



What makes a world-class hospital?



LANKA
HOSPITALS

සුවසේ සැලසൽ • CARING CURING • யராமரித்தல் குணமாக்கல்

Annual Report 2010

What makes a world-class hospital?

Many things are involved in the operation of a medical center that is truly world class. And we *know* that's what we are. While we offer every patient reliable, quick, expert and cost-effective care in a functional and patient-centered hospital complex, there is one thing more that takes us to the first ranks of our profession. And that one thing is our care.

Lanka Hospitals is famed for delivering the most committed care available; from nurses to consultants and a host of other clinical professionals, our patients receive the same genuine warmth and sincere care, at every level.

This year our results are evidence that we are a truly successful, world class hospital. Year on year gains of over 31 folds on profits and 33% on revenue are no small achievements. It is how we know, from patients to staff to stakeholder, our ranking is truly, World Class.

Lanka Hospitals offers state-of-the-art diagnostic, therapeutic and intensive care facilities in an easily accessible hospital complex. Our patients come from across the island besides which we also serve people from many countries in the region.



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OUR 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 and to be recognised as one of the best in the region.

OUR MISSION

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

Corporate Philosophy

OUR PROMISE

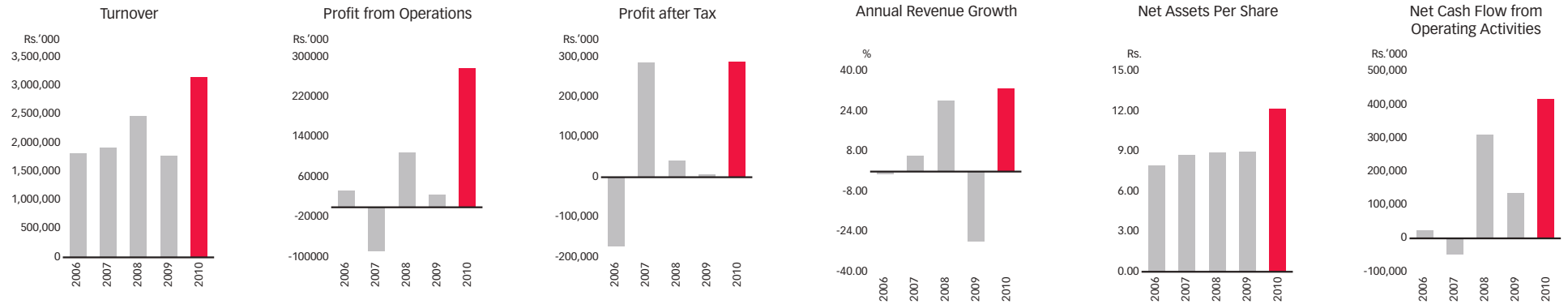
We believe that every person has the right to be treated with the utmost respect and consideration. Therefore at The Lanka Hospitals Corporation PLC, we care about our patients, we care about their families, who are anxious and concerned. We care about our colleagues and how we as a team provide the best care to our patients.

Because we care, we will be sincere, compassionate and sensitive.

To make a difference in lives we touch!

Financial Highlights**Five Year Summary**

	2010 Rs.	2009 (9 Months)* Rs.	2008/09 Rs.	2007/08 Rs.	2006/07 Rs.
Turnover	3,156,022,682	1,777,370,507	2,469,606,111	1,924,684,272	1,811,897,031
Profit/(Loss) before interest & tax	277,298,829	24,692,113	108,877,414	(87,313,564)	33,701,930
Profit/(Loss) after tax	289,143,723	7,243,970	41,126,810	(286,357,381)	(173,493,266)
Total Assets	3,655,399,477	2,731,414,156	2,737,686,192	2,954,057,223	2,949,618,335
Net Assets	2,730,002,259	2,007,591,301	2,000,347,331	1,954,425,163	1,243,142,649
Earnings/(Deficit) Per Share***	1.29	0.04	0.18	(1.53)	(1.00)
Annual revenue growth %**	33.18	(28.03)	28.31	6.22	(1.09)
Net Assets per share	12.20	8.97	8.94	8.74	7.94
Net cash flow from operating activities	415,578,722	135,405,161	310,074,763	(48,033,439)	23,742,670



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

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

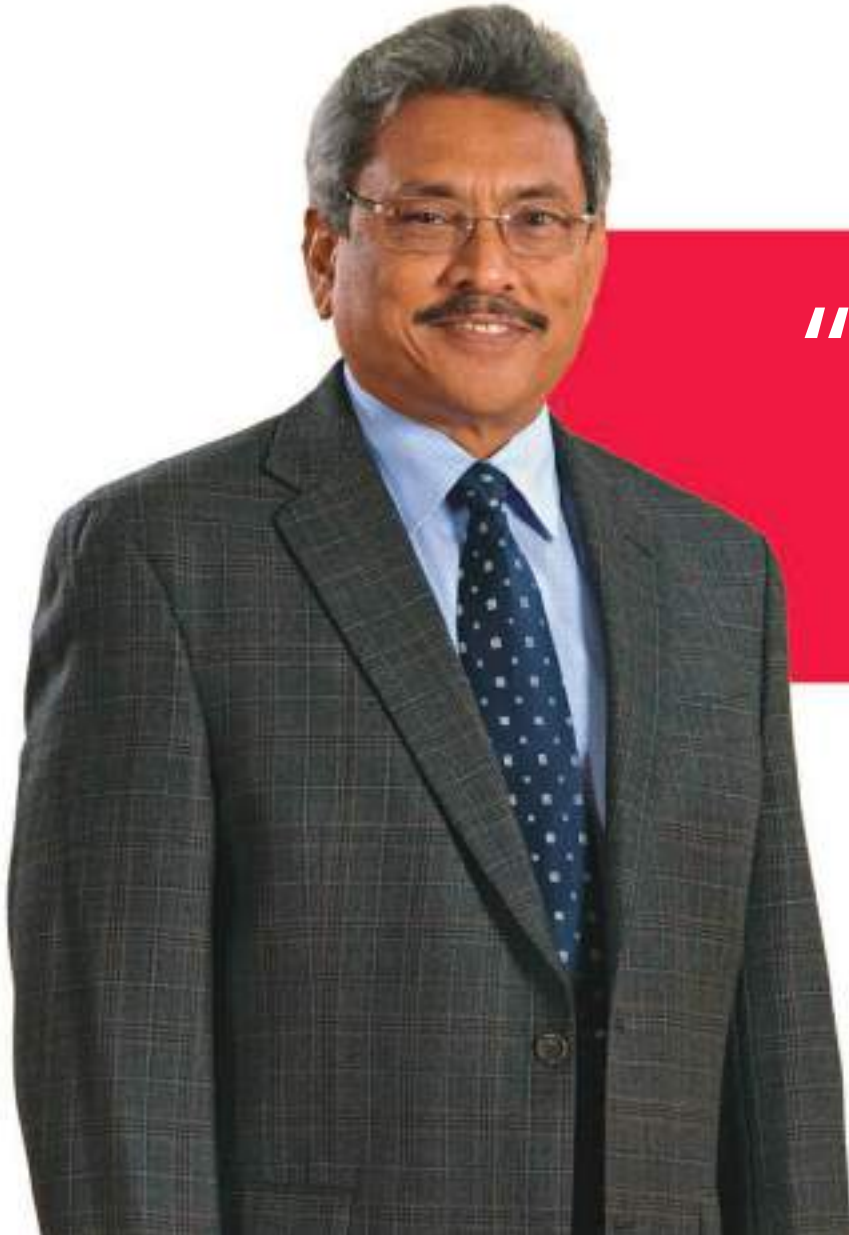
*** Annualised earnings per share for the period ended 31st December 2009

Clinical Expertise

Management Reviews



What makes **a world-class**
hospital?



“Lanka Hospitals in 2010 accelerated its efforts in journeying towards excellence. Through deliberate and far reaching strategic initiatives, the Company precipitated towards the realisation of Lanka Hospitals’ vision to be the “Best in Asia”... //”

As another financial year draws to a close, it gives me great pleasure as your Chairman, to present the Audited Financial Statements and the Annual Report of The Lanka Hospitals PLC for the financial year 2010. In the year under review, our shareholders will be pleased to note that Lanka Hospitals registered commendable growth both financially and operationally, moving with consistency towards its strategic corporate objectives.

Lanka Hospitals in 2010 accelerated its efforts in journeying towards excellence. Through deliberate and far reaching strategic initiatives, the Company precipitated towards the realisation of Lanka Hospitals' vision to be the "Best in Asia". In the past three years, your Company has made headway in shifting its market position as a "follower" to a "leader". I can confidently say that in today's market context, Lanka Hospitals remains not only the leader but also a fierce challenger to players in the healthcare sector.

In pursuit of its vision to be the best, Lanka Hospitals has taken bold and unconventional measures, in effect, revolutionising its product and service offer. Through strategic alliances, the Company has created streamlined avenues for knowledge transfer and sharing of best practices with some of the most recognised global healthcare providers. However, despite the Company's global outlook, it remains very much an entity with a concerted focus on augmenting the overall standard of living of Sri Lankans from all walks of life.

Since end 2008, Lanka Hospitals has strived with great vigour towards the delivery of key promises. I am pleased to note that in 2010, your Company made significant headway in this regard. Lanka Hospitals as a healthcare provider not only offers quality medical care, but does so within the context of affordability and value addition. The continued pursuance of a multi-pronged strategy aimed at realising four core pillars; best medical care, best customer care, process enhancements across functions, and affordability has accelerated its journey towards becoming a hospital and a corporate that is truly world-class. Price restructuring in the past two years has enabled the Company to effectively cater to the healthcare needs of Sri Lankans across a spectrum of demographics. Performance-wise, the delivery of these promises has impacted the bottom line positively, driving profitability upwards as a direct outcome of enhanced patronage.

As I have noted repeatedly in my statements in previous years, Lanka Hospitals plays a key role in positioning Sri Lanka as a competitive nation on par with international standards. Your Company has been in the forefront, acting as

an agent of change, challenging Sri Lanka's healthcare industry to meet the expectations of the international community in service and infrastructure standards. Lanka Hospitals seeks to be the benchmark for the entirety of Sri Lanka's medical infrastructure and seeks to convincingly position itself at the pinnacle of healthcare provision. Moreover, your Company plays a pivotal role in acting as an icon of Sri Lanka's economic and industrial maturity.

In light of this, I must take this opportunity to reiterate that the Government of Sri Lanka remains passionate and committed towards its stake in The Lanka Hospitals Corporation PLC. As such, allow me to establish GoSL's interest in your Company as strategic and long-term. Lanka Hospitals remains critical to the GoSL for many reasons; primarily its ability to provide world-class medical care whilst balancing the equation of affordability; and the role it plays in uplifting the general standard of living of our citizens.

In conclusion, allow me, to reiterate the assurance of commitment that I extended in previous years. As is evident from the progress we have made so far, our strength of commitment and dedication towards your Company is unwavering. I, as your Chairman commit my full capacity towards garnering international recognition and acceptance for Lanka Hospitals as a centre of excellence in healthcare. This alone, I believe, is the key to the long-term sustainability of your Company.

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



Gotabaya Rajapaksa
Chairman

12th April 2011

Chief Executive Officer's Review



“ The steps taken in 2010 towards the improvement of operational efficiencies will, I believe, stand in good stead towards the achievement of operational and service excellence – a key goal by end 2011. Given the operational changes, we at Lanka Hospitals are confident that we are more capable than ever before to market the services of Lanka Hospitals to the global community... //

The financial year 2010 was in many aspects a commendable year for Lanka Hospitals. It was a year in which strategic initiatives undertaken in the previous financial years bore fruit with both tangible and intangible returns. The perceptive strategic vision of our Chairman coupled with the able direction of the Board of Directors set the stage in 2009 for the strategic turnaround of Lanka Hospitals. A consistent and progressive management approach that has been focused on step-wise achievement of strategic objectives has, I believe, been the crux of our achievements this financial year. The cumulative effect of sound management practice, good governance and the ability of the Company to garner economies of scale have notched Lanka Hospital into the realms of a world-class health care provider.

Industry composition and changes

The healthcare industry remained highly competitive in 2010. With a market structure that demonstrates oligopolistic characteristics, the industry witnessed significant changes reflective in the nature, scope and range of services on offer. Though the number of industry players remained constant, the year was defined by the commissioning of numerous renovations, capacity increases and new infrastructure by existing players. A significant factor during 2010 was the introduction of new technology by all major players with the promise of further additions during 2011 to keep abreast of changing medical technology in the global sphere.

Strategic Intent for 2010

Strategically 2010 was a year of high growth and consolidation for Lanka Hospitals, with the main thrust aimed towards the progression of strategy put in place during 2009. Thus, the emphasis in the year under review was primarily to rein in resources and to garner enhanced economies of scale from the achievement of optimal operational efficiencies thereby precipitating increased revenue from the entirety of the service portfolio furthered by a series of strategic initiatives.

Thus in 2010, Lanka Hospitals benchmarked some of the best hospital models in the world in achieving very high standards of clinical and non clinical services not witnessed or experienced in the local healthcare industry, thus achieving competencies across the gamut of core and support services. The Company continued to differentiate its service offer through a concerted strategy of value addition that was pervasively evident throughout the service during the year. The success of this strategy was visible with the Company recording commendable financial performance for the period under review.

In addition, Lanka Hospitals in 2010 pursued a strategy of technical and technological excellence with a concerted drive to enhance the technical infrastructure of the Hospital. This is an approach that will continue to be practiced in the medium term as a core driver to meet the corporate vision to

be the best centre of medical care in Asia. Complementing this strategy, in 2010, Lanka Hospitals accelerated its efforts towards attracting the best medical expertise to the Hospital. As such the Hospital carries a portfolio of resident and visiting medical practitioners – both Sri Lankan and expatriate – that are recognised as the most competent, qualified and most sought-after by patients in all areas of healthcare. I am extremely pleased therefore, to note that Lanka Hospitals in 2010 achieved many milestones and strategic expectations for the year.

Moreover, Lanka Hospitals in 2010 firmly repositioned itself in the marketplace as a leader in the healthcare industry. Its strategy of value differentiation coupled with excellence in clinical services enabled the Hospital to be not merely an industry leader but an aggressive market-trendsetter in many areas. I am indeed proud to note that Lanka Hospitals now holds the veritable position of being the most sought after healthcare provider, especially within the perceptual framework of our customers, the doctor community in Sri Lanka, our numerous service partners and of course amongst our shareholders.

Financial Performance Overview

The year under review was notably the most demonstrative in terms of performance. Going forward, we can only expect enhanced returns in the medium to long term, as the cumulation of operational efficiencies and financial reforms merge to garner greater financial return.

In 2010, Lanka Hospitals turnover witnessed an increase of 33 percent over that of 2009 recording a turnover of Rs. 3,156 million against Rs. 2,370 million in the previous year (extrapolated 12 months results). Commendably, operating profit rose 3 fold to Rs.277 million as opposed to Rs. 71 million in 2009 (extrapolated 12 months results). In light of this exceptional financial performance in 2010, I am extremely proud to note that Lanka Hospitals continued to be the most cost effective city hospital serving a larger cross section of the society.

Operational Overview

Lanka Hospitals in the period under review, attained numerous medical achievements, thereby propelling the reputation of the Hospital to new heights. Operationally, these achievements were milestones for the Hospital especially within the context of the centres of excellence established in 2009.

During the year, Lanka Hospitals positioned itself as the only hospital in Sri Lanka to complete 200 kidney transplants. For the fertility centre 2010 was an exceptional year with the birth of the 50th, 100th and 150th babies since its inception in 2008. The Centre has positioned itself as the undisputed leader in fertility care in Sri Lanka with a market share of over 80%. The Centre's efficiency is rated to be on par with the best of fertility centres in the world.

The steps taken towards the expansion of the pool of medical resources available to the Hospital in the financial year 2009 bore further fruition in 2010. The unique doctor mix of resident, visiting, local and foreign consultants of every specialty has provided a new level of confidence to patients and customers of all walks of lives who now have access to their favoured consultants around the clock. Thus, the Hospital offers a diverse portfolio of medical practitioners across a range of specialties available for OPD, consultation, surgery as well as for every type of procedure and treatment. Interestingly, in 2010, the reputation of the Hospital as the best provider of healthcare and as the one establishment with state-of-the-art, purpose built medical facilities precipitated interest from the Sri Lankan doctor community, with an enhanced show of interest by reputed doctors to serve their patients at Lanka Hospitals. We indeed, consider this interest as the outcome of Lanka Hospitals operational success.

Likewise, in 2010 customer patronage increased sharply as a direct outcome of the repositioning strategy employed in 2009 and maintained in 2010. The concerted marketing communication drives, employed in the previous financial year and throughout 2010 converted interest into action with

Chief Executive Officer's Review

new customer patronage evident during the year. The accumulation of the goodwill arising from marketing initiatives and the positive word of mouth through both existing customers as well as doctor recommendations enhanced customer patronage to Lanka Hospitals. It must also be noted that Lanka Hospitals remains one of the very few hospitals in Sri Lanka that has the ability to cater to every tier of the socio-economic strata providing value to customers irrespective of their income bracket. The fact that Lanka Hospitals has a spectrum of facilities at diverse price ranges enables the customer to choose the most affordable and compatible solution for his/her need, with the assurance of receiving the highest standard in medical care.

Moreover, the Hospital's single-minded approach towards value addition served to be not only the Hospitals differentiator but also its strongest unique selling proposition. With every effort made across the operational model to ensure that "value" is imparted to the customer, Lanka Hospitals has effectively positioned itself as the healthcare provider that "gives more for the same price". At Lanka Hospitals we take the initiative to ensure that our customers receive not only excellence in medical care but also hospitality, care and support to aid the healing process.

Operationally, in a bid to ensure that we deliver our promises to our customers, Lanka Hospitals focused on two core areas during the year – the development of people and the enhancement of processes.

The primary operational thrust in 2010 was focused on our people, undoubtedly our greatest asset. Thus with the intention of inculcating a culture of passion amongst every employee for the provision of care at every level of the service offer, Lanka Hospitals undertook a comprehensive and intensive HRD programme in 2010. With 26 number of training programmes amounting to 312 hours of training in medical and non medical areas, the magnitude of the programme was an indication of the Hospital's commitment towards elevation of standards and the need for excellence in medical and non-medical care. Similarly, in the area of

people management, Lanka Hospitals recognises its responsibility to shareholders and is perceptive of the need to operate efficiently not only as a hospital entity but also as a blue-chip business venture. As such, it remains one of the few hospitals in Sri Lanka to adopt performance management practices with the embedding of performance culture as a core management focus. Through the application of 3600 appraisals, Balanced Scorecard techniques and through the use of Key Performance Indicators, Lanka Hospitals has utilised performance management practice as the crux to its operational efficiency.

From a process management perspective, in the year under review, Lanka Hospitals undertook an all encompassing business re-engineering initiative. Through the mapping of all business processes, the Hospital effectively re-engineered the operational process for each functional area to decrease inefficiencies through the adoption of process audits, thereby identifying gaps and lapses in processes. The implementation of global best practices became a reality in 2010 with the Lanka Hospitals operational team visiting and studying numerous international healthcare institutions of repute, to learn and transfer re-engineering expertise to Lanka Hospitals. Thus, processes were designed and gaps filled at the Hospital as a consequence of intense research. The steps taken in 2010 towards the improvement of operational efficiencies will, I believe, stand in good stead towards the achievement of operational and service excellence – a key goal by end 2011.

