic growth forecast is expected to gradually improve to 3.4 % in 2017 and 3.6% in 2018. Advanced economies are projected to grow by 1.9% and 2.0% and emerging market and developing economies are expected to grow by 4.5% and 4.8% during 2017 and 2018 respectively.

#### Sri Lankan Economy

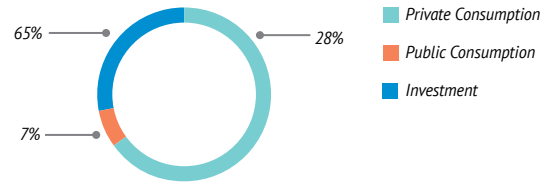
The Sri Lankan economy grew by 4.4% during 2016, compared to the 4.8% growth recorded in 2015. Growth was mainly driven by the continuous expansion in the Services sector and a substantial growth in the Industries sector. The Services sector's growth was underpinned by the expansion in financial services and wholesale and retail trade activities. Changes to the tax structure, such as the imposition of VAT on health care services and increase in VAT rates on other services had some impact on the overall growth of the Services sector in 2016.

**OUR PERFORMANCE CONTD.**

Gross Domestic Expenditure (GDE), which is the demand generated by the domestic economy, grew by 8.9% in nominal terms during the first half of 2016 compared to the 8.5% growth in the first half of 2015. Consumption, the major expenditure component of the economy, is forecast to grow by 9.3% in nominal terms in 2016 compared to the 8.9% growth recorded in 2015. The growth in consumption expenditure for 2016 was expected to be driven by the private sector while Government consumption was expected to remain moderate during the latter part of 2016. Private consumption, the main contributor of consumption expenditure, is projected to grow by 11.0% in 2016 compared to the 8.4% growth in 2015.

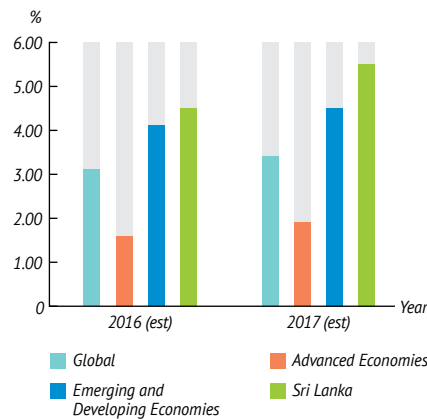
Health expenditure only constituted 2.9% of overall private consumption expenditure in 2015, as the Government provides healthcare at no cost or at a lower rate reducing household consumption expenditure on health, but has grown by 22.1% in 2015 compared to 1.3% in the previous year. Private consumption expenditure on health remains more than half of the total health expenditure.

Inflation continued to remain at low levels although there were some upward pressures during 2016. On the supply side, adverse weather conditions and revisions in the Government's tax policy, contributed to the increase in inflation during the year. The relaxed monetary policy stance pursued in the past and increase in wages in the economy also exerted some demand pressures on prices. Thus headline inflation, as measured by the year-on-year change in the Colombo Consumers' Price Index (CCPI, 2006/07=100), was 4.1% in December 2016 (2015: 2.8%). Core inflation continued its upward trend in 2016, reflecting the firming up of demand conditions in the economy and the revisions made to the tax structure in the latter part of the year. Core inflation, based on CCPI, increased to 6.3%, year-on-year, at end 2016 (2015: 4.5%), while NCPI based core inflation was 6.7%, year-on-year, at end 2016 (2015: 5.8%).



**Composition of Domestic Demand - 2016 Projection**

Source: Department of Census and Statistics



**Economic Growth**

Source: IMF, Central Bank of Sri Lanka

The rupee depreciated against the US Dollar by 3.8% in 2016, to close the year at Rs.149.88. Despite considerable depreciation pressure on the rupee during some months, the rupee remained relatively stable in 2016 compared to the previous year.

The external sector displayed a modest performance during 2016. Earnings from exports declined by 2.6% during the first ten months of 2016, while the expenditure on imports increased marginally by 0.2%. This has resulted in an expansion in the trade deficit during the first ten months of 2016. Supporting the external sector, earnings from tourism is estimated to have increased during the first eleven months of 2016 by 14.7% over the previous year.

## The Healthcare Sector

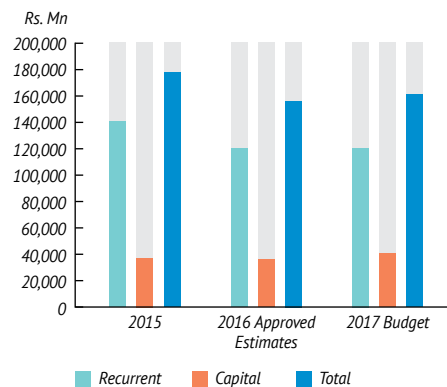
Sri Lanka's Government is committed to providing free universal health care to all its citizens. As a result, Sri Lanka, being a middle income country with low expenditure on health, has healthcare indicators which are impressive compared to its regional peers and some even comparable to those found in Thailand, Malaysia and Korea (countries with higher income levels and spends more on healthcare per capita).

	SRI LANKA	MALDIVES	THAILAND	MALAYSIA	REPUBLIC OF KOREA
Infant Mortality Rate (per 1,000 live births) 2013	8	8	11	7	3
Maternal Mortality Rate (per 100,000 live births) 2013	29	31	26	29	27
Life Expectancy at Birth (Years) 2014	74.9	76.8	74.4	74.7	81.9

Source: Annual Health Bulletin (2014)

Changes in Sri Lanka's demography and epidemiology that is, an ageing population and moving away from communicable diseases to Non-Communicable Diseases (NCDs), requires the Government to prioritise geriatric medical care and focus on NCDs, which requires long-term care. This will involve a shift in the Government healthcare delivery system currently in place which is designed to cater to a growing young population, whose main concerns were mother and childcare, nutrition and communicable diseases. However, this is a challenge as the Government has not been able to increase funding sufficiently to keep pace with new technology, costly medication and rising expectations of patients.

The public healthcare sector accounted for 76% of the hospitals and 93% of the available bed capacity in Sri Lanka. It also provided approximately 95% of inpatient care and provides an almost equal share of outpatient care with the private sector. Although the public sector has been successful in providing efficient and good quality health services, it has been unable to meet the curative services demand of the total population due to insufficient resources.



### Government Expenditure on Health (Rs. Mn)

Source: Central Bank of Sri Lanka, Ministry of Finance

## Key Public and Private Sector Statistics

	PRIVATE HOSPITALS	MOH HOSPITALS	PRIVATE SECTOR SHARE (%)
Number of Institutions (June 2016)	193	610	24.03
No of Beds (June 2016)	6,028	76,949	7.26

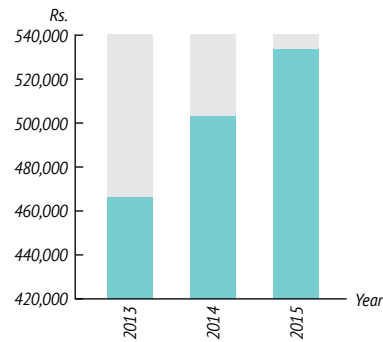
The private healthcare sector services are limited to mainly urban areas in and around Colombo. This sector has seen a dramatic increase in its expenditure within the last few years on capital investment, expanding bed capacity and

**OUR PERFORMANCE CONTD.**

investment in new technology. Although the private sector is often perceived as serving only the rich and affluent, it also fulfills an important medical need for the poor and rural population under-served by the public sector. Additionally, the private sector frequently provides products and services which might not otherwise be available, such as advanced medical equipment and procedures and perhaps even higher-quality services. The rising per capita income of the population has also increased the demand for private sector services as more people are able to afford such services.

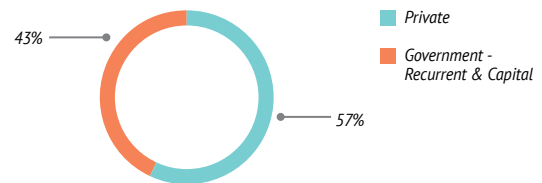
Limitations in the public healthcare services can be given as one reason among others for the increase in demand for private healthcare services. However, a shortage of skilled professionals is a constraining factor in expanding the private sector services to cater for increased demand. Although the number of medical professionals in the country has increased throughout the years, it is still a relatively lower number than some of the other regional countries. This is a challenge that private hospitals which are dependent on visiting specialists to attract patients face. Another issue is that the majority of local consultants do not join a hospital on a full-time basis. There is also a dearth of nurses in the country. This has led to immense competition for trained nurses and private hospitals face a constant challenge in retaining trained nursing staff.

Private consumption expenditure on healthcare is more than half the total healthcare expenditure in Sri Lanka, although the Government is committed to providing free health care for all Sri Lankans. Out of pocket (OOP) expenses consists of an average of 87% with private voluntary insurance and employers contributing to 6% in 2011. Utilisation of private healthcare services due to inadequacies of the public healthcare services and poor health insurance penetration has resulted in the high proportion of OOP expenditure. An increase in health insurance among the population will result in reducing the cost of private healthcare borne by individuals and will encourage the use of private healthcare services.



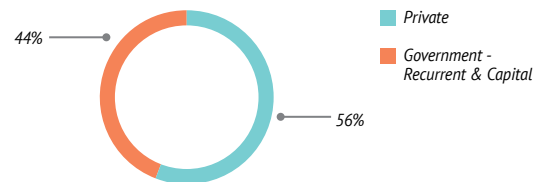
**Per Capita GDP (Rs)**

Source: Central Bank of Sri Lanka



**Government and Private Consumption Expenditure on Health - 2014**

Source: Department of Census and Statistics



**Government and Private Consumption Expenditure on Health - 2015**

Source: Department of Census and Statistics

### Outlook for 2017

It is projected that the Sri Lankan economy will grow by 5.5-6% in 2017 and inflation will remain at mid-single digit levels in the medium term. Due to fiscal constraints, the Government is unable to provide the level of infrastructure needed to cater to the healthcare needs of all Sri Lankans. Therefore the private sector in this instance provides an invaluable service, although at a price, and has an immense potential to grow. Encouraging the private sector to invest in healthcare infrastructure and pursuing Public-Private Partnerships to fill the gaps in the industry is imperative over the medium to long-term. Expected growth in tourism and overall improvements in the tourism industry also paves the way for the healthcare sector to continue and grow their services in medical tourism.

A snapshot of the many opportunities and challenges facing the private healthcare sector in this environment as it translates to Lanka Hospitals is summarised as follows.

#### Strengths

- » Full-time resident consultant base and a visiting consultant base.
- » Multi-award winning and accredited Hospital.
- » High standards maintained in the Lanka Hospital Nursing School.
- » Financial stability.
- » Use of cutting edge technology.
- » Experienced and well trained staff.
- » Clinical milestones in IVF, haemato-oncology, heart, kidney transplants, cochlear implants and other specialties.
- » Established foreign patient base in Maldives and Seychelles. Potential patients from Middle East and Bangladesh.
- » First private hospital to have a heli-pad on hospital premises.

#### Weaknesses

- » Capacity constraints in the OPD, theatre and rooms.
- » High staff turnover - especially clinical staff.
- » Limited vehicle parking facilities available in the hospital premises.
- » Lack of regional presence in Sri Lanka.

## SWOT

#### Opportunities

- » A wealthy ageing population (wealthy by themselves or financed by wealthy relatives overseas).
- » Rising per capita income.
- » Increased life expectancy.
- » General public has access to information such as prices which enable them to compare service providers.
- » Medical tourism – Lanka Hospitals is the first internationally certified hospital for medical tourists through Medical Travel Quality Alliance.
- » Demand for quality healthcare.
- » Low inflation.
- » Establish Public-Private Partnerships.
- » Expansion of Lanka Hospitals' pharmacy operations.

#### Threats

- » Price competition.
- » Emerging city and regional hospitals.
- » Improvement in the Government healthcare sector.
- » Attractive foreign medical insurance policies to utilize foreign medical services aimed at wealthy individuals whom otherwise would use the services of local private sector hospitals.
- » Government tax policies – VAT expanded to include healthcare services.
- » Industry wide shortage of skilled professionals has meant challenges with retaining staff.
- » Pressure to reduce healthcare costs.
- » Emerging online medical services.
- » Focus on surgical market by competitors.
- » Rising cost of living which results in lower disposable income.

**OUR PERFORMANCE CONTD.****DELIVERING OUR STRATEGY**

The subsequent section of the report aims to discuss the Group's operational performance with reference to its primary strategic objectives of growth, quality of care and people focus. Certain aspects relating to quality of care and people focus are discussed in detail in the Capitals report from pages 44 to 63.

**Operational Review - Lanka Hospitals**

The Group turned in a year of strong performance recording a revenue and profit growth of 7% and 13% respectively. Performance was underpinned by a growth in both in-patient and out-patient volumes, which translated to a healthy average occupancy rate of 4%. Ongoing focus on streamlining and restructuring business processes also enabled the Hospital to generate cost and process efficiencies.

**Key Performance Indicators/(Group)**

	<b>2016 (Group)</b>	<b>2015 (Group)</b>	<b>Y-O-Y GROWTH (%)</b>
Revenue (Rs. Mn)	5,886	5,514	7
EBITDA (Rs. Mn)	1,207	1,094	10
EBIT (Rs. Mn)	899	811	11
Pre-tax profit (Rs. Mn)	1,081	967	12
Profit for the year (Rs. Mn)	972	860	13
Net assets (Rs. Mn)	5,844	4,990	17
GP margin (%)	49	47	4
EBITDA margin (%)	20	20	-
NP margin (%)	17	16	6

**Consistent Growth in Patient Volumes**

The Hospital's reputation as a high quality healthcare provider, operational excellence, large consultant base and strategic location has enabled it to fortify its market position despite intensified competitive pressures. In 2016, total inpatient admissions increased by 3%, translating to an average high. Meanwhile, outpatient consultation also increased by around 4% during the year.



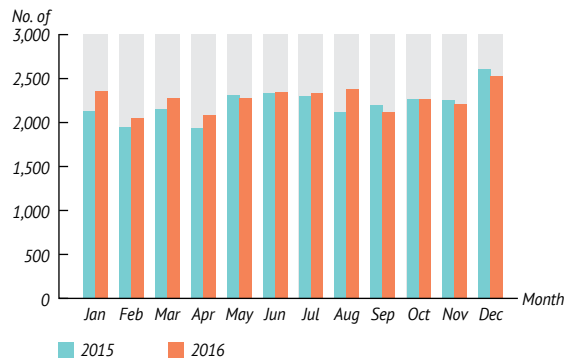
**Range of Care**

As the country’s only purpose built hospital, Lanka Hospitals offers a comprehensive range of medical, surgical and specialty care under one roof covering a broad spectrum of facilities and procedures. In several specialty areas such as haemato-oncology and nuclear medicine the Hospital holds monopoly positions, a testament to its ability to attract internationally trained, highly specialised consultants. It is also the only private hospital in the country which conducts paediatric cardiac surgery, minimally invasive cardiac surgery and spinal surgery.

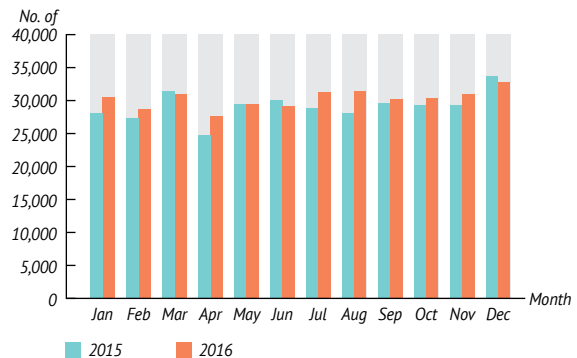
Services offered in the Hospital include, **[G4-4]**

PRIMARY CARE	SECONDARY CARE	TERTIARY AND SPECIALISED CARE
Outpatients department	Physiotherapy	Gastroenterology
General medicine	Blood bank	Neurosciences
Emergency services	ENT Centre	Cosmetic Centre
Dental clinic	Radiology	Kidney care
Eye clinic	Surgical department	Nuclear medicine
Pharmacy	Dermatology	Fertility Centre
Vaccinations	Mother and Baby Care	Heart Centre
		Centre for Blood Disorders
		Haemato-oncology

**[G4-8] Type of Customers**



**Inpatients**



**Outpatients**

**OUR PERFORMANCE CONTD.**

**Capturing Opportunities in Medical Tourism**

World-class standards of care, internationally trained healthcare professionals, relatively cost effective care and Sri Lanka's natural lure as a tourist destination renders the country an attractive regional centre for medical tourism. Having identified this potential, the Government of Sri Lanka is currently laying the groundwork to formulate a holistic, country-wide strategy to promote medical tourism. Several leading private healthcare operators, including Lanka Hospitals have already initiated entry into this market, capturing opportunities in the South Asian region. Lanka Hospitals is one of the most significant players in this space, attracting a relatively high number of patients from Maldives, India, Bangladesh, Seychelles and several Middle East countries. Patient volumes which were on an upward trajectory up to 2015.

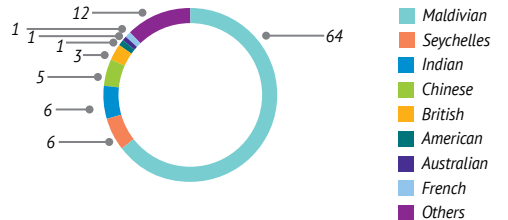
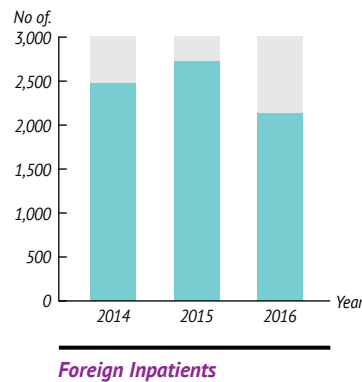
**Medical Travel Quality Alliance (MTQA Certification)**

Lanka Hospitals was the first private healthcare operator to obtain the international medical tourism certification from the US-based MTQA. A global certification program for hospitals, clinics, agencies and related service providers, the MTQA certification follows a stringent evaluation process which includes assessment on patient intake and treatment, care management, privacy and security and multicultural sensitivity among others.

**An Expanding Network of Pharmacies**

The Hospital is also expanding market share in the lucrative pharmacy segment and has partnered with the Keells to operate pharmacies within the supermarket network. We currently operate 3 pharmacies within Hospital premises and 16 pharmacies in supermarket outlets, in Colombo and its suburbs. During the year, revenue contribution from the pharmacy network expanded by 21%.

**[G4-8]**



**Nationality wise Foreign IP - 2016**

**Quality of Care and Service Excellence**

Following its entry in 2002 (then a part of the Apollo chain of Hospitals), Lanka Hospitals successfully redefined the standards of quality and care in the Sri Lankan healthcare industry, creating a new benchmark in service excellence. Patient care and satisfaction are at the core of everything we do and are reflected in our commitment to obtain and comply with the most stringent accreditations in the healthcare industry.

### Gold Standard in Healthcare - JCI Accreditation

Lanka Hospitals is one of just 3 Sri Lankan healthcare providers to have obtained the prestigious JCI Accreditation, widely considered to be the gold standard in healthcare. A stringent and holistic accreditation, JCI ensures the maintenance of the highest standards of patient safety and quality of care, facilitates effective risk management, provides a platform for continuous improvement and is a source of competitive advantage. The JCI Standards include (but are not limited to) the following criteria;

Compliance to International Patient Safety Goals

Access to Care and Continuity of Care

Patient and Family Rights

Assessment of Patients

Care of Patients

Anaesthesia and Surgical Care

Medication management and Use

Patient and Family Education

Prevention and Control of Infections

Governance, Leadership and Direction

We will continue to work with JCI in maintaining the accreditation and pursuing further improvements in patient safety and quality of care.



### Customer Satisfaction

Patient satisfaction levels continued to be high, averaging 91.2% during the year. Inpatient satisfaction is measured through feedback forms while outpatients are given the opportunity to provide feedback digitally. Parameters tracked through the satisfaction survey include efficiency of the admission process, quality of food and beverages, quality of nursing and support staff, facilities and amenities among others. The results obtained are analysed and presented to the Senior Management and Board of Directors on a monthly basis.

### Way Forward

We will maintain focus on our key strategic priorities and hope to further expand the breadth of our services through increasing capacity and introducing new areas of specialised care. The Hospital will add theatres in order to effectively cater to the rising demand for surgical care. Specialised services to be launched in 2017 include a dedicated eye care centre providing LASIK surgery, a kidney unit and a new cath-lab. We will continue to harness digital capabilities to drive process efficiencies and enhance the customer experience; digital kiosks allowing self-managed appointment scheduling for outpatients will be launched in 2017 enabling significant reductions in queuing time, while we hope to further

**OUR PERFORMANCE CONTD.**

expand the coverage of the OPD patient registration system which will enable the Hospital to maintain all relevant patient records in a systematic manner.

**Operational Review - Lanka Hospital Diagnostics (LHD)**

Lanka Hospitals' subsidiary, LHD, is a leading player in diagnostics, offering Sri Lanka's largest menu of tests and successfully building a reputation for superior quality, accuracy and reliability. Robust growth in volumes have supported LHD's strong performance in recent years and during the review period it achieved revenue and profit growth of 40% and 109% respectively, contributing 26% to the Group's bottom line.

	2016	2015	% Y-O-Y GROWTH
Revenue (Rs. Mn)	984	703	40%
EBITDA (Rs. Mn)	274	143	92%
EBIT (Rs. Mn)	240	113	112%
Pre-tax profit (Rs. Mn)	266	116	129%
Profit for the year (Rs. Mn)	250	120	108%
Assets (Rs. Mn)	984	651	51%
GP margin (%)	58%	54%	7%
EBITDA margin (%)	28%	20%	37%
NP margin (%)	25%	17%	49%

**Strong Market Position**

Despite being a relatively new entrant to the diagnostics market, LHD has captured market share to emerge as the 3rd largest player in a highly competitive segment. This achievement is particularly commendable given that LHD operates only 2 labs, significantly lower than its industry counterparts who operate multiple labs across the island. LHD operates a hub-and-spoke diagnostics model with a central laboratory within the Hospital, a satellite laboratory in Colombo as well 15 owned and 600 third party collection centers across the island. With a total of 1051 tests and procedures, LHD offers the broadest test menu in the country, of which 50 are performed exclusively by LHD. In the last two years, LHD introduced 380 new tests to Sri Lanka directly contributing towards the growth and evolution of the diagnostics sector.

**Competitive Advantage Through Quality**

LHD was the first laboratory in Sri Lanka to obtain the ISO 15189 certification for medical laboratories. The quality and skills of our human capital is also a distinctive source of competitive advantage; for instance all six departments within the laboratory are headed by full-time consultants while all technicians are graduates/diploma holders registered with the Sri Lanka Medical Council. Meanwhile, we utilise technologically advanced, state-of-the-art equipment which enables all tests to be performed on the latest platforms ensuring a high level of accuracy and reliability.

### Technology-driven Convenience

As a fully-automated laboratory, all test results are linked to an integrated laboratory information system which enables customers to access test results securely through the LHD website. In addition to enhancing customer convenience and facilitating real time information transfer, all relevant records are maintained within the system in a structured manner, enabling the easy recall of patients' medical history if required.

### Way Forward

LHD is currently in the process of obtaining the College of American Pathologists (CAP) certification; upon receipt, LHD will be the only laboratory in Sri Lanka to have obtained this prestigious certification. Geographical expansion is a key priority for 2017 and we hope to establish nine laboratories-comprising of three state-of-the-art regional labs in urban outstations including Kandy, Galle and Anuradhapura as well six satellite labs in the peripheries. Continuing investments in upskilling laboratory staff on technical and service aspects are expected to further strengthen LHD's customer value proposition.

First Hospital laboratory to obtain ISO-15189:

Only laboratory to perform daily quality control programs

Maintaining a high success rate is essential to the CAP proficiency testing program

All technicians are Diploma/Graduates or SLMC-registered medical technologists

Sri Lanka's most modern medical laboratory with state-of-the-art equipment

Maintain highly stringent specimen handling processes

Only laboratory service to communicate testing details via SMS and securely upload test results to the internet for access by the patient

## CAPITAL MANAGEMENT REVIEW

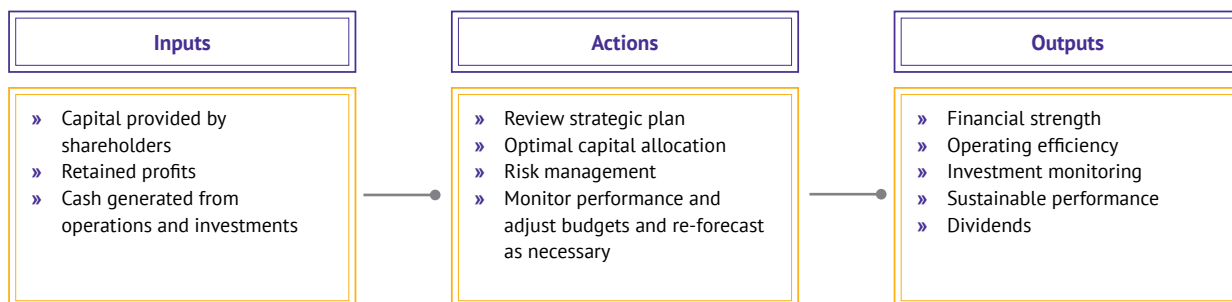
### FINANCIAL CAPITAL

#### Overview

The Lanka Hospitals Corporation PLC (the Group) posted its highest-ever performance in 2016. The Group demonstrated strong resilience to several external challenges to post a y-o-y growth in net profits of 13% to Rs. 972 Mn while Group net assets increased y-o-y by 17.1% to Rs. 5,844 Mn.

	2016 (Rs. Mn)	2015 (Rs. Mn)	Y-O-Y %
Revenue	5,886	5,514	6.8
Net profit	972	860	13.1
Total assets	7,352	6,344	15.9
Net assets	5,844	4,990	17.1

### OUR FINANCIAL CAPITAL



#### Revenue and Costs

Group revenue increased y-o-y by 6.8% to Rs. 5,886 Mn supported by a 21% growth in pharmacy revenue and a 40.0% growth in diagnostics revenue. Company Hospital revenue, which does not include diagnostics revenue, showed a y-o-y decrease of 5.0%. This growth was achieved despite several regulatory developments which hampered the Group's operations and adversely affected several revenue streams. The Government imposed a ban on kidney transplants on foreigners from the end of January 2016. Lanka Hospitals which was performing approximately 15 foreign kidney transplants a month in 2015 lost its entire revenue stream from medical tourism on this specialty post this ban. Price ceilings imposed by the Government on 48 generic drugs which in turn affected the pricing of many branded drugs from October 2016 resulted in a drop in pharmaceutical revenue once implemented, even though y-o-y there is an increase in this revenue stream.

The remarkable growth in diagnostics revenue was attributable to the wide range of diagnostics services available for patients, greater accuracy and preciseness of the services offered and acceptance of the results of such services among clinicians and patients. Pharmacy revenue increased due to 7 pharmacies that were opened in major towns as well as an additional pharmacy opened within the Hospital premises that resulted in volume growth.

Direct cost increases were slightly lower than the revenue increases, leading to a marginal increase in the gross profit margin in 2016 to 48.6% from 47.4% in 2015.

#### Profitability

The net profit of the Group increased y-o-y by 13.1% to Rs. 972 Mn in 2016 to record the highest profit in the history of the Group. The Group had to overcome several

challenges from the external environment to achieve this milestone. The Government ban on kidney transplants on foreigners from January 2016, a specialty in medical tourism that was lucrative for the Group resulted in lower profits than those budgeted. Certain services offered by the healthcare sector which were previously not liable to VAT became liable to VAT during the latter part of 2016. Since the Group's revenue liable to VAT is less than the input VAT that the Group incurs, the excess has been expensed thereby adversely impacting profits. The Government imposition of price ceilings on 48 pharmaceutical products during the latter part of 2016 and the budgetary relief allowance for workers earning less than Rs. 40,000 a year also contributed to a lower bottom line. On the positive side a depreciating rupee and an increase in medical tourists post Lanka Hospitals receiving the MTQA certification during the latter part of the year has had a favourable impact on Group profits.

### Financial Strength

The Group demonstrated a strong financial position as of December 31, 2016 with total equity growing by 17.1% to Rs. 5,844 Mn, while total assets grew by 15.9% to Rs. 7,352 Mn.

Property, plant and equipment forms 55.5% of the total assets of the Group. Additions to property, plant and equipment by the Group in 2016 amounted to Rs. 358 Mn. As a leading player in the private healthcare industry, the Group has continuously invested in state of the art medical equipment while expanding capacity. With this in view, Rs. 72 Mn was invested in 2016 on building an extension to the existing hospital building to house back office functions. The space available within the hospital by transferring the back office functions to the new building is now being converted to accommodate a surgical unit which is expected to be operational by end 2017 and expected to increase capacity by 10%. Significant investments in medical equipment during the year included a digital mammogram machine for the Women's Wellness Centre, colono and gastro video scopes for the Endoscopy Unit, phaco and laser machines for the

general operation theatre and double door high pressure washer and disinfectant for the central sterile services department. Capital WIP includes an investment in a Lasik laser machine for the Eye Centre, for which the Group is committed, that is expected to be utilised in 2017 once received.

The other major asset category amounting to Rs. 2,029 Mn and making up 27.6% of total assets was the Group's investment in fixed deposits and unit trusts which is categorised as other financial assets. Excess funds are invested as per the guidelines articulated by the Group Investment Committee. Other financial assets increased significantly by 32.5% in 2016, highlighting the cash richness of the Group. The Group continued to be debt free with its strong cashflow generation supporting its working capital and long term capital requirements without resorting to borrowings.

The management of working capital is a high priority for the Group. The Group continues to be cash rich as approximately 80% of the payments for services are received in cash. Notwithstanding, maximum credit terms are obtained from suppliers and investments are monitored so that cash flow needs are met as needed. The excess liquidity through the operating cycle as of December 31, 2016 was Rs. 1,960 Mn.