Given the operational changes, we at Lanka Hospitals are confident that we are more capable than ever before to market the services of Lanka Hospitals to the global community. As a healthcare provider that is indeed at equals with reputed international healthcare providers, we are convinced that Lanka Hospitals will be able to ride the wave of opportunity that post-conflict Sri Lanka has been afforded. By twinning Lanka Hospital's world-class healthcare offer with Sri Lanka's globally acclaimed tourism potential, we envision an opportunity to grow Sri Lanka's medical and wellness tourism product. This is an opportunity that we

have looked to tap in the past three years and one that has started demonstrating sound returns. In moving forward, Lanka Hospitals plans to put in place a strategic drive towards the enlargement of revenue from medical tourism. I will discuss this later in my review under strategic expectations for the forthcoming financial year.

Rewards and Recognition in 2010

Recognition for the Company's achievements were furthered during the year with Lanka Hospitals scaling up twelve places on Brand Finance Sri Lanka's 2010 list of most valuable 100 brands. Lanka Hospitals during 2010, was placed as the 34th most valuable brand up from 46th in 2009. During the year, Brand Finance valued Lanka Hospitals brand value at USD 7 million up from USD 3 million in the previous financial year, and garnered an AA- brand rating and graduation from 2009's BBB+.

Brand Finance plc is one the world's leading brand valuation consultancies. Brand Finance Sri Lanka is its counter-part for the country. It is heartening to note that Lanka Hospitals was rated much higher than any other city hospital in the all time most valuable brand in Sri Lanka.

In 2010, Lanka Hospitals was registered as a Crowns certified centre and remains to date the only hospital in Sri Lanka to hold the Crown certification for food hygiene. A programme run by Ind-expo Certification with the partnership of two frontline business chambers in Sri Lanka, the Ceylon National Chamber of Industries (CNCI) and the National Chamber of Exporters of Sri Lanka (NCE), the programme mainly implements a project of United Nations Industrial Development Organisation (UNIDO) in collaboration with the Ministry of Industrial Development of the Royal Norwegian Government. Through the Crowns Food Hygiene Programme, certification of the safety of the food preparation process, training of food handlers and the assurance of safe and hygienic food environments are assessed. Lanka Hospitals is proud of its standing as a Crown certified institution and even more so given its contemporaries are in the hospitality sector.

Reflective of Lanka Hospitals focus and efforts towards efficiency and sustainability, the Company was awarded a merit award at the Sri Lanka National Energy Efficiency Award 2010 in the category of Large Industries – healthcare. Lanka Hospitals was once again the only award recipient from the healthcare industry.

Moving Forward – Strategic Focus for 2011

The strategic intentions for 2011 are many and are components of our overall strategy for the medium term. Through the implementation of initiatives in eight key areas in 2011, Lanka Hospitals is confident of its ability to anchor itself as a powerhouse in healthcare in the Asian region, thereby transferring its own reputation and achievements to the goodwill of the nation. In the long-term, we feel confident of our ability to position Lanka Hospitals as a veritable icon of commercial enterprise and success in the region. As such the areas of strategic focus in 2011 will be to:

1. Enhance contribution from high revenue operational centres specifically the surgical services. Towards this end, technology and skills development will be enhanced with the intention of developing the best surgical resources.
2. Enhance capacities in the number of beds, operating theatre facilities and Intensive Care Units for both pre and postoperative care.
3. Focus on Laboratory services to meet growth in the market through a combination of technological advancements as well as by addressing the need for greater accessibility.
4. Enhance capacities in areas of OPD, consultation services and through the establishment of specialty and super-specialty clinics.
5. Enhance efforts towards international marketing to cross-sell Sri Lanka as a tourism and wellness destination. Lanka Hospitals will in 2011 offer customised

specialist packages that allow the traveler to not only benefit through affordable, world-class medical care but also use that time period to experience Sri Lanka as a holiday destination. The product will be sold extensively across Asia, Europe, the Middle East and identified key markets. The product will be unique in that each package will comprise of full service including the procurement of visas, travel arrangements, accommodation etc. The establishment of the International Patient Care Centre will facilitate all of the above under one roof.

6. Enhance the pool of professionally trained nurses in Sri Lanka – the intention is to grow the numbers of professionally trained nurses in a bid to benefit the local healthcare industry. The current dearth of professionally qualified nurses has continued to constrain the industry. As a responsible stakeholder, Lanka Hospitals considers it a priority to address this concern through its nursing educational institute and through strategic alliances with international educational institutions.
7. The full implementation of 5S and Kaizen in 2011 and the completion of 75 percent process implementation to meet JCI (Joint Commission International – USA) accreditation. This will remain a critical priority during 2011.
8. Lanka Hospital looks to adopt enterprise risk management through the development of a risk management framework that is effective in providing assurance over strategy delivery, implementation of plans and change management initiatives. This approach allows us to pull together all of the elements required to integrate the consideration and management of risk within the everyday management of the business. Whilst the Board will review the approach taken for risk management and business continuity, accountability for risk management will rest with the top management. The risk management process at Lanka Hospitals will take the form of a corporate-wide, holistic approach encompassing monthly risk evaluation. This initiative will

focus on strategic risks, operational risks, financial risks and hazards risks, that need to be identified, assessed and managed (Thus, Risk Evaluation will be embedded at every level of the organisation) through a constant flow of information.

Conclusion

In Conclusion, I would like to take this opportunity to address our key stakeholders – the medical consultant fraternity, our customers and our shareholders to pointedly outline our expectations for each group of stakeholders.

Medical Consultant fraternity

As a hospital we are more than aware of the importance and criticality of the role played by the medical consultant fraternity in the achievement of strategic and operational objectives. Moreover, we also acknowledge their function and responsibility as key stakeholders in the well being of the nation. In addressing the medical consultant fraternity, I would like to emphasise that as a conscientious hospital entity we provide a level playing field, respect, and an environment where we take the extra step to customise and to cater to the needs of the medical professionals who are our partners at Lanka Hospitals, with the ultimate objective of maximising returns to our patients and the public. At Lanka Hospitals we afford our medical professionals with facilities that are on par with the best healthcare providers and hospital models in the world. Allow me to reiterate our approach towards sustainable partnerships – we believe in the personal touch, open door management policies, we are willing to listen and learn and most of all we value constructive criticism as a means to achieving service excellence.

We have in the past strived towards providing the right culture, the best facilities and a stimulating environment for our medical consultant fraternity coupled with trained support staff and caregivers. In going forward, we will continue to excel in these areas; we will continue to facilitate our medical practitioners at every available opportunity and

Chief Executive Officer's Review

provide state of the art technology and infrastructure. But most of all, as a hospital that caters across a spectrum of socio-economic classes and which attracts an enviable patronage, I am more than confident that Lanka Hospitals will be a haven for our medical consultant fraternity to be exposed to challenging and satisfying careers.

Our Customers

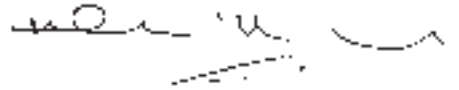
We will continue to diligently deliver our promise to care with passion. Our customers are the fulcrum of our operations. By providing a complete range of services from preventive to curative, coupled with the best in medical expertise, technology and infrastructure, we will continue to strive towards affording world-class healthcare to Sri Lankans. Our focus on value enhancement will continue to pave the way to offer more to our customers consistently.

Our shareholders

Yours is an organisation that is on par with global standards. We have continuously strived for excellence and will continue to do so in the years ahead. We are cognisant of the fact that this is a commercial enterprise even though we are in a very humane and sensitive industry that is in the business of caring and curing. Yet, the need to be operationally astute has not escaped us. We have thus far balanced the human aspects of healthcare with commercial aspects of business in a way where we have struck a mutually resonant balance. Going forward, we will continue to operate as a blue-chip organisation, with good governance, ethics and management practice defining our operations. Consistent value enhancement and shareholder wealth creation will be amongst our top priorities.

Appreciation

In summary, I must note my appreciation to our Chairman who has envisioned a strategy of promise for not only Lanka Hospitals but also for the nation and her people, to the esteemed Board of Directors who have collectively given sound direction and guidance to achieve that vision and of course to the Lanka Hospitals team that has worked relentlessly to realise our corporate objectives. We remain firmly committed to our shareholders and stakeholders.



Lakith Peiris

Chief Executive Officer

12th April 2011



“ I am confident that at Lanka Hospitals, we have one of the best healthcare teams and in going forward we will strive to better their capacities and expertise to mold an outstanding group of medical professionals... ”

The focus of the financial year 2010, from an operational perspective, was in essence to strengthen and reinforce the lessons learned and processes instituted during the previous financial year. The continued implementation of operational strategies initiated in 2009 realised greater accomplishments and efficiencies in the year under review. Thus, in 2010 Lanka Hospitals continued to develop upon best practices, thereby enhancing capacities and efficiencies, whilst pursuing the creation and development of a pervasive culture of quality, a greater sense of team spirit and the establishment of effective linkages between clinical and non-clinical areas.

Medical Director's Statement

During the year, quality improvements through good housekeeping practices supported the Hospital's quest for sustainable and Zero incident operations whilst also serving as a foundation for quality accreditation. Through the implementation of systems to better accommodate customer grievances and suggestions through greater customer interaction processes, the Hospital has been better equipped to formulate more responsive care for patients. Similarly, through technology enhancements and upgrades to the cardiac centre, surgical department, renal care and emergency, the Hospital has resolutely established its leadership in medical care and positioned itself as a centre of excellence not only in Sri Lanka but also within the region.

As the Medical Director, I am more than proud of Lanka Hospital's operational achievements during the year. In a short tenure of two financial years, we have witnessed an operational turn-around of monumental standards, where Lanka Hospitals has morphed its product and service offer pushing its standards to new thresholds in the Sri Lankan healthcare industry. The Hospital's offer of quality patient care has visibly garnered trust not only amongst our customers but also amongst the most reputed medical professionals in Sri Lanka. As a result, we have witnessed a steady growth in patronage of the Hospitals services by patients, whilst the Hospital's portfolio of "best in class" doctors and consultants has enlarged significantly in the year under review.

The Hospital's philosophy of "compassionate care, quality and safety" is the fulcrum of its operations. To ensure consistency in every aspect of the service offer, in 2010 we guided all our care givers through rigorous training and development in cross functional areas, thereby pushing our Key Performance Indicators (KPI's) to new levels of achievements across the board, but specifically in the areas of emergency care, ward management and infection prevention. I am confident that at Lanka Hospitals, we have one of the best healthcare teams and in going forward we will strive to better their capacities and expertise to mold an outstanding group of medical professionals.

The continued application of quality precepts such as 5S; the Japanese housekeeping practices and quality circles has consistently supported the achievement of the Hospitals operational objectives. In 2010, to further validate the Hospitals reputation as trustworthy, Lanka Hospitals commenced an accreditation of its medical services. It is indeed commendable that Lanka Hospitals is considered to be a successful practical case for further study by the rest of the corporate community. Recognised as a centre of knowledge for quality management, Lanka Hospitals has in 2010 attracted overseas study visits through numerous counter-part programmes.

We firmly believe that in the quest for excellence, the need to consistently pursue progress is an imperative. In light of this, an initiative to restructure the medical and nursing management was undertaken during the year under review. The onus of the programme is to further strengthen ward management through the appointment of nursing personnel who are doubly qualified in areas of management and nursing. In 2010, a new ward for surgical care was established with the intention to provide specialist care through a customised facility. Similarly efforts were made towards more efficient and cohesive medical record keeping.

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



Dr Wimal Karandagoda
Director Medical Services

12th April 2011

Board of Directors



From Left to Right - Prof. Dayasiri Fernando, Dr. Nalaka Godahewa, Mr. Gotabaya Rajapaksa, Mr. A. M. Mohan de Alwis, Dr. Gamini Wickramasinghe, Mr. P. A. Lionel
Not in the Picture - Dr. T. R. C. Ruberu, Mrs. Roshini S. Cabraal, Mr. Malvinder Mohan Singh, Mr. Shivinder Mohan Singh, Mr. Sunil Godhwani



Gotabaya Rajapaksa RWP RSP psc MSc

SECRETARY TO THE MINISTRY OF DEFENCE

Mr. Gotabaya Rajapaksa is the Chairman of The Lanka Hospitals Corporation PLC since August 2009. Mr. Rajapaksa assumed duties as the Secretary to the Ministry of Defence in November 2005. In this capacity he guided the Sri Lankan Defence Services to victory against the separatist terrorism of the LTTE, thereby ending a thirty year long conflict in Sri Lanka.

A career soldier, Mr. Rajapaksa joined the Sri Lanka Army in 1971 and served his country with distinction for twenty years. He commanded many anti-terrorist operations in the North and East of Sri Lanka at crucial times during the conflict. Amongst these, his command of the 1st Battalion of the Gajaba Regiment in the vital Vadamarachchi Operation in 1987, and his participation in Operation Thrividhabalaya in 1990 to rescue the Jaffna Peninsular from terrorist control are particularly noteworthy. Following these accomplishments, Mr. Rajapaksa was appointed as the Deputy Commandant of Sir John Kotelawala Defence University in 1991 and, as a Lieutenant Colonel, was Coordinating Officer of the Welioya area from 1990 to 1991. Prior to that appointment, he was the Coordinating Officer of the Matale District and the Commanding Officer of the 1st Battalion, Gajaba Regiment from 1989 to 1990.

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

Hailing from the village of Weeraketiya in the South of Sri Lanka, Mr. Rajapaksa had his education at Ananda College, Colombo, Sri Lanka's premier Buddhist school. He completed his basic officer cadet training at the prestigious Military Academy at Diyatalawa, and subsequently completed the Young Officers Course at Rawalpindi and the Mid-Career Course at Quetta, Pakistan. He completed his Staff Course at the Defence Services Staff College in Wellington, India, in 1983, and obtained his Masters Degree in Defence Studies from the University of Madras in the same year. He underwent advanced training in Counter Insurgency and Jungle Warfare at Assam, India, and graduated in Advanced Infantry Training from the Infantry School at Fort Benning, USA later in his career.

Following his successful career in the Sri Lanka Army, Mr. Rajapaksa obtained a Masters Degree in Information Technology from the University of Colombo. He subsequently worked as the Unix System Administrator of the prestigious Loyola Law School in Los Angeles, California, prior to returning to Sri Lanka to take up his appointment as the Secretary to the Ministry of Defence.

Mr. Rajapaksa is the brother of the current President of Sri Lanka, His Excellency Mahinda Rajapaksa, and the son of former Parliamentarian and Deputy Speaker of Parliament, the late Mr D.A. Rajapaksa. Mr. Rajapaksa and his wife, Ioma, reside in Colombo.

Dr. Nalaka Godahewa

Dr. Nalaka Godahewa is the Chairman of Sri Lanka Tourism Development Authority. He has been a member of the Board of Lanka Hospitals since August 2009. His previous work assignments include Director/CEO positions at some of Sri Lanka's leading corporate institutions including Sri Lanka Insurance, Unilever Ceylon, Suntel and MAS Holdings. Dr. Godahewa is academically and professionally qualified in the multiple fields of Engineering, Marketing and Finance. He holds a PhD from the University of South Australia, a BSc (Hons) degree in Electronics and Telecommunication Engineering from the University of Moratuwa, and an MBA from the University of Sri Jayewardenepura. He is also a Chartered Management Accountant (UK), a Certified Management Accountant (Aus) and a Chartered Marketer (UK). Dr. Godahewa is the President of the Sri Lanka Branch of the Institute of Certified Management Accountants of Australia and also the Honorary President of the Global Marketing Network (UK). He also serves on the boards of Urban Development Authority, Colombo Land & Development Company PLC, Asia Commerce Limited and Sri Lanka Catering (Pvt) Ltd as an independent director.

Mr. A M Mohan de Alwis

Mr Mohan de Alwis, is the Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Limited and Management Services Rakshana Lanka (Pvt) Limited. He was appointed to the Board of Lanka Hospitals on 24th May 2010. He has wide and diversified Managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand, Hayleys Plc, Star Garments Limited and Smart Shirts Limited. He was the Vice Chairman of the Free Trade Zone Manufacturers' Association, Katunayake, and also served as a Management Consultant in Sri Lanka. Mr de Alwis holds A Bachelor of Commerce degree, an MBA and is a Certified Management Accountant (Australia). He is the Chairman of Ceylon Asset Management Co. (Pvt) Limited, MD/CEO of SLIC Resorts & Spas (Pvt) Limited, Director of Lanka Hospitals Corporation Plc, Seylan Bank Limited, E-Channelling Plc and also the Executive Director of Litro Gas Lanka Ltd and Litro Terminal Lanka (Pvt) Limited.

Vidya Jothi Professor Dayasiri Fernando

Professor Dayasiri Fernando is the former Dean and the founder Professor of Surgery of the Faculty of Medical Sciences, of the University of Sri Jayawardanapura. He was appointed to the Board of Lanka Hospitals on 30th October 2009. He qualified MBBS from the University of Colombo with Honors and was awarded the Gold Medal for Operative Surgery. He qualified as a Surgeon and was awarded the FRCS (England) and FRCS (Edinburg). He further qualified as a Consultant in Gastroenterological Surgery, being awarded the Smith & Nephew Fellowship from London. As an academic he has trained many Surgeons and Post Graduates being an examiner for both MBBS and MD of all the universities of Sri Lanka. He has served as President of the College of Surgeons of Sri Lanka and as the Founder President of the Gastroenterology Society. Further he has served on many academic bodies both local and international including the governing councils of Asia Pacific Society of Gastroenterology and Digestive Endoscopy. Having extensive publications in peer reviewed Journals in Sri Lanka and abroad, he has served on two Presidential Commissions, including the Public Service Commission and the Public Service Salaries Commission. He was awarded national honours, both "Vidya Jothi" & "Vishwa Prasadani".

Dr. T. R. C. Ruberu

Dr. T.R.C. Ruberu is the present Secretary to the Ministry of Health Sri Lanka and the Administrative Head and Chief Accounting Officer of the same Ministry and also the Principal Advisor to the Minister of Health on all matters of Health Policy and Administration. He was appointed to the Board of Lanka Hospitals on 24th May 2010. Dr. Ruberu graduated from the University of Colombo, Faculty of Medicine in 1982, within the second class upper division. Subsequently he specialised in ENT and held appointments as Consultant ENT Surgeon in Ragama, Galle and Colombo National Hospitals. He holds MBBS, MS (ENT) FRCS (England). Subsequently, Dr Ruberu obtained a MBA in healthcare from the University of Manipal, India. Dr. Ruberu has been an undergraduate and postgraduate lecturer & trainer in ENT and examiner for the MS degree programme. He was a member of the Board of Study in ENT of PGIM and held the

post of Chairman until his current appointment. Further, he is a past president of the College of Otorhinolaryngologists of Sri Lanka.