A strong capital structure was maintained in 2016 with shareholders' funds representing 79.5% of the funding profile of the Group with non-current liabilities accounting for 7.6% and current liabilities 12.9%.

### Cash Flows

Net cash inflows from operating activities declined y-o-y by 19.6% mainly due to an increased investment in working capital. The net cash outflow from investing activities decreased 15.4% y-o-y due to a decrease in investment of other financial assets although there was an increase in interest income received and investment in PP&E from the previous year. The higher dividend per share paid in 2016 resulted in an increase in the cash

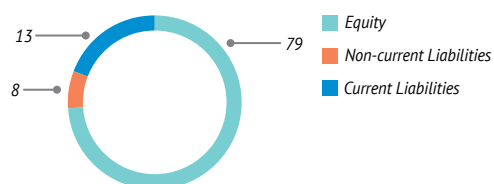
**CAPITAL MANAGEMENT REVIEW CONTD.**

outflow from financing activities y-o-y by 33.3%. The Group ended the year with a negative cash and cash equivalents balance. However, this does not reflect an actual bank overdraft but a book balance and the Group continues to enjoy being cash rich and debt free.

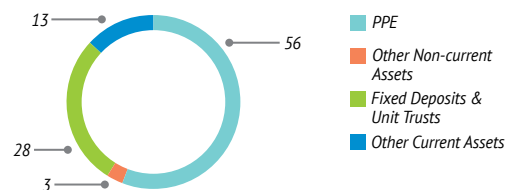
**Value Created for Shareholders**

Amidst challenges posed by the external environment the Group's continuous focus on sustainable performance whilst staying true to its mission of providing exceptional and compassionate quality has paved the way to recording the highest profit and the declaration of the highest dividend in its history. A dividend of Rs. 2/- per share has been declared and paid in 2016.

	2016	2015	Y-O-Y %
Earnings per share (Rs.) - Group	4.34	3.84	13%
Dividends per share (Rs.) - Group	2.00	1.50	33%
Net assets per share (Rs.) - Group	26.12	22.30	17%
Share price (closing) (Rs.)-Company	65.00	60.30	8%
Market capitalisation (Rs. Mn) - Company	14,543	13,491	8%
P/E Ratio - Company	19.83	18.03	10%
Dividend payout - Company	61%	45%	36%



**Total Equity & Liabilities Composition 2016**



**Total Assets Composition 2016**

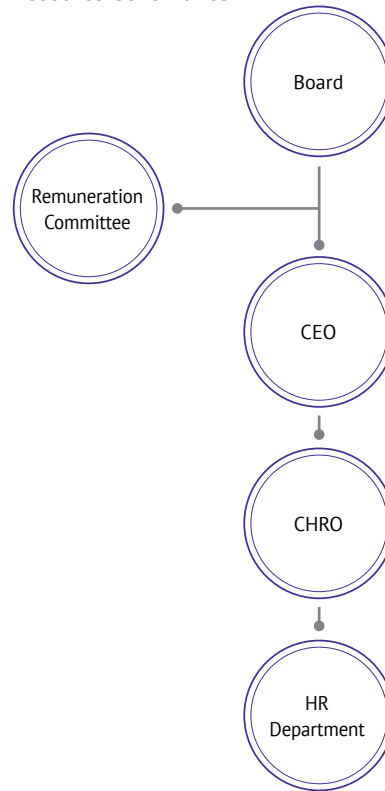


### HUMAN CAPITAL

Our skilled and caring staff is central to our mission of providing world-class healthcare standards with exceptional and compassionate quality. As a provider of quality healthcare, our team of 1,708 employees is vital in meeting the highest standards of care, facilitating the customer experience and driving our strategic agenda. Therefore, we focus on attracting, retaining and motivating highly skilled and diverse professionals who are industry leaders together with exceptional support staff. We in turn, strive to provide opportunities for skill and career development, in a dynamic and rewarding environment.


All procedures relating to Human Resources are laid out in the Standard Operating Procedure Manual which has been approved by the Board of Directors. The Human Resources department is responsible for implementing the policy frameworks detailed in the manual and all permanent employees are required to adhere to the policies as well.

### Human Resource Governance




**Benefits and Rewards**

- » Bonus
- » Medical leave encashment
- » Medical insurance
- » Incentives




**Training and Development**

- » Performance management
- » Employee promotion
- » Competency assessment




**Rights and Dignity of Labour**

- » Sexual harassment
- » Grievance redressal
- » Employee rights



**Administration**

- » Uniforms
- » Hostel
- » Employee misconduct



**CAPITAL MANAGEMENT REVIEW CONTD.**

**Team Profile**

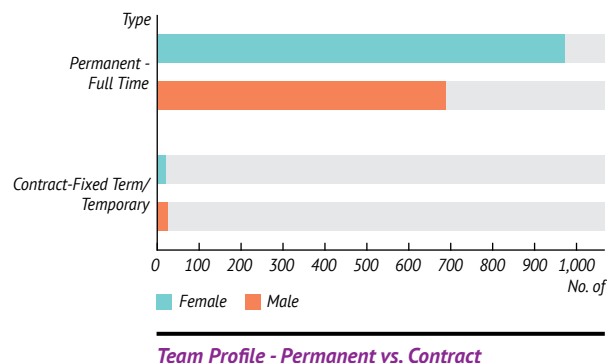
The Group’s staff strength stood at 1,708 at end 2016 (1,558 – 2015), which includes selected consultants, nurses trained at the Lanka Hospitals Nurses Training School (LHNTS) and other medical support staff and administration staff. Majority of visiting consultants is engaged through consultancy agreements and are not on the Group’s payroll. Our competitive edge is underpinned by the expertise, skills and professionalism of our staff which have enabled us to be an industry leader in selected specialties such as oncology and haemato-oncology, gastroenterology, fertility and nuclear medicine among others.

Sri Lanka’s healthcare market is essentially doctor-centric, and the ability to attract a large number of consultants is a source of competitive advantage. With 43 resident consultants, Lanka Hospitals has one of the largest resident consultancy bases in a private hospital, along with 512 of the country’s foremost consultants attending as visiting consultants. [\[G4-10\]](#)

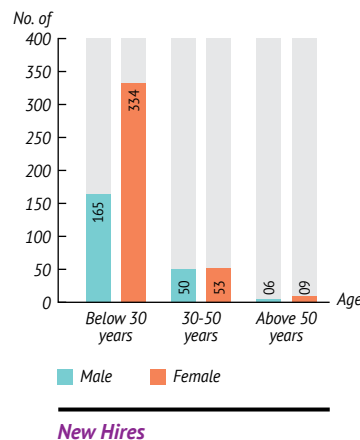
TEAM PROFILE – EMPLOYEE CATEGORY	MALE	FEMALE	TOTAL
Admin Staff / Executives	120	75	195
Clerical & Allied	302	296	598
Expatriates - Administrative	1	1	2
Expatriates – Technical	1	2	3
Others (Stores, Medical, Security & Office Assistants)	102	466	568
Technical Staff - Executives	20	12	32
Technical Staff - Non Executives	133	109	242
Trainee	23	45	68
<b>Total</b>	<b>702</b>	<b>1,006</b>	<b>1,708</b>

**Talent Attraction [LA-1]**

Attracting talent in a very competitive landscape where there is a shortage of skilled medical professionals in the healthcare industry is an ongoing challenge for Lanka Hospitals. We are an equal opportunity employer and do not discriminate on gender, age or race. Our employee value proposition which emphasises skill and career development, attractive remuneration and a high level of engagement enables us to attract the best talent in the industry. During the year, we added 617 new employees to our team. Female representation continues to be high with 64% of new hires being female.



**[LA1]**



# FERTILITY CENTRE

With an extraordinary track record of 1000 successful IVF deliveries our Fertility Centre leads the industry in technology, array of services offered and market share. Since commencing operations in 2008, the Centre has continued to widen the scope of its services through leveraging on the latest technologies and adopting global best practices. The Centre pioneered the vitrification embryo of IVF babies in the country and has maintained an international standard rating of 42% in IVF and Intra Cytoplasmic Sperm Injection (ICSI) treatments.

The Centre's success is also attributed to its team of highly-capable and experienced specialists. We are the only centre in the country to perform IVF procedures on a daily basis and have even been successful with patients going through menopause, tubal blocks and males with zero testicular sperm counts. Innovative solutions have also enabled us to offer convenient solutions to patients such as the introduction of self-injectable hormone pens which eliminates the need to regularly visit the centre. We hope to further widen the scope of our offerings with the launch of several exciting treatments over the medium term; these include egg freezing, pre-implantation genetic diagnosis and new sperm tests to check the DNA fragmentation.





**SAFE AND  
SECURE**

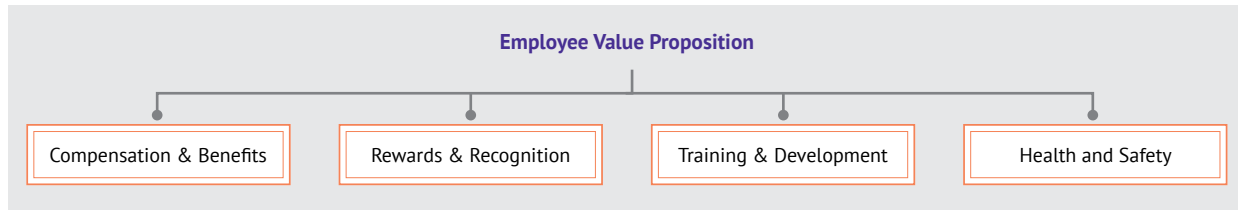


# NUCLEAR MEDICINE

Lanka Hospitals pioneered Nuclear Medicine imaging in the country's private healthcare sector and continues to maintain its position as the only private sector player offering nuclear medicine for diagnostic, therapeutic and preventive maintenance. Equipped with a state-of-the-art Dual Detector Gamma Camera, the first and only of its kind in Sri Lanka, the Centre has the capability to conduct over 30 advanced tests including whole body bone scans, renal function/diuretic scans, myocardial perfusion scan and liver blood pool scan among others.

Nuclear imaging provides more accurate and reliable information compared to conventional methods, facilitating better diagnostics and decision making. The Centre benefits from the skills and special capabilities of its expert team and relatively long waiting periods in government hospitals has enabled the Centre to maintain healthy growth in patient numbers in recent years.





**Rewards and Recognition**

The Group provides exciting opportunities for career progression; high performers are identified through annual performance appraisals and rewarded through salary increments and promotions. Performance appraisals are carried out for all permanent staff. In addition, employees also received bonuses twice a year, enabling the team to share in the success of the Group’s performance. Outstanding achievements and long-term service is also rewarded through special recognition and/ or monetary compensation. [LA-11]

The benefits we provide to employees include salaries, bonus, incentives, sick leave encashment, medical insurance (but are not limited to).

**Training and Development**

Continuous investment in training and development is an integral part of our employee value proposition. Training needs are identified at annual performance appraisals and a Master training plan for the year is developed with the inputs of Divisional Heads. Employees participate in training programs that are conducted both in-house and externally, including overseas exposure for selected specialties. In addition to technical skills we also place emphasis on developing life cycle skills including communication, personal grooming, telephone etiquette and dress sense. Meanwhile, managerial level employees were given training on staff motivation, lean management

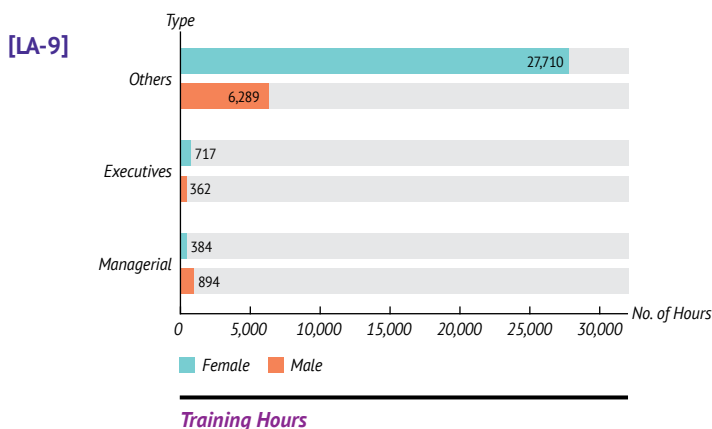
and management competencies among others. Training programs on medical subjects and conferences were also attended by a limited number of staff. During the year our investment in training initiatives amounted to approximately Rs. 8.28 million, with employees undergoing 36,356 hours of training at an average of 21.29 hours per employee. [LA-9, LA-10]

- Medical insurance for employees
- Sick leave encashment on the unutilised sick leave
- Hostel facilities and free transportation
- Meals at subsidised price
- Work life balance initiatives including yoga sessions, sponsored trips and religious events

**CAPITAL MANAGEMENT REVIEW CONTD.**

Key training programs carried out during the year include (but are not limited to);

SKILL CATEGORY	TRAINING INITIATIVE	NO. OF PARTICIPANTS	TRAINING HOURS
Technical Skills	Apollo International Clinical Nutrition Update	1	8
	Integration Nutrition Therapy with Novel Strategies of Medical Management for Diabetes	3	7.5
	Pregnant Mothers Nutrition	1	1
	Clinical Nutrition Update	6	48
	Osteopathy & Modified Chiropractic Methods for Physiotherapist	2	48
	Certificate Course in Radiation Protection	1	60
	Unravelling the scope of Gastroenterology	5	80
	Advance Certificate Course on "Palliative Care of Nursing Officers"	2	80
	Workshop on Hand Surgery	3	24
	Initial Trauma Care for Nurses	7	56
	Best Practice and Safety in the Operating Theatre for Nurses	14	112
	Nutritional Management Stoma and Abdominal Wound Care for Nurses	17	68
Soft and Leadership Skills	Personal Grooming and Dress Sense	23	69
	Strategy Summit	2	16
	Service Quality Improvement	23	92
	Customer Service - Excellence	97	388
	Leadership Exploration and Development	3	24
	Workshop on Lean Management	10	80
	F&B Training	4	32





### Lanka Hospitals Nurses Training School (LHNTS)

Lanka Hospitals operates a dedicated nurse training school producing high-calibre nursing staff, who are among the most sought after in the industry. LHNTS is registered with the Tertiary and Vocational Educational Commission and offers a 3 year Diploma in nursing. All students are trained based on a comprehensive syllabus covering theoretical and clinical knowledge. Clinical training is given to the students at Lanka Hospitals on various procedures and on patient care. English and IT also form part of the curriculum and students are awarded the NVQ3 certificate on completion. The diploma is only awarded after completion of a 3 year training period.

Students can join Lanka Hospitals as a junior nursing staff member whilst studying. Lanka Hospitals invests in developing each student to a fully-fledged nurse and absorbs all graduate nurses to the employee cadre of the Hospital.

The quality of education provided at LHNTS has also enabled it to attract Maldivian trainee nurses. Through a partnership with a Maldivian University, 50 trainee nurses are provided a 6-week training program in an ongoing arrangement.

### Employee Grievance Mechanism

Promoting a culture where employees are treated with respect and dignity, encouragement of open, honest communication within all levels of employees, together with opportunities for training and development and career progression has boded well in providing the work environment Lanka Hospitals has today. A structured mechanism is in place for employee grievances, which includes direct communication with the relevant line manager; if the grievance is not resolved within two weeks it is directed to the HR Department for corrective action. In addition, the Group maintains an open door policy and with all employees encouraged to bring forward their concerns to management.

### Health and Safety

As a healthcare service provider, the health and safety of our employees is a critical aspect of our value proposition. There are many programmes for managing safety on par with international standards that are operational at present. All occupational injuries are recorded and followed-up to ensure corrective action is taken. During the year, there were 6 work-place related injuries. [\[LA-6\]](#)



**CAPITAL MANAGEMENT REVIEW CONTD.**

**Our Approach to Health and Safety**

- » Culture of safety
- » Infection control
- » Medication safety
- » Radiation safety

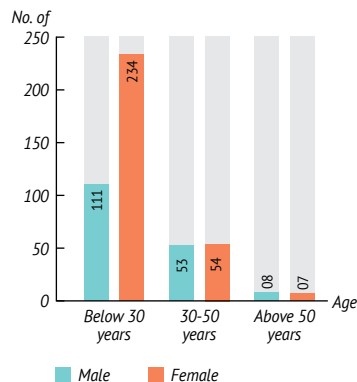


**Employee Retention**

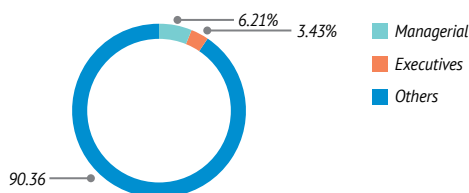
Retaining talented employees is a key focus area for Lanka Hospitals. High employee exit rates were noted in the employee category 'Others' and in the <30 years female category. This was mainly due to turnover of trained nursing staff for whom there is an industry wide shortage. Lanka Hospitals is addressing this issue by identifying a talent pool and focusing on retaining these employees as well as ensuring that succession planning is in place.

EXIT EMPLOYEE PROFILE	TURNOVER	
	Male	Female
Managerial	20	9
Executive Officers	8	8
Others	144	278
Total	172	295

[LA-1]



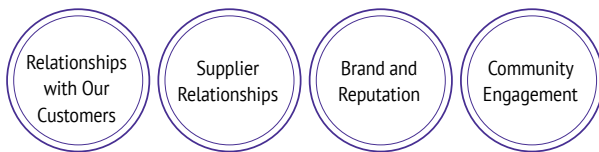
**Exit Employees**



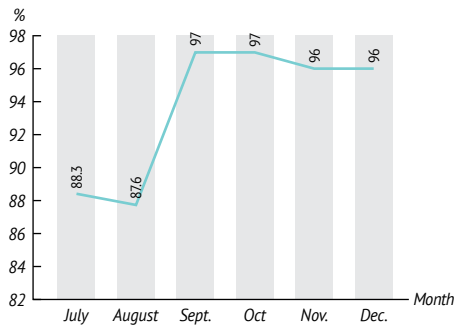
**Category Wise Exit**

**SOCIAL AND RELATIONSHIP CAPITAL**

Social and Relationship Capital is the organisation’s relationships with groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being. For Lanka Hospitals, Social and Relationship Capital includes,



[PR-5]



Customer Satisfaction 2016 (%)

Customers recommending Lanka Hospitals to friends/families:  
**97%**

**Customer Relationships**

Our customers are at the centre of our value creation and our fundamental to ensuring that we achieve our growth aspirations. We maintain a high level of engagement with our customers and continually seek to strengthen our relationships through,

- » Providing multiple platforms to encourage customer feedback
- » Ongoing focus on responsible care and patient safety
- » Providing continued training to employees on customer service

**Responding to Our Customers**

Feedback from customers is facilitated by structured mechanisms; all in-patients are administered feedback forms while out-patients are given the opportunity to provide feedback electronically. The satisfaction surveys track multiple aspects of the customer experience including quality of nursing staff, efficiency of the processes and quality of F&B among others.

Overall customer satisfaction levels were high throughout most part of the year and averaged 91.2%. Satisfaction rates are analysed and monitored by the management at least on a monthly basis, with corrective action taken in response to customer feedback and suggestions.



**CAPITAL MANAGEMENT REVIEW CONTD.****Responsible Care [PR-1]**

We endeavour to provide high-quality, responsible care to our patients at all times. As a JCI-accredited organisation, our operations have been designed to fulfill the International Patient Safety Goals, which helps healthcare operators address specific areas of concern in several problematic areas of patient safety. All indicators relating to these goals are recorded and monitored by the Hospital on a consistent basis. During the year, there were no instances of non-compliance to any relevant regulation regarding the use of products or services.

**Patient Identification**

- » A minimum of two patient identifiers are used throughout the Hospital to ensure correct identification prior to any treatment/procedure.

**Effective Communication**

- » Systematic methods to ensure patient information is communicated effectively during shift changes.
- » Defined critical values for test results.

**Improve Safety of High-alert Medications**

- » High-alert medications are clearly marked using identification tags and employees coming in contact with such medicines are specially trained on handling, storage and transportation.

**Ensure Correct Sight, Procedure and Surgery**

- » Comprehensive surgical checklists and timeouts

**Reduce the Risks of Healthcare Associated Infections**

- » Stringent guidelines on handwashing to ensure good hand hygiene including the implementation and communication of 5 moments and 7 steps of handwashing.

**Reduce the Risk of Patient Harm Resulting from Falls**

- » Patients are assessed for the risk of fall and adequate measures are taken to ensure safety. Sign boards and level change indicators are in place to reduce risk of falls in the facility.

**Quality Focus**

The Hospital is a frequent recipient of quality awards, a demonstration of our unwavering commitment to maintaining the highest standards of quality and patient care. Numerous measures have been implemented to ensure that world-class standards on quality are maintained at all times. A comprehensive framework of Standard Operating Procedures is in place to nurture a safety-culture and include patient safety programs, laboratory safety programs and infection control programs among others. A dedicated Quality Steering Committee is responsible for the implementation and monitoring of all quality standards within the Hospital and reports monthly to the CEO and Director Medical Services. Furthermore, each department has established a quality circle consisting of employees from various categories and grades to identify areas for further quality improvements; the Hospital currently benefits from 30 such quality circles.

## QUALITY AWARDS

### Joint Commission International (JCI) Accreditation



### Medical Travel Quality Alliance



### LANKA HOSPITALS QUALITY WEEK

Organised annually to coincide with the International Standards Day, the Quality Week comprises of a series of lectures, competitions and events aimed at reaffirming employee commitment to the Hospital's quality journey. The events contribute towards raising employee awareness on quality and creating a quality conscious culture.

External marketing communications including advertisements and hoardings are approved by the respective CEO, ensuring the integrity and credibility of information. Communications with patients are in compliance with the regulations set out by the Private Health Services Regulatory Council (PHSRC) and Consumer Affairs Authority (CAA), particularly pertaining to billing information; [PR-3] in 2015, the CAA directed all private hospitals to issue comprehensive bills detailing the consultation charges, drugs and equipment used to enhance transparency of the pricing mechanism. During the year, there were no instances of non-compliance to any product/service labelling or marketing communication regulations or laws. [PR-4, PR-7]

### Customer Privacy

We are committed to ensuring that all patient-related information including medical records, investigations and diagnostic summaries are stored in secure platforms to ensure privacy and confidentiality of information. Patient records are securely stored by the Medical Records Department in an isolated database which has limited access and is password protected. During the year, there were no inquiries/penalties imposed on the Group due to contravention of any privacy regulations. [PR-8]

**CAPITAL MANAGEMENT REVIEW CONTD.****Supplier Relationships**

The Group engages with over 876 suppliers through whom we procure a broad range of materials including medical equipment, pharmaceuticals, chemicals and food and beverages among others. The procurement of high quality materials and equipment are a vital element of the Group's quality commitment and we strive to ensure that the Group's supply chain is efficient, responsive and sustainable.

**Procurement Governance**

All aspects related to procurement are governed by a comprehensive Procurement Manual which clearly sets out the policies and procedures pertaining to procurement. The Procurement Committee is responsible for the implementation of the relevant policy frameworks and comprises of representatives from the Board of Directors and the management team including the CEO, DMS and CFO among others. [G4-12]

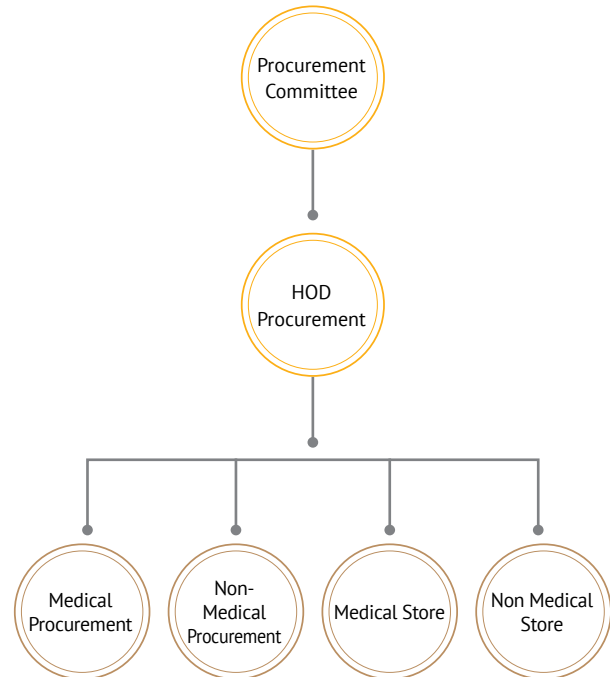
The Procurement Manual encapsulates the following key aspects;

Administration

Ethical Considerations-Including Corruption, and Conflicts of Interest

Processes and Application

Inventory Management

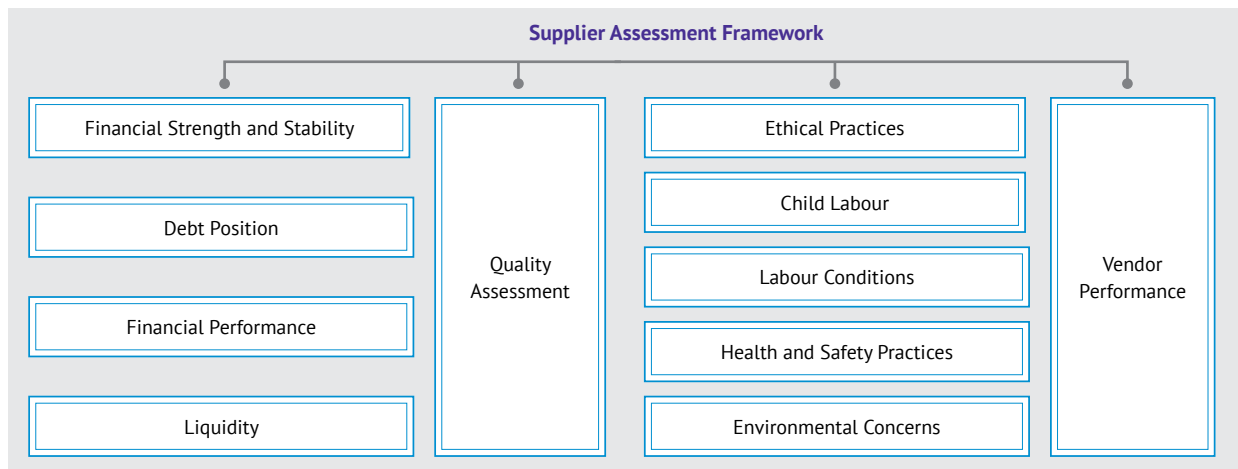
**Quality Assurance in Procurement**

Specific practices and guidelines are in place to ensure that all materials and equipment that is procured are of the highest quality.

- » **Medical Equipment:** Imported mainly through manufacturers' local agents and tests runs are conducted prior to commissioning. The agents are engaged in after-sales services and when exercising warranties
- » **Pharmaceuticals:** We purchase pharmaceuticals approved by the National Medicines Regulatory Authority exclusively from local agents guaranteeing the authenticity
- » **Food and Beverages:** Procured only from SLAS certified organisations

**Supplier Assessment [EN-32, HR5]**

Potential suppliers are administered an evaluation form which includes criteria on product responsibility, ethical practices and financial stability. All supplier are screened for environmental and labour practices during supplier registration process which is conducted every two years. The same process will be followed for all new suppliers. During the year, 2015-16, 876 suppliers were screened for environmental and labour practice related considerations. We also conduct supplier audits on a regular basis to ensure that the product, social and environmental practices adopted by our suppliers are in line with our expectations. We work closely with suppliers to ensure that corrective action is implemented in situations where Group's requirements on social and environmental standards are not met.



**Brand and Reputation [G4-16]**

In 2016, Lanka Hospitals ranked within the top 60 most valuable brands in Sri Lanka<sup>1</sup> with an estimated brand value of Rs. 801 Mn. The Group's ranking improved by 6 notches in comparison to the previous year and it is currently the second most valuable brand in the healthcare sector. The Group's brand value is fortified by its patient-centric approach, numerous accreditations and certifications and its track record of operational excellence.

Lanka Hospitals maintains a high level of engagement with regulators and other relevant stakeholders. As an active contributor at industry forums, the Hospital is at the forefront of supporting policy makers and regulators in ensuring the continued development of the country's healthcare industry.



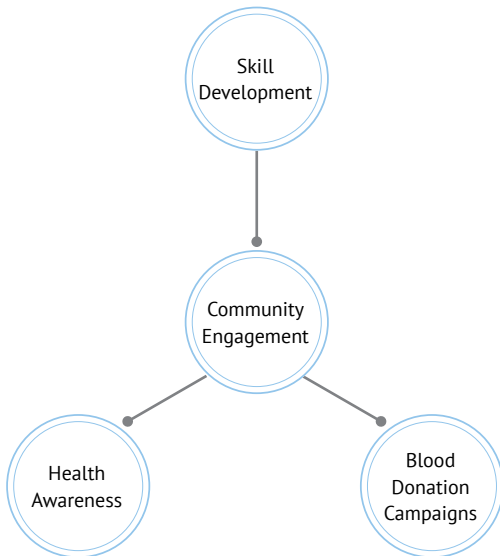
<sup>1</sup>Brand Finance

**CAPITAL MANAGEMENT REVIEW CONTD.**

**Corporate Social Responsibility**

We strive to nurture productive and sustainable relationships with the communities we operate in through a strategic and holistic approach towards CSR. Our CSR ambitions are driven by our inherent strengths as an organisation and focuses on the three key areas below;

[S01]

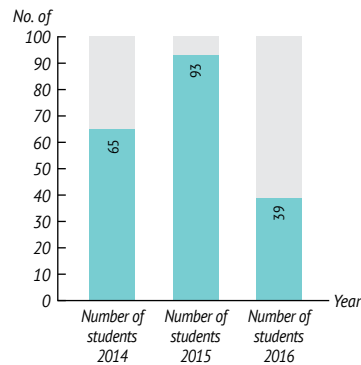


**Skill development**

Through its dedicated Nurses Training School (LHNTS), the Group directly contributes towards empowering and developing skills of the country's youth. Annually, around 50 students are selected to undergo comprehensive theoretical and clinical training through a 3-year course, at the end of which they obtain a Diploma in Nursing. Students will be paid an allowance and are provided all facilities including accommodation and food. Students are attracted from all over the island. In 2016, total student intake for the year was 39, of which 26 were from regions outside the Western Province.