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

Mrs. Roshini S. Cabraal

Roshini Cabraal is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka. She was appointed to the Board of Lanka Hospitals on 24th May 2010. She has over 28 years experience in Financial Management and Financial Consultancy Services. Her professional career started at James Finlay & Co (Colombo) Ltd where she was involved in the financial aspects of the Insurance Division and other subsidiaries. She had a six year career at KPMG Ford Rhodes Thornton & Co as a Management Consultant. She was also Head of Finance at International Infrastructure Development Consortium (Pvt) Ltd and International Education Systems (Pvt) Ltd and thereafter Head of the Consultancy Division of Capital Reach Holdings (Pvt) Ltd. She holds positions in an advisory capacity in leading educational institutions. She currently works as an independent management consultant.

Dr. Gamini W. K. Wickramasinghe

Dr Gamini Wickramasinghe is the present Chairman of Bank of Ceylon and Chairman of the Property Development PLC. He was appointed to the Board of Lanka Hospitals on 1st July 2010. He holds a Masters Degree in System Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered Management Institute (FCMI) UK, and a Fellow of the British Computer Society (FBCS). He has over a decade of extensive senior level experience obtained in the United Kingdom and

Board of Directors

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

Mr. P. A. Lionel

Mr. P.A. Lionel appointed as Deputy General Manager (Investment Banking) in October 2010. He enrolled at the Bank of Ceylon in December 1983. He was appointed to the Board of Lanka Hospitals on 1st July 2010. Counting over 27 years experience in banking and financial services, Mr. Lionel has specialised in the areas of treasury, international operations and investments, he has been involved in managing liquidity, assets and liabilities, fund raising activities, risk management in relation to treasury and cross border funding. Additionally, he has a flair for developing and marketing treasury products. He held the position of CEO of the Primary Dealer Unit of the Bank and headed the Treasury and Investment Unit. He received broad exposure and extensive training in Treasury Management and Dealing activities in London from 1988 to 1989. He served as Head of Treasury at the BOC Branch in Karachi.

He is a Non Executive Director on the Board of Property Development (Private) Limited since 2009 and Primary Dealer Association since 2007. He is also an Alternative Director of Ceybank Unit Trust since 2006 and the Vice President of Sri Lanka Forex Association since 2008.

Mr. Lionel obtained his Bachelor of Arts degree from the University of Colombo, Sri Lanka in 1980.

Mr. Malvinder Mohan Singh

Mr. Malvinder Mohan Singh has significant business interests in the Healthcare, Financial Services and Insurance sectors. He is the Group Chairman of Fortis Healthcare, a leading healthcare player in India and the Asia Pacific. He was appointed to the Board of Lanka Hospitals on 24th March 2011. He is spearheading the creation of the first integrated pan Asian healthcare model. Previously Mr. Malvinder was Chairman, MD and CEO of Ranbaxy Laboratories. He was instrumental in the coming together of Ranbaxy and Daiichi

Sankyo, to create the fifteenth largest pharmaceutical company in the world- a move seen as a game changer by industry experts.

Mr. Malvinder has interest in the Financial Services and Insurance sectors through Religare Enterprises, India's fastest growing integrated financial services company with over 10,000 employees and a presence in 12 countries across Asia, Africa, Middle East, Europe and America. Mr. Malvinder was a member of the Young Global Leaders Initiatives of the World Economic Forum, starting in 2005, for a period of six years. He is a member of the Board of Visitors at the Fuqua School of Business (Duke University, USA) and the Board of the Council for Research on International Economic Relations. (ICRIER).

Mr. Shivinder Mohan Singh

Mr. Shivinder Mohan Singh is the Managing Director of Fortis Healthcare (India) Limited and BOD Member of Fortis Global. He is also one of the principal promoters of Religare Enterprises Limited, Chairman of Super Religare Laboratories Limited, Fortis Chemical Research Limited and serves as a Director on the Board of Religare Technologies Limited. He was appointed to the Board of Lanka Hospitals on 24th March 2011. Mr. Shivinder was till recently one of the key promoters of Ranbaxy Laboratories and served as Director on the Board of the pharma major. An alumnus of Doon School and an Honours Graduate in Mathematics from St. Stephens College, Delhi, and Mr. Shivinder has done his MBA with specialisation in health sector management from the Duke University Business School, USA. He was the Chairperson of Health Services Committee of Federation of Indian Chambers of Commerce and Industry (FICCI). Presently, he is the Chairperson of FICCI Youth Committee and Board Member of Indo British Partnership Network (IBPN), Board Member of National Accreditation Board for Hospital and Healthcare Providers (NABH) and Chairman of the Healthcare Committee of UKTI (UK Trade & Investment). He is also on the National Board of Advisors of AIESEC, a global, non-political, independent, not for profit organisation run by students and recent graduates of institutions of higher education.

Mr. Sunil Godhwani

Mr. Sunil Godhwani is the Chairman and Managing Director, Religare Enterprises Limited (REL). He is a man with a vision to create a global business of excellence, and he is the inspiration to all as he spearheads the company's management and global operations; strategising and directing it through its next phase of growth. He was appointed to the Board of Lanka Hospitals on 24th March 2011. Mr. Godhwani has a diverse and wide- ranging experience of over two decades in managing large scale businesses. He also serves as a Director on the Boards of various group companies like Dion Global Solutions (formerly Religare Technova Limited), Super Religare Laboratories Limited, Religare Macquarie Wealth Management Limited, AEGON Religare Life Insurance Company Limited, Religare Voyages Limited, Fortis Healthcare Limited and other subsidiaries/group companies of Religare. He holds a B.Sc Degree in Chemical Engineering and an M.Sc in Industrial Engineering and Finance from Polytechnic Institute of New York. A powerful orator and a great motivator, Mr. Godhwani has been awarded with many awards and accolades. Recently he has been awarded "India Business Leader of the Year" award at the Global Indian Business Meeting hosted by Horasis, in Madrid, Spain and "CEO of the Year" award, at CEO CLUBS INTERNATIONAL Awards.

Mr. Vishal Bali

(Alternate Director to Mr. Malvinder Mohan Singh)

Mr. Vishal Bali is the CEO, Fortis Healthcare Global Pte.Ltd, which is the global foray of Fortis Healthcare, having healthcare delivery assets across 6 countries in Asia and Australia. Prior to this current assignment Mr. Bali was the CEO for Fortis Hospital, India and earlier to that CEO for Wockhardt Hospital, India where he spent 19 years and established a pan India network of super specialty hospitals. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011. Mr. Bali completed his Bachelors in Science and Master's in Business Administration from Bombay University and completed an advanced programme in hospital management from Boston. He sits on the board of Dental Corporation, Australia and is an invited member of the Startegic Initiatives group of Joint

Commission International, USA and on the Global Agenda Healthcare Council of the World Economic Forum.

Mr. Balinder Singh Dhillon

(Alternate Director to Mr. Shivinder Mohan Singh)

Mr. Balinder Singh Dhillon is an Executive Director with Singapore based Fortis Healthcare Global Pte. Ltd. He also serves as a Non-Executive, Director of Fortis Healthcare (India) Limited since 26th February 2009, a company listed on the Bombay Stock Exchange and the National Stock Exchange of India. Having worked with corporate houses such as Hindustan Unilever Limited and INTRIA Items Inc., a wholly owned subsidiary of CIBC Bank, Canada, he has more than 20 years of experience in corporate law, governance, risk management, and strategic planning and implementation. He was appointed to the Board of Lanka Hospitals as an Alternate Director on 24th March 2011. Mr. Singh has in the past been associated with corporate boards including those of Ranbaxy Laboratories Ltd, an India listed multi-billion dollar multinational pharmaceutical company and Parkway Holdings Ltd, a Singapore listed healthcare services company. Mr. Singh graduated from the Punjab University and is a member of the Institute of Company Secretaries of India and the Bar Council of India. He holds a Master of Laws degree from McGill University, Canada. As a member of the Law Society of Upper Canada, he completed his accreditation under a Certificate of Qualification equivalent to a Graduate of Law through the Law Faculty, University of Toronto, Canada.

Dr. Amit Varma

(Alternate Director to Mr Sunil Godhwani)

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

courses for an Executive MBA at the University of Chicago. After almost a decade in USA, Dr. Varma began his professional journey in India at the Manipal Heart Foundation in Bangalore. He subsequently moved on to the Narayan Hrudayalaya Hospital as the consultant- in- charge of Critical Care. Early in 2003, Dr. Varma joined Fortis Healthcare, where he has and continues to perform multiple administrative and clinical roles. He currently runs the integrated critical care services for Fortis Healthcare ICU network. At Religare from 2009, Dr Varma is actively engaged in all healthcare initiatives of the company, playing an advisory and steering role. Having functioned as healthcare consultant to the World Bank and the European Commission with special interest in quality, he is currently on the editorial board and a member of various healthcare and management groups and societies. Dr. Varma also acts as the Medical Editor for CNN- IBN.

Dr. Ajith Amarasinghe

Dr Ajith Amarasinghe is a Consultant Pediatrician who graduated from the Faculty of Medicine, University of Colombo and did post graduate training in Pediatrics and Community Pediatrics in Sri Lanka and the United Kingdom. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member of the Board up to 21st March 2011. He obtained a Diploma in Child Health and MD in Pediatrics from the Post Graduate Institute of Medicine, University of Colombo. He obtained MRCP and MRCPCH from UK. He served as Consultant Pediatrician and Medical Superintendent Base Hospital Hambantota before joining the then Apollo Hospitals at its inception. He was on the editorial board of Sri Lanka Journal of Pediatrics and is a member of the ethics committee of the Sri Lanka Medical Association. He also obtained a MBA in Health Care from Manipal University and completed a post graduate training programme in Asthma and Allergy at Christian Medical College Vellore and holds a Diploma in Asthma Allergy. Recently he established a fully fledged allergy clinic in Lanka Hospitals which is the first of its kind in Sri Lanka.

Dr. S. S. L. Perera

Dr. S. S. L. Perera is a Consultant Neurosurgeon and is an advisor to H.E. the President Mahinda Rajapaksa. He was

appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 7th March 2011. He was formerly the Head of the Department of Neurosurgery at the Colombo National Hospital. Dr. Perera is widely credited with spearheading the transformation of neurosurgical services in Sri Lanka to international standards and has pioneered the establishment of surgical programmes for Epilepsy and Parkinsons Disease in the country. He spearheaded the establishment of the Neuro Trauma Centre in the National Hospital which is the biggest Neuro Trauma Centre in Asia. He is a visiting lecturer and Examiner of undergraduates at the Medical Faculties of Colombo and Peradeniya and also a postgraduate trainer/supervisor for Senior Registrars and Registrars in Neurosurgery.

Dr. Perera holds an MBBS and MS Surgery from the University of Colombo and is a Fellow of the Royal College of Surgeons in Edinburgh and in Glasgow, United Kingdom.

Mr. Asoka Nissanka Pathirane

Mr. Asoka Pathirane is a Hotelier with extensive experience in the sales, operations, marketing, food and beverage functions at the Hilton and Hyatt chains. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 7th March 2011. Mr. Pathirane is also serving Sri Lanka Cricket in an honorary capacity, as Media Manager and Secretary of the National Development Centre. He holds a BA (Hons) in media studies from London, and is a graduate of the Ceylon Hotel School. Mr. Pathirane is an associate member of the Sri Lanka Institute of Marketing and a member of the Hotel and Catering International Management Association, United Kingdom. He is currently working as the Operations Manager (NCP) in Sri Lanka Cricket.

Major General (Dr.) Sanjeewa Heman Munasinghe RWP RSP USP

Major General (Dr.) Sanjeewa Herman Munasinghe is a Consultant Radiologist at the Military Hospital, Colombo and is the Medical Advisor to Commander of Sri Lanka Army. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 7th March

Board of Directors

2011. Major General Munasinghe holds an MBBS Sri Lanka and MD (Radiology) Sri Lanka. He has served on the Executive Committee of the Asian Musculoskeletal Society and is a life member of the Sri Lanka Medical Association, The College of Radiologist of Sri Lanka, The College of Medical Administrators of Sri Lanka and The Radiologist Society of North America.

Mr. B.A.C. Fernando

Mr. B.A.C. Fernando is the General Manager of Bank of Ceylon. He possesses 40 years experience in Banking. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 1st July 2010. He has a Bachelor of Arts degree and a Masters Degree in Business Administration. He is a fellow member of the Institute of Bankers of Sri Lanka and is also a Director of the Institute. Mr. B.A.C. Fernando has undergone extensive local and overseas training in Banking and Management. He is a Director in many subsidiaries and associate companies of the Bank of Ceylon.

Dr. B. Kaluarachchi

Dr. B. Kaluarachchi holds a MBBS degree from the University of Ceylon, Faculty of Medicine, Colombo and served as a Medical Officer at several Government Hospitals in Sri Lanka. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 30th June 2010. He currently serves on the Board of Bank of Ceylon. He has been a Medical Officer for leading hotels in Colombo, several international airlines, several embassies and high Commissions located in Sri Lanka while serving as Consultant to several multinational companies. Dr. Kaluarachchi has undergone Post Graduate Training and has worked in leading National Health Service Hospitals in the United Kingdom. He was a founder Director of Asiri Hospitals PLC. He was also the President of the Ceylon Association for the Prevention of Tuberculosis, the President of the Ruhunu Cultural Institution is a member on the Board of management of Colombo Y.M.B.A. He was the Chairman of Hotels Colombo Ltd and is a Council Member of the University of Visual & Performing Arts. Dr. Kaluarachchi was also a Director of Merchant Credit of Sri Lanka Limited.

Mr. Pradeep Kariyawasam

Mr. Pradeep Kariyawasam is Chairman of the National Savings Bank, since 14th May 2010. He was appointed to the Board of Lanka Hospitals in August 2009 and served as a member in the Board up to 24th May 2010. He was also the former Chairman of Sri Lanka Insurance Corporation Limited, subsequent to it being vested with the government in June 2009, after a 6 year period of privatisation. Mr Kariyawasam also served on the Boards of Seylan Bank and Lanka Hospitals (formerly known as Apollo Hospitals).

Mr Kariyawasam is a senior corporate figure with over thirty years experience in the private sector, of which over fifteen years have been as CEO/Director/GM levels at leading private sector conglomerates, including United Motors Lanka Plc, Browns Group of Companies etc. His extensive experience in marketing and sales management encompasses a cross section of large corporate conglomerates. Mr Kariyawasam has also functioned as a respected consultant in business management and project management, both in the private sector as well as in the state sector. He holds a Certificate of Marketing from CIM (UK).

Dr. H. A. P. Kahandaliyanage

Dr. H. A. P. Kahandaliyanage was the Secretary to the Ministry of Healthcare & Nutrition, Sri Lanka and the Administrative Head and Chief Accounting Officer of the Ministry and also the Principal Advisor to the Minister of Health on all matters of Health policy and administration. He was appointed to the Board of Lanka Hospitals on 30th October 2009 and served as a member in the Board up to 24th May 2010. Since beginning his career in 1978 as a young medical officer, Dr. Kahandaliyanage has proven his ability as an able Medical Administrator with wide experience in different areas of the health service, rising rapidly through the ranks to finally function as the Director General of Health Services from 2002-2007. He did his postgraduate studies in Public Health and has been specially trained overseas in Health Management. He is a fellow of the College of Medical Administrators of Sri Lanka. In his long and illustrious career Dr. Kahandaliyanage has actively participated and contributed to many National and International organisations,

bodies, conferences, workshops and committees. He has been instrumental in developing many policies in the health sector in Sri Lanka and has contributed immensely to the development & strengthening of the Health System in Sri Lanka. In recognition of his work he was elevated to the post of Secretary to the Ministry of Healthcare & Nutrition, Sri Lanka, in 2007 and continued up to January 2010.

Strategic Committee



From Left to Right
Mr. Omal R. Kaluarachchi (Manager-Human Resources), Mr. P.V. Sapumal Nishantha Jayatissa (Assistant General Manager-ICT), Dr. K.T. Iraivan (Assistant General Manager-Operations), Dr. W. Karandagoda (Director Medical Services), Mr. Lakith Peiris (Chief Executive Officer), Mr. Sampath Hettiarachchi (Chief Financial Officer), Mr. A.C. Jayakody (Deputy General Manager-Marketing)

Management Team





- 01 Mr. Lakith Peiris (Chief Executive Officer)
- 02 Dr. W. Karandagoda (Director Medical Services)
- 03 Mr. Sampath Hettiarachchi (Chief Financial Officer)
- 04 Dr. K. T. Iraivan (Assistant General Manager-Operations)
- 05 Mr. A. C. Jayakody (Deputy General Manager - Marketing)
- 06 Mr. P. V. Sapumal Nishantha Jayatissa (Assistant General Manager-ICT)
- 07 Mr. Omal R. Kaluarachchi (Manager - Human Resources)
- 08 Mr. N. K. Dharmasiri Silva (Manager - Catering)
- 09 Mr. M. R. M. Nizwer (Manager- Internal Audit)
- 10 Ms. Nuwanthi Gunawardana (Legal Officer)
- 11 Wing Commander B. M. R. K. Chandrasekara (Manager- Security & Transport)
- 12 Dr. Harsha Goonathilaka (Assistant Manager - Diagnosis)
- 13 Mr. M. G. M. Irfan (Biomedical Engineer)
- 14 Commander Bandula Wijemanna, RNR (Manager - Facility & Administration)
- 15 Mr. P. V. Ariyathilaka (Manager - Engineering & Maintenance)
- 16 Dr. Akilesh Singh Karan (Consultant – Haematologist, Head of Laboratory Services)
- 17 Dr. W. M. S. Rathnapriya (Medical Superintendent)
- 18 Ms. S. A. Clarice Wahid (Confidential Secretary to CEO)
- 19 Dr. Rasika Adasuriya (Head of Department - Infection Control)
- 20 Ms. Renuka Nilanthi Herath (Manager - Credit)
- 21 Commander H. U. Silva (Manager - Materials)
- 22 Mr. Michael Carlyle Ranathunga (Senior Executive - Facilities)
- 23 Ms. W. A. S. M. S. Menike Rajapaksha (Chief Matron)
- 24 Ms. G. Numica de Silva (Assistant Manager - Human Resources)
- 25 Mr. W. A. D. M. Ranjana Gunathilaka (Assistant Manager - Quality Assurance)
- 26 Ms. Sujeewa P. Subasinghe (Senior Executive - Facilities)

Passionate Care

Operational Review



What makes a world-class hospital?

Business Review

Economic Outlook for the year

In the year 2010, Sri Lanka witnessed an encouraging economic resurgence, with the surety of an economic boom evidenced through positive indications prevalent during the year. The Sri Lankan economy bounced back strongly during the year, reflecting post conflict optimism and as an outcome of positive effects from the global recovery. The national economy grew by an estimated 8 percent, over and above the growth expectations for the year 2010, with inflation down to 6.3 percent and unemployment at 5.2 percent. Most encouragingly, the all island poverty rate declined to 7.6 percent in 2010 down from 15.2 percent in 2006, and per capita income averaged at USD 2000. The Government continued to pursue economic growth in a manner that is inclusive of the rural economy in the belief that growth can only be sustained through wealth creation that is far-reaching and equitable.