*Regional Representation of Nursing Students*



*Investment in Developing Skills*

**Medical awareness**

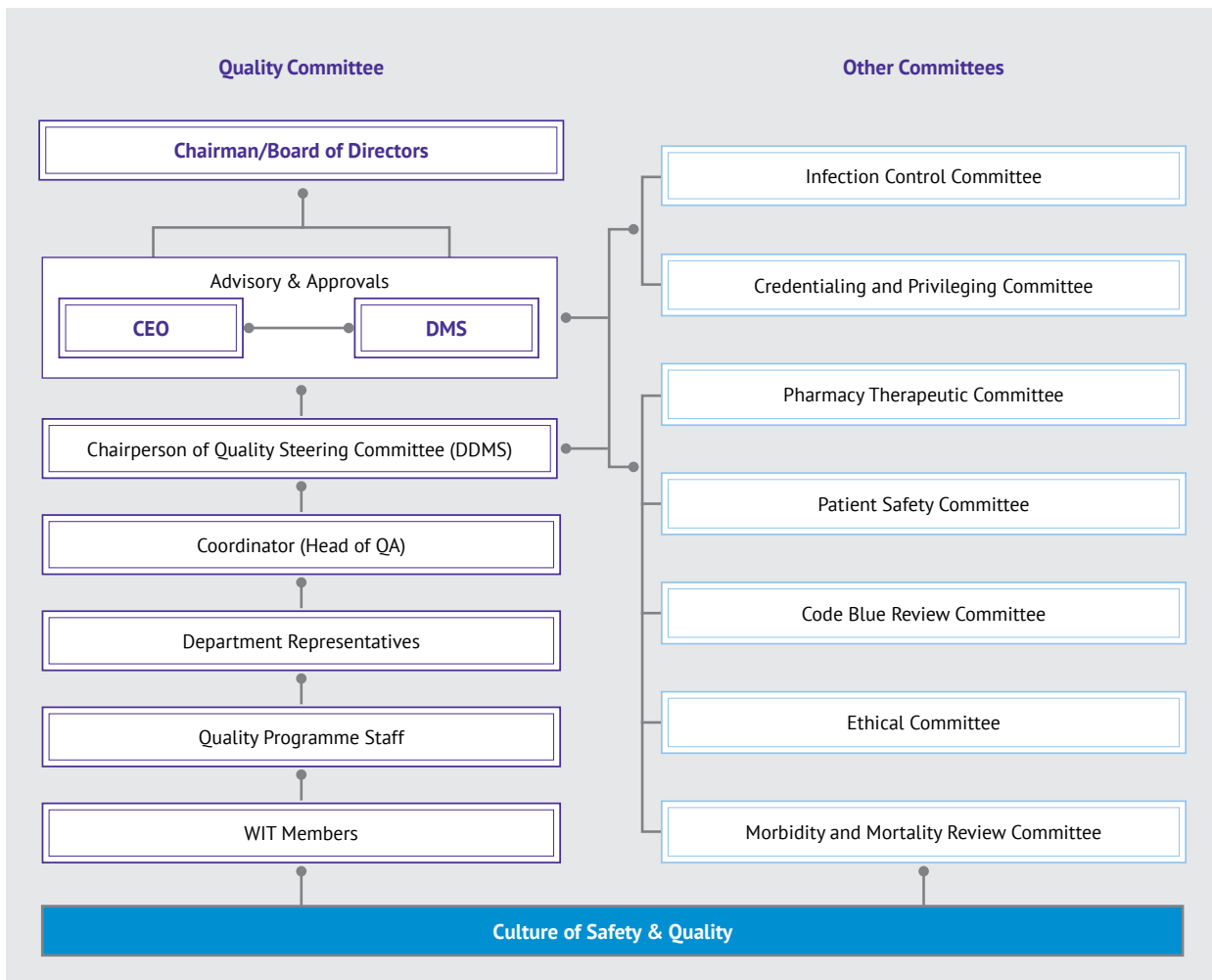
Conducted as an ongoing initiative, the Group organises workshops and lectures to the general public with the objective of raising awareness on timely and important medical issues. These awareness programs are conducted by luminaries in the healthcare sector including consultants and academics. During the year, the Group organised 9 such sessions with a total participant base of around 1,300.



**INTELLECTUAL CAPITAL**

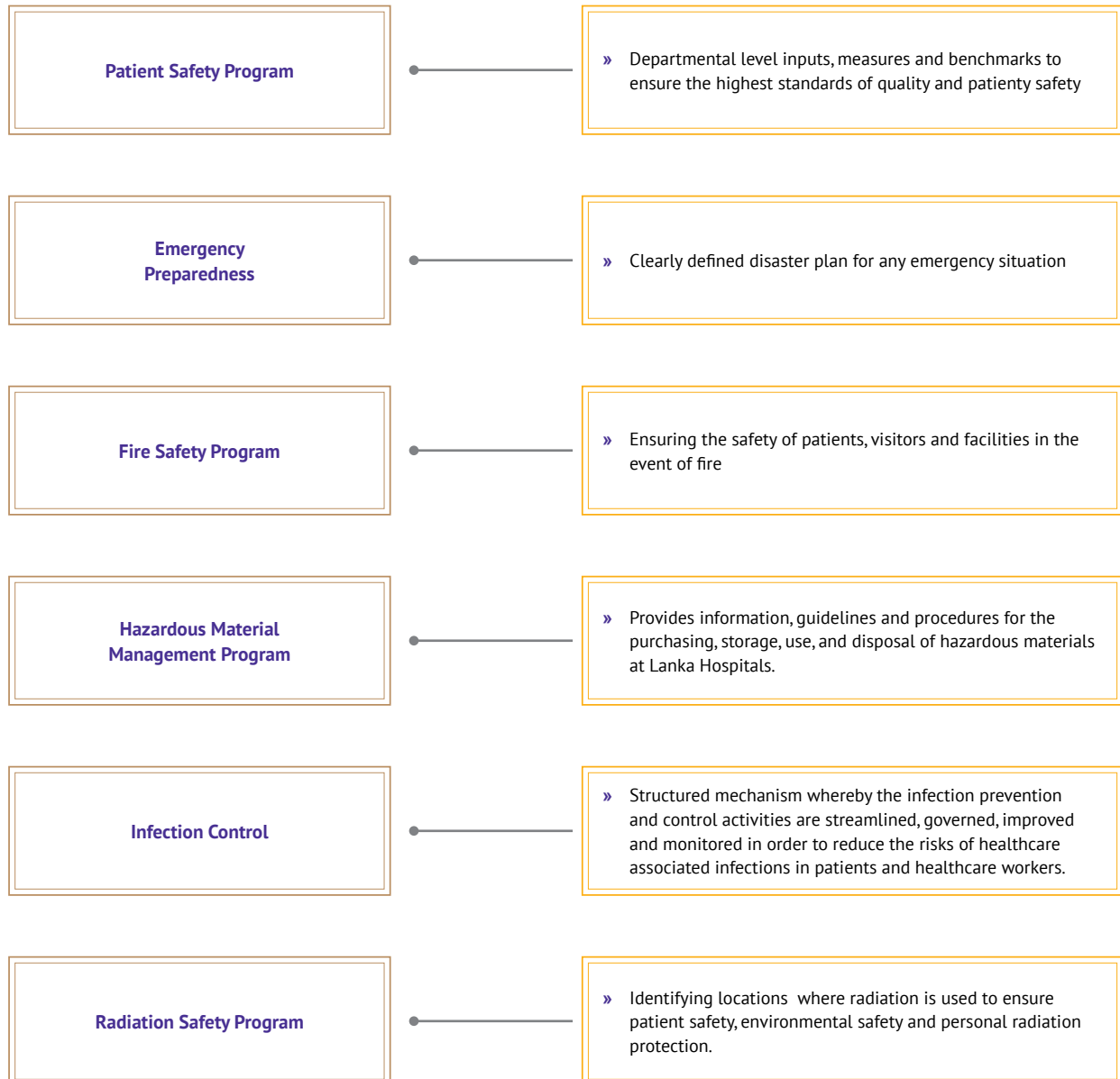
The Group's key organisational intellectual property is its internal knowledge and management systems which is critical to nurturing and sustaining its business. Given the nature of its operations, the Group's quality and safety management systems, policies and procedures is a key source of competitive advantage.

Comprehensive policy frameworks and clearly defined governance structures ensure that the Group's quality commitment is articulated to all employees clearly. A dedicated Quality Committee holds oversight responsibility for the implementation of the Group's quality policy framework and is supported by several clinical and patient safety committees.



**CAPITAL MANAGEMENT REVIEW CONTD.**

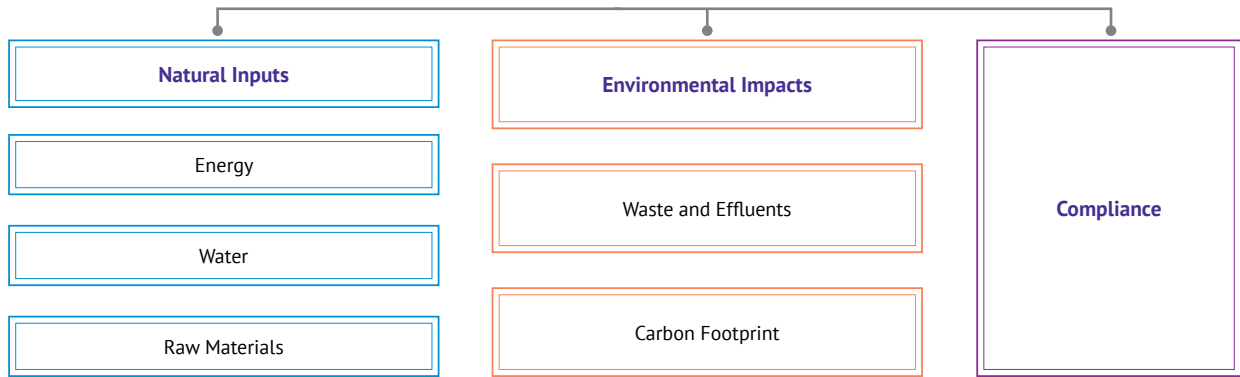
The Group's quality and safety framework comprises of several programmes which have been formulated in line with international best practices and the requirements of the Group's numerous accreditations. These programs ensure the effective management of patient and employee safety, infection control and facility safety among others as demonstrated below;



**NATURAL CAPITAL**

Natural resources are an important input to our value creation process and we recognise that in generating value across our capitals, we can impact adversely on our natural resources. As an organisation, we are committed to minimising the adverse environmental impact of our operations and are governed by a holistic environmental management framework in measuring and reducing our environmental footprint.

**OUR APPROACH TO ENVIRONMENTAL MANAGEMENT**



**CAPITAL MANAGEMENT REVIEW CONTD.**

**Compliance**

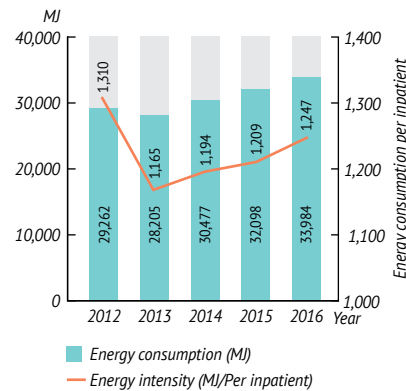
Despite the low impact that our operations have on the environment we are cognisant of the need to manage the consumption of natural resources in a sustainable manner, conserve energy and water, dispose of hazardous waste in a responsible manner and to reduce carbon emissions in line with international best practices.

A comprehensive set of policies and procedures ensure that a commitment towards environmental responsibility is instilled in our employees from the point of recruitment. Structured mechanisms, including ISO 14001 are in place to measure, monitor and report environmental indicators so that issues can be identified and addressed as required.

During the year, there were no instances of non-compliance or penalties imposed on the Group for contravention of any environmental regulation/guideline. There were also no environmental grievances filed during the year. [\[EN-29, EN-34\]](#)

**Energy [EN-3,EN-5,EN-6]**

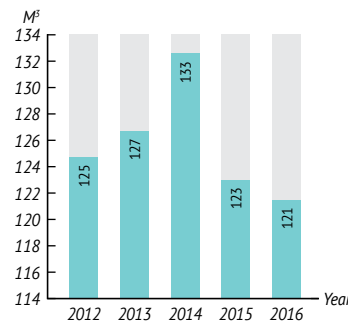
The entirety of the Hospital’s energy requirements are fulfilled through the national grid. During the year, total energy consumption increased by 6% due to an increase in operational activities. Meanwhile, energy intensity (defined as energy consumption per inpatient) also marginal increased by 3% reflecting ongoing focus on improving energy efficiency. We consciously strive to replace high-energy consuming equipment with more efficient technologies, such as LED lighting solutions and inverter technology for cooling. In addition to creating awareness of energy conservation among employees, notices are also used throughout the building as aids to send the message across among all those who frequent/ use the building.



**Energy consumption**

**Water [EN-8]**

Water is a vital natural resource for all forms of life. Preservation of this scarce commodity is high on our list of environmental priorities. In 2016, our water consumption decreased by 1%, despite an increase in operational activity. To reduce wastage of water, we use sensor taps and have an incident reporting systems for water leaks. Creating awareness and instilling the importance of water conservation among employees has also contributed towards reducing the total water consumption.



**Water Consumption Through Municipal Lines (m<sup>3</sup> - "000")**

### Waste and Effluents [EN-22, EN-23]

The key types of solid waste generated through our operations are plastic cans, cardboard and paper. The nature of our operations also make the discharge of infectious liquid waste inevitable, however measures are in place to ensure the responsible and non-hazardous disposal of all types of waste. The infectious liquid waste is chemically treated prior to disposal while all water discharged from the Hospital's operations are treated at an effluent treatment plant prior to being discharged to municipality sewerage lines. Plastic cans, cardboard and paper are sent to CEA approved third party recyclers. Meanwhile, CFL bulbs are sent to Orange Electric for mercury extraction and recycling. During the period from 2012-2016 we responsibly disposed 1,042 CFL Lamps & 4,481 FTL Lamps. This is estimated to have led to the recovery of 5,210 JG of mercury which if not recovered this estimated to have polluted over 10Mn litres of water.

	2016	2015	INC/ (DEC)
Water discharge - municipality sewerage, drainage lines ('000 litres)	108,043	120,032	(10%)
Plastic cans recycled (tonnes)	3.4992	3.112	12.44%
Cardboard and paper recycled (tonnes)	24.604	11.754	109%

### Carbon Footprint

Emissions are measured using the Greenhouse Gas Protocol as governed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development. The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories used are based on the representations of the Sustainable Energy Authority of Sri Lanka. The boundary for the emission measurement is governed by Scope 1 and Scope 2.

Scope 1 - GHG emissions occurring directly from sources that are owned or controlled by the Organisation

Scope 2 - Direct emissions generated in the production of electricity consumed

During the year, the Group's total carbon footprint increased by 4%, while the emission intensity factor (defined as carbon footprint/ inpatient) decreased by 6% (2016-194 / 2015-207) reflecting ongoing focus on enhancing energy efficiency.

### [EN-15, EN-16, EN-18, EN-19]

	2012	2013	2014	2015	2016
<b>Operations owned or controlled by the organisation (kj)</b>	674,688	602,384	637,488	639,639	725,086
Fuel combustion and company owned vehicles					
<b>From purchased/acquired electricity (kj)</b>	3,987,332	3,969,866	4,325,114	4,639,187	4,785,061

**INDEPENDENT ASSURANCE REPORT TO THE LANKA HOSPITALS CORPORATION PLC**

**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

We have been engaged by the directors of The Lanka Hospitals Corporation PLC (“the Company”) to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2016. The Sustainability Indicators are included in the The Lanka Hospitals Corporation PLC’s Integrated Annual Report for the year ended 31 December 2016 (the “Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

ASSURED SUSTAINABILITY INDICATORS	INTEGRATED ANNUAL REPORT PAGE
Financial Performance	10

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

LIMITED ASSURANCE SUSTAINABILITY INDICATORS	INTEGRATED ANNUAL REPORT PAGE
– Non-Financial Highlights	11
– Our value addition	24
Information provided on following capitals.	
» Financial	44-46
» Human	47-52
» Social and Relationship	53-58
» Intellectual	59-60
» Natural	61-63

**OUR CONCLUSIONS:**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

**Reasonable Assurance Sustainability Indicators**

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2016 are, in all material respects, prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

**Limited Assurance Sustainability Indicators**

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2016, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

**MANAGEMENT’S RESPONSIBILITY**

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI G4 Content Index Guidelines.

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

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

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

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

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



These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

#### **OUR RESPONSIBILITY**

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

#### **Reasonable assurance over Reasonable Assurance Sustainability Indicators**

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable

**INDEPENDENT ASSURANCE REPORT TO THE LANKA HOSPITALS CORPORATION PLC CONTD.**

Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

**Limited assurance on the Assured Sustainability Indicators**

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- » interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- » enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- » enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- » enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- » comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- » reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

- » reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

**PURPOSE OF OUR REPORT**

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI G4 Content Index Guidelines and for no other purpose or in any other context.

**RESTRICTION OF USE OF OUR REPORT**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

**CHARTERED ACCOUNTANTS**

Colombo

28th February 2017



**GRI CONTENT INDEX TOOL**

<b>GENERAL STANDARD DISCLOSURES-G4</b>				
<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>REFERENCE/ COMMENTS</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE NO.</b>
<b><i>Strategy and Analysis</i></b>				
G4-1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Chairman's Message	None	15-16
<b><i>Organisational Profile</i></b>				
G4-3	Name of the organisation.	The Lanka Hospitals Corporation PLC	None	
G4-4	Primary brands, products, and services.	Operational Review	None	39
G4-5	The location of the organisation's headquarters.	Colombo, Sri Lanka	None	100
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Sri Lanka only	None	100
G4-7	The nature of ownership and legal form	Affairs of the Company	None	100
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries).	Operational Review	None	39-40
G4-9	The scale of the organisation, including: <ul style="list-style-type: none"> <li>» Total number of employees</li> <li>» Total number of operations</li> <li>» Net sales (for private sector organisations) or net revenues (for public sector organisations)</li> <li>» Total capitalisation break down in terms of debt and equity (for private sector organisations)</li> <li>» Quantity of products or services provided</li> </ul>	Overview of our business Financial capital	None	8-11

**GRI CONTENT INDEX TOOL CONTD.**

<b>GENERAL STANDARD DISCLOSURES-G4</b>				
<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>REFERENCE/ COMMENTS</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE NO.</b>
G4-10	<p>(a) The total number of employees by employment contract and gender.</p> <p>(b) The total number of permanent employees by employment type and gender.</p> <p>(c) The total workforce by employees and supervised workers and by gender.</p> <p>(d) The total workforce by region and gender.</p> <p>(e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>(f) Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>	Human Capital	Yes	48
G4-11	The percentage of total employees covered by collective bargaining agreements.	None	-	
G4-12	Describe the organisation's supply chain.	Social and relationship capital	Yes	56
G4-13	<p>Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including:</p> <ul style="list-style-type: none"> <li>» Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>» Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)</li> <li>» Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</li> </ul>	None	-	
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.	Risk Management	None	97
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	About this Report	None	5

<b>GENERAL STANDARD DISCLOSURES-G4</b>				
<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>REFERENCE/ COMMENTS</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE NO.</b>
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation is a member.	Social and relationship capital	Yes	57
<b><i>Identified Material Aspects and Boundaries</i></b>				
G4-17	(a) List all entities included in the organisation's consolidated financial statements or equivalent documents. (b) Report whether any entity included in the organisation's consolidated financial statements or equivalent documents are not covered by the report.	About this Report	None	4
G4-18	(a) Explain the process for defining the report content and the Aspect Boundaries. (b) Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	Defining Materiality	None	30
G4-19	List all the material Aspects identified in the process for defining report content.	Defining Materiality	None	31
G4-20	For each material Aspect, the Aspect Boundary within the organisation.	Defining Materiality	None	31
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation.	Defining Materiality	None	31
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	There are no restatements	None	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None	-	
<b><i>Stakeholder Engagement</i></b>				
G4-24	List of stakeholder groups engaged by the organisation.	Stakeholder Engagement	None	27-29
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	None	27-29
G4-26	The organisation's approach to stakeholder engagement	Stakeholder Engagement	None	27-29
G4-27	Key topics and concerns that have been raised through stakeholder engagement.	Stakeholder Engagement	None	27-29

**GRI CONTENT INDEX TOOL CONTD.**

<b>GENERAL STANDARD DISCLOSURES-G4</b>				
<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>REFERENCE/ COMMENTS</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE NO.</b>
<b>Report Profile</b>				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	None	4
G4-29	Date of most recent previous report (if any).	About this Report	None	4
G4-30	Reporting cycle (such as annual, biennial).	Annual	None	106
G4-31	The contact point for questions regarding the report or its contents.	About this Report	None	5
G4-32	(a) Report the 'in accordance' option the organisation has chosen. (b) Report the GRI Content Index for the chosen option (c) Report the reference to the External Assurance Report, if the report has been externally assured.	Core	None	4
G4-33	(a) Report the organisation's policy and current practice with regard to seeking external assurance for the report. (b) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. (c) Report the relationship between the organisation and the assurance providers. (d) Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	About this Report	None	5
<b>Governance</b>				
G4-34	The governance structure of the organisation, including committees of the highest governing body.	Corporate Governance	None	83
<b>Ethics and Integrity</b>				
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	None	89

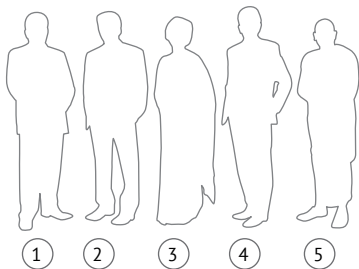
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>MATERIAL ASPECT</b>	<b>DMA/INDICATORS</b>	<b>REFERENCE/ COMMENTS/ REASONS FOR OMISSION</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE</b>
<b><i>ECONOMIC ASPECTS</i></b>				
<b><i>Economic Performance</i></b>				
G4-EC1	Direct economic value generated and distributed on an accrual basis.	Our value addition	Yes	24
<b><i>ENVIRONMENTAL ASPECTS</i></b>				
<b><i>Energy</i></b>				
G4-EN3	Energy consumption within the organisation	Natural capital	Yes	62
G4-EN5	Energy intensity.	Natural capital	Yes	62
G4-EN6	Reduction of energy consumption.	Natural capital	Yes	62
<b><i>Water</i></b>				
G4-EN8	Total water withdrawal by source.	Natural capital	Yes	62
<b><i>Emissions</i></b>				
G4-EN15	Direct greenhouse gas (GHG) emissions.	Natural capital	Yes	63
G4-EN16	Energy indirect greenhouse gas (GHG) emissions.	Natural capital	Yes	63
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Natural capital	Yes	63
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Natural capital	Yes	63
<b><i>Effluents and Waste</i></b>				
G4-EN22	Total water discharge by quality and destination	Natural capital	Yes	63
G4-EN23	Total weight of waste by type and disposal method.	Natural capital	Yes	63
<b><i>Compliance</i></b>				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	Yes	62
<b><i>Supplier Environmental Assessment</i></b>				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Social and relationship capital	Yes	57
<b><i>Environmental Grievance Mechanisms</i></b>				
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	No Environmental Grievances filed	Yes	62

**GRI CONTENT INDEX TOOL CONTD.**

<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>MATERIAL ASPECT</b>	<b>DMA/INDICATORS</b>	<b>REFERENCE/ COMMENTS/ REASONS FOR OMISSION</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE</b>
<b>SOCIAL ASPECTS</b>				
<b>Labour practices and Decent Work</b>				
Employment:				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	Human capital	Yes	48-52
Occupational health and safety				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Partial disclosure- Human capital	Yes	51
Training and Education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Human Capital	Yes	49, 50
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Capital, Social and Relationship Capital	Yes	51, 58
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Human Capital	Yes	49
<b>Human Rights</b>				
Child Labour				
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Social and relationship capital	Yes	57
<b>Society</b>				
Local Communities				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Social and relationship capital	Yes	58

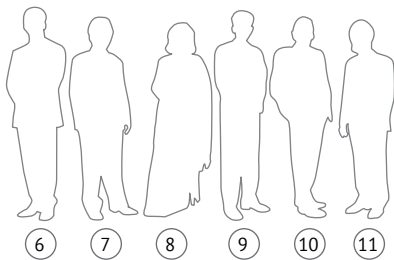
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>MATERIAL ASPECT</b>	<b>DMA/INDICATORS</b>	<b>REFERENCE/ COMMENTS/ REASONS FOR OMISSION</b>	<b>EXTERNAL ASSURANCE</b>	<b>PAGE</b>
<b><i>Product Responsibility</i></b>				
Customer Health and Safety				
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Social and relationship capital	Yes	54
Product and service labelling				
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	Social and relationship capital	Yes	55
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Social and relationship capital	Yes	55
G4-PR5	Results of surveys measuring customer satisfaction.	Social and relationship capital	Yes	53
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Social and relationship capital	Yes	55
Customer privacy				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Social and relationship capital	Yes	55
Compliance				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No incidence of non-compliance	Yes	-

**BOARD OF DIRECTORS**



1. Dr. Rohan L Wijesundera
2. Mr. Asendra Chaminda Siriwardena
3. Professor Dilani Lokuhetty
4. Dr. Sarath Paranavitane
5. Ven. Thiniyawala Palitha Thero





- 6. Mr. Keith Bernard
- 7. Mr. Thanuja Weeratne
- 8. Mrs. Umashanthiee Rajamantri
- 9. Mr. Kalyana Sundaram Srivastava
- 10. Dr. Anil Abeywickrama
- 11. Mr. Daljit Singh

**BOARD OF DIRECTORS CONTD.****DR. SARATH PARANAVITANE - CHAIRMAN**

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

He is also the Chairman and Medical Director of Central Medical Centre (Pvt) Limited (not affiliated to any other private company), which is a family-owned business that provides primary care. It is registered with the Ministry of Healthcare and Nutrition (PHSRC/FGP/349) as a full time General Practice.

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

**VEN. THINIYAWALA PALITHA THERO**

Ven. Thiniyawala Palitha Thero is currently the Advisor to the Hon. Finance Minister. Ven. Palitha Thero is a Justice of Peace (All Island), Advisor to the Minister of Home Affairs, Advisor to the Ministry of Commerce and Consumer Affairs (Former), Director Dangerous Drugs Control Board. Chief Incumbent Nalandaramaya Nugegoda, Beruwala Sapugoda Sri Maha Viharaya, Kalugaldeniya Aranya Senasanaya, Chief incumbent of Mahabodhi Centre, Chennai, India. Ven. Palitha Thero is also the Financial Secretary for Jathika Sangha Sabawa, Committee member for Kotte Sri Kalyani Samagi Dharma Maha Sangha Sabawa, Administrative member for Mahabodhi Society of Sri Lanka and Deputy General Secretary, and the Vice President of Prison Head Quarter's Welfare Society. Ven Palitha Thero is the Chief Secretary of Eksath Jathika Bhikshu Peramuna affiliate to the United National Party of Sri Lanka. Ven Palitha Thero was appointed to the Board of Lanka Hospitals on 23rd February 2015.

Ven. Palitha Thero is also a Member and a partner of Nalandaramaya Temple Society, Beruwala Sapugoda Sri Maha Vihara Society, Kalugaldeniya Aranya Senasanaya, Chennai Mahabodhi Centre, Patron of Nalandaramaya Buddhist Women's Organisation, Patron of Kalubowila United Death Benevolent Society, Principal of Sri Rathnajothi Dhamma School and an Active Member of the Maha Sangha in Propagation of Buddhism locally and internationally.

**PROFESSOR DILANI LOKUHETTY**

Prof Dilani Lokuhetty (MBBS, Dip Path, MD Path, Pg CertMedEd, MIAC) is in the forefront of laboratory medicine in Sri Lanka, as a Professor in Pathology and a Consultant Pathologist. Prof Lokuhetty possesses wide and far reaching experience (over 25 years) in diagnostic pathology, laboratory management, technical training, undergraduate/post graduate teaching and scientific research, both in Sri Lanka and overseas. She has contributed significantly in developing National Guide lines on several aspects of Diagnostic Pathology, thereby strengthening cancer care in the country. Prof Lokuhetty has been a recipient of many research grants from the National Science Foundation and the National Research Council in the country, winning research awards at scientific forums with local and international publications and citations. Her contributions in the field of medical research and innovation, and her professionalism as a woman have been recognised at national level. She is an experienced administrator, having served as the Head of the Department of Pathology, University of Colombo and the Chairperson of the Board of study in Pathology at the Post Graduate Institute of Medicine, University of Colombo. Prof Lokuhetty is also a Graduate member of the Sri Lanka Institute of Directors (SLID), having completed the board leadership training in 2016. Her vision is to promote and enhance laboratory medicine in the country to be on par with globally acclaimed accredited laboratories. She was appointed to the Board of Lanka hospitals on 3rd March 2015.

### **DR. ROHAN L. WIJESUNDERA**

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

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

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

### **MR. DALJIT SINGH**

Mr. 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 40 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. On 1st December 2014, Mr. Daljit Singh resigned as an Alternate Director and became a main Director in the Board.

### **MR. KEITH BERNARD**

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

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

Mr. Bernard is an Independent, Non-Executive Director of Melsta Regal Finance Limited and serves on several other Boards of Companies. As a side interest he was associated with the Business Today magazine as a business writer and was a co-architect of the Business Today Top-10 corporate rankings.

**BOARD OF DIRECTORS CONTD.**

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

**MRS. UMASHANTHIEE RAJAMANTRI**

Mrs. Uma Rajamantri is a tremendous resource for her marketing knowledge which she has gained from over 31 years of experience in the marketing communications industry. She brings to Lanka Hospitals, a keen focus on marketing and customer orientation. Uma's involvement with Sri Lanka's advertising industry from its nascent stages in the mid-80s, has given her a deep understanding of consumer behaviour. She was appointed to the Board of Lanka Hospitals on 10th November 2015.

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

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

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

**DR. ANIL ABEYWICKRAMA**

Dr. Anil Abeywickrama, MBBS, MS, MRCS eng. Dr. Anil Abeywickrama Board Certified as a Specialist in Cardiothoracic Surgery in 2011. Currently, Dr. Abeywickrama is attached to the Teaching Hospital Kandy as a Consultant Cardiothoracic Surgeon. He was appointed to the Board of Lanka hospitals on 10th November 2015.

He is a surgeon with a combine practice in both adult and pediatric cardiac surgery. He has also worked as a consultant Cardiothoracic Surgeon in the National Hospital of Sri Lanka till 2015 and in the Lady Ridgeway Hospital for Children from 2015 to 2016. He has performed first series of Total Arterial Revascularisation of Myocardium with in situ Arterial grafts using Right Gastroepiploic Artery and bilateral internal Mammary Arteries. He is in the processes of establishing Cardiopulmonary Transplant and Mechanical Circulatory support program in the Teaching Hospital Kandy in collaboration with the Freeman hospital, Newcastle in the uk. his special clinical interests are in Cardiopulmonary Transplant, Donor Management, Mechanical Circulatory Support Therapy, Total Arterial Revascularisation of Myocardium, Transcatheter Aortic Valve implantation (TAVI), Surgery and interventions in Aorta and Minimal Access Cardiac surgery.

**MR. ASENDRA CHAMINDA SIRIWARDENA**

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

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

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

#### **MR. KALYANA SUNDARAM SRIVASTAVA**

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

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

#### **MR. W G T L WEERATNE**

Mr. Weeratne was appointed to the Board of Lanka Hospitals Corporation PLC on 24th June 2016. He has an illustrious career spanning over 20 years in local as well as multinational companies where he has served at several senior management positions.

He currently serves as a non-executive director at Property Development PLC and as the Coordinating Secretary to the Minister of Public Enterprise Development where is played a key role in setting up the Ministry of Public Enterprise Development and now looks after the day to day affairs of the Minister's Office.

He held various senior Management positions in the fields of Insurance, Marketing, Procurement, Process Improvement, manufacturing and information Technology. Prior to the current positions held by Mr. Weeratne, he has served as CEO of Serendib Marinas International (Pvt) Ltd, Director/Group Chief Executive Officer of Magline Group of Companies, Executive Director at E-Channeling PLC, Chief Operating Officer/Head of Operations at Midware Technologies, General Manager – Special Projects at Brandix Lanka Ltd and Group Manager- Head of Accidental & Health at AIG Insurance.

He holds a Postgraduate Higher Diploma in Marketing from the Chartered Institute of Marketing. In addition he is certified resources personal of IBM Software Group in Marketing and presales.

#### **MR. DAMIEN FERNANDO**

Mr. Damien Fernando, MBA, FCMA (UK) is a Non-Executive Director of Hatton National Bank PLC.

He was the former Executive Director of The Lanka Hospitals Corporation PLC from 2006 to 2009. He has held several Board positions in listed companies such as Distilleries Company of Sri Lanka PLC, Pelwatte Sugar Industries PLC and in unlisted companies such as Sri Lanka Insurance Corporation Limited, Melstacorp Limited, Lanka Bell Limited and National Asset Management Limited. Having qualified as an accountant in 1984, Mr. Fernando was awarded a Master's Degree in Business Administration in 1992 by the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He resigned from his position on 10th June 2016.

#### **MR. SAMANTHA PERERA**

Mr. Samantha Perera is a graduate in Marketing Management at UIBS - Tokyo Business School of Japan. He was appointed to the Board of Lanka Hospitals on 1st June 2015. He is the Managing Director of Azap (Private) Limited in Sri Lanka and the Chairman of Azap Company - Japan. He resigned from his position on 16th June 2016.

## **EXCO MEMBERS**

### **THE LANKA HOSPITALS CORPORATION PLC**



**Dr. Prasad Medawatte**  
*Group Chief Executive Officer*



**Mr. Badrajith Siriwardana**  
*Group Chief Financial Officer*



**Mr. Nimal Ratanayake**  
*Chief Marketing Officer*



**Mr. Sanjeewa Serasinghe**  
*Group Chief Human Resource Officer*



**Mr. Ruwan Amarasekara**  
*Chief Information Officer*

### **LANKA HOSPITALS DIAGNOSTICS PRIVATE LIMITED**



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



**Dr. G.C.S. Galagoda**  
*Head of Laboratories- Lanka Hospitals  
Diagnostics Private Limited*

## CORPORATE GOVERNANCE

Lanka Hospitals recognises that strong corporate governance practices are the bedrock of sustainable value creation and is committed to upholding the highest standards of transparency, accountability and ethical conduct. The Group's governance frameworks, policies and procedures are aligned with the requirements of all relevant statutory requirements while embracing industry and international best practices.

STRATEGIC AREA OF FOCUS	STRATEGIC ROLE OF THE BOARD MEMBERS
Operational Management & Administration	Setting Strategic direction for the way forward to ensure the performance of the company is in a sustainable manner
Identifying, Analysing & Mitigating of Associated Risk	Setting effective systems to ensure the integrity of the information, business continuity and risk management
Determining of Remuneration/ Compensation for Human Capital	Determination of remuneration to retain and reward the human capital
Assessment of Inter connected Activities among the cluster	Setting standards for the inter company activities and regular reviews of the transactions

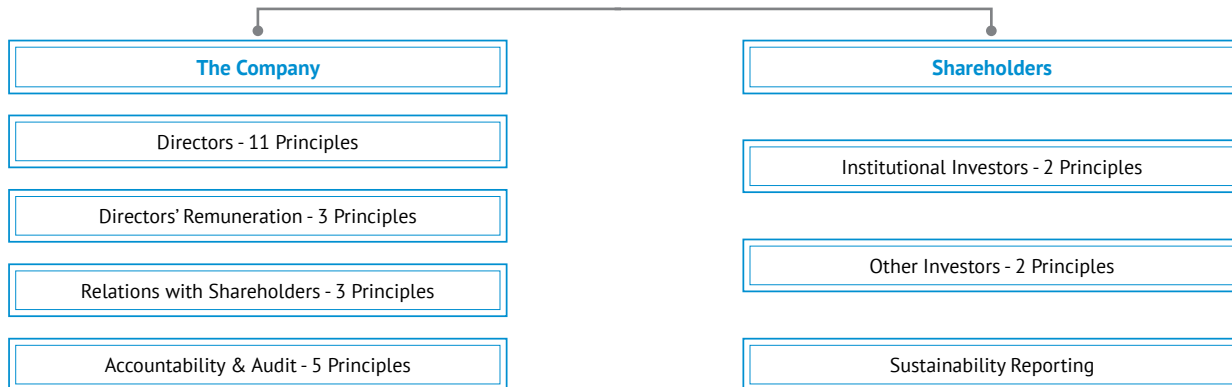
The Group's corporate governance framework is based on the following internal and external steering instruments;

EXTERNAL INSTRUMENTS	INTERNAL STANDARDS AND PRINCIPLES	GOVERNANCE MECHANISMS
Companies Act No. 7 of 2007	Articles of Association	Stakeholder Engagement
Continuing listing requirements of the Colombo Stock Exchange	Board and Sub-Committees Charter	Accreditations and Certifications
Code of Best Practice on Corporate Governance issued jointly by the SEC and ICASL	Code of Ethics	People Management
Private Medical Institutions Act No.21 of 2006	Comprehensive policy framework	Quality Management
Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)	Integrated Risk Management Framework	IT Governance
G4 Standards for Sustainability reporting issued by the Global Reporting Initiative		Investor Relations

**CORPORATE GOVERNANCE CONTD.**

In order to provide a holistic yet comprehensive review of the group’s corporate governance practices, the following Diagram has been structured in line with the Code of Best Practice on Corporate Governance published jointly by the SEC and ICASL as illustrated below;

**Code of Best Practice on Corporate Governance**



**THE COMPANY**

**Directors**

- Directors (11 principles)**
- » The Board (A1)
  - » Chairman & Chief Executive Officer (CEO) (A2)
  - » Chairman's Role (A3)
  - » Financial Acumen (A4)
  - » Board Balance (A5)
  - » Supply of Information (A6)
  - » Appointments to the Board (A7)
  - » Re-election (A8)
  - » Appraisal of Board Performance (A9)
  - » Disclosure of Information in respect of Directors (A10)
  - » Appraisal of Chief Executive Officer (A11)

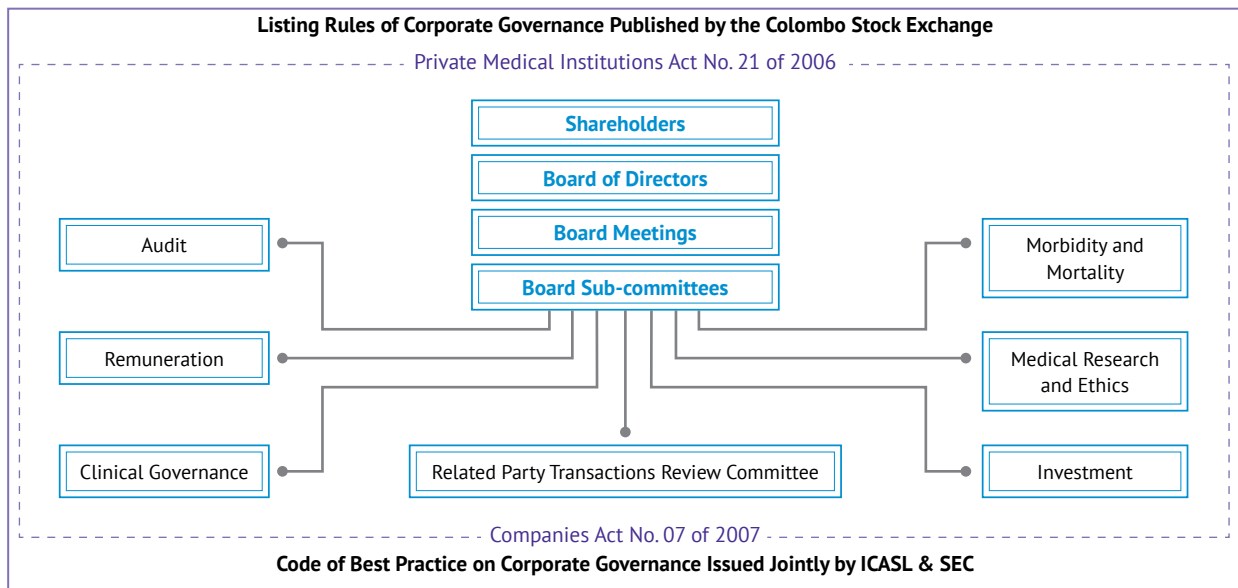
**Principle A.1: The Board**

Lanka Hospital’s Board comprises of Eleven (11) Directors, all of whom operate in Non-Executive capacity while Nine (9) are Independent Directors as at 31st December 2016. The profiles of all Directors are given on pages 74 to 79 of this Report. The Board combines a diverse mix of professional, medical and academic perspectives, generating discussion and debate on key aspects which have enhanced the overall quality and effectiveness of decisions. The Board is also diverse in terms of gender representation, with 2 eminent female medical professionals holding Board positions.

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



**GOVERNANCE STRUCTURE [G4-34]**



The Board sub-committees and executive committees which support the Board's effective governance are as follows; [G4-34]

COMMITTEES	MANDATE AND AREAS OF OVERSIGHT	COMPOSITION
<b>Board Sub Committees</b>		
Audit Committee	» Review the financial reporting process, internal controls and audit function to ensure the integrity of the financial statements	Three Independent Non-Executive Directors
Remuneration Committee	» Assist the Board in the establishment of remuneration policies and practices	Four Independent Non-Executive Directors
Related Party Transactions Review Committee	» Review the inter related transactions of the cluster while ensuring the existence of alms length price	Three Independent Non-Executive Directors
<b>Executive Committees</b>		
Investment committee	» Ensure the highest return, associate with the tolerable risk level to maximise the company wealth	Two Independent Non-Executive Directors
Clinical governance	» Maintain and improve the quality of service and safeguards high standards	Two Independent Non-Executive Directors
Medical research and ethics committee	» Review Research proposals submitted to the hospital and approval of the same » Review and guide the hospital regarding issues of ethical nature » Promote education regarding ethical issues related to health among the hospital staff	Three Independent Non-Executive Directors

**CORPORATE GOVERNANCE CONTD.**

COMMITTEES	MANDATE AND AREAS OF OVERSIGHT	COMPOSITION
Morbidity and mortality committee	<ul style="list-style-type: none"> <li>» Review the morbidity pattern of patients and deaths that occurred in the hospital within a month</li> <li>» Involve a multidisciplinary team in a critical analysis of the systems and processes leading to such outcome of medical care</li> <li>» Recommend improvements to the processes and systems</li> <li>» Monitor action taken regarding these recommendations and the results</li> </ul>	Two Independent Non-Executive Directors

**Regular Meetings**

The Board meets at least on a monthly basis and convened 12 times during the year. Meeting agendas and Board papers are circulated to all Board members electronically prior to Board and sub-committee meetings, providing adequate time for preparation. The Board sub-committees convened 15 times in total during the year.

**Attendance for Board and Sub-Committee meetings in 2016**

DIRECTOR	BOARD MEETING	AUDIT COMMITTEE	REMUNERATION COMMITTEE	RELATED PARTY TRANSACTIONS COMMITTEE
Dr. Sarath Paranavitane	12/12	N/A	N/A	N/A
Ven. Thiniyawala Palitha Thero	12/12	N/A	N/A	N/A
Prof. Dilani Lokuhetty	11/12	N/A	7/7	N/A
Dr. Rohan Wijesundera	12/12	N/A	7/7	N/A
Mr. Daljith Singh	7/12	N/A	N/A	N/A
Mr. K S Sirvastava	8/12	N/A	N/A	N/A
Mr. Keith Bernard	12/12	5/5	6/7	3/3
Dr. Anil Abeywickrama	12/12	2/2	6/7	3/3
Mrs. Umashanthie Rajamantri	12/12	N/A	N/A	N/A
Mr. Asendra Siriwardena	12/12	5/5	1/1	3/3
Mr. Thanuja Weeratna	5/6	N/A	1/1	N/A
Mr. Damien Fernando	5/6	1/2	N/A	N/A
Mr. Samantha Perera	0/6	N/A	N/A	N/A
<b>Total No. of Meetings Held</b>	<b>12</b>	<b>5</b>	<b>7</b>	<b>3</b>

The Board of Directors is responsible for setting the strategic direction and holds overall accountability for the Group's stewardship function. The Board's primary roles and responsibilities include,

- » Providing direction for Group's medium and long-term strategy and review and approval of the same
- » Ensuring the adequacy and effectiveness of the Group's internal controls and risk management practices
- » Formulating policy frameworks to ensure compliance with relevant statutory requirements and industry best practices
- » Ensuring that key management personnel and the management team have the required skills, experience and knowledge to implement strategy

The Board acts in accordance with the applicable laws and regulations. The Board and the Audit Committee receive statements of compliance on recurrent statutory requirements from management on a quarterly basis in this regard. All Directors have access to the Company Secretaries who is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. Directors have no vested interests and use their independent judgement on aspects relating to strategy, resource allocation, key appointments as well as standards of business conduct. Directors can also seek independent professional advice when required, for which the expenses are borne by the company, strengthening the independence of the Board and the quality of its decisions.

Board meetings and Sub-committee meetings are scheduled well in advance and Board agendas and papers are circulated at least 7 days prior to the meeting to enable Directors to prepare adequately. Directors also engage regularly with the Executive Management team in keeping abreast of emerging trends in the business environment and operating landscape.

Newly appointed non-executive directors are apprised of the Group's values and culture, policies and procedures, strategy and the directors' responsibilities in accordance with current legislation. In addition, Directors are encouraged to update their skills and knowledge on a continuous basis, facilitated through the following;

- » Access to the internal/external auditors
- » External training sessions
- » Access to industry experts and other professionals on a frequent basis
- » Regular updates by the Corporate management team

#### **Principle A.2: Chairman and Chief Executive Officer (CEO)**

The positions of the Chairman and the Chief Executive Officer have been clearly separated to ensure appropriate balance of power and authority. The Chairman is an Independent Non-Executive Director and his responsibilities are clearly set out in the Board Charter. He represents the Group externally and is the focal point of contact for shareholders on all aspects of corporate governance. There is no financial, business, personal or other relevant material relationship between the Chairman and the CEO.

#### **Principle A.3: Chairman's Role**

The Chairman provides leadership to the Board, and his specific responsibilities are outlined in the Board Charter which is aligned with the stipulations of the Code of Best Practice and the continuing listing requirements of the CSE. His responsibilities include the following;

- » Ensure that Board proceedings are conducted in a proper manner, including the circulation of information to Directors and maintenance of proper records
- » Ensuring the effective participation of non-executive directors
- » Facilitating and encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions
- » Ensuring compliance to all relevant laws and regulations

**CORPORATE GOVERNANCE CONTD.****Principle A.4: Financial Acumen**

The Board includes Senior Qualified Finance Professional, who possess the necessary financial acumen and knowledge, to offer guidance to the Board on matters of finance. He serves as the Chairman of the Audit Committee. Please refer the director profile on pages 74 to 79.

**Principle A.5: Board Balance**

The Board consists solely of non-executive directors of which nine (9) are deemed to be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially affect the exercise of their independent judgment. Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and all Board members have submitted signed declarations of their independence.

NAME OF DIRECTOR/ CAPACITY	SHAREHOLDING	MANAGEMENT/ DIRECTOR *	MATERIAL BUSINESS RELATIONSHIP **	EMPLOYEE OF COMPANY ***	FAMILY MEMBER A DIRECTOR OR CEO	YEARS OF CONTINUOUS SERVICE
<b>Independent Non-Executive Directors</b>						
Dr. Sarath Paranavitane	None	Director	None	None	None	02
Ven. Thiniyawala Palitha Thero	None	Director	None	None	None	02
Prof. Dilani Lokuhetty	None	Director	None	None	None	02
Dr. Rohan Wijesundera	None	Director	None	None	None	02
Mr. Keith Bernard	None	Director	None	None	None	02
Dr. Anil Abeywickrama	None	Director	None	None	None	02
Mrs. Umashanthiee Rajamantri	None	Director	None	None	None	02
Mr. Asendra Siriwardena	None	Director	None	None	None	02
Mr. Thanuja Lasitha Weeratne	None	Director	None	None	None	01

\* Director of a listed Company in which they are employed, or having a significant shareholding with voting rights more than 10% of total or have a business connection where the transaction value is equivalent to or more than 10% of the turnover of the Company.

\*\* Income non cash benefits derived from Company equivalent to 20% of annual income.

\*\*\* Employed by Company two years immediately preceding appointment.

**Principle A.6: Supply of Information**

Directors are supplied with timely and comprehensive information required to discharge their duties. Quantitative and qualitative information provided includes monthly financial performance reports, minutes of review meetings and stakeholder relationships which are furnished to all Directors at least 7 days prior to Board/Sub-Committee meetings. Directors also have open access to the Executive management to obtain further information that could be required.

**Principle A.7: Appointment to the Board**

During the year, a new director was appointed to the Board. Appointment procedure of new directors are promptly communicated to the CSE and shareholders through an announcement to CSE. This communication would typically include a brief profile of the Director, relevant skills and industry experience and directorships in other entities.

**Principle A.8: Re-election**

As per the Articles of Association, 1/3 of Directors will offer themselves for re-election at the AGM, depending on those who have held office for the longest time period since the election/re-appointment. In accordance with this provision, the following directors retire and offer themselves for re-election:

- » Dr. Sarath Paranavitane
- » Prof. Dilani Lokuhetty
- » Dr. Rohan Wijesundera
- » Mr. Asendra Siriwardena

If a Director has been appointed as a result of a casual vacancy that has arisen since the previous AGM, he/she is subject to election by shareholders at the first general meeting after their appointment.

**Principle A.9: Appraisal of Board Performance**

The chairman and Remuneration Committee is responsible for evaluating the performance of the Executive Directors. The Board undertakes an annual self evaluation of its own performance and its committees.

**Principle A.10: Disclosure of Information in Respect of Directors**

The details of the Board of Directors are provided on pages 102 to 104. Further the following information in relation to Directors is disclosed in the annual report.

The profiles of all Board members are provided on pages 74 to 79. Details of related party transactions are provided on pages 152 to 154. The composition of the Board and Board Sub Committees, and attendance at Board Meetings are provided on pages 82 to 84.

**Principle A.11: Appraisal of Chief Executive Officer (CEO)**

The Board sets financial and non-financial targets for the CEO at the commencement of each financial year, in line with the Hospital's strategic objectives of the year. The CEO's performance is monitored on an ongoing basis and a formal appraisal is carried out at least annually by the Remuneration Committee.

**DIRECTORS' REMUNERATION****Directors' Remuneration (3 principles)**

- » Remuneration Procedures (B.1)
- » The Level & Make up of Remuneration (B.2)
- » Disclosure of Remuneration (B.3)

**Principle B.1: Remuneration Procedures**

The Group's Remuneration policy is formulated by the Board Remuneration Committee which has put in place a formal and transparent procedure for determining remuneration of the Executive management including the CEO. The Remuneration policy has been designed to ensure that individuals of high caliber are attracted and retained within the Group. The Committee benchmarks the reward structures of the Group to industry counterparts to ensure that compensation is attractive.

**CORPORATE GOVERNANCE CONTD.****Principle B.2: Level and Make up of Remuneration**

Remuneration for Non-Executive Directors is determined taking into consideration the time commitment, role and responsibilities of each individual Director as well as industry practice. Non-Executive Directors do not receive any performance related payments and their remuneration comprises solely of an allowance for attendance at Board meetings. This is determined by the Board as a whole.

**Principle B.3: Disclosure of Remuneration**

The Remuneration Committee comprises of 4 Independent Non-Executive directors and their profiles are detailed on pages 74 to 79 of this Report. Please refer the Remuneration Committee Report on page 107 for further details on the Committee's activities during the year under review. The aggregate remuneration paid to Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 152 of this Report.

**RELATIONS WITH SHAREHOLDERS****Relations with shareholders (3 principles)**

- » Constructive use of the AGM (C.1)
- » Communication with Shareholders (C.2)
- » Major and Material Transactions (C.3)

**Principle C.1: Constructive use of the AGM**

The Annual General Meeting is used as the main platform for engaging with shareholders and is also the main forum of contact between small shareholders and the Board. In using the AGM constructively towards enhancing the Group's relationship with its shareholders, the following procedures are followed;

- » Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the Companies Act No. 7 of 2007.
- » Directors of the Board, including Chairmen of Audit, Remuneration and Nomination Committees are available to clarify any points raised by the shareholders.

**Principle C.2: Communication with Shareholders**

In addition to the AGM, all material and price sensitive information about the Company is promptly communicated to shareholders through the CSE. Communication is also facilitated through the Group's corporate website, advertisements and press.

**Principle C.3: Major and Material Transactions**

There were no transactions which would materially affect the Hospitals' performance or assets nor any major related party transactions other than those disclosed on pages 152 to 154 of this Report.

**ACCOUNTABILITY AND AUDIT****Accountability and Audit (5 principles)**

- » Financial Reporting (D.1)
- » Internal Controls (D.2)
- » Audit Committee (D.3)
- » Code of Business Conduct and Ethics (D.4)
- » Corporate Governance Disclosures (D.5)

**Principle D.1: Financial Reporting**

The Board holds overall responsible for presenting an accurate, balanced and understandable assessment of the Group's financial performance and position. The Group's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act. The Group's Annual Report for 2016 also conforms to the G4 guidelines on sustainability reporting, prescribed by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

The following specialised information requirements are also included in this Annual Report.

- » The Annual Report of the Board of Directors on the Affairs of the Company is given on pages 100 to 105 of this Report.
- » The Statement of Directors' Responsibility is given on page 106 of this Report.
- » The Directors' Statement on Internal Controls is given on page 104 of this Report.
- » The Independent Auditor's Report on page 112 of this Report.

In addition, the Management Discussion and Analysis as set out from page 22 to page 63 of this Report, includes the following information specified in the Code of Best Practice

- » Industry structure and developments;
- » Opportunities and threats;
- » Risks and concerns;
- » Internal control systems and their adequacy;
- » Social and environmental protection activities carried out by the Company;
- » Financial performance;
- » Material developments in human resource/industrial relations and
- » Prospects for the future

#### **Principle D.2: Internal Controls**

The Board is responsible for formulating and implementing a framework of internal controls which ensure that the Group's assets are safeguarded and proper accounting records are maintained. The Board Audit Committee supports the Board in ensuring the adequacy and effectiveness of the Group's internal control systems. Meanwhile, the Internal Audit function conducts independent reviews of the Group's risk management and internal controls on a regular basis. The Directors' Report on page 104 includes a declaration on compliance with laws and regulations, review of the internal controls

covering risk management and compliance controls and that they have obtained reasonable assurance of their effectiveness and compliance thereof.

Monitoring compliance: The Group has been successful in nurturing a compliance-culture with multiple structures and mechanisms in place to facilitate compliance to statutory and mandatory requirements. The Medical Credentials Committee, Quality Steering Committee and several safety committees are in place to ensure that all procedures are followed to guarantee the highest standard of care.

#### **Principle D.3: Audit Committee**

The Board has established an Audit Committee comprising 3 Independent Non-Executive Directors and information regarding its activities is provided in the Audit Committee Report on page 109. The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and the relevant regulations of the Colombo Stock Exchange. The CEO, CFO, Head of Internal Audit, and representatives of the External auditors are invited to attend Committee meetings.

Messrs. KPMG is the Company's external auditor and key oversight is provided by the Audit Committee, whose primary relationship is with the Committee. The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

#### **Principle D.4: Code of Business Conduct and Ethics [G4-56]**

The Chairman of the Board affirms that there was no material violations of any of the provisions of stipulated in the Code of Conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

**CORPORATE GOVERNANCE CONTD.****Whistleblowing Policy**

The Group has a Whistleblowing Policy which encourages employees to report legitimate concerns on potential wrongdoings occurring within the Group. Employees bringing forward such complaints are guaranteed complete confidentiality and such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Chairman of the Audit Committee.

**Principle D.5: Corporate Governance Disclosures**

The Board of Directors has taken all reasonable steps to ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the ICASL and other relevant requirements. The Company and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE (revised in 2014) and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by the ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.

**SHAREHOLDERS****Institutional Investors*****Institutional Investors***

- » Shareholder Voting (E.1)
- » Evaluation of Governance Disclosures (E.2)

**Principle E.1: Shareholder Voting**

The Group's AGM is usually characterised by a high level of shareholder involvement as all shareholders are encouraged to participate at the Annual General Meeting and exercise their right to vote.

**Principle E.2: Evaluation of Governance Disclosures**

Institutional and individual shareholders are provided adequate financial information and other price sensitive and strategic information on the website of the company to enable them to take decisions regarding their investments. Annual Reports are circulated to all registered shareholders within prescribed timelines. Shareholders are also able to contact the Company Secretary for obtaining further information/clarifications.

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

**Other Investors*****Other Investors***

- » Investing/ Divesting Decision (F.1)
- » Shareholder Voting (F.2)

**Principle F.1: 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.

**Principle F.2: 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.



### COMPLIANCE WITH CORPORATE GOVERNANCE RULES AS IN SECTION 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

RULE NO.	SUBJECT	REQUIREMENT	COMPLIANCE STATUS	EXTENT OF COMPLIANCE BY LANKA HOSPITALS
7.10.1. (a)	Non-Executive Directors	Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors.	Complied with	There were 11 Directors as of 31st December 2016, 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 comprised 9 Independent Non-Executive Directors as of 31st December 2016, and as of the date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence/Non-Independence in the prescribed format.	Complied with	All the Directors have submitted declarations of Independence/ Non-Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of Independent Directors should be disclosed in the Annual Report.	Complied with	Please refer to page 95 of this Report.
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per the rules of corporate governance, however the Board is of the opinion that the Director is nevertheless independent; it shall specify the basis of the determination in the Annual Report.	Complied with	All Independent Directors satisfy the 'criteria of independence' as per the rules on corporate governance.
7.10.3.(c)	Disclosure relating to the Directors	A brief résumé of each Director should be published in the Annual Report including his/her area of expertise.	Complied with	Please refer to pages 74 to 79 of this report.
7.10.3.(d)	Disclosure relating to the Directors	A brief résumé of any new Director appointed to the Board should be provided to the CSE.	Complied with	Brief résumés of all newly appointed Directors have been provided to the Colombo Stock Exchange.

**CORPORATE GOVERNANCE CONTD.**

<b>RULE NO.</b>	<b>SUBJECT</b>	<b>REQUIREMENT</b>	<b>COMPLIANCE STATUS</b>	<b>EXTENT OF COMPLIANCE BY LANKA HOSPITALS</b>
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer to page 107 of this report.
7.10.5 (a)	The composition of the Remuneration Committee	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non-Executive Directors, a majority of whom shall be independent, whichever is higher.	Complied with	As of 31st December 2016, the Remuneration Committee comprises four Independent Non-Executive Directors and as of the date of the Annual Report, the composition has remained unchanged.
	Chairman of the Remuneration Committee	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board.	Complied with	Mr. Asendra Siriwardena functioned as the Chairman of the Committee and he is a Non-Executive Director of the Board.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Complied with	Please refer to the Scope of the Remuneration Committee on page 107 of this Report.
7.10.5 (c)		The Annual Report shall set out:		
		The names of the Directors that comprise the Remuneration Committee.	Complied with	Please to refer page 107.
		A statement of remuneration policy.	Complied with	Please refer to page 107.
		Aggregate remuneration paid to Executive and Non-Executive Directors.	Complied with	Please refer to page 152.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer to page 109.
7.10.6 (a)	Composition of the Audit Committee	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or Non-Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with	As of 31st December 2016 and as of the date of the Annual Report, the Audit Committee comprised three Independent Non-Executive Directors.