During the year Sri Lanka's bourse – Colombo Stock Exchange (CSE) – was cited by Bloomberg as the world's best performing share market outshining its own previous stint as 'world's second best bourse'. With the CSE emerging as the best performing market in the world, Sri Lanka's economic revival has been duly recognised by global economic analysts as credible and sustainable. The economy is expected to show continued high growth of 8% in 2011, with services and industry leading the growth momentum.

Industry Overview

In 2010, the private healthcare industry continued to be highly competitive and maintained characteristics of an oligopolistic market structure. Industry players remained constant, however, during the year initiatives were undertaken towards capacity enhancements with many of the key healthcare brands commissioning renovations and infrastructure developments. Industry analysts believe that these capacity enhancements are a concerted effort by the industry towards the employment of a market skimming strategy whereby through the offer of a "perceived" niche product, a niche pricing strategy can successfully be adopted.

Geographic penetration was another key strategy adopted during the year with the industry actively seeking to shift the private healthcare proposition to semi-urban and rural Sri Lanka. During the year, a number of key players announced their intention to diversify their operations to serve the outstation communities. In doing so, these players look to operate medium sized healthcare entities whereby the business model will primarily be to serve a range of basic healthcare needs. It is expected that these projects will be commissioned in the short to medium term. Undoubtedly, in the face of these changing healthcare trends, all industry players will face a range of opportunities and threats including an evolving market context and buyer behaviour.

From a post conflict perspective, Sri Lanka is gradually integrating as one nation. The healthcare needs of formerly conflict ridden communities in the Northern and Eastern provinces are immense and therefore, the opportunities for the healthcare industry to establish city hospitals in these areas are high. Going forward it is expected that key industry players will reap greater commercial benefit through precipitated entry into this untapped market.

Similarly, as a consequence of sustained peace, Sri Lanka has rebounded as a tourism destination. Moreover, in the context of healthcare, a great opportunity lies in terms of the potential for Sri Lanka's healthcare industry to garner greater returns from medical and wellness tourism. For the greater good of the industry, it is imperative that industry players work cohesively together with the State and tourism authorities to expedite and propel this avenue of market expansion.

Due to the similarity of the product and service – mainly as an outcome of the oligopolistic market structure – an evident trend towards product differentiation has been witnessed in the recent past. As such, many healthcare institutions have looked towards accreditation as an avenue for third party endorsement of their products and services. However, this will be an advantage in the move towards establishing medical tourism.

In reviewing the future of Sri Lanka's healthcare industry, the role and development of public healthcare must not be overlooked. Whilst presently the private sector healthcare entities are privy to negligible competition from the state sector, the fact remains that developments and initiatives towards capacity and infrastructure enhancements in national healthcare can jeopardise the overwhelming franchise of the private sector operators. Thus, careful consideration must be given to the possible strategies that will be employed under the national healthcare system. Noteworthy of mention are a few key strategies outlined in His Excellency the President's "Mahinda Chinthana" Vision for the Future development policy framework for the healthcare sector, in particular hospital infrastructure and services:

- The intention to develop and maintain centres of excellence in cardiology, oncology, neurology and neuro-trauma with super-speciality hospitals to be set up by 2020.
- The intention to develop a network of modern hospitals with state-of-the-art technologies and support facilities
- The intention to improve mobile healthcare services whereby clinical services are taken to the doorstep of every citizen.
- The intention to establish a dedicated geriatric hospital in view of Sri Lanka's aging population.

Strategic objectives for the year

In 2010 the strategic focus for the year was to essentially maintain the momentum of growth whilst consolidating the strategic efforts undertaken in the previous two financial years. As such Lanka Hospitals continued to place emphasis on the following as key strategic intentions for 2010.

- Continue to strengthen the brand Lanka Hospitals in a bid to enhance the brand value and to garner greater goodwill. The objective during the year was to effectively utilise the brand to reach out to a more diverse target market.

- Continue a strategy of service excellence where both clinical and non-clinical excellence in tandem with the development of numerous identified pillars of growth will deliver long term and sustained growth.
- Development of centres of excellence for specialist care in a coherent manner whereby these centres continue to act as catalysts in positioning the Hospital as the leader in specialist healthcare.
- Make world-class healthcare facilities and medical services available to a larger segment of society to an extent that the Hospitals services would provide absolute value for money.
- Pursue a strategy creating greater opportunities for service delivery, especially in the context of geographic penetration, through varied distribution strategies including greater focus on international marketing.
- Enhance capacities through expansion of the business and operational model.

Operational performance review

During the year under review, Lanka Hospitals demonstrated a commitment to operational excellence with the achievement of numerous clinical and non-clinical milestones. In keeping with the Hospital's vision of 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 and to be recognised as one of the best in the region and fulfilling its mission to maintain exceptional and compassionate quality while offering cost effective healthcare solutions of international standards, Lanka Hospitals in 2010 pursued an operational strategy aimed towards the realisation of this vision.

Towards this end, Lanka Hospitals focused on the consolidation of efforts towards:

- *Re-affirming Lanka Hospitals brand imagery* through integrated communications aimed at further enhancing the brand value whilst using tactical communications to give reasons and build perceptual value in the Lanka Hospitals brand. In 2010, the acceptance of the brand by

a broader target was evident with customers from SEC A, B and C+ all contributing towards an enhanced patronage during the year.

- *Continued development of key strategic pillars* in 2010 has placed Lanka Hospitals Centres of Excellence in Fertility, Cardiology, Renal Medicine, Laboratory services and Mother & Baby Care as specialist centres that are undoubtedly the best in the industry. Achievement of milestones in all of these specialist centres have demonstratively positioned Lanka Hospitals amongst the best in the region in terms of the care given, the technology and the capabilities of the specialist medical teams. The Centres continued to be allocated fresh resources and invested into in terms of medical technology during the year, thus enhancing their capabilities in providing superior medical solutions. During the financial year the operational aspects of establishing a number of super speciality centres was also assessed.

- *Measures to improve medical care* in 2010 included the expansion of the base of medical professionals available at Lanka Hospitals. During the year, Lanka Hospitals effectively attracted the best in the medical profession in Sri Lanka to operate from the Hospital, thus offering a wide range of medical professionals from an expansive range of specialties. This has augmented the confidence of the customer base as well as contributing towards the migration of customers from other healthcare entities. The investment towards the latest medical technologies in every key area of medical care has assisted towards the overall improvement in medical care in 2010.
- *The development of a strong market orientation* focused on customer care has been a key strength of Lanka Hospitals. In the year under review, this area of competency was further augmented in a bid to ensure that Lanka Hospitals continues to be able to differentiate its offer through a dual strategy of best in medical care coupled with best in customer care. Both loyal customers



Business Review

of Lanka Hospitals and occasional customers who shift between hospitals appreciate the non-medical facilities - cleanliness, food and beverage, in-patient room facilities, the serene surroundings, parking, pharmacy and customer care are considered to be better compared to competitor city hospitals. This is reflected in that in 2010 Lanka Hospitals was registered as a Crowns certified centre and remains to date the only hospital in Sri Lanka to hold the Crown certification for food hygiene. Moreover, Lanka Hospitals is currently seeking accreditation for ISO 22000 through the adoption of Hazard Analysis Critical Control Point (HACCP); a systematic preventive approach to food safety. The management recognises that non-medical aspects of care are as equally important as medical care. Patient facilitation was further improved during the year through establishment of a memorandum of understanding in September 2010 between Lanka Hospitals and the National Insurance Trust Fund to serve as the preferred hospital for Agraphara medical insurance policy holders. Customers who are Agraphara policyholders are better facilitated through a dedicated counter at the Hospital's enquiries area, as are customers who are beneficiaries of the Presidential Fund. Furthermore, in a quest to equitably serve every Sri Lankan national and to facilitate the right of choice, Lanka Hospitals in the year under review introduced over 40 customised surgical packages, thus provisioning greater accessibility to the Hospitals' medical expertise.

- *A persistent strategy aimed towards the provision of quality care stemmed from a cohesive quality centric operational philosophy. In the year under review, the commitment to maintain standards and raise the bar in medical care extended across the Lanka Hospitals team; from all patient care professionals and the senior management, transcending down to each and every employee in the organisation through the launch of its TC3 training in a bid to establish a 'total customer care culture' across the organisation. Continuous education of staff on the concepts of quality, adoption of work improvement teams/ quality circles and the Japanese 5S*

house keeping practices, Kaizen as well as protocols and procedures have become a part of the quality culture at Lanka Hospitals where productivity and quality improvements are sought with passion. In 2010, intensive training for both medical and support teams including care givers resulted in each participant averaging 20 hours of training within the hospital, developing their know-how and practice in quality care improvements, thus objectively enhancing the value addition to the medical care.

- *Operational efficiency enhancements continued to be a critical component of the operational strategy. The focus during the year was to continue to shave off inefficiencies thereby creating a greater operationally sound management process whilst minimising the operational costs. In doing so, the Hospital will effectively eliminate non-value creating activities across the value chain. In 2010, Lanka Hospitals achieved an operational milestone in effectively constraining the operational costs to a new threshold. This has positioned the Hospital as a cost efficient operator in the industry, thereby strengthening its leadership position. Evidence of the Hospitals commitment towards the achievement of greater efficiencies is reflected in that Lanka Hospitals was awarded a merit award at the Sri Lanka National Energy Efficiency Award 2010 in the category of Large Industries – healthcare.*
- *International Marketing to drive momentum of future growth of the business is an imperative. In 2010 Lanka Hospitals pursued a more cohesive and detailed international marketing strategy. With a commendable client base from Australia, USA, New Zealand, Maldives, and the region over the past, the Hospital renewed its efforts towards positioning Lanka Hospitals as a credible and viable medical tourism service provider. Towards this end, in 2010, Lanka Hospitals aligned agents in key international markets to act as promoters of the Hospital. Lanka Hospitals in 2010 also extended its presence to the Republic of Maldives by establishing an office and a patient facilitating centre for the convenience of the customers from the Maldives. The feasibility of*

converting the Centre to a preliminary care centre with cutting edge facilities capable of handling both acute and chronic medical treatment is being assessed.

- *Expansion of capacities through greater accessibility is a key target in the medium term. In 2010 Lanka Hospitals continued to plan and progress towards the establishment of satellite centres across Sri Lanka. The Hospital expects to offer greater accessibility to its service to people across Sri Lanka through the establishment of a series of satellite centres or no-frills hospitals, so that a larger cross section can benefit from Lanka Hospitals quality medical care at affordable prices.*
- *Expansion of capacities to offer a greater spectrum of*



Surgery in Progress

services was identified as a core need for the future growth of the Hospital. As such in 2010 Lanka Hospitals sought to increase capacity at the current premises. For this purpose the strategic and operational teams at Lanka Hospitals studied regional and global expansion models, visiting and observing some of the best global models for healthcare expansion.

- *A greater focus on surgical care* as a strategy towards enhancing the excellence in surgical care as a future driver of growth and contribution. Towards achieving this, in 2010 Lanka Hospitals invested in the expansion of critical care facilities for post surgical recovery. Intensive and advanced training in surgical and post surgical management was undertaken for caregivers to ensure the development of specialist expertise. Similarly during the year, enhancements to the surgical infrastructure were made in the form of an increased number of operating theatres whilst the Hospital made a concerted drive towards attracting more surgeons from various disciplines and specialisations.

OPERATIONAL FOCUS: STRATEGIC PILLARS

Centre of Excellence: Fertility Centre

Lanka Hospitals Fertility Centre celebrated a series of milestones in 2010. Established in late 2008, the Fertility Centre witnessed the birth of its 100th, 150th and 200th In Vitro Fertilization (IVF) babies during the year. Within a span of 24 months the Fertility Centre accomplished 300 pregnancies making it the most successful in Sri Lanka with a 43% success rate in COH IVF cycle and is on par with the best IVF centres in the world. The Centre currently holds an enviable 80% market share. Lanka Hospital's fertility centre was established at an investment exceeding Rs. 30 million and is equipped with the latest technology for assisted reproduction techniques.

In 2010, the Testicular Sperm Aspiration Technique was introduced at the Centre further enhancing the probability of conception for couples facing male infertility and sub-fertility. During the year, the introduction of embryo vitrification at Lanka Hospitals for the first time in Sri Lanka, has made a

tremendous leap to reproductive technologies in the country. Embryo cryopreservation termed vitrification, involves freezing the embryo approximately 600 times faster than conventional slow freezing. This ultra rapid process is so fast that it literally allows no time for intracellular ice to form. As a result, vitrification avoids trauma to the embryo. In conventional slow freezing, 20-30% of embryos do not survive the freeze-thaw, and those that do survive have less than half the likelihood of generating a pregnancy as do fresh embryos. In contrast, vitrified embryos have a 95% freeze-thaw survival rate, and a pregnancy generating potential that is comparable to fresh embryos.

The Fertility Centre consists of a team of highly skilled and specialized doctors, gynecologists, embryologists, endocrinologists, urologists and radiologists who conduct comprehensive diagnostics to identify fertility problems and their root causes within the Centre. Every effort is made to achieve fertility and conception using the least invasive methodologies.

Lanka Hospitals Fertility Centre is unique in that the Centre recognises the need to cascade its services to customers outside of the periphery of Colombo and its suburbs. As such the Centre is allied with qualified and established Gynecologists from across the country, who are instructed and guided by the Centre's specialist team on medication and monitoring during the course of treatment, necessitating customers to travel to Lanka Hospitals only for specific and key investigations and interventions. The Centre currently caters to patients from across the country including areas such as Hambantota, Galle, Batticaloa, Kandy, Matale, Badulla, Monaragala, Vavuniya, Jaffna, Polonnaruwa and Anuradhapura.

In keeping with Lanka Hospitals vision of providing superior quality health care to a larger segment of society, Lanka Hospitals has made all types of fertility procedures affordable, extending the accessibility of reproductive technology to a greater cross section of people. The quality of the service at the centre coupled with the cost at which it's provided has also attracted overseas customers from United Kingdom, Canada, the United States of America,

Maldives and the Middle East.



Procedure in Progress

Case Study: Fertility Centre

In 2010, Lanka Hospitals Fertility Centre not only pioneered the vitrification process in Sri Lanka but also celebrated the birth of the first vitrification IVF baby to be born in the country. Though vitrification is offered in globally recognised fertility clinics across the world, in Sri Lanka the conventional freezing method has been the primary means of embryo storage. The offer of the vitrification method in Sri Lanka has enhanced the probability of successful conception for parents, as vitrification better preserves embryos than the conventional freezing method. This super-rapid freezing method involves converting a substance into a glass like solid form through the quick removal of heat. Applying this procedure to freeze embryos, the hospital is able to prevent damage to the embryos and ensures that storage is possible for up to ten years – giving the patient an opportunity to repeat the procedure at a fraction of the cost and without going through the entire process from the start. With a 42 percent success rate, the ability to have multiple embryos stored safely makes it possible for patients who do not conceive immediately to try again, or to utilize those embryos to repeat the process for a second baby with greater likelihood of success.

Centre of Excellence: Kidney Care Centre

The Kidney Care Centre at Lanka Hospitals offers comprehensive and specialised care for kidney disease and renal related problems that may eventually lead to the need for transplantation. The Centre is recognised as a leader in renal care and provides a spectrum of services ranging from dialysis to kidney transplantation. It remains by far the only specialist centre and private sector hospital to have completed 200 kidney transplants – a feat accomplished during the year 2010. The Centre performs more transplants than any other private hospital in Sri Lanka, and is focused on performing more cadaveric and pediatric transplants. Lanka Hospitals offers a unique combination of specialist teams comprising of the best and most respected nephrologists and surgeons in the country. Ethics and patient interest lie high on the scale of priorities with a pre-transplantation assessment process undertaken by a transplant coordinator - a doctor who coordinates between the nephrologists and the Centre, between the ethical committee and the specialist doctors -, to ensure the patient gets the best possible clinical outcome.

The Lanka Hospitals Kidney Transplant Unit at the Kidney Care Centre has six different teams performing transplants regularly for both pediatric and adult kidney patients. This unit has the ability to carry out Laparoscopic Donor Nephrectomy, where kidneys from donors can be removed with the smallest of cuts. The hospital also has a separate transplant ICU, with dedicated doctors and nurses 24 hours a day. The unit has the ability to carry out both live and cadaver transplants. The Kidney Care Centre at Lanka hospitals also has a high focus on general nephrology dialysis and transplantation. Patients coming to Lanka hospitals Kidney Care Centre are treated 24 hours by the largest number of the best and the most respected nephrologists in the country who are both visiting and practicing from here and abroad.

The Centre is a point of referral across the world where regional and global patients seek its services. The Hospital's transplant programme has extended beyond Sri Lankan shores and it actively supports other countries that do not have their own transplant programmes - such as Fiji and

Republic of Maldives. Once approved by the government of the respective country, where the donor and the recipient both are from the same country, Lanka Hospitals facilitates the health care system of those countries by including the patients into its transplant programme. The team at Lanka Hospitals subsequently performs the transplant. Similarly, the Centre operates a highly successful holiday dialysis package for foreigners who come to Sri Lanka to spend their holiday. The Hospital carries out assessments and treatment for tourists according to the advice of the doctors in their own countries. In addition, Lanka Hospitals is the only health care institution in Sri Lanka that carries out and is capable of doing nuclear scans for transplant kidneys.

The Kidney Care Centre is one of the best dialysis centres in the region and is the only one in the country to offer a range of services 24 hours of the day. Standard treatments include Haemodialysis, Peritoneal Dialysis and Dialysis Catheter Insertion. Lanka Hospitals' Kidney Care Centre is unique in that the focus of the Centre is not to merely provide dialysis as a daily solution but to seek a total and more conclusive solution to renal failure through an eventual transplantation target.

Case Study: 200th Kidney transplant patients reports complete recovery

Mr. Hirantha De Silva, a 58 year old from Moratuwa came to Lanka Hospitals after a long course of treatment at other leading hospitals in Colombo.

"I first discovered that my kidney functionality was down to just 20% directly after I underwent a bypass in 2005 at a leading hospital in Colombo. As my condition worsened I found that I could not control the illness through medication and was soon moved onto dialysis. However, my condition did not improve through dialysis treatment. It was at this point that I moved to the Lanka Hospitals, the dialysis treatment I received showing results and my condition improved steadily".

With dialysis treatments twice a week, Mr. De Silva was soon able to go back to work and resume a normal life, but it was at this point that he made the life changing decision to

undergo a kidney transplant. Having found a compatible kidney, Mr. De Silva, under the care of a team of specialist nephrologists underwent the transplant operation on the 2nd of October 2010. The operation was pronounced a complete success, with Mr. De Silva being able to walk just 4 days after the operation was carried out. With the transplant completely successful, the medication required for Mr. De Silva has been gradually reduced, allowing him to resume a completely normal life.

Centre of Excellence: Heart Centre

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

The Allura Xper FD10 is one of the most popular and globally accepted equipment - it provides excellent image quality at the lowest possible drug dose, instant access to multi-modality information, easy to use advanced image-processing tools, a stent boosting luminogram, faster speeds and the latest in medical 3D imaging software.

The dedicated heart centre was established at the inception of the Hospital with the objective of providing a complete solution to patients across age groups - catering to both adults and children -. The Centre features the latest equipment and technology combined with a specialist team of Sri Lankan as well as international cardiac care team including cardio-thoracic surgeons, pediatric surgeons, adult and pediatric cardiologists, an in-house cardiac anesthesiologist, a highly trained clinical perfusionist, a well trained and professional cardiac nursing team – all who ensure the best possible clinical outcome for the patient.

The centre also possesses a dedicated Cardiac Intensive

Care Unit (CCU) equipped with specially trained cardiac nurses and high tech equipment. As a result, all patients are centrally monitored with an advanced telemetry cardiac monitoring system and receive more focused cardiac care. The centre also has a dedicated cardiac surgical operating theatre, a fully equipped cath lab and a blood bank whilst it also offers emergency angiograms and coronary angioplasty.

The Heart Centre is the only such facility in Sri Lanka capable of providing a complete solution to patients across age groups. The centre has successfully performed heart surgeries on a 7-week-old baby and a 77-year-old adult on the same day, thus demonstrating its capabilities in managing different clinical challenges effectively and successfully. The Centre remains the only facility capable of performing the entire range of all complicated heart surgeries for children and adults. Simultaneously, the Centre carries out basic outpatient services such as ECG, exercise ECG, Echo, Stress Echo aside from a range of complicated procedures.



Investigation in Progress

Testimonial :

“Lanka Hospitals gave priority to my life. When I was brought to the Hospital, the doctors and operational team considered the human aspect of the situation after ascertaining my critical condition. They admitted me for immediate bypass surgery irrespective of the fact that no prepayments had been made. My heartfelt gratitude and humble blessings to the Cardiac team and to all those who assisted towards my recovery”.

Mr. K.K.J. Kannangara, Retired Principle

Centre of Excellence: Mother & Baby Care Centre

Lanka Hospitals’ Mother and Baby Care clinic provides total and convenient care from conception, through pregnancy and delivery, to post-natal and pediatric treatment (up to 14 years’ of age). This unique concept of trusted medical attention for the family is a special service provided by Lanka Hospitals. With leading Sri Lankan and internationally qualified Consultant Gynecologists, Obstetricians and

Pediatricians providing world-class care, the Mother and Baby Clinic is a busy and popular one in a bright and cheerful atmosphere.

Expectant mothers’ and babies’ wellness is given top priority and the best professional support to enable couples to enjoy pregnancy to its fullest. It remains the only hospital where a mother and baby centre has the support of all other medical specialist treatments, thus minimising the risk of a lack of support for other medical emergencies that may arise. Thus, mothers are safe in all aspects, as their medical conditions and needs can be met with specialist care whilst the baby remains within the safe confines of the Mother & Baby centre.

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

Centre of Excellence: Laboratory Services

Lanka Hospitals Laboratory Services is a fully-fledged, ISO 15189 accredited medical laboratory services unit providing all routine and most special diagnostic tests, 24 hours a day, all year round. It became the first hospital in Sri Lanka to be certified with the ISO: 15189 standard - an internationally renowned set of quality standards, specifically designed to facilitate and affirm particular requirements for quality and competence in medical laboratories.

In 2010, Lanka Hospitals witnessed a marked growth in the use of its diagnostics and laboratory services across the gamut of areas from Biochemistry, Hematology, Clinical Pathology, Histopathology, Cytopathology, Cryobiology, Immunology and Genetics. Medical laboratory services are an essential part of patient-care and therefore along with being reliable and accurate, have to meet the needs of all patients

Business Review

and the clinical personnel responsible for the care of these patients.

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

To meet with SLAB standards and receive the ISO: 15189 accreditation, members of the Lanka Hospitals Laboratory team underwent external workshops and training courses carried out by SLAB on quality management and internal courses to update their knowledge in various fields - thus reiterating their team as a group of well experienced, qualified and competent individuals capable of handling all aspects of laboratory practices.

With the training they received, the laboratory staff involved with examination activities are now familiar with the ISO: 15189 quality documentation, and therefore, assure the patient that the relevant policies and procedures are implemented at all times, resulting in controlled and monitored procedures for even the procurement of laboratory equipment and reagents.

The Hospitals Laboratory Services will in the financial year ahead be further upgraded through the use of ICT. As a result, Laboratory Services will have a more enhanced and developed interface; will be fully automated whereby report generation will also be automated. For customer convenience Reports will be accessible via web and mobile technologies such as SMS and MMS. The information system will enable the Hospital to retain reports for up to 6 years. Moreover, the development will facilitate clients who will

have access to their reports from Lanka Hospitals 130 franchise diagnostic collection centres – all of which operate under Lanka Hospitals diagnostics standards – across the country, and will therefore be able to print and procure report results with ease.

**Operational Focus: Support Pillars****Emergency Services**

Pre-hospitalisation care is an area of specialisation and great expertise in the arena of medical care in global markets. However, in Sri Lanka pre-hospitalisation care through emergency services is limited and often overlooked in the local healthcare industry. Lanka Hospitals however, since its inception has laid emphasis on its Emergency Services as a critical support service to the rest of the clinical and medical services available at the Hospital. The Hospital offers 24-hour Emergency care all year round, and has a team of highly qualified doctors and well experienced nurses who attend to the needs of both walk-in patients and ambulance evacuees to the hospital. They are also supplemented by a team of 24-hour on-call specialists who have access to a dedicated 24-hour mini theatre for minor surgeries.

Emergency Services are equipped with a modern fleet of ambulances on standby, fully equipped with ventilator facilities and monitors to move patients efficiently to the hospital and has a nationwide ambulance pick up service from outstation hospitals to Lanka Hospitals. Free ambulance services for patients admitted to Lanka Hospitals (within 10km of Lanka Hospitals) and ambulance pick up service for patients arriving on flights from abroad are augmented by the Hospital's 24-hour air ambulance facilities, as well as rooftop helipad facilities. The department is fully equipped and is on par with an ICU in terms of the available resources.

Radiology and Imaging Sciences

Lanka Hospitals operates a fully fledged imaging unit, 24 hours, with full time radiologists both local and foreign assisting towards ensuring a quality and precise diagnostic process. The unit is equipped with the full range of imaging equipment with the latest technology used in radiology from Magnetic Resonance Imaging (MRI), Computed Tomography (CT), to Ultra-sound scans. Focusing on acquiring the latest technological advancements in radiology and imaging sciences, during the year 2010, has allowed Lanka Hospitals to be at the forefront of service excellence for the benefit of both the customers as well as better aiding the diagnosis process for the Hospital's medical professionals.

Lanka Hospitals is unique in its approach to use of Nuclear Medicine as a component of its radiology and imaging services. The Hospital remains the only private tertiary care centre in Sri Lanka to offer Nuclear Medicine for diagnostic, therapeutic and preventive maintenance. Extensively used for cancer treatment, prevention of relapse, kidney function detection, and for specific treatment purposes, nuclear medicine entails controlled radioactive exposure of patients. Lanka Hospitals holds a monopoly in the offer of this service in Sri Lanka and does so despite the lack of a justifiable business case for the service provision – due to high investments - to facilitate the public and to ensure that Sri Lankans have access to this specialty of medicine and medical imaging. A full time consultant specialised in nuclear medicine overlooks the unit which facilitates patients ranging from pediatric across a cross-section of ages.

Dental Clinic

Lanka Hospitals Dental Clinic provides preventive, cosmetic, prosthetic and periodontal dentistry and extends to perform more complex oral surgeries. It is one of the few centres in Sri Lanka that have the full spectrum of diagnostic techniques including Orthopantomogram (OPG) a panoramic scanning dental X-ray that facilitates for a full 180-degree view of the upper and lower jaw. The Centre manned by a team of foreign and local as well as full time and visiting dental experts have vast experience and specialises in implant, aesthetic and reconstructive dentistry. The Prosthodontists who have specialised in these procedures restore oral function by creating prostheses and restorations.

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

Case: Laser assisted surgery for efficient dental solutions

In 2010, the Clinic made headway in notching its services on par with global standards by being the first and only centre in Sri Lanka to commence laser assisted dental procedures. This is a painless, bloodless and time efficient method practiced internationally. Lanka Hospitals retains a full time, qualified laser dental surgeon specializing in this area of dentistry.

HealthCheq

New medical diagnostics are enabling more health problems to be detected earlier and assist people towards lifestyle changes that can result in longer healthier life. The concept of a dedicated area for a health check, introduced since the inception the Hospitals' operations, Healthcheq is a specialised centre to give people a convenient and efficient service.

HealthCheq remains one of the main feeder services to the Hospital. The service focuses on preventive healthcare by encouraging customers to be aware of their health situation

through proactive screening. The Hospital offers Healthcheq services both at the Hospital as well as through mobile services at external premises. Through Healthcheq, the Hospital effectively extends preventive healthcare, offers awareness and looks to promote a healthy workforce through its collaborations with corporate institutions. This is mainly conducted in the interest of the national workforce in a bid to create a productive and healthy corporate sector.

Eye Clinic

The only private eye clinic in Sri Lanka providing complete eye care solutions to patients under one roof, the Lanka Hospitals Eye Clinic provides a unique service. Both foreign and local, world class, internationally trained ophthalmologists and the very latest technologies are on hand to patients seeking a comprehensive range of eye surgery and superior care at Lanka hospitals, enabling them to live a fuller life with better vision.

With two resident and several visiting consultants, the Eye Clinic offers round the clock emergency services with an on call consultant eye surgeon, and professional laser treatment. Eye specialists are ably supported by a team of fully trained paramedical staff.

Case: Sight through ground-breaking procedure

In 2010, Lanka Hospitals' Eye Clinic pioneered the procedure of Boston Keratoprosthesis, the implantation of an artificial cornea. Three such surgeries were carried out during the year by one of the clinics' specialist international surgeons. The recipients of the implantation were soldiers of the Sri Lanka Army, who had lost their eyesight due to corneal damage during their call of duty. Brought to the Hospitals attention by the Seva Vanitha, the three soldiers regained their sight upon the completion of the procedure.

Boston Keratoprosthesis is an "artificial cornea" that can be used in severe corneal opacity. In Sri Lanka the procedure has not been previously carried out. Globally till 2009 only approximate 4500 such procedures have been carried out since the refinement of the technique in the late 1990's.

ENT Clinic

The Ear, Nose and Throat Specialisation at Lanka Hospitals is a trail blazing and pioneering department which has set the benchmark for this field of medicine in Sri Lanka, from the inception of the Hospital. With more experience than in any other hospital in Sri Lanka, it offers comprehensive ENT therapy and surgery under one roof.

Case: Pioneers Bilateral Cochlear implants in Sri Lanka

A cochlear implant (CI) is a surgically implanted electronic device that provides a sense of sound to a person who is severely hard of hearing. Often referred to as a bionic ear, the cochlear implant is mainly implanted to one ear. In 2010, Lanka Hospitals' ENT Clinic pioneered a bilateral cochlear implant where the patient received cochlear implants to both ears in one simultaneous surgery.

Cosmetic Clinic

The Lanka Hospitals Cosmetic Clinic is a primary and referral specialty clinic offering a wide range of plastic and cosmetic surgical procedures. As a unique and difficult area of expertise, the clinic handles not just repair after injury or burns, but also purely reconstructive surgery.

Highly trained, experienced and senior surgeons perform the most advanced and safe surgical and non-surgical treatment using the latest, world class techniques, in a safe environment. All the Clinic's surgeons are registered and licensed plastic surgeons affiliated to reputed international medical organisations.

The Cosmetic Clinic is considered a focal centre for international marketing efforts in the future.

Advance Technology

Corporate Governance



What makes **a world-class**
hospital?

Corporate Governance

1. The Corporate Governance Philosophy of Lanka Hospitals

We at Lanka Hospitals give utmost respect to the values such as integrity, fairness, accountability, transparency, and consistency in all our acts. The main purpose of the Corporate Governance at Lanka Hospitals is to enhance the effectiveness and efficiency of the Board and the Management, which will help to deliver long term results, creating a sustainable organisation, while fulfilling our promises to all our stakeholders.

The hospital provides its health care services and carries out its business, in accordance with the letter and spirit of different corporate governance principles and best practices as enumerated in various Corporate Governance codes and guidelines. Hence this will enable the hospital to position itself as a socially responsible corporate citizen and to become a well-governed city hospital in the private healthcare industry.

2. Statement of Compliance

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

3. Code of Best Practice on Corporate Governance

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

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

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

A. The Board of Directors

Composition of the Board and Attendance at Board Meetings

The Lanka Hospitals Board of Directors comprises of 12 Directors as at 31st December 2010. All the Directors are Non Executive Directors and of which 8 Directors are Independent and 4 Directors are Non - Independent. As at the Date of the Annual Report the Board comprises of 11 all Non Executive Directors, with 5 Independent and 6 non - Independent Directors. The names of the Board of Directors and their directorship, as at the end of the financial year and at the date of the annual report are furnished in the table 'composition of the Board of Directors' on page 41. The brief profiles of these Directors are set out on pages 18 to 22.

The Board meets at regular intervals and conducted 6 Board meetings during the 12 month period from 1st January 2010 to 31st December 2010. Details of the attendance at Board Meetings are furnished on page 41.

Responsibilities of the Board

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

Further the Board is responsible to;

- Maximise share holder value
- Formulate, implement and monitor the Company's Corporate Strategy
- Approve annual budget and evaluate the performance against the budget and Key Performance Indicators.

- Approve interim financial statements before it is published.
- Ensure that effective systems are in place to safeguard the integrity of information, internal controls and risk management.
- Sanction major investments/ projects in accordance with the given criteria and parameters.
- Ensure compliance with laws, regulations and ethical standards.
- Ensure effective remuneration policies are in place to enhance employee commitment and motivation.
- Fulfill other board functions/ responsibilities which are vital, given the scale, nature and complexity of the matter in concern.

Company Secretary

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

Chairman and Chief Executive Officer

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

Chairman's Role

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

- The effective participation of all Non- Executive Directors are secured;

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

Financial Acumen

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

Board Balance

There are 12 Directors of the Company as at 31st December 2010 and all of them are Non- Executive Directors (NEDs). Out of these Non- Executive Directors 8 Directors are independent ; i.e. those Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. This is well above the minimum requirement prescribed by this code which is two Non-Executive Directors or Non- Executive Directors equivalent to one third of the total number of NEDs, whichever is higher. Each Non- Executive Director has submitted a signed and dated declaration of his/her independence or non-independence against the specified criteria set out in the code.

Supply of Information

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

Disclosure of information in respect of Directors

The details of the Board of Directors are provided on pages 18 to 22. Further the following information in relation to Directors is disclosed in the annual report.

Details of related party transactions are provided on page 70.

The composition of the Board and Board Sub Committees, and attendance at Board Meetings are provided on pages 39 to 41.

B. Directors Remunerations

Remuneration Procedure

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

Remuneration Committee

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

The members of the Remuneration Committee are as follows:

Name	Position	Directorship status
Mr. A.M.Mohan de Alwis	Chairman	Non Independent Non Executive Director
Dr Nalaka Harshijeewa Godahewa	Member	Independent Non Executive Director

Mr Asoka Nissanka Pathirane	Member	Independent Non Executive Director
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(Up to 7th March 2011)

Disclosure of Remuneration

Please refer the ‘Remuneration Committee Report’ on page 44 for disclosure of the remuneration policy of the hospital and aggregate remuneration paid to Non-Executive Directors.

C. Relations with shareholders

Constructive use of the AGM

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

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

Major Transactions

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

Corporate Governance**D. Accountability and Audit****Financial Reporting**

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

Please refer the "Directors Responsibility for Financial Reporting" on page 51, setting out their responsibilities for the preparation and presentation of financial statements. Please refer page 53 for the "Auditors Report" setting out their reporting responsibilities.

The Business Review, covering the strategic initiatives undertaken during the year, Company's performance against industry trends and the future potential and market winning strategies is set out from pages 28 to 35.

Declaration by the Board on the going concern of the Business is furnished on page 50 of the Annual Report of the Board of Directors.

Internal Control

A Company's system of internal control has a key role in the management of risks that are significant to the fulfillment of its objectives. Hence the Board is responsible to maintain a sound system of internal control to safeguard shareholder's investments and the hospital's assets. The Internal Controls prevailing at Lanka Hospitals facilitate the effectiveness and efficiency of operations; ensure the reliability of internal and external reporting and assists compliance with laws and regulations. The Company has a Medical Credential Committee which scrutinises the credential of all medical staff who contribute to the health care services of the Company. Effective financial controls, including the maintenance of proper accounting records, are an

important element of internal control. They help ensure that the hospital is not unnecessarily exposed to avoidable financial risks and ensure that the financial information is reliable and accurate and further contribute to the prevention and detection of fraud.

Audit Committee

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

The members of the Audit Committee are as follows:

Name	Position	Directorship status
Mrs Roshini Sunethra Cabraal	Chairperson	Independent Non Executive
Dr Nalaka Harshijeewa Godahewa	Member	Independent Non Executive
Professor Dayasiri Priyalath Anura Fernando	Member	Independent Non Executive

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

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

remuneration and terms of engagement. Further the Audit Committee is responsible to discuss the Audit plan, key audit issues, management responses and the hospital's audited financial statements and quarterly financial statements.

Please refer page 52 for the Audit Committee Report.

Corporate Governance Disclosures

The Directors of the hospital disclose the hospital's level of adherence to the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Securities and Exchange Commission (SEC) of Sri Lanka. This report from pages 38 to 41 serves that requirement.

E. Institutional Investors**Shareholder Voting**

The hospital maintains a continuous dialog with its shareholders and the AGM plays a vital role in this regard. All Institutional Investors are encouraged to use their votes and to ensure that their voting intentions are translated into practice.