RULE NO.	SUBJECT	REQUIREMENT	COMPLIANCE STATUS	EXTENT OF COMPLIANCE BY LANKA HOSPITALS
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Mr. Keith Bernard 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 invitation.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Complied with	The Chairman of the Audit Committee is a fellow member of Chartered Institute of Management Accountants UK.
7.10.6 (b)		The Audit Committee shall have functions as set out in Section 7.10 of the Listing Rules.	Complied with	Please refer to the Audit Committee Report on page 109.
7.10.6 (c)		The annual report shall set out:		
		The names of the Directors who comprise the Audit Committee.	Complied with	Please refer to the Audit Committee report on page 109.
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied with	Please refer to the Audit Committee Report on page 109.
		A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules.	Complied with	Please refer to the Audit Committee Report on page 109.

**CORPORATE GOVERNANCE CONTD.**

<b>CSE RULE NO.</b>	<b>CORPORATE GOVERNANCE PRINCIPLES</b>	<b>COMPLIANCE STATUS</b>	<b>EXTENT OF ADOPTION BY LANKA HOSPITALS</b>
9.2.1 & 9.2.3	Related Party Transaction Review Committee	Compliant	The functions of the committee are stated in related party transactions review committee report on page 108.
9.2.2	Composition of the Related Party Transaction Review Committee	Compliant	Please refer the related party transaction review committee report on page 108.
9.2.4	Related Party Transaction Review Committee - Meetings	Compliant	The committee met 3 times during the financial year 2016.
9.3.1	Immediate Disclosures	Compliant	Company did not have any non recurrent related party transactions which requires immediate disclosures to the Colombo Stock Exchange.
9.3.2 (a)	Disclosure – Non recurrent Related Party Transactions	Compliant	Company did not have any non recurrent related party transactions with aggregate value which exceeds 10% of the equity or 5% of the total assets whichever is lower. Hence no disclosure is required.
9.3.2 (b)	Disclosure –Recurrent Related Party Transactions	Compliant	Please refer to pages 152 to 154.
9.3.2 (c)	Report by the Related Party Transaction Review Committee	Compliant	Refer the Related Party Transaction Review Committee report on page 108.
9.3.2 (d)	A declaration by the Board of Directors	Compliant	Please refer to page 108.

<b>COMPOSITION AS OF 31ST DECEMBER 2016</b>	
<i>Name of the Director</i>	<i>Directorship Status</i>
Dr. Sarath Paranavitane	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero	Independent Non-Executive Director
Prof. Dilani Lokuhetty	Independent Non-Executive Director
Dr. Rohan Wijesundera	Independent Non-Executive Director
Mr. Daljit Singh	Non-Independent Non-Executive Director
Mr. K S Srivastava	Non-Independent Non-Executive Director
Mr. Keith Damien Bernard	Independent Non-Executive Director
Dr. Anil Abeywickrama	Independent Non-Executive Director
Mrs. Umashanthiee Rajamantri	Independent Non-Executive Director
Mr. Asendra Siriwardena	Independent Non-Executive Director
Mr. Thanuja Lasitha Weeratne	Independent Non-Executive Director

<b>COMPOSITION AS OF 28TH FEBRUARY 2017</b>	
<i>Name of the Director</i>	<i>Directorship Status</i>
Dr. Sarath Paranavitane	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero	Independent Non-Executive Director
Prof. Dilani Lokuhetty	Independent Non-Executive Director
Dr. Rohan Wijesundera	Independent Non-Executive Director
Mr. Daljit Singh	Non-Independent Non-Executive Director
Mr. K S Srivastava	Non-Independent Non-Executive Director
Mr. Keith Damien Bernard	Independent Non-Executive Director
Dr. Anil Abeywickrama	Independent Non-Executive Director
Mrs. Umashanthiee Rajamantri	Independent Non-Executive Director
Mr. Asendra Siriwardena	Independent Non-Executive Director
Mr. Thanuja Lasitha Weeratne	Independent Non-Executive Director

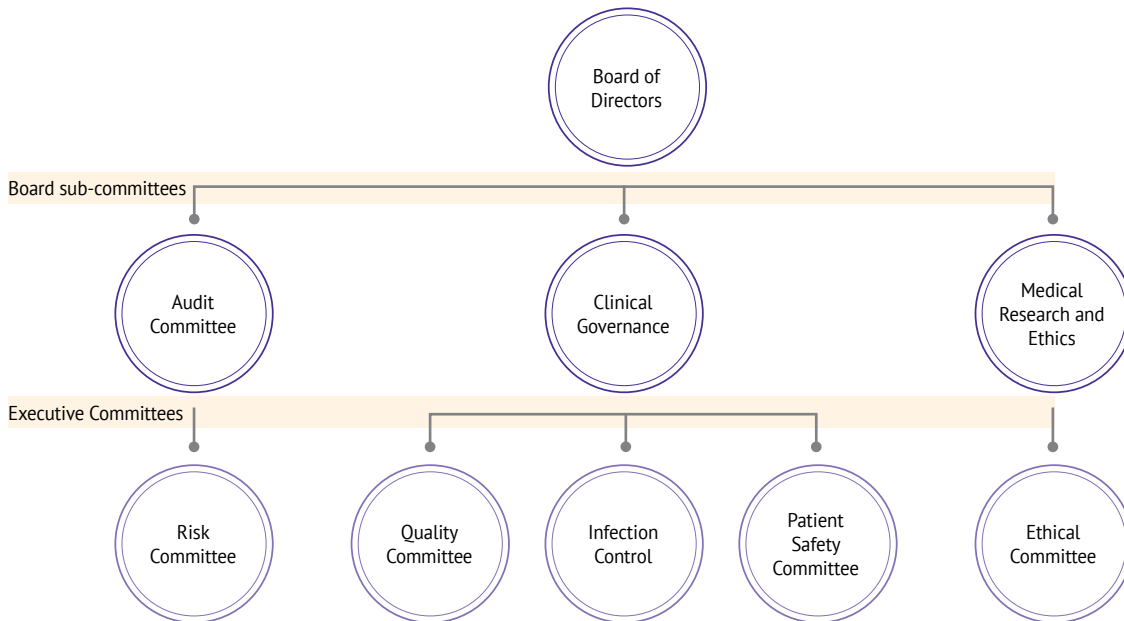
## RISK MANAGEMENT

Proactive and effective identification and management of risks underpin the Group's sustainable value creation and ensures continuity of operations. Risk identification, measurement and mitigation mechanisms are embedded in the Group's daily operations through a comprehensive framework of internal controls, management reporting and monitoring mechanisms.

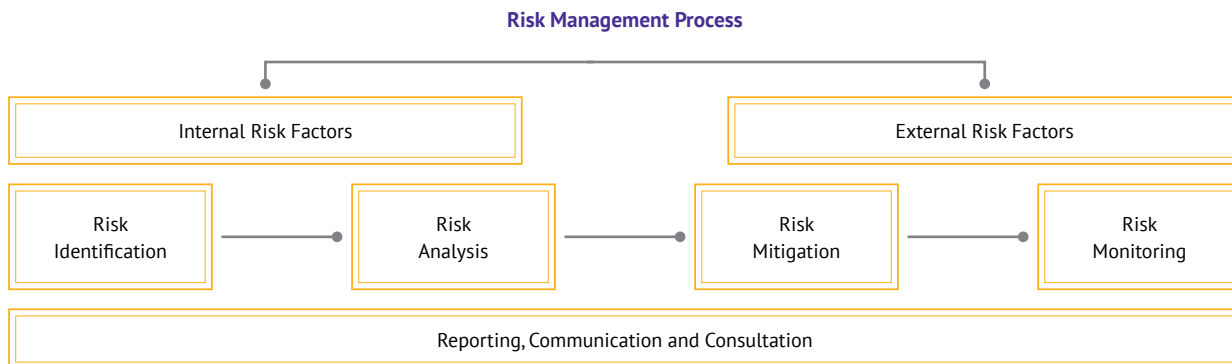
### RISK GOVERNANCE AND FRAMEWORK

The Board of Directors holds ultimate responsibility for ensuring that the Group's risk parameters are maintained within pre-defined limits; it is supported by several Board sub-committees and executive committees (including a dedicated Risk Committee) in the discharge of its risk related duties.

#### Risk Related Committees



The Group has developed an Enterprise Risk Management Framework which provides the foundation for the appropriate identification and management of risks. The framework has been developed in accordance with the risk monitoring requirements of JCI and other accreditations, the Code of Best Practice on Corporate Governance and international standards on risk management. Regular reporting to the Board through the relevant executive committees ensure that risk parameters are monitored in a holistic and comprehensive manner.



**Precautionary Principle [G4-14]**

The Group adopts the precautionary principle when evaluating the potential impacts of a proposed investment and all relevant social and environmental considerations are taken into account prior to making a decision.

**Principal Risk Factors**

The Group’s principal risk exposures identified through the above process and the mechanisms in place to mitigate these risks are given below. This section should be read in conjunction with the Material opportunities and risks section on pages 30 to 31 and page 37 of this Report.

RISK DESCRIPTION AND LINK TO MATERIAL MATTERS	MITIGATION MECHANISMS IN PLACE	NET RISK ASSESSMENT
<b>Clinical Risk</b>		
Potential losses to earnings, reputation and risk of regulatory pressure arising from events or incidents that affect quality of care  Link to material matters:  (1) Responsible care (2) Occupational health and safety	<ul style="list-style-type: none"> <li>» Accreditations providing assurance on all processes within the Hospital</li> <li>» Alignment of operations to International patient safety goals</li> <li>» Multiple safety programs such as infection control, laboratory safety and emergency preparedness among others</li> <li>» Robust customer complaint mechanism</li> <li>» Ongoing employee training on patient and facility safety</li> <li>» Identification and cataloging of drugs</li> <li>» Frequent testing of medical and laboratory equipment</li> </ul> <p><i>For further information refer,</i></p> <ul style="list-style-type: none"> <li>» Customer relationships (Page 53)</li> <li>» Intellectual capital (Page 59)</li> </ul>	Low  Based on all processes in place to ensure continued compliance to JCI and other accreditations

**RISK MANAGEMENT CONTD.**

<b>RISK DESCRIPTION AND LINK TO MATERIAL MATTERS</b>	<b>MITIGATION MECHANISMS IN PLACE</b>	<b>NET RISK ASSESSMENT</b>
<b><i>Shortage of Skilled Personnel</i></b>		
<p>Shortage of doctors, nurses and other skilled personnel are an industry-wide challenge. Most consultants are not directly employed by the Hospital and therefore may terminate their association with the Group at any time. Given the doctor-centric nature of the Sri Lanka healthcare industry this could potentially impact the Group's ability to attract patients.</p> <p>Link to material matters:</p> <p>(1) Employee attraction (2) Consultant relationships</p>	<ul style="list-style-type: none"> <li>» High level of engagement with consultants</li> <li>» In-house nurse training school to develop skilled and proficient nursing staff</li> <li>» Ongoing training and development for nurses and other support staff</li> <li>» Recruitment and retention strategy</li> </ul> <p><i>For further information refer,</i></p> <ul style="list-style-type: none"> <li>» Human Capital (pages 47 to 52)</li> <li>» Stakeholder engagement (pages 27 to 29)</li> </ul>	<p>Moderate</p> <p>Based on structures and processes in place to attract, develop and retain consultants and other skilled staff</p>
<b><i>Reputational Risk</i></b>		
<p>Medical negligence and litigation could have unfavourable impacts on the Group's reputation, affecting its ability to attract patients and resulting in financial loss.</p> <p>Link to material matters:</p> <p>(1) Responsible care (2) Customer satisfaction</p>	<ul style="list-style-type: none"> <li>» Comprehensive quality management and patient safety framework</li> <li>» Mechanisms in place to ensure responsible marketing communications</li> <li>» Robust stakeholder engagement to ensure stakeholder needs are identified and addressed</li> </ul> <p><i>For further information refer,</i></p> <ul style="list-style-type: none"> <li>» Intellectual capital (page 59)</li> <li>» Social and relationship capital (pages 53 to 58)</li> <li>» Stakeholder engagement (pages 27 to 29)</li> </ul>	<p>Low</p> <p>Based on the Group's track record in operational excellence and patient safety</p>



RISK DESCRIPTION AND LINK TO MATERIAL MATTERS	MITIGATION MECHANISMS IN PLACE	NET RISK ASSESSMENT
<b>Operational Risk</b>		
<p>This comprises of risks arising from non-clinical activities such as IT systems, engineering, people related risks and supply chain aspects. Operational risks could potentially result in financial losses, patient and employee hazards and reputational risks.</p> <p>Link to material matters:</p> <p>(1) Technology (2) Supply chain management</p>	<ul style="list-style-type: none"> <li>» Technical Evaluation Committee in place to ensure the quality and safety of medical equipment</li> <li>» Back-up arrangements for utility services and critical medical equipment</li> <li>» Comprehensive procurement manual detailing policies and procedures for effective supply chain and inventory management</li> <li>» State-of-the-art IT and security infrastructure</li> </ul> <p><i>For further information refer,</i></p> <ul style="list-style-type: none"> <li>» Intellectual capital (page 59)</li> <li>» Social and relationship capital (pages 53 to 58)</li> </ul>	<p>Low</p> <p>Based on robust governance structures, policy frameworks and reporting mechanisms</p>
<b>Increased Competition</b>		
<p>Private healthcare operators have continued to expand room capacity in recent years, leading to increased pressure on room rates and other related charges.</p>	<ul style="list-style-type: none"> <li>» Focus on gaining competitive advantage through quality rather than price considerations</li> <li>» Continued monitoring of the industry and competitive landscape</li> <li>» Frequent introduction of new facilities, medical procedures and specialty units</li> </ul> <p><i>For further information refer,</i></p> <ul style="list-style-type: none"> <li>» Operational review (pages 38 to 43)</li> </ul>	<p>Low</p> <p>The Group's strong brand recognition, proven track record for operational excellence and quality enables it to withstand competition to a certain degree</p>
<b>Increased Regulatory Pressure</b>		
<p>The private healthcare sector is subject to increasing regulatory pressure, particularly in terms of price ceilings on multiple aspects of our operations. This can result in pressure on margins, particularly given the continued rise in costs of healthcare inputs and labour costs</p>	<ul style="list-style-type: none"> <li>» Continued engagement with the regulators and relevant industry stakeholders</li> <li>» Comprehensive budgeting and planning mechanism in place to mitigate impacts of price ceilings</li> </ul>	<p>Moderate</p>

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

### **1. GENERAL**

The Directors of The Lanka Hospitals Corporation PLC (Company) have pleasure in presenting to the shareholders this report together with the Consolidated Financial Statements for the year ended December 31, 2016 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. It was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 28th July 2008 and bears the Company Registration No. PQ 180.

The ordinary shares of LHC are quoted on the main board of the Colombo Stock Exchange since 10th January 2003. The registered office of the Company is at No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

This report provides the information as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the Corporate Governance Code issued by the Institute of Chartered Accountants of Sri Lanka. This report was reviewed and approved by the Board of Directors on 28th February 2017.

### **2. REVIEW OF BUSINESS**

#### **2.1 Vision, Mission and Corporate Conduct**

LHC's Vision and Mission are given on page 03 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 19 to 21, 22 to 63 provide an overall

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

#### **2.2.1 Principal Activities of The Lanka Hospitals Corporation PLC**

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

#### **2.2.2 Principal Activities of Lanka Hospitals Diagnostics (Private) Limited**

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation of the company commenced in July 2014. The principal activity of the company is provisioning of state-of-the-art laboratory services with the technical know how shared from SRL Limited - India. It is the first referral lab in Sri Lanka. Lanka Hospitals Diagnostics (Private) Limited has over 600 collection centres in the main cities and is planning to set up Regional Labs in Kandy, Galle and Kurunegala.

#### **2.3 Financial Statements of LHC and its Subsidiary**

The Audited Financial Statements of the company together with the Consolidated Financial Statements of the Group are appearing on pages 113 to 163.

#### **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 106.

#### **2.5 Auditors' Report**

The Independent Auditors, Messrs KPMG, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended December 31, 2016 and the Auditors' Report issued thereon is given

on page 112 as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

## 2.6 Accounting Policies and Changes During the Year

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

## 2.7 Entries in the Interests Register of the Company

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

The share ownership of Directors is disclosed on pages 103 and 165 The Interests Register is available for inspection by shareholders or their authorised representatives as required by 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, 2016, are given in Note 28.2 to the Financial Statements on page 152.

## 2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs. 262,872/-.

## 3. NET INCOME AND PROFITABILITY

The net income of the Group for 2016 was Rs. 5.89Bn (Rs. 5.51Bn. in 2015), while LHC's net income was Rs. 4.9Bn. (Rs. 4.81Bn. in 2015). The profit after tax of the Group stood at Rs. 972Mn (Rs. 860 Mn in 2015), while LHC's profit after tax was Rs. 733Mn (Rs. 748 Mn in 2015).

## 4. DIVIDENDS AND RESERVES

### 4.1 Dividends on Ordinary Shares

The interim dividend of Rs. 1/- per share for the year ended 31st December 2016 was paid on 21st November

2016. 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 2016 was Rs. 223,732,169. LHC also paid a final dividend of Rs. 1/- per share for the year ended 31st December 2015 on 21st June 2016. The Board of Directors fulfilled the requirement of the Solvency Test in terms of provisions of the Companies Act No. 07 of 2007 immediately after the payment of interim/final dividends. The Statement of Solvency of the Auditors was obtained in respect of the said interim/final dividends payment conforming to the statutory provision.

### 4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 116 to 117 in Notes to the Financial Statements.

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

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group, the details of which are given in Notes 12 to 14 on pages 140 to 144 to the Financial Statements respectively. Capital expenditure approved and contracted for are given in Note 30 to the Financial Statements on pages 154 to 155.

## 6. MARKET VALUE OF FREEHOLD PROPERTIES

The buildings of the Company were revalued by professionally qualified independent valuers as at December 31, 2016, 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 12.2.1 to the Financial Statements on page 142.

## 7. STATED CAPITAL

The Stated Capital as at December 31, 2016 was Rs. 2,671,543,090/- comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at December 31, 2015 comprising of 223,732,169 ordinary voting shares).

**ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.****8. SHARE INFORMATION**

Information relating to earnings, dividend, net assets and market value per share is given in the 'Financial Highlights' on pages 06 and 166.

**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 164.

**10. DISTRIBUTION SCHEDULE FOR SHAREHOLDINGS**

Information on the distribution of shareholdings and the respective percentages are given in the Section on 'Investor Relations' on pages 164 and 166.

**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, 2016 consisted of Eleven Directors (Twelve Directors as at December 31, 2015) with wide financial, medical and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 74 to 79.

Names of the Directors of the Company as at the end of 2016, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

NAME OF THE DIRECTOR	DIRECTORSHIP STATUS
Dr. Sarath Paranavitane	Independent Non-Executive Director
Ven. Thiniyawala Palitha Thero	Independent Non-Executive Director
Prof. Menaka Dilani Samarawickrema Lokuhetty	Independent Non-Executive Director
Mr. Daljit Singh or his alternate	Non-Independent Non-Executive Director
Dr. Rohan Lalith Wijesundera	Independent Non-Executive Director
Mr. Keith Damien Bernard	Independent Non-Executive Director
Dr. Anil Abeywickrama	Independent Non-Executive Director
Mr. Ranathunge Arachchige Dona Umashanthiee Rajamantri	Independent Non-Executive Director
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Independent Non-Executive Director
Mr. Kalyana Sundaram Srivastava or his alternate	Non-Independent Non-Executive Director
Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne	Independent Non-Executive Director

**11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2016****Name of the Director**

Dr. Sarath Paranavitane  
 Ven. Thiniyawala Palitha Thero  
 Prof. Menaka Dilani Samarawickrema Lokuhetty  
 Mr. Keith Damien Bernard  
 Dr. Anil Abeywickrama  
 Mr. Hewakumanayakage Asendra Chaminda Siriwardena  
 Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne

### 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.

	APPOINTMENTS	RESIGNATIONS
Mr. Lintotage Udaya Damien Fernando		10/06/2016
Mr. Majuwanage Samantha Perera		16/06/2016
Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne	24/06/2016	
Mr. Parthasarathy Raghunath ( <i>Alternate Director to Mr. Kalyana Sundaram Srivastava</i> )		27/10/2016
Mr. Meghraj Arvindrao Gore ( <i>Alternate Director to Mr. Kalyana Sundaram Srivastava</i> )	27/10/2016	

### 11.1.4 Recommendations for Re-election

#### 1. Directors who were appointed to fill casual vacancies

All the Directors appointed to the Board to fill casual vacancies and are permitted to hold office only until the following AGM, hence, they are required to offer themselves for re-election at this Annual General Meeting. Accordingly Mr. Thanuja Weeratne who is appointed to the Board subsequent to last Annual General Meeting offers himself for re-election as a Director of the Company at this Annual General Meeting.

#### 2. Directors to retire by rotation

In terms of Article 85 of the Articles of Association, 1/3 of the Directors are required to retire by rotation at each Annual General Meeting. Article 86 of the Articles of Association provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office,

since their last election or appointment. Accordingly Dr Sarath Paranavitane, Prof. Dilani Lokuhetty, Dr. Rohan Wijesundera and Mr. Asendra Siriwardena are subject to retire by rotation and being eligible offer themselves for re-election.

11.1.5 Details of Directors' attendance at Directors' Meetings are presented on pages 84 under Corporate Governance section

### 11.1.6 Board Sub-Committees

Audit Committee, Remuneration Committee and Related Party Review Committee are in place 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 Remuneration Committee Report and Related Party Review Committee Report.

### 11.2. Disclosure of Directors' Dealing in Shares

NAME OF THE DIRECTOR	NO OF SHARES
Dr. Sarath Paranavitane	Nil
Ven. Thiniyawala Palitha Thero	Nil
Prof. Menaka Dilani Samarawickrema Lokuhetty	Nil
Mr. Daljit Singh or his alternate	Nil
Dr. Rohan Lalith Wijesundera	Nil
Mr. Keith Damien Bernard	Nil
Dr. Anil Abeywickrama	Nil
Mr. Ranathunge Arachchige Dona Umashanthiee Rajamantri	Nil
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Nil
Mr. Kalyana Sundaram Srivastava or his alternate	Nil
Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne	Nil

**ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.****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 pages 152 to 154. 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, 2016 are given in Note 08 to the Financial Statements on page 137.

**12. RISK MANAGEMENT AND INTERNAL CONTROLS**

The Directors are responsible for the Company's and the Group's system of internal controls covering financial operations and risk management activities and review its effectiveness, in accordance with the provisions of the corporate governance framework.

The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an on-going process to identify, evaluate and manage significant business risks.

**13. ENVIRONMENTAL PROTECTION**

The Company and the Group make every endeavour to ensure compliance with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company and the Group operate in a manner that minimises the detrimental effects on the environment within which the Company and the Group operate.

**14. 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.

**15. 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 31 to the Financial Statements on page 155.

**16. APPOINTMENT OF AUDITORS**

Messrs KPMG, Chartered Accountants retires at this Annual General Meeting. The retiring Auditors, have signified their willingness to continue functioning as the Auditor to the Company. A resolution to re-appoint Messrs KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at this Annual General Meeting. The fees paid to auditors for the statutory audit of the financial year ended 31st December 2016 are disclosed in Note 08 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.

**17. 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.

**18. 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.

**19. CONTINGENT LIABILITIES**

Details with regard to the contingent liabilities are given in Note 29 to the Financial Statement.

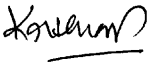
**20. ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on 26th May 2017 at 2.30pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No. 578, Elvitigala Mawatha, Colombo 5.

For and on behalf of the Board,



**Dr. Sarath Paranavitane**  
*Chairman*



**Keith Bernard**  
*Director*

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



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

28th February 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITY

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

In terms of Sections 150 (1), 151, 152 and 153 (1) & (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, 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto.

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

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

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act these Financial Statements of the LHC and the Group have been certified by the LHC's Chief Financial Officer, the Officer responsible for their preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on 28th February 2017 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 2016, 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*

28th February 2017



## **THE BOARD REMUNERATION COMMITTEE REPORT**

### **COMPOSITION OF THE COMMITTEE**

The Board appointed Remuneration Committee of the Company comprises of four independent, non-executive directors, whose profiles appear on pages 74-79 of this Report.

- » Mr. Asendra Siriwardena - Chairman
- » Prof. Dilani Lokuhetty
- » Dr. Rohan Wijesundera
- » Mr. Thanuja Weeratne

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

### **MANDATE AND RESPONSIBILITIES**

The Committee is mandated is to formulate the remuneration policy of the Company and recommend to the Board of Directors any matter related to the following;

- » Determining the compensation of the Chairman and Directors and ensuring that no Director is involved in setting his or her own remuneration
- » Determining the compensation and benefits of the Key Management Personnel and establishing performance parameters in setting individual goals and targets
- » Review information related to executive compensation to ensure that it is in par with market/industry rates
- » Review and revise the Company's recruitment, promotions, remuneration packages, annual increments, bonuses and incentive plans

### **REMUNERATION POLICY FOR LANKA HOSPITALS**

The remuneration policy has been formulated with the objective of creating a conducive and positive work ethos that encourages and rewards enhanced performance.

Incentive packages, which are in consonance with existing industry practices, are provided based on regular reviews of achievements. The remuneration policy also ensures that the risk in remuneration strategy, policy and arrangements are adequately considered, and that processes are in place to mitigate risk exposures.

### **ACTIVITIES IN 2016**

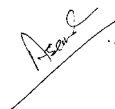
The Remuneration Committee met seven times during the year and the proceedings of the meetings have been handed over the Board of Directors in adequate detail. Attendance at Committee meetings is given on page 84 of this Annual Report.

During the year, the Committee reviewed and approved the Rewards and benefits policy of the Company, which covers all aspects related to employee remuneration as described above.

### **RESIGNATIONS AND THE NEW APPOINTMENTS TO THE COMMITTEE**

Mr. Keith Bernard and Dr. Anil Abeywickrema have resigned from the Remuneration Committee during the last year. The vacancies created by these two resignations were filled in with the appointment of Mr. Asendra Siriwardena as the Chairman, and the induction of Mr. Thanuja Weeratne as a member.

On behalf of the Committee;



**Asendra Siriwardena**

*Chairman – Remuneration Committee*

28th February 2017

## **THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT**

### **COMPOSITION OF THE COMMITTEE**

The Board Related Party Transactions Review Committee combines the skills of independent and non-executive directors as recommended by the Code of Best Practice on Related Party Transactions issued by the CSE. The Committee comprises the following directors, whose profiles are given on pages 74-79 of this Report.

Mr. Keith Bernard – Chairman  
Mr. Asendra Siriwardana  
Dr. Anil Abeywickrama

### **MANDATE AND RESPONSIBILITIES**

The Committee is responsible for assisting the Board in reviewing all Related Party Transactions carried by the Group. Accordingly, the mandate of the Committee includes the following;

- » Formulating and recommending for adoption by the Board of Directors, a RPT policy consistent with what is proposed by the CSE
- » Reviewing and updating the Board on the related party transactions of the Group
- » Ensuring adequate disclosures in the Annual Report as required by the Continuing Listing Requirements of the CSE
- » Ensuring market disclosures are made as required by the Continuing Listing Requirements of the CSE

### **ACTIVITIES IN 2016**

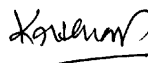
The Committee met three times during the year and the proceedings of the meetings have been handed over to the Board of Directors in adequate detail. Attendance at Committee meetings is given on page 84 of this Annual Report.

The following types of related party transactions are brought to the attention of the Board;

- » Insurance services obtained from the Parent Company and payments made thereof
- » Services provided and payments made to related parties
- » Review of such transactions and determining whether to permit or prohibit the transaction

During the financial year 2016, relevant disclosures have been made to the Colombo Stock Exchange complying with the regulations. Details of Related Party Transactions entered into by the Group during the above period are disclosed in Note 28 to the financial statements.

On behalf of the Committee;



**Keith Bernard**

*Chairman – Related Party Transactions Review Committee*

28th February 2017

## **THE BOARD AUDIT COMMITTEE REPORT**

### **COMPOSITION OF THE COMMITTEE**

The Board Audit Committee is appointed by the Board of Directors and comprised of the following independent, non-executive directors at the end of 2016.

Mr. Keith Bernard – Chairman

Mr. Asendra Siriwardana

Dr. Anil Abeywickrama

Profiles of the Audit Committee members are given on pages 74-79 of this Report.

The Chief Executive Officer, Head of Internal Audit and the Chief Financial Officer attend Audit Committee meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

### **MANDATE AND RESPONSIBILITIES**

The responsibilities of the Committee are clearly set out in the Charter of the Audit Committee approved by the Board. This Charter is reviewed annually to ensure that any new/emerging developments relating to the Committee's functions are addressed. Primary responsibilities of the Audit Committee include,

- » Ensure the integrity of the Financial Statements by reviewing the financial reporting systems in place, the appropriateness of the accounting policies and adherence to statutory and regulatory compliance requirements
- » Review and ensure the adequacy of Internal Controls System and Risk Management
- » Ensure adherence to all policies and procedures set out by the Board of Directors
- » Monitor the independence and performance of Internal and External Audit functions and follow up with the management on their findings and recommendations

### **ACTIVITIES IN 2016**

The Committee convened five times during the financial year ending 31st December 2016 and the proceedings of these meetings were regularly reported to the Board of Directors in adequate detail. Attendance at the Committee meetings is given on page 84 of this Report.