Evaluation of Governance Disclosures

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

F. Other Investors**Investing/ Divesting Decision**

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

Shareholder Voting

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

Directors' Attendance at Meeting**(From 1st January 2010- 31st December 2010)**

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

Name of the Director	Number of Meetings	Attendance
Mr Gotabaya Nandasena Rajapaksa	6	4
Dr Nalaka Harshijeewa Godahewa	6	6
Professor Dayasiri Priyalath Anura Fernando	6	6
Mr Pradeep Kariyawasam - Resigned on 24th May 2010	3	3
Dr B Kaluarachchi - Resigned on 30th June 2010	4	4
Dr Ajith Amarasinghe - Resigned on 21st March 2011	6	6
Mr B. A. C. Fernando - Resigned on 1st July 2010	4	3
Dr S. S. L. Perera - Resigned on 7th March 2011	6	4
Major General (Dr) Sanjeewa Heman Munasinghe - Resigned on 7th March 2011	6	4
Mr Asoka Nissanka Pathirage - Resigned on 7th March 2011	6	5
Dr H. A. P. Kahandaliyanage - Resigned on 24th May 2010	3	0
Mr Adambarage Modantha Mohan De Alwis	2	2
Dr Tantirige Ravindra Chintaraj Ruberu	2	1
Mr Pitumpe Appuhamilage Lionel	2	2
Mrs Roshini Sunethra Cabraal	2	2
Dr Gamini Wasantha Kumara Wickramasinghe	2	2

Composition of the Board of Directors

Composition as at 31st Dec 2010		Composition as at 12th April 2011 (Date of the Annual Report)	
Name of the Director	Directorship Status	Name of the Director	Directorship Status
Mr Gotabaya Nandasena Rajapaksa	Independent Non Executive	Mr Gotabaya Nandasena Rajapaksa	Independent Non Executive
Dr Nalaka Harshijeewa Godahewa	Independent Non Executive	Dr Nalaka Harshijeewa Godahewa	Independent Non Executive
Professor Dayasiri Priyalath Anura Fernando	Independent Non Executive	Mr Mohan de Alwis	Non - Independent Non Executive
Mr Mohan de Alwis	Non- Independent Non Executive	Professor Dayasiri Priyalath Anura Fernando	Independent Non Executive
Dr Gamini Wasantha Kumara Wickramasinghe	Non- Independent Non Executive	Dr Tantirige Ravindra Chintaraj Ruberu	Independent Non Executive
Dr Ajith Amarasinghe	Non- Independent Non Executive	Mrs Roshini Sunethra Cabraal	Independent Non Executive
Mr Pitumpe Appuhamilage Lionel	Non- Independent Non Executive	Dr Gamini Wasantha Kumara Wickramasinghe	Non - Independent Non Executive
Dr S. S. L. Perera	Independent Non Executive	Mr Pitumpe Appuhamilage Lionel	Non - Independent Non Executive
Major General (Dr) Sanjeewa Heman Munasinghe	Independent Non Executive	Mr Malvinder Mohan Singh	Non - Independent Non Executive
Mr Asoka Nissanka Pathirane	Independent Non Executive	Mr Shivinder Mohan Singh	Non - Independent Non Executive
Dr Tantirige Ravindra Chintaraj Ruberu	Independent Non Executive	Mr Sunil Godhwani	Non - Independent Non Executive
Mrs Roshini Sunethra Cabraal	Independent Non Executive	Mr Vishal Bali	(Alternate Director to Mr Malvinder Mohan Singh)
		Mr Balinder Singh Dhillon	(Alternate Director to Mr Shivinder Mohan Singh)
		Mr Amit Varma	(Alternate Director to Mr Sunil Godhwani)

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

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1. (a)	Non- Executive Directors	Two or one third of the Directors, whichever is higher, should be Non- Executive Directors.	Complied with	There are 12 Directors as at 31 December 2010, and 11 Directors as at the date of the Annual Report. All these Directors in the Board are Non- Executive Directors.
7.10.2. (a)	Independent Directors	Two or one third of Non- Executive Directors, whichever is higher, should be independent.	Complied with	The Board comprises of 8 Independent Non- Executive Directors as at 31st December 2010, and 5 Independent Non- Executive Directors as at the Date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non- Executive Director should submit a declaration of independence/ Non- Independence in the prescribed format.	Complied with	All the Directors have submitted declaration of Independence/ Non-Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of independent Directors should be disclosed in the annual report.	Complied with	Please refer page 41 of this report
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Complied with	All the Independent Directors satisfy the "criteria of independence" as per rules on corporate governance
7.10.3.(c)	Disclosure relating to the Directors	A brief resume of each Director should be published in the annual report including the areas of expertise.	Complied with	Please refer page 18 to 22 of this report
7.10.3.(d)	Disclosure relating to the Directors	Provide to the Exchange, a brief resume of any new Director appointed to the board.	Complied with	Brief resumes of all newly appointed Directors have been provided to the Colombo Stock Exchange
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer page 44 of this report
7.10.5 (a)	The composition of the Remuneration Committee	The Remuneration Committee shall comprise a minimum of two independent Non- Executive Directors or Non- Executive Directors, a majority of whom shall be Independent, whichever is higher.	Complied with	The Remuneration Committee comprises a majority of Independent Non Executive Directors.
	Chairman of the Remuneration Committee	One Non- Executive Director shall be appointed as Chairman of the committee by the Board.	Complied with	Mr. Mohan de Alwis functions as the Chairman of the Committee and he is a Non Executive Director in the Board.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Complied with	Please refer the Scope of the Remuneration Committee on page 44 of this report

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.5 (c)		The annual report shall set out: The names of the Directors that comprise the Remuneration Committee. A statement of remuneration policy. Aggregate remuneration paid to Executive and Non- Executive Directors.	Complied with Complied with Complied with	Please refer the Remuneration Committee Report on page 44. Please refer Remuneration Committee Report on page 44. Please refer Remuneration Committee Report on page 44.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer page 40.
7.10.6 (a)	Composition of the Audit Committee	The Audit Committee shall comprise a minimum of two independent Non- Executive Directors, or Non- Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with	The Audit Committee comprises of all Independent Non- Executive Directors.
		One Non- Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Ms Roshini Sunethra Cabraal is a Non Executive Director in the Board.
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Complied with	Chief Executive Officer and Chief Financial Officer attend meetings by invitations.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Complied with	Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Society of Certified Management Accountants of Sri Lanka.
7.10.6 (b)		The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Complied with	Please refer the Audit Committee Report on page 52.
7.10.6 (c)		The annual report shall set out: The names of the Directors who comprise the Audit Committee. 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 Complied with	Please refer the Audit Committee Report on page 52. Please refer the Audit Committee Report on page 52.

Remuneration Committee Report

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

Mr. Mohan de Alwis - Chairman (NED)

Dr. Nalaka Godahewa (IND / NED)

Mr. Asoka Pathirane (IND / NED)

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

Policy

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

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

Scope

The Committee reviews all significant changes in salary structures and terms and conditions relating to staff at senior managerial level. In this decision making process, necessary information and recommendations are obtained from the CEO and Human Resources Manager. The Committee recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the CEO and members of the Corporate Management. The annual salary increments and the bonuses for the total Hospital staff are also subjected to the approval of the Remuneration Committee.

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

Recruitment / promotions of staff at senior management level are also determined based on the proposals submitted by Human Resources Manager and on the recommendations of the

CEO. When necessary, interviews are held to assess the core competencies of the proposed applicant.

Fees

All Non Executive Directors receive a fee for attendance at Board meetings and serving on sub-committees, special committees and / or subsidiary boards. The aggregate of Rs. 500,000/- have been paid as allowance for Board attendance during the year under review. They do not receive any performance or incentive payments.

Meetings

The Committee met thrice during 2010. A report of the decisions approved and recommended to the Board by the Committee is circulated and affirmed by the Board of Directors.

At least two members of the Committee have attended all three meetings held during the year.

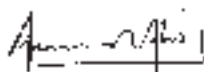
Professional Advice

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

Committee Evaluation

Self-assessment by Committee members was complied with at the commencement of 2010.

On behalf of the Committee:



Mohan de Alwis

Chairman, Remuneration Committee
Colombo

12th April 2011

Corporate Social Responsibility (CSR) was a key focus during the year under review in view of Lanka Hospitals role as a responsible corporate citizen. Alongside its commitment to ensuring affordable yet excellence in health underscored by the best in medical treatment and facilities to the hundreds of thousands of patients who seek treatment and healing, Lanka Hospitals engaged in many worthy programmes to give back to the community in which it operates.

Dengue Awareness and prevention campaign

One of our primary corporate social responsibility initiatives for the year was the Dengue Awareness and prevention campaign which was initiated under the aegis of the Wellness Club, an internal staff committee whose function is to organise all staff related social and welfare activities.

In view of the rising afflictions and fatalities from Dengue during the year 2010, a concerted effort was made on the part of Lanka Hospitals to create awareness on the disease, prevention and diagnosis. As such, the Hospital assigned one dedicated week in August 2010 to Dengue eradication, strongly pushing the core message "Lets wipe out dengue for a better tomorrow". During the course of this week a series of activities were planned and conducted with the intention of strongly impacting the Hospitals staff as well as the surrounding residents. The campaign sought to change behaviour of people by creating a sense of urgency to take action towards the creation of an environment devoid of optimal breeding grounds for the dengue mosquitoes.

The campaign was an integrated programme consisting of three core components. The dengue awareness poster and creative writing competition served towards driving the message through interest and interactivity. This component targeted not only the participants but also a large number of the general public who were exposed to the participants' work through and exhibition of posters at the Hospitals main entrance.

The second component comprised of a series of lectures conducted by the Public Health Inspector and the Colombo Municipal Council. The two entities were invited to impart their expertise on dengue prevention and eradication. The lectures were conducted on a daily basis, for an hour during the dengue eradication week. A panel of specialist doctors from various

disciplines also contributed towards the lecture sessions, creating awareness on symptoms, treatment and recovery from Dengue.

The third component was a systematic dengue prevention city clean up programme that was conducted on the last day of the Dengue eradication week. Under the city clean up programme the environs of the Hospital, namely; Elvitigala Mawatha, Park Road, the peripheral areas of Sri Lanka Telecom and adjoining lanes were subjected to an intense sprucing up. The combined efforts of the Hospitals Wellness Club, Civil Defence Force, Colombo Municipal Council, the Administration department and the Security department assisted towards the success of this programme.

Medical camp in Kayts, Jaffna

In cascading healthcare to the very corners of the nation, Lanka Hospitals in June 2010 conducted a very successful medical camp in Kayts, Jaffna. The camp catered to over 1,500 patients who had been lacking access to quality medical care. Simultaneously medical equipment and medicines were donated to the Base Hospital in Kayts.

Extraordinary people & processes

Financial Information



What makes **a world-class** hospital?

3.2bn

REVENUE 2010

33%

REVENUE GROWTH 2010

277mn

OPERATING PROFIT 2010

289mn

NET PROFIT 2010

ANNUAL REPORT OF THE DIRECTORS

For the year ended 31st December 2010

The Board of Directors has pleasure in presenting the Annual Report together with the audited financial statements of the company, The Lanka Hospitals Corporation PLC (“Lanka Hospitals” or “the company”).

These were approved by the Directors on 12th April 2011.

Formation

The Company was formed on 06th October 1997 as a private Limited liability company and converted to a public entity in 2001.

In August 2006, Sri Lanka Insurance Corporation Limited having acquired 36% of the shares of the Company, made a mandatory offer to the shareholders of the Company to purchase the balance 64% shares in terms with the Rule31(1) of the Takeovers & Mergers Code 1995. Currently Sri Lanka Insurance Corporation Limited holds 54.61% stake in the Company.

In March 2011, the second largest shareholder of the Company, Distilleries Company of Sri Lanka sold its entire stake of 28.6% shares in the Company to Fortis Healthcare Limited, the second largest private hospital chain in India.

Nature of the business and principal activity of the Company

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

Review of Operations and Financial Highlights

The Financial Statements which include the income statement, balance sheet, statement of changes in equity and the notes to the financial statements of the Company for the year ended 31st December 2010 are set out on pages 53 to 70 of the Annual Report.

Respective Responsibilities of Directors and Auditors for the Financial Statements

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

Independent Auditors’ Report

The Report of the Auditors on the Financial Statements of the Company is given on page 53.

Changes in accounting policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 58 to 61 of the Annual Report. There were no changes in the accounting policies adopted in the previous year.

Financial Results

The Company has recorded a net profit of Rs.289 Mn on a turnover of Rs.3,156 Mn during the Year.

Business Review

The Chairman’s Review and the CEO’s Review form an integral part of this Report and provide a true and fair review of the performance of the Company during the year ended 31st December 2010.

Property Plant & Equipment

The Company has spent Rs. 181 million on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 8 to the Financial Statements.

Extent, Location & Market value of properties

Land and buildings of the Company are located at No 578, Elvitigala Mawatha, Colombo-05. Total extent of the land is 6.9022 Acres out of which 1.6890 Acres are covered by the building. Building constructed on land obtained on lease was assessed on 31st December 2010. Details of the revaluation, market value and relevant accounting policies are provided in note no 8.5 to the financial statements on page 63.

Dividend

The Directors do not recommend a dividend for the financial period ended 31st December 2010.

Reserves

Total reserves and their composition are set out in the statements of changes in equity on page 56.

Major Shareholdings

The names of the twenty largest shareholders, the number of shares held and the percentage held are given on page 71 of the

Annual Report. The distribution schedule of the shareholders and public holding are found in page 72 of the Annual Report.

Directors as at 31 December 2010

The Board of Directors of The Lanka Hospital Corporation PLC comprised 12 members as at 31st December 2010 and all of them served as Non- Executive Directors.

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

Mr. Gotabaya Rajapaksa	- Chairman
Dr. Nalaka Godahewa	
Dr. S. S. L. Perera	
Dr. Ajith Amarasinghe	
Mr. Asoka Nissanka Pathirane	
Major General (Dr.) Sanjeewa Heman Munasinghe	
Prof. D. P. A. Fernando	
Mr. P. A. Lionel	- Appointed on 01st July 2010
Dr. G. W. K. Wickramasinghe	- Appointed on 01st July 2010
Dr. T. R. C. Ruberu	- Appointed on 24th May 2010
Mr. A. D. M. De Alwis	- Appointed on 24th May 2010
Mrs. R. S. Cabraal	- Appointed on 24th May 2010

Former Directors

Mr. Pradeep Kariyawasam	- Ceased to be a Director on 24th May 2010
Mr. B. A. C. Fernando	- Ceased to be a Director on 01st July 2010
Dr. B. Kaluarachchi	- Ceased to be a Director on 30th June 2010
Dr. H. A. P. Kahandaliyanage	- Ceased to be a Director on 24th May 2010

The Board wishes to place on record their sincere appreciation of the services rendered by the Directors who resigned from the Board during the financial year 2010.

Directors resigned/ appointed after the Financial Year

Major General (Dr) Sanjeewa Heman Munasinghe, Dr Sunil Perera and Mr Asoka Pathirane resigned from the Company on 07th March 2011 while Dr Ajith Amarasinghe resigned on 21st March 2011.

ANNUAL REPORT OF THE DIRECTORS

Nominee Directors of Fortis Healthcare India Limited, Messrs Malvinder Mohan Singh, Shivinder Mohan Singh, Sunil Godhwani and their Alternate Directors Messrs Vishal Bali, Balinder Singh Dhillon and Amit Varma respectively were appointed to the Board on 24th March 2011.

Brief profile of the above Directors is given on page 18 of the Annual Report.

Retirement of Directors by rotation or otherwise and their Re-election

A shareholder has deposited a resolution to move at the Annual General Meeting to elect Dr. D. P. A. Fernando who has attained at the age of 71 as a Director of the Company until the conclusion of the next Annual General Meeting of the Company.

Interest Registers

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

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

The related party transactions and Directors' interest in contracts and proposed contracts with the Company are also disclosed in Note 31 to the Financial Statements.

Remuneration of Directors

The details of the board meeting sitting fees paid to the Board of Directors during the year under review is given on page 44.

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

As at 31st December 2010, none of the Directors held shares in the Company.

Amounts payable to Auditors

The fees paid to auditors are disclosed in Note 25 to the Financial Statements.

Auditors' relationship

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

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

Statutory Payments

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

Contributions to Charity

The sum of contributions made to charities by the Company during the financial year ended 31 December 2010 was Rs. 73,197/- (2009- Rs. 417,750/-)

Going Concern

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

Contingent Liabilities

Details with regard to the contingent liabilities are given in note No 28 to the financial statement.

Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments to or disclosure in, to be decided by the Board of Directors.

Risk Management

The Company has initiated a comprehensive Enterprise Risk Management Process and details are explained in the CEO's Review on page 10.

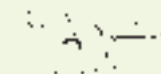
Annual General Meeting

The Annual General Meeting of the Company will be held Thursday 26th May 2011 at 10.00 am at the Dr. Prathap C Reddy Auditorium, The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5, Sri Lanka.

For and on behalf of the Board



Gotabaya Rajapaksa
Chairman



Dr Nalaka Godahewa
Director

By Order of the Board,



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

12th April 2011

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, is set out in the report of the Auditors at page 53 of the Annual Report.

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

The Directors are of the view that in preparing financial statements, disclosed on pages from 54 to 70,

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

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

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

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

By Order of the Board,



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

12th April 2011

AUDIT COMMITTEE REPORT

Role of the Audit Committee and governance -The Audit Committee is a sub-committee of the Board appointed by the Board and accountable to the Board. The role of this Committee is to assist the Board to carry out its responsibilities relating to the following areas:

- Financial Reporting System
- Business Risk Management
- Internal Controls
- Compliance with Laws and regulations
- External Audit Function

The Committee is governed by the terms of reference as set out in the Audit Committee Charter.

The Head of Internal Audit Division serves as the Secretary to the committee.

Composition of the Audit Committee and meetings

The Audit Committee was reconstituted in October 2010 and now comprise the following Independent Non- Executive Directors.

Mrs. Roshini S Cabraal - Chairperson
Dr. Nalaka Godahewa - Member
Prof. Dayasiri Fernando - Member

The Chief Executive Officer, Chief Financial Officer, External Auditor and Head of Internal Audit attend Audit Committee meetings by invitation. The committee also meets separately with the Head of Internal Audit. The Committee will meet as often as required, and at least quarterly each year. Consequent to the reconstitution the committee met twice in November 2010 and February 2011.

Profile of the members – This is given in section on pages 18 to 22 which refers to the Board of Directors.

Committee activities-

The Committee

- Reviewed and discussed the financial reporting system adopted by the Company in the preparation of its financial statements.
- Reviewed the appropriateness of the risk management processes in place.
- Reviewed the findings of the Internal Audit division and their recommendations together with the management responses and followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.
- Reviewed the quarterly compliance reports submitted by the Internal Audit division to ensure that the Company has complied with all required laws and regulations.
- Reviewed the performance of the internal audit function, the findings of the audits completed during the year and the department's resource requirements
- Received reports from the Head of Internal Audit on the department's work and findings
- The committee met once with the External Auditors whilst the year end audit was being completed.

Internal Audit -

- Independently reviews the risks and control processes operated by management.
- Carries out independent audits in accordance with an internal audit plan which is agreed with the Audit Committee before the start of the financial year. The plan provides a high degree of financial coverage and devotes significant effort to the review of the risk management framework surrounding the major business risks.

- Reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised.
- Follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

On behalf of the Committee:



Mrs. Roshini S Cabraal
Chairperson, Audit Committee
Colombo

12th April 2011



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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TO THE SHAREHOLDERS OF THE LANKA HOSPITALS CORPORATION PLC

Report on the Financial Statements

We have audited the accompanying financial statements of The Lanka Hospitals Corporation PLC., which comprise the balance sheet as at December 31, 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 70 of the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2010 and the financial statements give a

true and fair view of the Company's state of affairs as at December 31, 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS

Colombo

12th April 2011

KPMG Ford, Rhodes, Thornton & Co., 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.