### **REPORTING OF FINANCIAL PERFORMANCE AND POSITION**

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the quarterly and annual Financial Statements that portray a true and fair view of the affairs of the Company. This process is based on the Company's accounting records, the stipulations of the Sri Lanka Accounting Standards, Companies Act and rules and regulations of CSE and SEC.

### **INTERNAL CONTROLS AND RISK MANAGEMENT**

During its meetings the Committee reviewed the adequacy and effectiveness of the internal control systems in place in order to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements, the process are in place to safeguard the assets of the company and orderly and efficient conduct of business including adherence to the internal policies and statutory requirements. The Committee reviewed the Company's approach to its exposure to the business, financial and operational risk and the adequacy of the ongoing risk management system established by the management.

### **INTERNAL AUDIT**

The Committee ensures that the Internal Audit function is independent of the activities it audits and carries out its activities with efficiency, impartiality and due professional care.

**THE BOARD AUDIT COMMITTEE REPORT CONTD.**

The Internal Audit Plan was reviewed by the Committee to ensure that it covers the significant financial and operational aspects of the Company. The Head of Internal Audit was invited to be present at all Audit Committee deliberations. Observations made in the internal audit reports were reviewed and where necessary corrective actions were recommended and the implementation was monitored. Major findings of internal investigations with recommendations of the Management were considered and appropriate instructions issued.

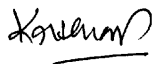
**EXTERNAL AUDIT**

The Committee is responsible for monitoring and evaluating the independence and objectivity of the External Auditor. The Committee also reviewed the audit plan presented by the External Auditor and monitored the progress of the audit. Issues arising from the audit and the required corrective action were discussed with the external auditor and the Management Letter and responses thereto were also reviewed by the Committee.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants to be re-appointed as auditors for the financial year ending 31st December 2017 subject to the approval of the shareholders at the next Annual General Meeting.

**ETHICS AND GOOD GOVERNANCE**

The highest standards of corporate governance, ethics and transparency were ensured at all times. Appropriate procedures are in place to conduct independent investigations into incidents reported through whistle blowing or identified through other means. The Committee placed continuous emphasis on upholding the ethical values of employees regarding good governance and ethics.



**Keith Bernard**  
*Chairman - Audit Committee*

28th February 2017

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## FINANCIAL CALENDAR 2016 AND PROPOSED FINANCIAL CALENDAR 2017

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

	2016 Submitted on	2017 to be Submitted on or Before
For the 3 months ended 31st March (unaudited)	13th May 2016	15th May 2017
For the 3 and 6 months ended 30th June (unaudited)	12th August 2016	15th August 2017
For the 3 and 9 months ended 30th September (unaudited)	11th November 2016	15th November 2017
For the 3 months and year ended 31st December (unaudited)	28th February 2017	28th February 2018

**INDEPENDENT AUDITORS' REPORT**

**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

**TO THE SHAREHOLDERS OF THE LANKA HOSPITALS CORPORATION PLC****Report on the Financial Statements**

We have audited the accompanying Financial Statements of The Lanka Hospitals Corporation PLC, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 113 to 163 of the Annual Report.

**Board's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

**Opinion**

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Report on Other Legal and Regulatory Requirements**

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - the Financial Statements of the Company give a true and fair view of its financial position as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,
  - and the Financial Statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

**CHARTERED ACCOUNTANTS**

Colombo

February 28, 2017

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

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

**INCOME STATEMENT**

For the year ended 31st December,	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Revenue</b>	5	<b>5,886,441,551</b>	5,514,070,918	<b>4,902,083,201</b>	4,810,837,891
Cost of services		<b>(3,026,123,280)</b>	(2,901,270,481)	<b>(2,607,888,982)</b>	(2,574,754,328)
<b>Gross profit</b>		<b>2,860,318,271</b>	2,612,800,437	<b>2,294,194,219</b>	2,236,083,563
Other income	6	<b>52,543,367</b>	36,003,006	<b>58,468,360</b>	41,248,035
Administrative expenses		<b>(1,452,487,549)</b>	(1,343,185,176)	<b>(1,189,190,216)</b>	(1,127,178,460)
Other operating expenses		<b>(561,752,170)</b>	(495,015,936)	<b>(502,043,239)</b>	(449,930,841)
Change in fair value of investment property	14	-	-	<b>8,000,000</b>	3,592,000
Finance income	7	<b>182,832,019</b>	156,284,582	<b>157,325,997</b>	153,588,980
<b>Profit before taxation</b>	8	<b>1,081,453,938</b>	966,886,913	<b>826,755,121</b>	857,403,277
Income tax expense	9	<b>(109,428,894)</b>	(107,248,742)	<b>(93,371,502)</b>	(109,162,624)
<b>Profit for the year</b>		<b>972,025,044</b>	859,638,171	<b>733,383,619</b>	748,240,653
<b>Attributable to:</b>					
Equity holders of the company		<b>972,025,044</b>	859,638,171	<b>733,383,619</b>	748,240,653
<b>Earnings per share</b>	10	<b>4.34</b>	3.84	<b>3.28</b>	3.34

The notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31st December,	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Profit for the year</b>		<b>972,025,044</b>	859,638,171	<b>733,383,619</b>	748,240,653
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Surplus on revaluation of property, plant and equipment	23	<b>368,955,015</b>	-	<b>332,095,015</b>	-
Actuarial gains on defined benefit obligations	24	<b>5,563,663</b>	857,138	<b>4,820,259</b>	468,204
Deferred tax on surplus of revaluation of building	25	<b>(44,268,002)</b>	-	<b>(39,844,802)</b>	-
Tax on other comprehensive income	25	<b>(667,639)</b>	(102,856)	<b>(578,431)</b>	(56,185)
<b>Other comprehensive income for the year, (net of tax)</b>		<b>329,583,037</b>	754,282	<b>296,492,041</b>	412,019
<b>Total comprehensive income for the year</b>		<b>1,301,608,081</b>	860,392,453	<b>1,029,875,660</b>	748,652,672
<b>Attributable to:</b>					
Equity holders of the parent		<b>1,301,608,081</b>	860,392,453	<b>1,029,875,660</b>	748,652,672

The notes form an integral part of these Financial Statements.

The figures shown in brackets indicate deductions.



**STATEMENT OF FINANCIAL POSITION**

As at 31st December,	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	4,082,879,318	3,649,506,893	3,707,134,116	3,336,320,389
Intangible assets	13	60,324,099	61,000,763	32,596,152	33,852,110
Investment property	14	-	-	110,000,000	102,000,000
Advance lease premium	15	189,305,932	175,442,852	189,305,932	175,442,852
Investment in subsidiary	16	-	-	414,000,020	414,000,020
		4,332,509,349	3,885,950,508	4,453,036,220	4,061,615,371
<b>Current assets</b>					
Inventories	17	318,869,291	272,338,834	266,626,776	227,568,161
Trade and other receivables	18	498,903,444	425,924,122	455,908,612	399,232,907
Amounts due from related companies	19	3,567,716	5,433,868	100,856,467	74,890,167
Economic service charge recoverable		4,310,970	8,123,850	-	6,007,834
Other financial assets	20	2,028,553,267	1,530,610,023	1,708,553,267	1,480,610,023
Cash and cash equivalents	21	165,601,181	215,259,554	164,702,029	171,304,089
		3,019,805,869	2,457,690,251	2,696,647,151	2,359,613,181
<b>Total assets</b>		<b>7,352,315,218</b>	<b>6,343,640,759</b>	<b>7,149,683,371</b>	<b>6,421,228,552</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	22	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090
Revaluation reserve	23	1,284,777,893	994,281,265	1,220,128,576	960,466,514
Retained earnings		1,887,953,837	1,324,306,720	1,636,428,933	1,313,679,672
<b>Total equity</b>		<b>5,844,274,820</b>	<b>4,990,131,075</b>	<b>5,528,100,599</b>	<b>4,945,689,276</b>
<b>Non-current liabilities</b>					
Employee benefit obligations	24	133,612,675	118,241,007	119,668,001	106,174,862
Deferred tax liabilities	25	426,595,105	347,228,336	412,055,759	346,209,399
		560,207,780	465,469,343	531,723,760	452,384,261
<b>Current liabilities</b>					
Amounts due to related companies	26	24,235,610	28,480,938	4,769,075	4,769,075
Trade and other payables	27	653,625,821	659,799,560	817,952,446	826,624,486
Income tax payable		36,107,993	20,471,835	33,274,297	19,538,605
Bank overdraft	21	233,863,194	179,288,008	233,863,194	172,222,849
		947,832,618	888,040,341	1,089,859,012	1,023,155,015
<b>Total liabilities</b>		<b>1,508,040,398</b>	<b>1,353,509,684</b>	<b>1,621,582,772</b>	<b>1,475,539,276</b>
<b>Total equity and liabilities</b>		<b>7,352,315,218</b>	<b>6,343,640,759</b>	<b>7,149,683,371</b>	<b>6,421,228,552</b>

The notes form an integral part of these Financial Statements.

I certify that the above Financial Statements for the year ended 31st December 2016 are in compliance with the requirements of the Companies Act No 7 of 2007.

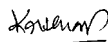


**Badrajith Siriwardana**  
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Signed for and on behalf of the Board;



**Dr. Sarath Paranavitane**  
Chairman



**Keith Bernard**  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
<b>Balance as at 1st January 2015</b>	2,671,543,090	1,028,471,651	765,322,135	4,465,336,876
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	859,638,171	859,638,171
Other comprehensive income	-	-	754,282	754,282
	-	-	860,392,453	860,392,453
<b>Transactions with owners of the Group, directly recorded in equity</b>				
Dividend	-	-	(335,598,254)	(335,598,254)
Depreciation transfer on surplus on revaluation of buildings	-	(34,190,386)	34,190,386	-
<b>Balance as at 31st December 2015</b>	2,671,543,090	994,281,265	1,324,306,720	4,990,131,075
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	972,025,044	972,025,044
Other comprehensive income	-	-	4,896,024	4,896,024
	-	-	976,921,068	976,921,068
<b>Transaction with owners of the Group, directly recorded in equity</b>				
Dividend	-	-	(447,464,338)	(447,464,338)
Surplus on revaluation of land & buildings	-	368,955,015	-	368,955,015
Depreciation transfer on surplus on revaluation of buildings	-	(34,190,386)	34,190,386	-
Deferred tax on surplus of revaluation of buildings	-	(44,268,002)	-	(44,268,002)
<b>Balance as at 31st December 2016</b>	2,671,543,090	1,284,777,893	1,887,953,837	5,844,274,820

The figures shown in brackets indicate deductions.

The notes form an integral part of these Financial Statements.

**STATEMENT OF CHANGES IN EQUITY**

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
<b>Balance as at 1st January 2015</b>	2,671,543,090	993,054,665	868,037,102	4,532,634,857
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	748,240,653	748,240,653
Other comprehensive income	-	-	412,019	412,019
	-	-	748,652,672	748,652,672
<b>Transactions with owners of the Company, directly recorded in equity</b>				
Dividend	-	-	(335,598,254)	(335,598,254)
Depreciation transfer on surplus on revaluation of buildings	-	(32,588,151)	32,588,151	-
<b>Balance as at 31st December 2015</b>	2,671,543,090	960,466,514	1,313,679,672	4,945,689,276
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	733,383,619	733,383,619
Other comprehensive income	-	-	4,241,828	4,241,828
	-	-	737,625,447	737,625,447
<b>Transactions with owners of the Company directly recorded in equity</b>				
Dividend	-	-	(447,464,338)	(447,464,338)
Surplus on revaluation of land & buildings	-	332,095,015	-	332,095,015
Depreciation transfer on surplus on revaluation of buildings	-	(32,588,151)	32,588,151	-
Deferred tax impact on depreciation of revalued buildings	-	(39,844,802)	-	(39,844,802)
<b>Balance as at 31st December 2016</b>	2,671,543,090	1,220,128,576	1,636,428,933	5,528,100,599
<b>Dividend per share - 2016 (Note 11)</b>				2.00
Dividend per share - 2015 (Note 11)				1.50

The figures shown in brackets indicate deductions.

The notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash flow from operating activities</b>				
<b>Profit before taxation</b>	<b>1,081,453,938</b>	966,886,913	<b>826,755,121</b>	857,403,277
<i>Adjustments for:</i>				
Interest income	(120,813,244)	(61,584,446)	(95,860,517)	(58,853,650)
Depreciation on property, plant and equipment	291,875,433	271,174,585	261,007,445	243,756,135
Amortisation of intangible assets	11,374,967	7,876,129	6,016,644	2,966,765
Amortisation of right-to-use of land on lease	4,683,472	4,683,472	4,683,472	4,683,472
Net change in fair value of investment property	-	-	(8,000,000)	(3,592,000)
Provision for retiring gratuity	30,280,445	28,583,543	27,051,975	24,932,013
Impairment loss on inventories	2,031,520	1,610,162	2,031,520	837,040
Impairment loss on trade receivables	443,505	4,771,263	443,505	4,771,263
(Gain)/loss on disposal of property, plant and equipment	(4,800,000)	151,870	(4,800,000)	151,870
<b>Operating cash flows before working capital changes</b>	<b>1,296,530,036</b>	1,224,153,491	<b>1,019,329,164</b>	1,077,056,185
(Increase)/decrease in inventories	(48,561,977)	33,482,537	(41,090,135)	22,341,553
(Increase)/decrease in trade and other receivables	(65,806,852)	53,388,762	(52,464,142)	65,695,982
Increase/(decrease) in amounts due from related companies	1,866,152	193,228	(25,966,299)	(67,125,770)
Increase/(decrease) in trade and other payables	(6,173,739)	98,773,210	(8,672,040)	195,992,619
Increase/(decrease) in amounts due to related companies	(4,245,327)	15,466,828	-	-
	<b>1,173,608,292</b>	1,425,458,056	<b>891,136,547</b>	1,293,960,569
<b>Cash generated from operations</b>				
Retiring gratuity paid	(9,345,114)	(13,295,165)	(8,738,577)	(12,736,810)
Income tax paid	(59,361,610)	(37,548,126)	(54,212,682)	(37,496,379)
<b>Net cash inflow from operating activities</b>	<b>1,104,901,569</b>	1,374,614,765	<b>828,185,288</b>	1,243,727,379
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(305,554,438)	(278,003,268)	(248,987,752)	(255,851,771)
Expenditure incurred on capital work in progress	(52,437,679)	(12,432,155)	(52,437,679)	(12,432,155)
Purchase of intangible assets	(8,999,028)	(10,977,008)	(3,061,412)	(3,102,872)
Proceeds from disposal of property, plant and equipment	4,800,000	3,790,226	4,800,000	3,790,226
Advance lease premium paid	(18,546,552)	(18,546,552)	(18,546,552)	(18,546,552)
Interest income received	117,010,152	41,558,848	97,213,284	39,685,217
Investment in other financial assets	(497,943,244)	(625,317,785)	(227,943,244)	(575,317,785)
<b>Net cash generated from investing activities</b>	<b>(761,670,789)</b>	(899,927,694)	<b>(448,963,355)</b>	(821,775,692)
<b>Cash flows from financing activities</b>				
Dividend paid	(447,464,338)	(335,598,254)	(447,464,338)	(335,598,254)
<b>Net cash outflow from financing activities</b>	<b>(447,464,338)</b>	(335,598,254)	<b>(447,464,338)</b>	(335,598,254)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(104,233,558)</b>	139,088,817	<b>(68,242,405)</b>	86,353,433
<b>Cash and cash equivalent at the beginning of the year</b>	<b>35,971,546</b>	(103,117,271)	<b>(918,760)</b>	(87,272,194)
<b>Cash and cash equivalent at the end of the period (Note A)</b>	<b>(68,262,013)</b>	35,971,546	<b>(69,161,165)</b>	(918,760)
<b>Note A- Analysis of cash and cash equivalents</b>				
<b>Favourable balances</b>				
Cash in hand and at bank	117,601,181	116,259,554	116,702,029	115,304,089
Short term investments	48,000,000	99,000,000	48,000,000	56,000,000
	165,601,181	215,259,554	164,702,029	171,304,089
<b>Unfavourable balances</b>				
Bank overdrafts	(233,863,194)	(179,288,008)	(233,863,194)	(172,222,849)
<b>Cash and cash equivalents</b>	<b>(68,262,013)</b>	35,971,546	<b>(69,161,165)</b>	(918,760)

The notes form an integral part of these Financial Statements.  
The figures shown in brackets indicate deductions.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### 1.1 Reporting Entity

- (a) The Lanka Hospitals Corporation PLC (“the Company”) is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange (CSE). The Company was incorporated under the Companies Act No. 17 of 1982 on 6 October 1997 and re-registered on 28 July 2008 under the Companies Act, No. 07 of 2007, which 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 05, Sri Lanka.
- (b) The fully-owned subsidiary company, Lanka Hospitals Diagnostics (Private) Limited is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The Company was incorporated on 06 February 2013. The immediate parent of the Company is The Lanka Hospitals Corporation PLC.

#### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Company as at, and for the year ended 31st December 2016 comprise the financial statements of Company and its subsidiary (together referred to as the “Group”)

#### 1.3 Date of Authorisation for Issue

These Consolidated Financial Statements were authorised for issue by the Board of Directors on, 28th February 2017.

#### 1.4 Principal Activities and Nature of Operations

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

#### 1.5 Parent Enterprise and Ultimate Parent Enterprise

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007, and provide appropriate disclosures required by the listing rules of the CSE.

#### 2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the Financial Statements as per the provisions of the Companies Act and the SLFRSs/LKASs.

#### 2.3 Basis of Measurement

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

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

#### 2.4 Functional and Presentation Currency

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

#### 2.5 Use of Estimates, Judgments and Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

**2.5.1 Fair value of non-financial assets**

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

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

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

**2.5.2 Useful lives of depreciable assets**

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

**2.5.3 Business combinations**

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

**2.5.4 Defined benefit obligation**

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

**2.5.5 Fair value of financial instruments**

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

**2.5.6 Recognition of deferred tax assets**

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

### 2.5.7 Measurement of fair values

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

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

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

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

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

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

### 2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the LKAS 01 on "presentation of Financial Statements".

### 2.7 Comparative Information

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of Consolidation

#### 3.1.1 Business combinations

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

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

#### 3.1.2 Subsidiary

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

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

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

The accounting policies of subsidiary is aligned with the policies adopted by the Group.

**3.1.3 Non-controlling interest**

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

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

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

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

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

**3.1.4 Loss of control**

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

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

**3.1.5 Reporting date**

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

**3.1.6 Intra-group transactions**

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

**3.1.7 Transactions eliminated on consolidation**

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are



eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 Foreign Currencies

#### 3.2.1 Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

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

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

### 3.3 Financial Instruments

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

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

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

#### 3.3.1 Non-derivative financial assets

##### 3.3.1.1 Initial recognition and measurement

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

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

##### 3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

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

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

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

**3.3.1.1.2 Loans and receivables**

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

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

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

**3.3.1.1.3 Held-to-maturity financial assets**

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

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

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

**3.3.1.1.4 Available-for-sale financial assets**

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

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

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

**3.3.1.2 Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

**3.3.1.2.1 Loans and receivables**

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

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

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

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

### **3.3.1.3 Derecognition of financial assets**

The Group derecognises a financial asset when;

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

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

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

### **3.3.2 Non-derivative financial liabilities**

#### **3.3.2.1 Initial recognition and measurement**

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

#### *3.3.2.1.1 Financial liabilities at fair value through profit or loss*

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

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

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

#### *3.3.2.1.2 Other financial liabilities*

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

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

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

**3.3.2.2 Derecognition of financial liabilities**

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

**3.3.3 Offsetting of financial instruments**

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

**3.3.4 Derivative financial instruments**

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

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

**3.3.5 Stated capital**

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

**3.4. Property, Plant and Equipment****3.4.1 Recognition and measurement**

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

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

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

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

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

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land and buildings are disclosed in Note 12 to the Financial Statements.

#### **3.4.2 Significant components of property plant and equipment**

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

#### **3.4.3 Subsequent cost**

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

#### **3.4.4 Depreciation**

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

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

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

Leased assets over the periods of the lease

Buildings on leasehold land	40 years
Motor vehicles	4 years
Furniture and fittings	10 years
Office equipment	10 years
Computers	6 2/3 years
Other equipment	10 years
Medical equipment	10 years
Medical vehicles	4 years
Kitchen equipment	3 Years

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

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****3.4.5 De-recognition**

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

**3.4.6 Capital work-in-progress**

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

**3.5 Investment Properties****3.5.1 Recognition and measurement**

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

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

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

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

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

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

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

**3.6 Leases****3.6.1 Finance leases**

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

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

### 3.6.2 Operating leases

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

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

### 3.6.3 Determining whether an arrangement contains a lease

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

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

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

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

## 3.7 Intangible Assets

### 3.7.1 Initial Recognition and measurement

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

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

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

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

### 3.7.2 Subsequent costs

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****3.7.3 Subsequent measurement**

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

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

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

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

**3.7.4 Intangible assets recognised by the Group****3.7.4.1 Computer software**

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

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

**3.8 Inventories**

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

**3.9 Impairment – Non-financial Assets**

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the income statement.

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

**3.9.1 Calculation of recoverable amount**

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



### 3.9.2 Reversal of impairment

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

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

Reversals of impairment losses are recognised in the income statement.

### 3.10 Liabilities and Provisions

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

All known liabilities have been accounted for in preparing the financial statements.

### 3.11 Provisions

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

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. "Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small."

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

### 3.12 Employee Benefits

#### 3.12.1 Short-term employee benefits

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

#### 3.12.2 Defined contribution plan

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

##### 3.12.2.1 Employee Provident Fund and Employee Trust Fund

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

#### 3.12.3 Defined benefit plan – retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method by qualified actuary as recommended by LKAS-19. The present value of the defined benefit obligation is determined by discounting

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

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

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

The liability is not externally funded.

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

**3.13 Revenue**

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

**3.13.1 Hospital revenue**

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

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

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

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

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

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

**3.13.2 Rental income from investment property**

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

**3.13.3 Interest income**

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

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

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

### 3.14 Expenditure

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

### 3.15 Income Tax Expense

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

#### 3.15.1 Current tax

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

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

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

#### 3.15.2 Deferred tax

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

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

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

#### 3.15.3 Economic Service Charge

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

### 3.16 Segment Reporting

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

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

### 3.17 Statements of Cash Flows

The statement of cash flows has been prepared using the "indirect method" in accordance with LKAS 7 - "Statement of cash flows".

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.**

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

**3.18 Contingencies and Capital Commitments**

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

Commitments and Contingent liabilities are disclosed in Note 29 and 30 to the Financial Statements.

**3.19 Related Party Transactions**

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

**3.20 Earnings Per Share**

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

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

**3.21 Events Occurring After the Reporting Date**

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

**4. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE**

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

- » SLFRS 9– Financial Instruments – effective for annual periods beginning on or after 01st of January 2018

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

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

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

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

The Group is currently carrying out a preliminary evaluation of the accounting impact and in the process of quantifying the accounting impact and any impacts on the current systems and processors will be modified where necessary.

- » SLFRS 16 Leases - effective for annual periods beginning on or after 01st of January 2019

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there will be a single on balance sheet accounting model that is similar to the current finance lease accounting.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 16.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****5. REVENUE**

For the year ended 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Hospital revenue	<b>5,886,441,551</b>	5,514,070,918	<b>4,902,083,201</b>	4,810,837,891

**6. OTHER INCOME**

Rent income	<b>9,715,000</b>	7,360,000	<b>15,655,000</b>	12,850,000
Car park income	<b>32,160,388</b>	26,250,100	<b>32,160,388</b>	26,250,100
Sundry income	<b>5,867,979</b>	2,544,776	<b>5,852,972</b>	2,299,805
Gain/(loss) on disposal of property, plant and equipment	<b>4,800,000</b>	(151,870)	<b>4,800,000</b>	(151,870)
	<b>52,543,367</b>	36,003,006	<b>58,468,360</b>	41,248,035

**7. FINANCE INCOME**

Interest income from;				
- Call deposit	<b>10,178,812</b>	7,142,729	<b>6,969,543</b>	5,264,673
- Fixed deposits - Sri Lankan Rupees	<b>53,610,268</b>	19,566,113	<b>31,866,808</b>	18,713,373
- Fixed deposits - Foreign Exchange Earners Account (FEEA)	<b>53,429,503</b>	34,875,604	<b>53,429,503</b>	34,875,604
Gain on translation of foreign currency	<b>62,018,773</b>	94,700,136	<b>61,465,480</b>	94,735,330
Fair value gain on unit trust investments	<b>3,594,663</b>	-	<b>3,594,663</b>	-
	<b>182,832,019</b>	156,284,582	<b>157,325,997</b>	153,588,980

## 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging all expenses including the following;

For the year ended 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Directors' remuneration and fees	34,041,600	31,840,000	30,600,000	28,880,000
Auditors' remuneration				
-Statutory audit	1,120,000	1,010,000	800,000	720,000
-Audit related/Non audit services	1,577,500	350,000	1,577,500	350,000
Technical service fee	64,662,701	49,336,155	-	-
Amortisation of intangible assets	11,374,967	7,876,129	6,016,644	2,966,765
Impairment loss of trade receivables	443,505	4,771,263	443,505	4,771,263
Impairment loss of inventories	2,031,520	1,610,162	2,031,520	837,040
Amortisation of advanced lease premium	4,683,472	4,683,472	4,683,472	4,683,472
Legal expenses	10,482,636	5,908,637	10,300,722	3,973,161
Staff cost (note 8.1)	1,652,481,280	1,474,877,314	1,438,174,360	1,301,608,218
Depreciation of property, plant and equipment - Cost of services	128,107,458	113,221,431	116,339,156	102,011,868
Depreciation of property, plant and equipment - Administrative expenses	163,767,974	157,953,154	144,668,289	141,744,267
<b>8.1 Staff Cost</b>				
<b>Staff cost under cost of services</b>				
Salaries and other related costs	609,550,113	544,506,555	592,903,563	531,681,605
Defined contribution plan cost - EPF and ETF	40,562,234	36,453,156	39,393,463	35,594,211
Defined benefit plan cost - Retiring gratuity	12,996,163	13,233,236	11,249,366	11,257,539
	663,108,510	594,192,948	643,546,392	578,533,355
<b>Staff cost under administrative expenses</b>				
Salaries and other related costs	910,220,207	813,482,140	729,636,073	667,336,510
Defined contribution plan cost - EPF and ETF	61,868,281	51,851,920	49,189,285	42,063,879
Defined benefit plan cost - Retiring gratuity	17,284,282	15,350,307	15,802,609	13,674,474
	989,372,770	880,684,366	794,627,968	723,074,863
	1,652,481,280	1,474,877,314	1,438,174,360	1,301,608,218
No of employees	1,708	1,558	1,456	1,351

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****9. INCOME TAX EXPENSE**

For the year ended 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Recognised in income statement</b>				
<b>Income tax expense</b>				
Taxation on the profit for the year	75,737,777	57,457,920	68,746,813	56,624,704
Under/(over) provision in respect of previous years	(740,010)	16,771,291	(798,439)	16,771,291
	74,997,766	74,229,211	67,948,374	73,395,995
<b>Deferred tax expense</b>				
Origination of temporary difference	34,431,128	33,019,531	25,423,127	35,766,629
	109,428,894	107,248,742	93,371,502	109,162,624
<b>Recognised in statement of profit or loss and other comprehensive income</b>				
Deferred tax expense on temporary difference	44,935,641	102,856	40,423,233	56,185
	44,935,641	102,856	40,423,233	56,185
<b>Tax reconciliation statement</b>				
Profit before taxation	1,081,453,938	966,886,913	826,755,121	857,403,277
Consolidation adjustments	10,990,000	6,582,001	-	-
Profit after adjustments	1,092,443,938	973,468,914	826,755,121	857,403,277
Less: Income not liable for income tax	(367,210,733)	(239,178,370)	(126,489,644)	(126,088,501)
Allowable expenses	(537,541,330)	(483,985,862)	(537,541,330)	(483,985,862)
Income from other sources	(112,613,643)	(26,425,566)	(87,645,915)	(23,449,798)
Add: Disallowable expense	439,106,698	308,720,106	439,106,698	308,720,106
<b>Business income</b>	514,184,931	532,599,222	514,184,930	532,599,222
Add: Income from other sources	112,613,643	26,425,566	87,645,915	23,449,798
	626,798,573	559,024,788	601,830,845	556,049,020
Less: Qualifying payments	(78,160,311)	(115,442,875)	(78,160,311)	(115,442,875)
<b>Taxable income</b>	548,638,263	443,581,913	523,670,534	440,606,145
Income tax at 12%	58,477,920	50,058,762	58,410,702	50,058,761
Income tax at 28%	17,259,857	7,399,158	10,336,111	6,565,943
<b>Taxation on profits for the year</b>	75,737,777	57,457,920	68,746,813	56,624,704

The Lanka Hospitals Corporation PLC is liable to income tax at 12% on business profit and 28% on other income as per the requirements of the Inland Revenue Act No. 06 of 2006 and subsequent amendments made thereto.

Lanka Hospitals Diagnostics (Private) Limited, the subsidiary Company, is exempt from tax for a period of 7 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first. Lanka Hospitals Diagnostics (Private) Limited commenced its commercial operations in July 2014.



- 9.1** The Company has claimed qualifying payment relief in terms of Section 34(2)(s) of the Inland Revenue (Amendment) Act No. 8 of 2012 on the investments made in Fixed Assets in the expansion of its business. The Company's business activity is captured under Section 16C of the said amendment Act. Accordingly out of the total qualified investment of Rs. 537,520,001/- the company has claimed Rs. 489,999,232/- up to the year of assessment 2016/2017. The Company has a carried forward unclaimed investment relief of Rs. 47,520,769/- as at 31st December 2016.

## 10. EARNINGS PER SHARE

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

For the year ended 31st December,	Group		Company	
	2016	2015	2016	2015
Profit attributable to the shareholders (Rs.)	<b>972,025,044</b>	859,638,171	<b>733,383,619</b>	748,240,653
Weighted average number of ordinary shares in issue	<b>223,732,169</b>	223,732,169	<b>223,732,169</b>	223,732,169
Earnings per ordinary share (Rs.)	<b>4.34</b>	3.84	<b>3.28</b>	3.34
<b>11. DIVIDEND PER SHARE</b>				
Dividend paid (Rs.)	<b>447,464,338</b>	335,598,254	<b>447,464,338</b>	335,598,254
Number of ordinary shares in issue	<b>223,732,169</b>	223,732,169	<b>223,732,169</b>	223,732,169
Dividend per share (Rs.)	<b>2.00</b>	1.50	<b>2.00</b>	1.50

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****12. PROPERTY, PLANT AND EQUIPMENT****12.1 Group**

	Freehold land	Buildings on leasehold land	Medical equipment	Furniture and fittings	Office equipment
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost or valuation</b>					
<b>Balance as at 1st January 2016</b>	54,945,002	2,365,348,007	1,996,886,663	253,770,055	69,997,615
Additions during the year	-	40,256,698	183,567,814	15,988,411	3,833,188
Revaluation surplus	55,000	111,249,484	-	-	-
Transfer from capital work in progress	-	31,888,746	-	662,550	-
Transfer to intangible assets	-	-	-	-	-
Disposals during the year	-	-	(6,500,381)	-	-
<b>Balance as at 31st December 2016</b>	55,000,002	2,548,742,935	2,173,954,096	270,421,016	73,830,803
<b>Accumulated depreciation</b>					
<b>Balance as at 1st January 2016</b>	-	172,233,052	1,028,614,006	147,102,008	40,886,223
Charge for the year	-	89,340,172	123,363,030	16,204,822	6,891,159
Disposals during the year	-	-	(6,500,381)	-	-
Transfers on revaluation	-	(257,650,530)	-	-	-
<b>Balance as at 31st December 2016</b>	-	3,922,694	1,145,476,656	163,306,830	47,777,381
<b>Carrying amounts as at 31st December 2016</b>	55,000,002	2,544,820,241	1,028,477,440	107,114,187	26,053,422
Carrying amounts as at 31st December 2015	54,945,002	2,193,114,955	968,272,657	106,668,047	29,111,392

12.1.1 Property plant and equipment as at 31st December 2016 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 1.4 Bn (2015- 1.37 Bn) that are still in use.

**12. PROPERTY, PLANT AND EQUIPMENT****12.2 Company**

	Freehold land	Buildings on leasehold land	Medical equipment	Furniture and fittings	Office equipment
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost or valuation</b>					
<b>Balance as at 1st January 2016</b>	54,945,002	2,236,200,818	1,881,881,768	219,077,000	47,815,657
Additions during the year	-	15,550,951	161,634,784	14,886,152	2,732,552
Revaluation surplus	55,000	83,359,484	-	-	-
Transfer from capital work in progress	-	31,888,746	-	662,550	-
Transfer to intangible assets	-	-	-	-	-
Disposals during the year	-	-	(6,500,381)	-	-
<b>Balance as at 31st December 2016</b>	55,000,002	2,367,000,000	2,037,016,171	234,625,702	50,548,209
<b>Accumulated depreciation</b>					
<b>Balance as at 1st January 2016</b>	-	164,685,637	1,012,002,660	142,177,242	38,238,664
Charge for the year	-	83,994,894	111,594,728	12,665,986	4,621,963
Disposals during the year	-	-	(6,500,381)	-	-
Transfers on revaluation	-	(248,680,531)	-	-	-
<b>Balance as at 31st December 2016</b>	-	-	1,117,097,007	154,843,228	42,860,627
<b>Carrying amounts as at 31st December 2016</b>	55,000,002	2,367,000,000	919,919,164	79,782,474	7,687,582
Carrying amounts as at 31st December 2015	54,945,002	2,071,515,181	869,879,108	76,899,758	9,576,993

The building constructed on leasehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), incorporated Valuer in December 2016 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), incorporated Valuer in December 2016 on current market value basis.

Computer equipment	Other equipment	Kitchen equipment	Medical vehicles	Motor vehicles- Others	Capital work in progress	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
192,565,355	593,799,851	32,162,381	24,117,956	30,114,961	4,753,148	5,618,460,994
16,454,997	36,071,177	1,482,153	-	7,900,000	52,437,679	357,992,118
-	-	-	-	-	-	111,304,484
-	-	-	-	-	(32,551,296)	-
-	-	-	-	-	(1,699,275)	(1,699,275)
-	-	-	-	-	-	(6,500,381)
209,020,352	629,871,028	33,644,534	24,117,956	38,014,961	22,940,256	6,079,557,940
116,499,146	393,885,620	31,811,606	15,621,257	22,301,183	-	1,968,954,101
21,769,379	25,433,714	1,508,265	4,744,428	2,620,464	-	291,875,433
-	-	-	-	-	-	(6,500,381)
-	-	-	-	-	-	(257,650,530)
138,268,524	419,319,334	33,319,871	20,365,685	24,921,647	-	1,996,678,623
70,751,828	210,551,693	324,663	3,752,271	13,093,314	22,940,256	4,082,879,318
76,066,209	199,914,231	350,775	8,496,699	7,813,778	4,753,148	3,649,506,893

Computer equipment	Other equipment	Kitchen equipment	Medical vehicles	Motor vehicles- Others	Capital work in progress	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
148,409,514	584,091,610	32,162,381	24,117,956	30,114,961	4,753,148	5,263,569,815
9,825,031	34,976,128	1,482,153	-	7,900,000	52,437,679	301,425,431
-	-	-	-	-	-	83,414,484
-	-	-	-	-	(32,551,296)	-
-	-	-	-	-	(1,699,275)	(1,699,275)
-	-	-	-	-	-	(6,500,381)
158,234,545	619,067,738	33,644,534	24,117,956	38,014,961	22,940,256	5,640,210,075
107,594,703	392,816,474	31,811,606	15,621,257	22,301,183	-	1,927,249,426
14,843,153	24,413,564	1,508,265	4,744,428	2,620,464	-	261,007,445
-	-	-	-	-	-	(6,500,381)
-	-	-	-	-	-	(248,680,531)
122,437,856	417,230,038	33,319,871	20,365,685	24,921,647	-	1,933,075,959
35,796,690	201,837,700	324,663	3,752,271	13,093,314	22,940,256	3,707,134,116
40,814,811	191,275,136	350,775	8,496,699	7,813,778	4,753,148	3,336,320,389

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****12.2.1 Freehold land carried at revalued amount**

Location	Method of valuation	Effective date of revaluation	Property valuer	Extent (Perches)	Significant unobservable input	Carrying amount as at 31.12.2016 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2016	Mr.A A M Fathihu (FIV), incorporated Valuer	10.35	Estimated price per perch Rs. 2,702,702	27,972,975	20,511,975	7,461,000
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2016	Mr.A A M Fathihu (FIV), incorporated Valuer	10.00	Estimated price per perch Rs. 2,702,702	27,027,027	21,769,876	5,257,151
				20.35		55,000,002	42,281,851	12,718,151

**12.2.2 Building on leasehold land carried at revalued amount**

Location	Method of valuation	Effective date of revaluation	Property valuer	Significant unobservable input	Cost as at 31.12.2016 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net carrying value Rs.
578, Elvitigala Mawatha, Colombo 05	Depreciated Replacement cost method	31st December 2016	Mr.A A M Fathihu (FIV), incorporated Valuer	Estimated Value per square foot Rs. 9,000	1,551,946,957	154,892,808	1,397,054,149

**12.2.3** Property plant and equipment as at 31st December 2016 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 1.4 Bn (2015- Rs. 1.37 Bn) that are still in use.

**12.2.4** Land and Buildings are categorised under level 2 of the fair value hierarchy. Significant unobservable inputs used are as follows;

- » Valuation Technique- Market Comparable Method/Depreciated Replacement Costs Method
- » Significant unobservable inputs- Price per perch of land on similar properties/value per square feet determined based on similar properties value and depreciated for the period used
- » Relationship between inputs and fair value measurement- increase/(decrease) if: Depreciation rate was lesser or higher/Square feet value was higher or lesser/Price per perch increase or decrease

**12.2.5 Capital work in progress**

	Balance as at 1.1.2016 Rs.	Additions during the year Rs.	Transfers during the year Rs.	Balance as at 31.12.2016 Rs.
Building on leasehold land	4,259,088	48,806,981	(31,888,746)	21,177,323
Medical equipment	-	1,762,932	-	1,762,932
Intangible assets	494,060	1,205,215	(1,699,275)	-
Furniture and fittings	-	662,550	(662,550)	-
	<b>4,753,148</b>	<b>52,437,679</b>	<b>(34,250,571)</b>	<b>22,940,256</b>

**13. INTANGIBLE ASSET- COMPUTER SOFTWARE**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cost</b>				
<b>Balance at the beginning of the year</b>	72,685,936	36,263,637	38,710,320	10,162,157
Additions during the year	8,999,028	10,977,008	3,061,412	3,102,872
Transferred from capital work in progress	1,699,275	25,445,292	1,699,275	25,445,292
<b>Balance as at the end of the year</b>	<b>83,384,239</b>	<b>72,685,936</b>	<b>43,471,006</b>	<b>38,710,320</b>
<b>Accumulated amortisation</b>				
<b>Balance at the beginning of the year</b>	11,685,173	3,809,044	4,858,210	1,891,445
Amortisation charge for the year	11,374,967	7,876,129	6,016,644	2,966,765
<b>Balance as at the end of the year</b>	<b>23,060,140</b>	<b>11,685,173</b>	<b>10,874,854</b>	<b>4,858,210</b>
<b>Carrying amount</b>	<b>60,324,099</b>	<b>61,000,763</b>	<b>32,596,152</b>	<b>33,852,110</b>
<b>14. INVESTMENT PROPERTY</b>				
<b>Balance at the beginning of the year</b>	-	-	102,000,000	98,408,000
Change in fair value	-	-	8,000,000	3,592,000
<b>Balance as at the end of the year</b>	<b>-</b>	<b>-</b>	<b>110,000,000</b>	<b>102,000,000</b>

Investment property consists of value attributable to 7th floor of the building constructed on leasehold land, which is given on rental to Lanka Hospitals Diagnostics (Private) Limited for a monthly rental of Rs. 450,000/- upto 31st October 2015 and Rs. 495,000/- from 1st November 2015 to 31st October 2017.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****14. INVESTMENT PROPERTY CONTD.****Details of Investment property**

<b>Location</b>	<b>Building Extent</b>	<b>Carrying amount at cost Rs.</b>	<b>Fair value Rs.</b>	<b>Last Revaluation Date</b>
No. 578, Etiviligala Mawatha, Colombo 05	11,500 square feet	82,110,000	110,000,000	31st December 2016

<b>Income on Investment property for the year ended 31st December,</b>	<b>Group</b>		<b>Company</b>	
	<b>2016 Rs.</b>	<b>2015 Rs.</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Rental income	-	-	<b>5,940,000</b>	5,490,000

The above building has been revalued by independent qualified valuer on the current replacement cost basis on 31st December 2016, valuation is carried out by Mr. A.A.M. Fathihu (FIV), incorporated Valuer.

There has been no impairment on investment property which requires a provision as at the reporting date. The fair value measurement for all of the investment properties has been categorised as a Level 2 based on the inputs to the valuation techniques used.

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

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

**15. ADVANCE LEASE PREMIUM**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Balance at the beginning of the year</b>	<b>175,442,852</b>	161,579,772	<b>175,442,852</b>	161,579,772
Premium paid during the year	<b>18,546,552</b>	18,546,552	<b>18,546,552</b>	18,546,552
Amortisation during the year	<b>(4,683,472)</b>	(4,683,472)	<b>(4,683,472)</b>	(4,683,472)
<b>Balance as at the end of the year</b>	<b>189,305,932</b>	175,442,852	<b>189,305,932</b>	175,442,852

The Company has entered into a 99 year lease agreement with the Urban Development Authority in 1999. In terms of this agreement a sum of Rs. 18,546,522/- per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274/- should be paid in 2026. As at 31 December 2016 a sum of Rs. 176 Mn is payable by 2026. (31 December 2015 - Rs. 195 Mn).

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

**16. INVESTMENT IN SUBSIDIARY**

As at 31st December,	Company	
	2016 Rs.	2015 Rs.
<b>Lanka Hospitals Diagnostics (Pvt) Ltd (100% holding)</b>		
<b>Balance at the beginning of the year</b>	<b>414,000,020</b>	350,000,020
Issuance of shares	-	64,000,000
<b>Balance as at the end of the year</b>	<b>414,000,020</b>	414,000,020
<b>16.1. Movement of Number of Shares</b>		
<b>Balance at the beginning of the year</b>	<b>41,400,002</b>	35,000,002
Issuance of shares	-	6,400,000
<b>Balance as at the end of the year</b>	<b>41,400,002</b>	41,400,002

**17. INVENTORIES**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Medical items	<b>310,312,478</b>	260,610,032	<b>257,296,841</b>	215,066,237
Non medical items	<b>7,202,388</b>	8,995,050	<b>7,202,388</b>	8,995,050
Engineering stocks	<b>5,181,329</b>	3,933,772	<b>5,181,329</b>	3,933,772
Food and beverages	<b>3,080,156</b>	3,675,520	<b>3,080,156</b>	3,675,520
	<b>325,776,351</b>	277,214,374	<b>272,760,714</b>	231,670,579
Less; Impairment loss on inventories	<b>(6,907,060)</b>	(4,875,540)	<b>(6,133,938)</b>	(4,102,418)
	<b>318,869,291</b>	272,338,834	<b>266,626,776</b>	227,568,161

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****18. TRADE AND OTHER RECEIVABLES**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade receivables (Note 18.1)	<b>334,588,770</b>	279,725,206	<b>313,946,321</b>	268,165,736
Impairment loss on trade receivables	<b>(22,498,771)</b>	(22,055,266)	<b>(22,498,771)</b>	(22,055,266)
	<b>312,089,999</b>	257,669,940	<b>291,447,550</b>	246,110,470
Deposits and prepayments	<b>50,237,732</b>	52,081,723	<b>37,064,273</b>	40,349,348
Advances and other receivables	<b>100,119,660</b>	83,519,499	<b>96,954,342</b>	80,977,876
Interest income receivable	<b>36,456,053</b>	32,652,960	<b>30,442,447</b>	31,795,213
	<b>498,903,444</b>	425,924,122	<b>455,908,612</b>	399,232,907
<b>18.1 Trade Receivables</b>				
Trade receivable -				
Sri Lanka Insurance Corporation Limited	<b>24,810,018</b>	37,378,837	<b>22,186,100</b>	35,105,060
Trade receivable - Other debtors	<b>276,619,661</b>	209,051,298	<b>258,601,130</b>	199,765,605
Patients not yet discharged	<b>33,159,091</b>	33,295,071	<b>33,159,091</b>	33,295,071
	<b>334,588,770</b>	279,725,206	<b>313,946,321</b>	268,165,736
<b>19. AMOUNTS DUE FROM RELATED COMPANIES</b>				
Sri Lanka Insurance Corporation Limited	<b>3,567,716</b>	5,433,868	<b>3,567,717</b>	5,433,868
Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	<b>97,288,750</b>	69,456,299
	<b>3,567,716</b>	5,433,868	<b>100,856,467</b>	74,890,167
<b>20. OTHER FINANCIAL ASSETS</b>				
Fixed deposits - Foreign Exchange Earners Account (FEEA)	<b>1,379,958,604</b>	1,080,610,023	<b>1,379,958,604</b>	1,080,610,023
Fixed deposits - Sri Lankan Rupees	<b>520,000,000</b>	450,000,000	<b>200,000,000</b>	400,000,000
Unit trust investments	<b>128,594,663</b>	-	<b>128,594,663</b>	-
	<b>2,028,553,267</b>	1,530,610,023	<b>1,708,553,267</b>	1,480,610,023
<b>21. CASH AND CASH EQUIVALENTS</b>				
<b>Favourable balance</b>				
REPO	<b>48,000,000</b>	99,000,000	<b>48,000,000</b>	56,000,000
Cash in hand and at bank	<b>117,601,181</b>	116,259,554	<b>116,702,029</b>	115,304,089
	<b>165,601,181</b>	215,259,554	<b>164,702,029</b>	171,304,089
<b>Unfavourable balance</b>				
Bank overdraft	<b>(233,863,194)</b>	(179,288,008)	<b>(233,863,194)</b>	(172,222,849)
Cash and cash equivalents for the purpose of statement of cash flows	<b>(68,262,013)</b>	35,971,546	<b>(69,161,165)</b>	(918,760)



**22. STATED CAPITAL**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Issued and fully paid</b>				
223,732,169 no. of Ordinary shares	<b>2,671,543,090</b>	2,671,543,090	<b>2,671,543,090</b>	2,671,543,090

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

**23. REVALUATION RESERVE**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Balance at the beginning of the year</b>	<b>994,281,265</b>	1,028,471,651	<b>960,466,514</b>	993,054,665
Surplus on revaluation of freehold land & buildings on leasehold land	<b>368,955,015</b>	-	<b>332,095,015</b>	-
Depreciation transfer on revaluation of buildings	<b>(34,190,386)</b>	(34,190,386)	<b>(32,588,151)</b>	(32,588,151)
Deferred tax on surplus of revaluation of buildings	<b>(44,268,002)</b>	-	<b>(39,844,802)</b>	-
<b>Balance as at the end of the year</b>	<b>1,284,777,893</b>	994,281,265	<b>1,220,128,576</b>	960,466,514

**24. EMPLOYEE BENEFIT OBLIGATIONS****24.1 Description of the Post Employment Defined Benefit Plan**

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****24.2 Movement in Defined Benefit Obligations**

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Balance at the beginning of the year</b>	<b>118,241,007</b>	105,319,751	<b>106,174,862</b>	95,957,847
<b>Included in income statement</b>				
Current service cost	<b>19,047,549</b>	18,578,167	<b>16,965,363</b>	15,816,018
Interest cost	<b>11,232,896</b>	10,005,376	<b>10,086,612</b>	9,115,995
	<b>30,280,445</b>	28,583,543	<b>27,051,975</b>	24,932,013
<b>Included in other comprehensive income</b>				
Actuarial (gain)/loss	<b>(5,563,663)</b>	(857,138)	<b>(4,820,259)</b>	(468,204)
	<b>(5,563,663)</b>	(857,138)	<b>(4,820,259)</b>	(468,204)
<b>Other</b>				
Contributions paid by the employer	<b>(9,345,114)</b>	(13,295,165)	<b>(8,738,577)</b>	(12,736,810)
Contribution payable by the employer	-	(1,509,984)	-	(1,509,984)
	<b>(9,345,114)</b>	(14,805,149)	<b>(8,738,577)</b>	(14,246,794)
<b>Balance as at the end of the year</b>	<b>133,612,675</b>	118,241,007	<b>119,668,001</b>	106,174,862

**Description of the valuation method used and the information about the valuer**

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

The employee benefit liability of the Group is based on the actuarial valuation carried out by professionally qualified actuaries Messrs Actuarial and Management Consultants (Pvt) Ltd.

### 24.3 Actuarial Assumptions

As at 31st December,	Group		Company	
	2016	2015	2016	2015
The following were the principal actuarial assumptions at the reporting date.				
Discount rate	11%	9.50%	11%	9.50%
Future salary growth	10%	10%	10%	10%
Staff turnover rate	18%	1%-22%	18%	22%
Retirement age	60 Years	60 Years	60 Years	60 Years

Assumptions regarding future mortality is based on the A67/70 issued by the Institute of Actuaries, London.

A demographic assumptions underlining the valuation are with respect to retirement age early withdrawals from service and retirement on medical grounds.

The Group and the Company will continue as a going concern.

The fund is not externally funded.

### 24.4 Sensitivity Analysis

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

As at 31st December,	Group		Company	
	2016	2015	2016	2015
	+1%	-1%	+1%	-1%
	Rs.	Rs.	Rs.	Rs.
Discount rate	124,246,384	112,599,173	113,946,895	102,299,684
Future salary growth	140,840,453	125,067,992	126,556,759	110,784,298

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****25. DEFERRED TAX LIABILITIES****25.1 Group****25.1.1 Recognised deferred tax assets and liabilities**

	Net balance as at 1st January 2016 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31st December 2016 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	360,953,309	35,730,528	44,268,002	440,951,839	440,951,839	-
Employee benefits	(14,188,920)	(2,512,240)	667,639	(16,033,520)	-	(16,033,520)
Intangible assets	1,136,943	539,843	-	1,676,786	1,676,786	-
Impairment loss on inventory	(100,445)	100,445	-	-	-	-
Impairment loss on trade receivables	(572,552)	572,552	-	-	-	-
	347,228,336	34,431,128	44,935,641	426,595,105	442,628,625	(16,033,520)

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

## 25. DEFERRED TAX LIABILITIES

### 25.2 Company

#### 25.2.1 Recognised deferred tax assets and liabilities

	Net balance as at 1st January 2016 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31st December 2016 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	358,423,454	26,470,876	39,844,802	424,739,133	424,739,133	-
Investment property	62,981	(62,981)	-	-	-	-
Employee benefits	(12,740,983)	(2,197,608)	578,431	(14,360,159)	-	(14,360,159)
Intangible assets	1,136,943	539,843	-	1,676,786	1,676,786	-
Impairment loss on inventory	(100,445)	100,445	-	-	-	-
Impairment loss on trade receivables	(572,552)	572,552	-	-	-	-
	<b>346,209,399</b>	<b>25,423,127</b>	<b>40,423,233</b>	<b>412,055,759</b>	<b>426,415,919</b>	<b>(14,360,159)</b>

	Net balance as at 1st January 2015 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31st December 2015 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	319,945,767	38,477,687	-	358,423,454	358,423,454	-
Investment property	1,955,760	(1,892,779)	-	62,981	62,981	-
Employee benefits	(11,514,941)	(1,282,226)	56,185	(12,740,983)	-	(12,740,983)
Intangible assets	-	1,136,943	-	1,136,943	1,136,943	-
Impairment loss on inventory	-	(100,445)	-	(100,445)	-	(100,445)
Impairment loss on trade receivables	-	(572,552)	-	(572,552)	-	(572,552)
	<b>310,386,586</b>	<b>35,766,629</b>	<b>56,185</b>	<b>346,209,399</b>	<b>359,623,378</b>	<b>(13,413,980)</b>

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****26. AMOUNTS DUE TO RELATED COMPANIES**

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sri Lanka Insurance Corporation Limited	4,769,075	4,769,075	4,769,075	4,769,075
Super Religare Laboratories Limited - SRL	19,466,535	23,711,863	-	-
	<b>24,235,610</b>	28,480,938	<b>4,769,075</b>	4,769,075
<b>27. TRADE AND OTHER PAYABLES</b>				
Trade payables (Note 27.1)	285,661,543	223,605,874	482,199,165	409,352,643
Other payables				
- Accrued expenses	95,262,130	147,528,139	90,880,025	145,225,067
- Advance received	47,400,892	62,398,723	47,110,626	62,108,457
- Economic Service Charge payable	3,090,370	7,180,325	-	6,212,560
- Withholding tax payable	3,587,291	26,518,655	39,919	22,271,268
- Other payables	218,623,595	192,567,844	197,722,711	181,454,491
	<b>653,625,821</b>	659,799,560	<b>817,952,446</b>	826,624,486
<b>27.1 Trade Payables</b>				
Trade payables - Lanka Hopsitals Diagnostics (Pvt) Ltd	-	-	270,543,825	219,665,960
Trade payables - Other creditors	285,661,543	223,605,874	211,655,340	189,686,683
	<b>285,661,543</b>	223,605,874	<b>482,199,165</b>	409,352,643

**28. RELATED PARTY TRANSACTIONS****28.1. Identify of the Related Parties**

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

**28.2 Transactions with the Key Management Personnel**

Key Management Personnel include the members of the Board of Directors of the Company. The compensation of Key Management Personnel for the year ended 31st December 2016 amounted to Rs. 30,600,000/- (2015 - Rs. 28,880,000/-) and the professional fee earned from providing professional services to the company by key management personnel amounted to Rs. 1,986,600/-.

**28.3 Transactions with Related Entities**

<b>Company</b>	<b>Relationship</b>	<b>Details of Transactions</b>	<b>Transactions during the year (Rs.)</b>	<b>Balance as at 31st December 2016 (Payable)/Receivable (Rs.)</b>	<b>Balance as at 31st December 2015 (Payable)/Receivable (Rs.)</b>
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided	127,217,981	<b>22,186,100</b>	35,105,060
		Amounts received	(140,136,941)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance, general insurance and vehicle hiring charges	28,350,435	<b>(4,769,075)</b>	(4,769,075)
		Amounts paid	(28,350,435)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Services provided by the company including Auditorium hiring, food and beverage services and other medical services	15,940,413	<b>3,567,716</b>	5,433,868
		Amounts received	(17,806,564)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/receivable by the Company	27,832,451	<b>97,288,750</b>	69,456,299
		Services provided	(650,877,865)		
Super Religare Laboratories Limited	Subsidiary Company of Fortis Global Healthcare Holdings Pte Limited	Amounts paid	600,000,000	<b>(19,466,535)</b>	(23,711,863)
		Technical services provided to Lanka Hospitals Diagnostics (Private) Limited	(67,131,495)		
		Amounts paid	71,376,823		

**28.4 Transactions with the Government of Sri Lanka and its Related Entities**

Since the Government of Sri Lanka directly controls the Group's ultimate parent, the Group has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as Related Parties according to LKAS 24, "Related Party Disclosures".

The Group enters into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities and transactions have been reported where applicable.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****28.4 Transactions with the Government of Sri Lanka and its Related Entities contd.**

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- » Payments of statutory rates, taxes and registration levy.
- » Payment for employment retirement benefit – EPF and ETF.
- » Payment for utilities mainly comprising of telephone, electricity and water.
- » Transactions with the President Fund in relation to supply of healthcare services.

**29. CONTINGENT LIABILITIES**

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 225 Mn exist as at the reporting date. Based on the information currently available the management is in the view that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

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

**30. CAPITAL COMMITMENTS****30.1 Capital Expenditure Commitments**

Capital commitments of Group and Company in respect of the medical equipments, but not incurred as at the financial year end amounted to Rs. 380 Mn.

**30.2** The following commitments for capital expenditure approved by the Directors as at 31st December have not been provided for in the Financial Statements.

<b>As at 31st December,</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Approximate amount approved but not contracted for	-	-
Approximate amount contracted for but not incurred	<b>176,192,206</b>	<b>194,738,754</b>



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

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

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

<b>As at 31st December,</b>	<b>Group/Company</b>	
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Within one year	<b>18,546,548</b>	18,546,548
One year to five years	<b>74,186,192</b>	74,186,192
After 5 years	<b>83,459,466</b>	102,006,014

- 30.4** Lanka Hospitals Diagnostics (Private) Limited is committed to make a minimum investment of Rs. 500,000,000/- in project fixed assets to get the entitlement for a tax exemption period of seven years. The Company has invested Rs. 369,261,096/- in fixed assets as of 31st December 2016 and the balance commitment amounting to Rs. 130,738,904/- to be fulfilled.

### **31. EVENTS OCCURRING AFTER THE REPORTING DATE**

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

### **32 RECLASSIFICATION OF COMPARATIVE FIGURES**

#### **32.1 Staff Cost Reclassification Under Direct Cost - Company**

For the better presentation, the management has decided to reclassify the clinical staff salaries under cost of services which was previously classified in staff costs. The amounts reclassified for 2016 Rs. 643,546,392/- and for 2015 was Rs. 578,533,355/- In addition to this reclassification, medical vehicle depreciation has also been categorised in cost of services which was previously classified under administrative expenses. The amount reclassified for 2016 Rs. 4,744,428/- and for 2015 was Rs. 6,029,484/-.

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****32.1 Staff Cost Reclassification Under Direct Cost - Company contd.****Staff Cost reclassification under direct cost - Group**

For the better presentation, the management has decided to reclassify the clinical staff salaries under cost of services which was previously classified in staff costs. The amounts reclassified for 2016 Rs. 663,108,510/- and for 2015 was Rs. 594,192,948/-. In addition to this reclassification, medical vehicle depreciation has also been categorised in cost of services which was previously classified under administrative expenses. The amount reclassified for 2016 Rs. 4,744,428/- and for 2015 was Rs. 6,029,484/-.

**32.2 Administrative Expenses**

For the better presentation, the management has decided to categorise general administration expenses incurred by the group under the caption "Administrative expenses".

Amounts transferred to administrative expenses are as follows:

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Staff cost	989,372,770	880,684,366	794,627,968	723,074,863
Depreciation	163,767,974	157,953,154	144,668,289	141,744,267
Other administrative expenses	299,346,805	304,547,655	249,893,960	262,359,330
	<b>1,452,487,549</b>	<b>1,343,185,176</b>	<b>1,189,190,216</b>	<b>1,127,178,460</b>

**33. SEGMENT REPORTING**

There are no distinguishable components to be identified as segments for the Group and the Company.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****34.1 Financial Risk Factors**

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

Risk management is carried out by a Risk Management Committee under policies and procedures approved by the Audit Committee. The Committee identifies and evaluates financial risks in close co-operation with the Group's treasury function. Treasury function is governed by the Treasury Committee, headed by the Chief Financial Officer and within the requirements of an approved treasury policy. The Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### **34.2 Market Risk Management**

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

#### **Currency risk**

The Company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 1,379,958,604/- (USD 9,334,136). Group and the Company's transactions (Hospital revenue, pharmacy revenue, cost of services and cost of purchasing of pharmacy items and other medical equipment) are mainly denominated in Sri Lankan Rupees.