A/S. Fernando FCA	M.R. Mihular FCA	Ms. M. R. Perera FCA
R.V.S. Perera FCA	C.P. Jayatilaka FCA	T.J.S. Rajakarier FCA
W.N.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.R. Jayasekara ACA
W.E.D.C. Abeyratne ACA	S.T.D.L. Perera FCA	S.A.U. Karunaratne ACA

Principal - S.R.I. Perera ACMA, LL.B., Attorney-at-Law, H.S. Goonesekere ADA

BALANCE SHEET


As at 31st December,	Note	2010 Rs.	2009 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	8	2,778,835,336	2,262,434,150
Advance Lease Premium	9	106,127,469	88,751,790
		2,884,962,805	2,351,185,940
Current Assets			
Inventories	10	86,451,157	57,119,635
Trade & Other Receivables	11	215,535,250	135,591,872
Amounts due from Related Parties	12	707,683	860,994
Cash and cash equivalents	13	467,742,582	186,655,715
		770,436,672	380,228,216
Total Assets		3,655,399,477	2,731,414,156
EQUITY AND LIABILITIES			
Equity			
Stated Capital	14	2,671,543,090	2,671,543,090
Revaluation Reserve		740,387,916	320,296,805
Retained Profit / (Loss)		(681,928,748)	(984,248,594)
		2,730,002,259	2,007,591,301
Non Current Liabilities			
Retirement Benefit Obligations	15	33,011,027	20,392,787
Government Grants	16	-	221,157
Interest bearing Borrowings	17	-	22,590,000
Deferred Tax Liabilities	18	457,892,610	350,698,002
Total Non Current Liabilities		490,903,637	393,901,946
Current Liabilities			
Interest bearing Borrowings	17	22,590,000	30,120,000
Amounts due to Related Parties	19	4,593,014	3,863,626
Trade & Other Payables	20	277,506,504	246,128,486
Income Tax Payable		-	42,373
Bank Overdraft		129,804,063	49,766,424
Total Current Liabilities		434,493,581	329,920,909
Total Liabilities		925,397,218	723,822,855
Total Equity & Liabilities		3,655,399,477	2,731,414,156

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


Sampath Hettiarachchi
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board.


Gotabaya Rajapaksa
Chairman


Dr. Nalaka Godahewa
Director

Colombo
12 April 2011

The Accounting Policies and Notes form an integral part of these financial statements. Figures in brackets indicate deductions.

INCOME STATEMENT

Period ended 31st December,	Note	Year ended 2010 Rs.	9 months ended 2009 Rs.
Revenue	21	3,156,022,682	1,777,370,507
Cost of Services		(1,753,920,345)	(994,594,300)
		1,402,102,337	782,776,207
Other Operating Income	22	1,021,225	1,054,037
Staff Costs	23	(553,147,598)	(340,139,476)
Depreciation on Property, Plant & Equipment		(103,608,386)	(77,875,370)
Other Operating Expenses		(469,068,748)	(312,127,175)
Net Finance Income/(Cost)	24	12,002,437	(3,534,767)
Re-branding Expenses		-	(28,996,110)
Profit before Tax	25	289,301,266	21,157,346
Income Tax Expense	26	(157,543)	(13,913,376)
Profit for the Period		289,143,723	7,243,970
Earnings per Share	27	1.29	0.03

The Accounting Policies and Notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

The Company changed its reporting period end in 2009 from 31st March to 31st December to conform with the reporting period end of the parent company. Consequently the comparative financial statements are prepared for a period of 9 months ended 31st December 2009.

Hence the comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2010

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Profit/(Loss) Rs.	Total Rs.
Balance as at 1st April 2009	2,671,543,090	330,592,173	(1,001,787,932)	2,000,347,331
Profit for the period	-	-	7,243,970	7,243,970
Realisation of Revaluation Surplus	-	(10,295,368)	10,295,368	-
Balance as at 31st December 2009	2,671,543,090	320,296,805	(984,248,594)	2,007,591,301
Effect on realisation of reserves due to effective tax rates	-	(2,057,682)	2,057,682	-
Profit for the year	-	-	289,143,723	289,143,723
Surplus on revaluation of building	-	548,462,737	-	548,462,737
Tax effect on surplus on revaluation	-	(153,569,566)	-	(153,569,566)
Effect on change in tax rate	-	38,374,064	-	38,374,064
Realisation of Revaluation Surplus	-	(11,118,441)	11,118,441	-
Balance as at 31st December 2010	2,671,543,090	740,387,916	(681,928,748)	2,730,002,259

The Accounting Policies and Notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

Revaluation reserve represents the surplus on revaluation of Buildings on Leasehold land

CASH FLOW STATEMENT

Period ended 31 December,	Year ended 2010 Rs.	9 months ended 2009 Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	289,301,266	21,157,346
Adjustments for :		
Interest Expense	6,071,312	9,954,246
Interest Income	(19,186,251)	(8,008,254)
Depreciation on property, plant & equipment	200,080,616	145,487,381
Loss on property, plant & equipment written-off	13,517,529	-
Amortisation of Government Grants	(221,157)	(664,220)
Amortisation of Advance Lease Premium	4,683,472	3,512,604
Provision for Retiring Gratuity	15,382,070	4,559,915
Provision/(reversal of provision) for Inventories	(3,387,188)	1,435,900
Provision/(reversal of provision) for Doubtful Debts	(10,798,838)	1,345,404
Operating Profit before Working Capital Changes	495,442,831	178,780,322
(Increase)/Decrease in Inventories	(25,944,334)	(481,322)
(Increase)/Decrease in Trade & Other Receivables	(69,144,540)	(39,372,538)
(Increase)/Decrease in Amounts due from Related Company	153,311	(6,236,247)
Increase/(Decrease) in Amounts due to Related Company	729,388	(301,385)
Increase/(Decrease) in Trade & Other Payables	31,378,018	19,070,317
Cash generated from Operating Activities	432,614,674	151,459,147
Interest Paid	(6,071,312)	(9,954,246)
Income tax Paid	(8,200,810)	(4,444,252)
Retiring Gratuity Paid	(2,763,830)	(1,655,488)
Net Cash Flow from Operating Activities	415,578,722	135,405,161
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(181,536,592)	(20,137,264)
Advance Lease premium Paid	(22,059,151)	-
Interest Income	19,186,251	8,008,254
Net Cash Flow from Investing Activities	(184,409,492)	(12,129,010)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of NDB Loan	(10,000,000)	(7,500,000)
Syndicate Loan Repaid	(20,120,000)	(15,090,000)
Net Cash Flow from Financing Activities	(30,120,000)	(22,590,000)
Net Increase in Cash and Cash Equivalents	201,049,230	100,686,151
Cash and Cash Equivalents at the beginning of the year	136,889,289	36,203,138
Cash and Cash Equivalents at the end of the year (Note A)	337,938,519	136,889,289
Note A		
Cash & Cash Equivalents at the end of the Period		
Cash and cash equivalents	467,742,582	186,655,715
Bank Overdraft	(129,804,063)	(49,766,426)
	337,938,519	136,889,289

The Accounting Policies and Notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

REPORTING ENTITY

General

The Lanka Hospitals Corporation PLC is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and principal place of business is located at No. 578, Elvitigala Mawatha, Colombo 5, Sri Lanka.

Principal Activities and Nature of Operations

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

Parent Enterprise and Ultimate Parent Enterprise

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

Number of Employees

The number of employees of the Company at the end of the period was 1082 (31st March 2009 – 952).

Date of Authorisation of Issue

The financial statements for the period ended 31st December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 12th April 2011.

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

1.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except that certain items of Property, Plant & Equipment which are measured at fair value and Retirement Benefit Obligations which are measured at the present value of the Defined Benefit Plans as explained in the respective notes to the financial statements.

1.3 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees which is the functional currency of the Company.

1.4 Use of Estimates and judgments

The preparation of financial statements in conformity with SLAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if revision affects both current and future periods.

Information about significant areas of estimation uncertainty & critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes;

- Note 15 Measurement of defined benefit obligations.
- Note 28 Contingent liabilities

2. Summary of Significant Accounting Policies

The accounting policies set out below are consistent with those used in the previous year. Certain comparative amounts have been reclassified to conform to the current year's presentation.

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of operations.

2.1 Foreign Currency Translation

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sri Lankan Rupees at the exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated using the exchange rates as at the dates of the initial transactions. Foreign exchange differences arising on translation are recognised in profit and loss.

2.2 Segmental Information

A Segment is a distinguishable component of an enterprise that is engaged in either providing products or services (business segment) or in providing products or services with in particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

2.3 Earnings per Share

The Company 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.

2.4 Post Balance Sheet Events

All material events occurring after the Balance Sheet date have been considered and where appropriate, adjustments to or disclosures have been made in the respective notes to the financial statements.

3. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realised in cash during the normal

operating cycle of the Company's business or within one year from the reporting date, whichever is shorter.

3.1 Property, Plant and Equipment

Items of Property, Plant & Equipment are measured at cost (or valuation in respect of buildings) less accumulated depreciation and accumulated impairment losses.

3.1.1 Cost

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

3.2 Revaluation

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

Increases in the carrying amount on revaluation are credited to the revaluation surplus reserve in the shareholders equity unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

Decreases in the carrying amount on revaluation that offset previous increases of the same individual asset is charged against revaluation surplus reserve in equity. All other decreases are expensed in profit and loss.

3.3 Subsequent Costs

The cost of replacing part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of day to day servicing of Property, plant and equipment are recognised in profit and loss as incurred.

3.4 Impairment of Assets

The carrying amount of the Company's non-financial assets other than inventories is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and 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. In determining fair value less costs to sell, an appropriate valuation model is used.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'Other Income' in the profit and loss.

3.6 Depreciation

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

The estimated useful lives are as follows.

• Motor Vehicle	4 years
• Furniture & Fittings	10 years
• Office Equipment	10 years
• Computers	6 2/3 years
• Other Equipment	10 years
• Medical Equipment	10 years
• Medical Vehicles	4 years
• Kitchen Equipment	3 years

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

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3.7 Leases

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Rentals paid under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Premiums paid in advance are carried forward and amortised over the entire lease period.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out (FIFO) principle. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS**3.9 Trade and Other Receivables**

Receivables are stated at the amount that they are estimated to realise, net of provision for bad and doubtful debts.

Other receivables and dues from related parties are recognised at cost, less provision for bad and doubtful receivables.

3.10 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of aforesaid cash and cash equivalents net of outstanding bank overdraft.

4. LIABILITIES AND PROVISIONS

Liabilities classified as Current Liabilities in the Balance Sheet are those, which will fall due for payment on demand or within one year from the reporting date.

Non current Liabilities are those balances that fall due for payment later than one year from the reporting date.

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

4.1 Trade and Other Payables

Trade and Other payables are stated at their cost.

4.2 Provisions

A provision is recognised, if as a result of a past event, the Company has a 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.

4.3 Employee Benefits**4.3.1 Defined contribution plan**

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

4.3.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a Qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No. 16 "Employee Benefits".

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

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

The liability is not externally funded.

4.3.3 Short-term employee benefits

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

of past service provided by the employee, and the obligation can be measured reliably.

5. INCOME STATEMENT**5.1 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs or to be incurred can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

5.1.1 Rendering of Hospital and Pharmaceutical Services

Revenue from hospital and pharmaceutical services is recognised at the point of delivering the service.

5.1.2 Interest Income

Interest income is recognised in profit and loss as it accrues (taking into account the effective yield on the asset).

5.1.3 Rental Income

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

5.1.4 Other Income

Other Income is recognised on an accrual basis.

5.2 Expenditure Recognition

Expenses are recognised in profit and loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business, and in maintaining the capital assets in a state of efficiency, has been charged in arriving at the profit for the year.

For the purpose of presentation of the Income Statement, the Directors are of the opinion that the "function of expenses method" presents fairly the elements of the Company's performance and hence such presentation method is adopted.

5.2.1 Net Finance Cost

Finance income comprises interest income on funds invested and gain on translation of foreign currency.

Financing expense comprises interest payable on borrowings and loss on translation of foreign currency. The interest expense component of finance lease payments is recognised in profit and loss using the effective interest rate method.

5.2.2 Taxation

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit and loss except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current taxation

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

5.2.3 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

5.2.4 Borrowing Costs

Borrowing Costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of Property, Plant & Equipment, that takes a substantial period of time to get ready for its intended use or sale and are capitalised as part of that asset during the period of construction/development.

5.2.5 Government Grants

Government grants received to compensate the Company for the cost of an asset is initially recognised in the Balance Sheet as deferred income when there is a reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant and are then recognised in profit and loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

6. CASH FLOW STATEMENTS

The Cash Flow Statement has been prepared using the "Indirect Method" in accordance with Sri Lanka Accounting Standard 9, "Cash Flow Statements". Cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

Interest paid is classified as operating cash flows, while interest received is classified as investing cash flows, for the purpose of presentation of the Cash Flow Statement, reported based on the indirect method.

7. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards which will become applicable for annual periods beginning on or after 1st January 2012. Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the year ended 31st December 2010.

The Company's currently in the process of evaluating the potential effect of these Standards on its financial statements and the impact on the adoption of these Standards have not been quantified as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY PLANT & EQUIPMENT					
	Balance As at 01/01/10 Rs.	Additions during the year Rs.	Written-off during the year Rs.	Adjustment on revaluation Rs.	Balance As at 31/12/10 Rs.
8.1 Cost/Valuation					
Buildings on Leasehold Land	1,848,668,979	-	-	340,781,271	2,189,450,250
Medical Equipment	907,715,331	142,001,735	(57,352,100)	-	992,364,966
Furniture & Fittings	124,463,518	15,101,504	-	-	139,565,022
Office Equipment	30,416,838	2,660,293	-	-	33,077,131
Computers	55,383,105	12,457,726	-	-	67,840,831
Other Equipment	347,653,964	7,330,474	-	-	354,984,438
Kitchen Equipment	2,009,641	2,134,111	-	-	4,143,752
Medical Vehicles	8,901,926	-	-	-	8,901,926
Motor Vehicles	3,465,900	-	-	-	3,465,900
	3,328,679,202	181,685,843	(57,352,100)	340,781,271	3,793,794,216
	Balance As at 01/01/10 Rs.	Charge for the year Rs.	Written-off during the year Rs.	Adjustment on revaluation Rs.	Balance As at 31/12/10 Rs.
8.2 Depreciation					
Buildings on Leasehold Land	161,464,741	46,216,725	-	(207,681,466)	-
Medical Equipment	545,387,323	93,551,792	(43,834,565)	-	595,104,550
Furniture and Fittings	69,307,303	12,768,301	-	-	82,075,604
Office Equipment	19,180,750	6,051,534	-	-	25,232,284
Computers	47,838,043	9,061,345	-	-	56,899,388
Other Equipment	209,741,038	31,528,109	-	-	241,269,147
Kitchen Equipment	1,157,279	902,810	-	-	2,060,081
Medical Vehicles	8,901,926	-	-	-	8,901,926
Motor Vehicles	3,465,900	-	-	-	3,465,900
	1,066,444,303	200,080,616	(43,834,565)	(207,681,466)	1,015,008,880
Capital work-in-progress	199,251				50,000
8.3 Net Book Value as at 31st December					
Total Carrying Amount of Property, Plant & Equipment	2,262,434,150				2,778,835,336
				Year ended 31st December 2010 Rs.	9 months ended 31 st March 2009 Rs.
8.4 Depreciation on Property, Plant & Equipment					
Classified under Cost of services				96,472,230	67,612,011
Classified under Depreciation of Property Plant & Equipment				103,608,386	77,875,370
				200,080,616	145,487,381

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

Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued amount Rs.	Market Value Rs.
Building constructed on land obtained on operating lease at 578, Elvitigala Mawatha, Colombo 05.	Investment	31/12/2010	A.A.M. Fathihu	2,189,450,250	2,189,450,250

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

	Cost Rs.	Depreciation if assets were carried at cost Rs.	Cumulative net carrying amount Rs.
Building on lease hold land	1,423,309,986	251,352,200	1,171,957,786

During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs 181,685,843/- (2009 - Rs.19,938,013/-), the consideration for which was settled by cash.

	31st December 2010 Rs.	31 st December 2009 Rs.
9 ADVANCE LEASE PREMIUM		
Balance at the beginning of the period	88,751,790	92,264,394
Premium paid during the period	22,059,151	-
Amount charged to the Income Statement	(4,683,472)	(3,512,604)
Balance at the end of the period	106,127,469	88,751,790

The Company has entered into a 99-year lease agreement with the Urban Development Authority from 1999. In terms of this agreement a further sum of Rs. 278 Mn is payable by 2026.

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

The leasehold interest in the land obtained on lease was assessed by Messrs A.A.M Fathihu - F.I.V (Sri Lanka) Incorporated Valuer as Rs. 1,294,051,875/-. This value is not incorporated in this financial statements.

	31st December 2010 Rs.	31 st December 2009 Rs.
10 INVENTORIES		
Main Stores	43,372,872	16,843,804
OT Stores	13,432,415	13,633,661
Cath Lab	1,559,662	1,520,891
Pharmacy	26,405,879	26,306,295
Engineering stores	1,680,329	2,202,172
	86,451,157	60,506,823
Provision for inventories	-	(3,387,188)
	86,451,157	57,119,635

NOTES TO THE FINANCIAL STATEMENTS

	31st December 2010 Rs.	31 st December 2009 Rs.
11 TRADE & OTHER RECEIVABLES		
Trade Receivables		
Trade Receivables -Related Party Sri Lanka Insurance Corporation Limited	10,162,607	10,359,430
Total Trade receivables from Related Parties	10,162,607	10,359,430
Trade Receivables - Others	130,632,788	97,004,161
Provision for Bad & Doubtful Debts	(5,475,787)	(27,444,539)
Total Trade Receivables	125,157,001	79,919,052
Deposits and prepayments Advances & other receivables	42,629,555	42,742,615
- Insurance claim receivable from Related Parties - Sri Lanka Insurance Corporation Limited (Note11.1)	33,293,068	-
Provision for bad & doubtful debts	(11,169,914)	-
	22,123,154	-
- Others	15,462,933	12,930,205
Total Trade & Other Receivables	215,535,250	135,591,872
11.1 The Company lodged a claim with Sri Lanka Insurance Corporation Limited for loss of inventory amounting to Rs. 33,293,068/- due to fire. The claim is being processed and provision made for balance doubtful of recovery based on the correspondence with the Insurer as at date.		
12 AMOUNTS DUE FROM RELATED PARTIES		
Sri Lanka Insurance Corporation Limited	707,683	860,994
	707,683	860,994
13 CASH & CASH EQUIVALENTS		
Cash in Hand	6,678,400	3,992,914
Cash at Bank	92,544,262	26,744,717
Repo Investment	368,519,920	155,918,083
	467,742,582	186,655,715
Less: Bank Overdraft	129,804,063	49,766,424
Cash & Cash equivalents for purpose of Cash Flow Statement	337,938,519	136,889,291
14 STATED CAPITAL		
14.1 Issued and Fully Paid - Ordinary shares		
Balance at the beginning of the Year		
223,732,169 Ordinary Shares	2,671,543,090	2,671,543,090
	2,671,543,090	2,671,543,090

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

	31st December 2010 Rs.	31 st December 2009 Rs.
15 RETIREMENT BENEFIT OBLIGATIONS		
Balance at the beginning of the period	20,392,787	17,488,360
Current service cost	7,833,478	4,185,952
Interest cost	2,447,134	1,732,114
Actuarial (gain)/loss	5,101,458	(1,358,151)
Payments made (including benefits paid) during the period	(2,763,830)	(1,655,488)
Balance at the end of the period	33,011,027	20,392,787
Expenses recognised in profit or loss		
Staff costs	15,382,070	4,559,915
The key assumptions used by the actuary include the following as at the reporting date;		
(1) Rate of interest -	10.50%	
(2) Salary increment rate		
Salary denoted in Sri Lankan rupees	12.00%	p.a
Salary denoted in Indian rupees and USD	5.00%	p.a
(3) Retirement age	55 years	
The Company's retirement benefit obligation would have been Rs. 42,850,724/- as at the reporting date had their retirement benefit obligation been calculated as per the requirements of the Payment of Gratuity Act. No 12 of 1983.		
	31st December 2010 Rs.	31 st December 2009 Rs.
16 GOVERNMENT GRANTS		
Balance at the beginning of the period	221,157	885,375
Amortised during the period	(221,157)	(664,218)
Balance at the end of the period	-	221,157
The Company received government grant in respect of a machinery in the year 2004, and it has been accounted for in accordance with SLAS - 24. "Accounting for Government Grants and Disclosure of Government Assistance".		
17 BANK BORROWINGS		
Syndicate Loan (Note 17.1)	15,090,000	35,210,000
NDB Loan (Note17.2)	7,500,000	17,500,000
	22,590,000	52,710,000
Amount Payable within one year	22,590,000	30,120,000
Amount Payable after one year	-	22,590,000
17.1 Syndicate Loan		
Hatton National Bank PLC (Note 17.1 A)	7,500,000	17,500,000
National Development Bank PLC (Note 17.1 B)	3,795,000	8,855,000
Seylan Bank PLC (Note 17.1 C)	3,795,000	8,855,000
	15,090,000	35,210,000

NOTES TO THE FINANCIAL STATEMENTS

	31st December 2010 Rs.	31 st December 2009 Rs.
17.1 A Hatton National Bank PLC		
Balance at the Beginning of the period	17,500,000	25,000,000
Payment made during the period	(10,000,000)	(7,500,000)
Balance at the end of the period	7,500,000	17,500,000
17.1 B National Development Bank PLC		
Balance at the Beginning of the period	8,855,000	12,650,000
Payment made during the period	(5,060,000)	(3,795,000)
Balance at the end of the period	3,795,000	8,855,000
17.1 C Seylan Bank PLC		
Balance at the Beginning of the period	8,855,000	12,650,000
Payment made during the period	(5,060,000)	(3,795,000)
Balance at the end of the period	3,795,000	8,855,000

17.1.1 Repayments

The Syndicate loan is repayable in quarterly installments ending 30th September 2011.