#### **Interest rate risk**

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

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

#### **Equity price risk**

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

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

### **34.3 Liquidity Risk Management**

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****34.3 Liquidity Risk Management contd.**

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

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

As at 31st December,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash in hand and at bank	165,601,181	215,259,554	164,702,029	171,304,089
Trade and other receivables within 30 days	109,408,872	108,450,208	97,298,478	95,460,734
Short term deposits	2,028,553,267	1,530,610,023	1,708,553,267	1,480,610,023
<b>Total liquid assets</b>	<b>2,303,563,319</b>	<b>1,854,319,785</b>	<b>1,970,553,774</b>	<b>1,747,374,846</b>
<b>Less;</b>				
Bank overdraft	233,863,194	179,288,008	233,863,194	172,222,849
Trade payables on demand	285,661,543	223,605,874	482,199,165	409,352,643
Other payables on demand	367,964,277	436,193,686	335,753,281	417,271,843
Total demand liabilities	887,489,015	839,087,568	1,051,815,640	998,847,335
<b>Excess/(short) liquidity through operating cycle</b>	<b>1,416,074,304</b>	<b>1,015,232,217</b>	<b>918,738,134</b>	<b>748,527,511</b>

**34.4 Credit Risk Management**

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

As at 31st December,	Group				Company			
	2016 Rs.	2016 Exposure %	2015 Rs.	2015 Exposure %	2016 Rs.	2016 Exposure %	2015 Rs.	2015 Exposure %
Trade and other receivables	498,903,444	19%	425,924,122	20%	455,908,612	20%	399,232,907	19%
Other financial assets	2,028,553,267	75%	1,530,610,023	70%	1,708,553,267	73%	1,480,610,023	72%
Cash and cash equivalents	165,601,181	6%	215,259,554	10%	164,702,029	7%	171,304,089	8%
<b>Total</b>	<b>2,693,057,891</b>	<b>100%</b>	<b>2,171,793,699</b>	<b>100%</b>	<b>2,329,163,908</b>	<b>100%</b>	<b>2,051,147,019</b>	<b>100%</b>

#### **34.4 Credit Risk Management contd.**

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

### **35. CAPITAL MANAGEMENT**

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

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

#### **35.1 Capital Management Policy**

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

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****36. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

**Group**

As at 31st December 2016

	Held To Maturity	Fair value through profit or loss	Available for sale	Loans and receivables	Other financial liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Non-financial assets</b>					
Property, plant and equipment					
Freehold land	-	-	-	-	-
Leasehold building	-	-	-	-	-
Investment property	-	-	-	-	-
<b>Total non-financial assets</b>	-	-	-	-	-
<b>Financial assets</b>					
Trade and other receivables	-	-	-	498,903,444	-
Other financial assets	-	-	-	2,028,553,267	-
Cash and cash equivalents	-	-	-	165,601,181	-
<b>Total financial assets</b>	-	-	-	2,693,057,891	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	-	653,625,821
Bank overdraft	-	-	-	-	233,863,194
<b>Total financial liabilities</b>	-	-	-	-	887,489,015
<b>As at 31st December 2015</b>					
<b>Non-financial assets</b>					
Property, plant and equipment					
Freehold land	-	-	-	-	-
Leasehold building	-	-	-	-	-
<b>Total non-financial assets</b>	-	-	-	-	-
<b>Financial assets</b>					
Trade and other receivables	-	-	-	425,924,122	-
Other financial assets	-	-	-	1,530,610,023	-
Cash and cash equivalents	-	-	-	215,259,554	-
<b>Total financial assets</b>	-	-	-	2,171,793,699	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	-	659,799,560
Bank overdraft	-	-	-	-	179,288,008
<b>Total financial liabilities</b>	-	-	-	-	839,087,568

Non financial asset	Total carrying amount	Fair Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
55,000,002	55,000,002	55,000,002	-	55,000,002	-	55,000,002
2,544,820,241	2,544,820,241	2,544,820,241	-	2,544,820,241	-	2,544,820,241
-	-	-	-	-	-	-
2,599,820,243	2,599,820,243	2,599,820,243	-	2,599,820,243	-	2,599,820,243
-	498,903,444	498,903,444	-	-	-	498,903,444
-	2,028,553,267	2,028,553,267	-	-	-	2,028,553,267
-	165,601,181	165,601,181	-	-	-	165,601,181
-	2,693,057,891	2,693,057,891	-	-	-	2,693,057,891
-	653,625,821	653,625,821	-	-	-	653,625,821
-	233,863,194	233,863,194	-	-	-	233,863,194
-	887,489,015	887,489,015	-	-	-	887,489,015
54,945,002	54,945,002	54,945,002	-	54,945,002	-	54,945,002
2,193,114,955	2,193,114,955	2,263,000,000	-	2,263,000,000	-	2,263,000,000
2,248,059,957	2,248,059,957	2,317,945,002	-	2,317,945,002	-	2,317,945,002
-	425,924,122	425,924,122	-	-	-	425,924,122
-	1,530,610,023	1,530,610,023	-	-	-	1,530,610,023
-	215,259,554	215,259,554	-	-	-	215,259,554
-	2,171,793,699	2,171,793,699	-	-	-	2,171,793,699
-	659,799,560	659,799,560	-	-	-	659,799,560
-	179,288,008	179,288,008	-	-	-	179,288,008
-	839,087,568	839,087,568	-	-	-	839,087,568

**NOTES TO THE FINANCIAL STATEMENTS CONTD.****36. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD,****Company**

As at 31st December 2016

	Held To Maturity	Fair value through profit or loss	Available for sale	Loans and receivables	Other financial liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Non-financial assets</b>					
Property, plant and equipment					
Freehold land	-	-	-	-	-
Leasehold building	-	-	-	-	-
<b>Investment property</b>	-	-	-	-	-
<b>Total non-financial assets</b>	-	-	-	-	-
<b>Financial assets</b>					
Trade and other receivables	-	-	-	455,908,612	-
Other financial assets	-	-	-	1,708,553,267	-
Cash and cash equivalents	-	-	-	164,702,029	-
<b>Total financial assets</b>	-	-	-	2,329,163,908	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	-	817,952,446
Bank overdraft	-	-	-	-	233,863,194
<b>Total financial liabilities</b>	-	-	-	-	1,051,815,640
<b>As at 31st December 2015</b>					
<b>Non-financial assets</b>					
Property, plant and equipment					
Freehold land	-	-	-	-	-
Leasehold building	-	-	-	-	-
<b>Investment property</b>	-	-	-	-	-
<b>Total non-financial assets</b>	-	-	-	-	-
<b>Financial assets</b>					
Trade and other receivables	-	-	-	399,232,907	-
Other financial assets	-	-	-	1,480,610,023	-
Cash and cash equivalents	-	-	-	171,304,089	-
<b>Total financial assets</b>	-	-	-	2,051,147,019	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	-	826,624,486
Bank overdraft	-	-	-	-	172,222,849
<b>Total financial liabilities</b>	-	-	-	-	998,847,335



Non financial asset	Total carrying amount	Fair Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
55,000,002	55,000,002	55,000,002	-	55,000,002	-	55,000,002
2,367,000,000	2,367,000,000	2,367,000,000	-	2,367,000,000	-	2,367,000,000
110,000,000	110,000,000	110,000,000	-	110,000,000	-	110,000,000
2,532,000,002	2,532,000,002	2,532,000,002	-	2,532,000,002	-	2,532,000,002
-	455,908,612	455,908,612	-	-	-	455,908,612
-	1,708,553,267	1,708,553,267	-	-	-	1,708,553,267
-	164,702,029	164,702,029	-	-	-	164,702,029
-	2,329,163,908	2,329,163,908	-	-	-	2,329,163,908
-	817,952,446	817,952,446	-	-	-	817,952,446
-	233,863,194	233,863,194	-	-	-	233,863,194
-	1,051,815,640	1,051,815,640	-	-	-	1,051,815,640
54,945,002	54,945,002	54,945,002	-	54,945,002	-	54,945,002
2,071,515,181	2,071,515,181	2,263,000,000	-	2,263,000,000	-	2,263,000,000
102,000,000	102,000,000	102,000,000	-	102,000,000	-	102,000,000
2,228,460,183	2,228,460,183	2,419,945,002	-	2,419,945,002	-	2,419,945,002
-	399,232,907	399,232,907	-	-	-	399,232,907
-	1,480,610,023	1,480,610,023	-	-	-	1,480,610,023
-	171,304,089	171,304,089	-	-	-	171,304,089
-	2,051,147,019	2,051,147,019	-	-	-	2,051,147,019
-	826,624,486	826,624,486	-	-	-	826,624,486
-	172,222,849	172,222,849	-	-	-	172,222,849
-	998,847,335	998,847,335	-	-	-	998,847,335

**SHAREHOLDER AND INVESTOR INFORMATION****TOP 20 SHAREHOLDING AS AT 31ST DECEMBER,**

Shareholder	2016		2015	
	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. Bank of Ceylon A/c Ceybank Unit Trust	2,795,199	1.25%	1,541,077	0.69%
6. HSBC INTL Nom Ltd BBH-Grandeur Peak Emerging markets Opportunities fund	1,640,200	0.73%	1,640,200	0.73%
7. Bank of Ceylon A/c Ceybank Century Growth Fund	833,094	0.37%	684,033	0.31%
8. Ceylon Investment PLC A/c # 01	448,000	0.20%	448,000	0.20%
9. Mr.D.J.N. Hettiarachchi	361,634	0.16%	287,847	0.13%
10. Mr.H.W.M. Woodward	220,300	0.10%	220,300	0.10%
11. Sandwave Limited	206,108	0.09%	-	0.00%
12. Mr.A.H.Munasinghe	179,471	0.08%	179,471	0.08%
13. Mr.S.Subramaniam	156,104	0.07%	-	0.00%
14. Life Insurance Corporation (Lanka) Ltd	150,000	0.07%	-	0.00%
15. Bank of Ceylon No.1 Account	148,450	0.07%	-	0.00%
16. Sezeka Limited	143,544	0.06%	117,200	0.05%
17. Mr.S.A.De Silva	115,196	0.05%	-	0.00%
18. Pan Asia Banking Corporation PLC/S.R Fernando	113,517	0.05%	113,517	0.05%
19. Mr.M.N.Cader	112,024	0.05%	105,774	0.05%
20. Ceylon Guardian Investment Trust PLC A/C 01	100,000	0.04%	100,000	0.04%
	<b>215,350,749</b>	<b>96.25%</b>	<b>213,065,327</b>	<b>95.23%</b>

**INDIVIDUAL / INSTITUTION AS AT 31 DECEMBER 2016**

	No of Shareholders	As %	No of Shares	As %
Individual	7,257	98.24	8,430,786	3.77
Institution	130	1.76	215,301,383	96.23
	<b>7,387</b>	<b>100.00</b>	<b>223,732,169</b>	<b>100.00</b>

**RESIDENT / NON-RESIDENT AS AT 31 DECEMBER 2016**

	No of Shareholders	As %	No of Shares	As %
Resident	7,358	99.61	157,199,799	70.26
Non-Resident	29	0.39	66,532,370	29.74
	<b>7,387</b>	<b>100.00</b>	<b>223,732,169</b>	<b>100.00</b>

**DIRECTORS / SENIOR MANAGEMENT SHAREHOLDINGS AS AT 31ST DECEMBER**

<b>Board of Directors</b>	<b>Position</b>	<b>2016</b>		<b>2015</b>	
		<b>No of shares</b>	<b>Holding %</b>	<b>No of shares</b>	<b>Holding %</b>
Dr. Sarath Paranavitane	Chairman	-	-	-	-
Ven. Thiniyawala Palitha Thero	Director	-	-	-	-
Prof. Menaka Dilani Samarawickrema Lokuhetty	Director	-	-	-	-
Dr. Rohan Lalith Wijesundera	Director	-	-	-	-
Mr. Daljit Singh	Director	-	-	-	-
Mr. Kalyana Sundaram Srivastava	Director	-	-	-	-
Mr. Keith Damien Bernad	Director	-	-	-	-
Dr. Anil Abeywickrama	Director	-	-	-	-
Mrs. Ranathunga Arachchige Dona Umashanthiee Rajamantri	Director	-	-	-	-
Mr. Hewakumanayakage Asendra Chaminda Siriwardena	Director	-	-	-	-
Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne	Director	-	-	-	-
Mr. Ravi Sachdev ( <i>Alternative Director to Mr. Daljith Singh</i> )	Director	-	-	-	-
Mr. Meghraj Aravindrao Gore ( <i>Alternative Director to Mr. Kalyana Sundaram Srivastava</i> )	Director	-	-	-	-
<b>Senior Management</b>					
Dr. Prasad Medawatte	Group Chief Executive Officer	-	-	-	-

**SHAREHOLDER AND INVESTOR INFORMATION CONTD.**

		Group		Company	
		2016	2015	2016	2015
Earning Per Share	Rs.	4.34	3.84	3.28	3.34
Dividend Per Share	Rs.	2.00	1.50	2.00	1.50
Net Assets Value Per Share	Rs.	26.12	22.30	24.71	22.11
Market Value per Ordinary Share					
Highest price	Rs.	N/A	N/A	76.00	63.60
Lowest price	Rs.	N/A	N/A	45.00	38.10
Closing Price	Rs.	N/A	N/A	65.00	60.30
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	2.85	2.46	2.23	2.08

**SUMMARY OF SHARE RANGES AS AT 31 DECEMBER**

Share Range	No of shareholders	2016		Holding %	No of shareholders	2015	
		No of shares	Holding %			No of shares	Holding %
1. 1- 1,000	5,942	2,158,559	0.96	6,013	2,295,128	1.02	
2. 1001 - 5000	1,231	2,910,054	1.30	1,343	3,214,761	1.44	
3. 5,001 - 10,000	102	742,891	0.33	139	1,024,472	0.46	
4. 10,001 - 50,000	80	1,656,971	0.74	112	2,231,869	1.00	
5. 50,001 - 100,000	13	1,012,945	0.45	18	1,308,540	0.58	
6. 100,001 - 500,000	12	2,354,348	1.05	11	2,164,181	0.97	
7. 500,001 - 1,000,000	1	833,094	0.37	1	684,033	0.31	
8. 1,000,001 - & Above	6	212,063,307	94.78	6	210,809,185	94.22	
	7,387	223,732,169	100.00	7,643	223,732,169	100.00	

**PUBLIC SHAREHOLDING**

Public Shareholding as at 31st December 2016 - 16.73% (2015- 16.73%)

Number of shares as at 31st December 2016 - 37,433,261 (2015 - 37,426,161)

Number of Shareholders as at 31st December 2016 - 7,384 (2015 - 7,639)

**TEN YEAR FINANCIAL SUMMARY**

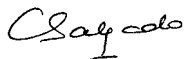
Audited	Group					Company				
	Period/Year ended 31 December									
	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
	9 months									Year ended 31 st March
<b>In Rs. Mn -</b>										
Revenue	5,886	5,514	4,754	4,072	3,406	2,918	2,518	1,424	1,997	1,564
Cost of services	(3,026)	(2,901)	(2,579)	(2,103)	(1,881)	(1,555)	(1,348)	(784)	(1,045)	(909)
Gross Profit	2,860	2,613	2,174	1,969	1,525	1,363	1,170	640	952	655
Other operating income	52	36	39	30	25	23	1	1	2	3
Administrative & Other operating Expenses	(2,014)	(1,838)	(1,762)	(1,391)	(1,212)	(1,047)	(894)	(616)	(844)	(745)
Finance income	183	156	70	148	102	42	20	8	-	-
Finance cost	-	-	-	-	-	(3)	(8)	(12)	(37)	(172)
Profit before tax	1,081	967	522	756	439	378	289	21	72	(259)
Income tax (expense)/release	(109)	(107)	(8)	(67)	(53)	59	-	(14)	(31)	(27)
<b>Profit for the year</b>	<b>972</b>	<b>860</b>	<b>514</b>	<b>689</b>	<b>386</b>	<b>437</b>	<b>289</b>	<b>7</b>	<b>41</b>	<b>(286)</b>
<b>ASSETS</b>										
<b>Non current assets</b>										
Property, plant and equipment	4,083	3,650	3,660	3,199	2,817	2,825	2,779	2,262	2,388	2,514
Intangible asset	60	61	32	6	1	-	-	-	-	-
Investment in subsidiary	-	-	-	50	-	-	-	-	-	-
Right-to-use of land on lease	189	175	162	148	134	120	106	89	92	78
	4,332	3,886	3,854	3,403	2,952	2,945	2,885	2,351	2,480	2,592
<b>Current assets</b>										
Inventories	319	272	307	176	149	145	86	57	58	51
Trade and other receivables	503	434	472	471	261	245	216	136	92	88
Amounts due from related parties	4	6	6	32	4	2	1	1	1	-
Income tax Receivable	-	-	34	-	-	-	-	-	-	-
Cash and cash equivalents	2,194	1,746	1,000	1,017	1,002	672	468	187	107	224
	3,020	2,458	1,819	1,696	1,416	1,064	771	381	258	363
<b>Total assets</b>	<b>7,352</b>	<b>6,344</b>	<b>5,673</b>	<b>5,099</b>	<b>4,368</b>	<b>4,009</b>	<b>3,656</b>	<b>2,732</b>	<b>2,738</b>	<b>2,955</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,284	994	1,028	1,020	858	883	740	320	331	341
Retained earning/(loss)	1,888	1,324	783	367	99	(200)	(682)	(984)	(1,002)	(1,058)
<b>Total equity</b>	<b>5,844</b>	<b>4,990</b>	<b>4,483</b>	<b>4,059</b>	<b>3,629</b>	<b>3,355</b>	<b>2,730</b>	<b>2,008</b>	<b>2,001</b>	<b>1,955</b>
<b>Non current liabilities</b>										
Employee benefit obligations	134	119	106	67	52	43	33	20	17	20
Government grants	-	-	-	-	-	-	-	-	1	2
Borrowings	-	-	-	-	-	-	-	23	45	220
Deferred tax liabilities	426	347	314	278	231	214	458	351	341	314
	560	466	420	345	283	257	491	394	404	556
<b>Current liabilities</b>										
Borrowings	234	179	198	135	111	82	152	80	101	276
Amounts due to related parties	24	28	13	4	5	4	5	4	22	5
Income tax payable	36	21	-	14	-	-	-	-	-	1
Trade and other payables	654	660	559	542	340	311	278	246	210	162
	948	888	770	695	456	397	435	330	333	444
<b>Total liabilities</b>	<b>1,508</b>	<b>1,354</b>	<b>1,190</b>	<b>1,040</b>	<b>739</b>	<b>654</b>	<b>926</b>	<b>724</b>	<b>737</b>	<b>1,000</b>
<b>Total equity and liabilities</b>	<b>7,352</b>	<b>6,344</b>	<b>5,673</b>	<b>5,099</b>	<b>4,368</b>	<b>4,009</b>	<b>3,656</b>	<b>2,732</b>	<b>2,738</b>	<b>2,955</b>

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 18th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 26th May 2017 at 2.30pm. 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 and the Financial Statements of the Company for the year ended 31st December 2016 together with the Report of the Auditors' thereon.
2. To re-elect Dr. Sarath Paranavitane who retires by rotation in terms of Article 85 of the Articles of Association.
3. To re-elect Prof. Menaka Dilani Samarawickrema Lokuhetty who retires by rotation in terms of Article 85 of the Articles of Association.
4. To re-elect Dr. Rohan Lalith Wijesundera who retires by rotation in terms of Article 85 of the Articles of Association.
5. To re-elect Mr. Asendra Siriwardena who retires by rotation in terms of Article 85 of the Articles of Association.
6. To elect as a Director Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne who was appointed to the Board in terms of Article 92 of the Articles of Association.
7. To elect as a Director Mr. Nandana Jayantha Munasinghe who was appointed to the Board in terms of Article 92 of the Articles of Association.
8. To re-appoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.
9. To authorise the Directors to determine donations for the year 2017 and up to the date of the next Annual General Meeting.
10. Any other business of which due notice has been given.

By order of the Board of Directors of  
**THE LANKA HOSPITALS CORPORATION PLC**



**Mrs. C Salgado**  
Business Intelligence (Private) Limited  
*Company Secretaries*

Colombo, this 06th April 2017

### **NOTE:**

- a. Only persons who are shareholders of the Company and whose names appear on the share Register as at AGM date will be entitled to attend the above meeting.
- b. 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.
- c. Shareholders/Proxy holders are kindly advised to bring along with them their National Identity Card or a similar form of acceptable identity when attending the meeting.







## FORM OF PROXY

### THE LANKA HOSPITALS CORPORATION PLC

(Company Registration No PQ180. )  
 No.578, Elvitigala Mawatha, Narahenpita, Colombo 5

Folio Number\*

I/We..... (NIC)..... of .....  
 ..... being a shareholder/shareholders of The Lanka Hospitals  
 Corporation PLC, hereby appoint: ..... of.....  
 ..... (or failing him)

- |                                 |                |
|---------------------------------|----------------|
| Dr. Sarath Paranavitane         | or failing him |
| Ven. Thiniyawala Palitha Thero  | or failing him |
| Prof. Dilani Lokuhetty          | or failing her |
| Dr. Rohan Wijesundera           | or failing him |
| Mr. Daljit Singh                | or failing him |
| Mr. Keith Damien Bernard        | or failing him |
| Dr. Anil Abeywickrema           | or failing him |
| Mr. Asendra Siriwardena         | or failing him |
| Mrs. Umashanthiee Rajamantri    | or failing her |
| Mr. K Srivastava                | or failing him |
| Mr. Thanuja Lasitha Weeratne    | or failing him |
| Mr. Nandana Jayantha Munasinghe |                |

as my/our Proxy to represent and speak and vote for me/us\*\* and on my/our behalf at the 18th Annual General Meeting of the Company to be held on 26th May 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

- |  | FOR                      | AGAINST                  |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report and the Financial Statements of the Company for the year ended 31st December 2016 together with the Report of the Auditors' thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Dr. Sarath Paranavitane who retires by rotation in terms of Article 85 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Prof. Menaka Dilani Samarawickrema Lokuhetty who retires by rotation in terms of Article 85 of the Articles of Association  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Dr. Rohan Lalith Wijesundera who retires by rotation in terms of Article 85 of the Articles of Association  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect Mr. Asendra Siriwardena who retires by rotation in terms of Article 85 of the Articles of Association.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To elect as a Director Mr. Weeratnemulla Gamage Thanuja Lasitha Weeratne who was appointed to the Board in terms of Article 92 of the Articles of Association                 | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To elect as a Director Mr. Nandana Jayantha Munasinghe who was appointed to the Board in terms of Article 92 of the Articles of Association                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To re-appoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration                | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To authorise the Directors to determine donations for the year 2017 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 Seventeen.

.....  
**Signature of Shareholder**

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

**FORM OF PROXY CONTD.****INSTRUCTIONS FOR COMPLETION**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be shareholder of the Company .However the proxy must be above 18 years of age.
3. The Completed form of proxy must be deposited at the registered office Business Intelligence (Private) Limited, No.08, Tickell Road, Colombo 8 not less than forty eight hours before the time fixed for the meeting.
4. 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.
5. 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.
6. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.

**AMENDED**

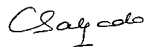
## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 18th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on 28th June 2017 at 2.30pm. 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 and the Financial Statements of the Company for the year ended 31st December 2016 together with the Report of the Auditors' thereon.
2. To re-elect Dr. Sarath Paranavitane who retires by rotation in terms of Article 85 of the Articles of Association.
3. To re-elect Mr. Kalyana Sundaram Srivastava who retires by rotation in terms of Article 85 of the Articles of Association.
4. To re-elect Mr. Daljit Singh who retires by rotation in terms of Article 85 of the Articles of Association.
5. To elect as a Director Mr. Thanuja Lasitha Weeratne who was appointed to the Board in terms of Article 92 of the Articles of Association.
6. To elect as a Director Prof. M. Dilani Samarawickrema Lokuhetty who was appointed to the Board in terms of Article 92 of the Articles of Association.
7. To elect as a Director Mr. Asendra Siriwardena who was appointed to the Board in terms of Article 92 of the Articles of Association.
8. To elect as a Director Mrs. Umashanthie Rajamantri who was appointed to the Board in terms of Article 92 of the Articles of Association.
9. To elect as a Director Dr. Anil Abeywickrema who was appointed to the Board in terms of Article 92 of the Articles of Association.
10. To elect as a Director Mr. Aruna Siriwardhana who was appointed to the Board in terms of Article 92 of the Articles of Association.
11. To re-appoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorize the Directors to fix their remuneration.
12. To authorize the Directors to determine donations for the year 2017 and up to the date of the next Annual General Meeting.
13. Any other business of which due notice has been given.

By order of the Board of Directors of

**THE LANKA HOSPITALS CORPORATION PLC**



**Mrs. C Salgado**

Business Intelligence (Private) Limited

*Company Secretaries*

Colombo, this May 15, 2017

### **NOTE:**

- a. Only persons who are shareholders of the Company and whose names appear on the share Register as at AGM date will be entitled to attend the above meeting.
- b. 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.
- c. Shareholders/Proxy holders are kindly advised to bring along with them their National Identity Card or a similar form of acceptable identity when attending the meeting.

**AMENDED**

**FORM OF PROXY**

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

Folio Number\*

I/We.....  
 (NIC)..... of .....  
 ..... being a shareholder/shareholders of The Lanka Hospitals  
 Corporation PLC, hereby appoint: .....of  
 .....(or failing him)

- |                                 |                |
|---------------------------------|----------------|
| Dr. Sarath Paranavitane         | or failing him |
| Ven. Thiniyawala Palitha Thero  | or failing him |
| Prof. Dilani Lokuhetty          | or failing her |
| Mr. Daljit Singh                | or failing him |
| Dr. Anil Abeywickrema           | or failing him |
| Mr. Asendra Siriwardena         | or failing him |
| Mrs. Umashanthiee Rajamantri    | or failing her |
| Mr. Kalyana Sundaram Srivastava | or failing him |
| Mr. Thanuja Lasitha Weeratne    | or failing him |
| Mr. Aruna Siriwardhana          |                |

as my/our Proxy to represent and speak and vote for me/us\*\* and on my/our behalf at the 18th Annual General Meeting of the Company to be held on June 28, 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

- |  | FOR                      | AGAINST                  |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report and the Financial Statements of the Company for the year ended 31st December 2016 together with the Report of the Auditors' thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Dr. Sarath Paranavitane who retires by rotation in terms of Article 85 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Mr. Kalyana Sundaram Srivastava who retires by rotation in terms of Article 85 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Mr. Daljit Singh who retires by rotation in terms of Article 85 of the Articles of Association  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To elect as a Director Mr. Thanuja Lasitha Weeratne who was appointed to the Board in terms of Article 92 of the Articles of Association                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To elect as a Director Prof. M Dilani Lokuhetty who was appointed to the Board in terms of Article 92 of the Articles of Association  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To elect as a Director Mr. Asendra Siriwardena who was appointed to the Board in terms of Article 92 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To elect as a Director Mrs. Umashanthiee Rajamantri who was appointed to the Board in terms of Article 92 of the Articles of Association                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To elect as a Director Dr. Anil Abeywickrema who was appointed to the Board in terms of Article 92 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. To elect as a Director Mr. Aruna Siriwardhana who was appointed to the Board in terms of Article 92 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. To re-appoint Messrs KPMG Chartered Accountants, the retiring Auditors for the ensuing financial year and to authorize the Directors to fix their remuneration               | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. To authorize the Directors to determine donations for the year 2017 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 Seventeen.

.....  
**Signature of Shareholder**

**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 vote as he thinks fit.

**AMENDED**

***FORM OF PROXY CONTD.***

**INSTRUCTIONS FOR COMPLETION**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be shareholder of the Company .However the proxy must be above 18 years of age
3. The Completed form of proxy must be deposited at the registered office Business Intelligence (Private) Limited, No.08, Tickell Road, Colombo 8 not less than forty eight hours before the time fixed for the meeting
4. 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.
5. 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.
6. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.



## **CORPORATE INFORMATION**

### **NAME OF THE COMPANY**

The Lanka Hospitals Corporation PLC

### **COMPANY REGISTRATION NO.**

PQ 180

### **REGISTERED OFFICE**

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

### **BOARD OF DIRECTORS**

Dr. Sarath Paranavitane  
Ven. Thiniyawala Palitha Thero  
Prof. Menaka Dilani Samarawickrema Lokuhetty  
Dr. Rohan Lalith Wijesundera  
Mr. Daljit Sing  
Mr. Kalyana Sundaram Srivastava  
Mr. Keith Damien Bernad  
Dr. Anil Abeywickrama  
Mrs. Umashanthiee Rajamantri  
Mr. Asendra Chaminda Siriwardena  
Mr. Thanuja Weeratne  
Mr. Ravi Sachdev (*Alternative Director to Mr. Daljith Singh*)  
Mr. Meghraj Aravindrao Gore (*Alternative Director to  
Mr. Kalyana Sundaram Srivastava*)

### **SECRETARIES & REGISTRARS TO SHARES**

M/s. Business Intelligence (Pvt) Ltd  
No 8, Tickel Road,  
Colombo 08  
Tel : +94 11 5579959-60  
(Appointed on 28th February 2017)

Secretaries & Registrars to Shares  
M/s. Accounting Systems Secretarial (Private) Limited  
Level 3, # 11 , Castle Lane, Colombo 04  
(Resigned on 28th February 2017)

### **AUDITORS**

M/s. KPMG  
(Chartered Accountants)  
No. 32A,  
Sir Mohamed Macan Markar Mawatha,  
Colombo 03  
Tel: +94 11 5426426

### **BANKERS**

Bank of Ceylon  
Hatton National Bank PLC



No: 578,  
Elvitigala Mawatha,  
Narahenpita,  
Colombo 5,  
Sri Lanka.

Emergency: 1566  
Tel : +94 11 543 0000  
Fax : +94 11 451 1199  
Email : [info@lankahospitals.com](mailto:info@lankahospitals.com)  
[www.lankahospitals.com](http://www.lankahospitals.com)