17.1.2 Interest Rate

The interest rate payable by the Company is computed at the interest rate of the one year weighted average treasury bills rate prevailing immediately prior to each interest review period plus 6% per annum. However, in the event of making the payment regularly and punctually, a rebate of 3% per annum is applicable to this interest rate.

17.1.3 Security

Security of the above syndicate Loan provided were as follows.

Partial Guarantee

Partial guarantee is provided by the International Finance Corporation in terms of the partial syndicate loan guarantee agreement to the maximum value of Rs. 230,000,000/- for the principal amount excluding interest, penalty interest, late payment charges and all other charges payable on the principal amount.

Non Guaranteed portion of the syndicate loan

The non guaranteed portion of the syndicate will be subject to the following security.

- a) A primary concurrent mortgage over the moveable and immovable assets of the company.
- b) An assignment of the project documents (other than the investment agreement)
- c) A secondary mortgage over the stock in trade, book debts and receivables.

	31st December 2010 Rs.	31 st December 2009 Rs.
17.2 Soft Loan		
National Development Bank PLC		
Balance at the Beginning of the period	17,500,000	25,000,000
Payment made during the period	(10,000,000)	(7,500,000)
Balance at the end of the period	7,500,000	17,500,000

17.2.1 Repayments

The NDB loan is repayable in quarterly installments ending 30th September 2011.

17.2.2 Interest Rate

The interest rate payable by the Company is computed at the interest rate of the simple average one year treasury bills rate prevailing six months immediately prior to each interest review period plus 7% per annum. However, in the event of making the payment regularly and punctually, a rebate of 3% per annum is applicable to this interest rate.

17.2.3 Security

The security provided for the above loan is as follows.

- A primary concurrent mortgage over the moveable and immovable assets of the Company.
- An assignment of the project documents (other than the investment agreement).
- A secondary mortgage over all the stock in trade, book debts and other receivables of the Company.

	31st December 2010 Rs.	31st December 2009 Rs.
18 DEFERRED TAX LIABILITIES		
Balance at the beginning of the period	350,698,002	341,234,637
Effect on surplus on revaluation of property, plant & equipment	153,569,566	-
Effect on change in tax rate - Recognised in equity	(38,374,064)	-
- Recognised in profit & loss	(37,706,697)	-
Origination & reversal of temporary differences	29,705,803	9,463,365
Balance as at the end of the period	457,892,610	350,698,002

	31st December 2010 Temporary Difference Rs.	31st December 2010 Tax Effect Rs.	31st December 2009 Temporary Difference Rs.	31st December 2009 Tax Effect Rs.
18.1 ANALYSIS OF DEFERRED TAX LIABILITIES				
Property, Plant & Equipment	571,678,131	160,069,877	474,186,169	165,965,159
Retirement Benefit Obligations	(33,011,027)	(9,243,088)	(20,392,787)	(7,137,475)
Revaluation on Buildings	1,096,663,647	307,065,821	548,200,910	191,870,318
	1,635,330,751	457,892,610	1,001,994,292	350,698,002

18.2 Impact due to corporate income tax change

The corporate income tax has been reduced to 28% commencing from year of assessment 2011/12. Accordingly, deferred tax assets and liabilities have been computed based on 28%.

	31st December 2010 Rs.	31st December 2009 Rs.
19 AMOUNTS DUE TO RELATED COMPANIES		
Sri Lanka Insurance Corporation Limited	4,593,014	3,863,626
	4,593,014	3,863,626
20 TRADE & OTHER PAYABLES		
Trade payables	141,786,178	118,618,824
Other payables		
- Advance received	29,991,433	17,508,971
- Economic Service Charge payable	2,373,976	1,559,657
- Other payables and accruals	103,354,916	108,441,034
	135,720,325	127,509,662
	277,506,504	246,128,486

NOTES TO THE FINANCIAL STATEMENTS

	31st December 2010 Rs.	31st December 2009 Rs.
21 REVENUE		
Hospital Revenue	2,280,247,527	1,403,282,938
Pharmacy Revenue	875,775,155	374,087,569
	3,156,022,682	1,777,370,507
22 OTHER OPERATING INCOME		
Amortisation of Government Grants	221,154	664,220
Rent income	420,000	225,000
Sundry Income	380,071	164,817
	1,021,225	1,054,037
23 STAFF COSTS		
Salaries, Fees, Wages and other related Costs	497,663,978	309,022,367
Defined benefit plan cost - Retirement Gratuity	15,382,070	4,559,915
Defined contribution plan cost - EPF & ETF	40,101,550	26,557,194
	553,147,598	340,139,476
No. of Employees	1082	952
24 NET FINANCE INCOME/(COST)		
Finance Income		
Interest Income from - Call Deposits (Net)	17,726,094	7,556,358
- Fixed Deposits - NRFC (Net)	1,460,157	451,896
Gain on translation of foreign currency	1,037,582	-
Total Finance Income	20,223,833	8,008,254
Finance Cost		
Interest on		
- NDB Loan	(1,813,750)	(3,165,389)
- Syndicate Loan	(4,247,533)	(6,765,486)
Guarantee Fees	(529,153)	(628,845)
Bank overdraft	(10,029)	(23,371)
Loss on translation of foreign currency	(1,620,931)	(959,930)
Total Finance Cost	(8,221,396)	(11,543,021)
	12,002,437	(3,534,767)
25 PROFIT BEFORE TAX		
Profit before Tax has been stated after charging all expenses including the following:		
Auditors' Remuneration		
- Statutory Audit	475,000	430,000
- Non Audit Services	-	207,837
Provision/(Reversal of provision) for Doubtful Debts	(10,798,838)	1,345,404
Provision/(Reversal of provision) for inventories	(3,387,188)	1,435,900
Legal Expenses	2,457,626	3,222,931
Amortisation of advanced lease premium	4,683,472	3,512,604
Loss on Property plant and equipment written off	(13,517,535)	-

26 INCOME TAX EXPENSE

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

	31st December 2010 Rs.	31 st December 2009 Rs.
Current tax		
Taxation on profit for the year (Note : 26.1)	7,281,109	3,121,145
Irrecoverable Economic Service Charge	877,328	1,328,866
	8,158,437	4,450,011
Deferred tax		
Origination & reversal of temporary differences	29,705,803	9,463,365
Effect on changes in tax rate (Note 18.2)	(37,706,697)	-
	(8,000,894)	9,463,365
	157,543	13,913,376
26.1 Reconciliation of the income tax expense		
Non-trading income		
Sundry income	380,071	164,817
Rent income	420,000	225,000
Interest Income (Gross)	19,695,660	8,395,953
Taxable Income	20,495,731	8,785,770
Tax Rates applicable	0.35	0.35
Taxation on non-trading income	7,173,506	3,075,020
Social Responsibility Levy at 1.5%	107,603	46,125
Taxation on profits for the year	7,281,109	3,121,145

27 BASIC EARNINGS PER SHARE

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

	31st December 2010	31 st December 2009
Earnings attributable to ordinary shareholders (Rs.)	289,143,723	7,243,970
Weighted average number of ordinary shares deemed to be in issue (No.)	223,732,169	223,732,169
Earnings per Share (Rs.)	1.29	0.03

28 CONTINGENT LIABILITIES

The Company was party to legal proceedings incidental to its business. Five cases had been filed in the District Court of Colombo claiming an aggregate of Rs 131.35 Mn as damages from the Company. In addition, an application has been filed in the Labour Tribunal claiming a sum of Rs. 5 Mn against the Company. The cases had been taken for trial and the management is vigorously contesting in each case. The Company had made provision of Rs. 11,324,000/- in two cases where judgment was awarded against the Company and appeal pending in the High Court Civil Appeal. Based on the available information and current status of the cases pending judgment, the Company is not in a position to quantify the potential financial impact, as at the reporting date other than for one case where an additional provision of Rs. 5 Mn was made.

29 CAPITAL COMMITMENTS & OTHERS**29.1 Capital Expenditure Commitments**

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

NOTES TO THE FINANCIAL STATEMENTS**29.2 Commitment on Land Lease**

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

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

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

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

30 POST BALANCE SHEET EVENTS

There were no events that has occurred after the Balance Sheet date which require adjustment to or disclosure in the financial statements.

31 Related Party transactions

- (a) Parent and Ultimate Controlling Party
Ultimate controlling party of the Company is Sri Lanka Insurance Corporation Limited.
- (b) Transactions with Key Managements Personnel
Key Management Personnel comprise the Directors of the Company.
- (i) Loans to Directors
No loans have been given to the Directors of the Company.
- (ii) Key Management Personnel Compensation
During the year under review Rs. 60,000/- was incurred on behalf of key management personnel of the Company.
- (c) Transactions with Related Companies
The Company has related party relationships with its related group companies. The following transactions were carried out with related parties during the year ended 31st December 2010.

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

Name of the Company	Directors	Relationship	Nature of Transaction	Transaction Value	Amounts Paid/ Received	Outstanding Balance as at	
				2010 Rs.	2010 Rs.	31 December 2010 Rs.	2009 Rs.
Period from 01st January 2010 to 31st December 2010							
Sri Lanka Insurance Corporation Ltd	Mr. A.M.M de Alwis	Parent Company	Services provided by The Lanka Hospitals Corporation PLC	60,209,250	(60,406,073)	10,162,607	10,359,430
			Fee for the insurance policy on Fire, Vehicle, Professional Indemnity, Staff Insurance, General Insurance and vehicle hiring charges	21,144,127	20,414,740	(4,593,014)	(3,863,627)
			Services provided by The Lanka Hospitals Corporation PLC including auditorium hiring and F&B services	5,301,521	(5,455,117)	707,683	860,994
			Insurance claim on fire insurance policy	33,293,068	-	33,293,068	-

SHAREHOLDER AND INVESTOR INFORMATION**Top 20 Shareholding as at 31st December,**

	Shareholder	2010		2009	
		No of shares	Holding %	No of shares	Holding %
1	Sri Lanka Insurance Corporation Ltd-Life Fund	66,097,350	29.54	91,080,643	40.71
2	Distilleries Company of Sri Lanka PLC	64,120,915	28.66	63,974,015	28.59
3	Sri Lanka Insurance Corporation Ltd-General Fund	56,080,643	25.06	31,097,350	13.90
4	Property Development PLC	21,329,000	9.53	21,329,000	9.53
5	Hatton National Bank PLC A/C No 3	1,090,414	0.49	1,095,714	0.49
6	Dr. S. K. Shanmugam	881,914	0.39	-	-
7	Associated Electrical Corporation Ltd.	610,000	0.27	-	-
8	Mr. M. M. Mohamed Makeen	381,400	0.17	-	-
9	Mrs. S. Wjeeha Banu	357,200	0.16	-	-
10	Hatton National Bank PLC A/C No 1	298,742	0.13	2,078,142	0.93
11	Seylan Bank PLC/Jayantha Dewage	295,300	0.13	200,000	0.09
12	Macksons Holdings (Pvt) Ltd	285,900	0.12	-	-
13	Mr. M. M. C. J Fernandopulle	280,000	0.12	280,000	0.13
14	Mr. M. M. M. Mizver	274,200	0.12	-	-
15	Mr. A. H Munasinghe	226,571	0.10	226,371	0.10
16	Mr. T. L. M. Imtiaz	200,900	0.09	-	-
17	HSBC INTL NOM Ltd-UBS AG (Singapore Branch)	183,800	0.08	-	-
18	First Capital Markets Limited	144,600	0.06	-	-
19	Mr.U. M. C. Fernando	116,400	0.05	-	-
20	Mr. L.Samarawickrama	100,400	0.04	140,000	0.07
	Grand total of top 20 shareholders	213,355,649	95.31	-	-

Individuals/ Institutions as at 31st December 2010

	No of Shareholders	As %	No of Shares	As %
Individual	7797	98.60	12,500,534	5.60
Institution	110	1.40	211,231,635	94.40
	7,907	100.00	223,732,169	100.00

Residents/ Non-Residents as at 31st December 2010

	No of Shareholders	As %	No of Shares	As %
Resident	7884	99.71	223,413,992	99.86
Non-Resident	23	0.29	318,177	0.14
	7,907	100.00	223,732,169	100.00

SHAREHOLDER AND INVESTOR INFORMATION

		2010	2009
Earnings Per Share	Rs.	1.29	0.04
Dividend Per Share	Rs.	N/A	N/A
Net Assets Value Per Share	Rs.	12.20	8.97
Market Value Per Ordinary Share			
- Highest Value during the year	Rs.	38.00	22.75
- Lowest Value during the year	Rs.	29.00	13.75
- Value at the end of the year	Rs.	31.70	19.00
Gearing Ratio	%	0.82	2.56
Interest Cover	Times	45.75	2.49
Quick Assets Ratio	Times	1.57	0.98

Shareholdings and Distribution as at 31 December 2010

	Share Range	No of shareholders	No of shares	Holding %
1	1 - 1,000	5,937	2,537,712	1.134
2	1001 - 5000	1,685	4,099,112	1.832
3	5,001 - 10,000	167	1,244,257	0.556
4	10,001 - 50,000	89	1,833,054	0.819
5	50,001 - 100,000	9	662,385	0.296
6	100,001 - 500,000	13	3,145,413	1.406
7	500,001 - 1,000,000	2	1,491,914	0.667
8	1,000,001 - & Above	5	208,718,322	93.289
		7,907	223,732,169	100.000

Shareholdings and Distribution as at 31 December 2009

	Share Range	No of shareholders	No of shares	Holding %
1	1 - 1,000	5,992	2,574,745	1.15
2	1001 - 5000	1,672	4,010,893	1.79
3	5,001 - 10,000	140	992,837	1.44
4	10,001 - 50,000	70	1,340,717	0.60
5	50,001 - 100,000	8	543,700	0.24
6	100,001 - 500,000	10	1,820,628	0.81
7	500,001 - 1,000,000	1	515,357	0.23
8	1,000,001 - & Above	7	211,933,292	94.73
		7,900	223,732,169	100.00

Public Shareholding as at 31 December 2010 - 16.73%

Number of Shares - 37,430,391

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of The Lanka Hospitals Corporation PLC will be held on Thursday 26th May 2011 at 10.00 a.m. at Dr. Prathap C Reddy Auditorium, 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 2010 together with the Report of the Auditors' thereon.
2. To re-elect Prof. D P A Fernando as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution.

"RESOLVED THAT Prof. D P A Fernando who has reached the age of 71 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No.07 of 2007".

3. To re-appoint Messrs KPMG Ford Rhodes Thornton & Co, Chartered Accountants, the retiring Auditors and authorise the Directors to fix their remuneration.
4. To authorise the Directors to determine donations for the year 2011 and up to the date of the next Annual General Meeting.
5. Any other business of which due notice has been given.

By order of the Board of Directors of
THE LANKA HOSPITALS CORPORATION PLC



Accounting Systems Secretarial Services (Private) Limited
Company Secretaries

Colombo, this 12th April 2011

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

FORM OF PROXY

I/We..... (NIC No.).....
 of.....

being a member/members of The Lanka Hospitals Corporation PLC, hereby appoint: of.....
 (or failing him)

- | | |
|--------------------------|----------------|
| Mr Gotabaya Rajapaksa | or failing him |
| Dr Nalaka Godahewa | or failing him |
| Prof. D A P Fernando | or failing him |
| Dr G W K Wickramasinghe | or failing him |
| Mr P A Lionel | or failing him |
| Dr T R C Ruberu | or failing him |
| Mr A D M De Alwis | or failing him |
| Mrs R S Cabraal | or failing him |
| Mr Malvinder Mohan Singh | or failing him |
| Mr Shivinder Mohan Singh | or failing him |
| Mr Sunil Godhwani | or failing him |

As my/our Proxy to represent and speak and vote for me/us* and on my/our behalf at the 12th Annual General Meeting of the Company to be held on 26th May 2011 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 the Report of the Directors, the Audited Financial Statements for the Year ended 31st December 2010 and the Report of the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Prof. D P A Fernando who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-appoint Messrs KPMG Ford Rhodes Thornton & Co., the retiring Auditors and authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorise the Directors to determine donations for the year 2011 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 Eleven.

.....
 Signature

Notes:* Instructions as to completion appear overleaf.
 Please indicate with and "x" in the space provided, how your Proxy is to vote on the Resolutions.
 If no indication is given, the Proxy in his discretion will votes as he thinks fit.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registrars to shares, National Asset Management Ltd, 2nd Floor, No.73, W A D Ramanayake Mawatha, Colombo 2 on or before 24th May 2011.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.

CORPORATE INFORMATION

Name of Company

The Lanka Hospitals Corporation PLC

Company Registration No.

PQ 180

Registered Office

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

Board of Directors

Mr Gotabaya Rajapaksa
Dr Nalaka Godahewa
Prof. D A P Fernando
Dr G W K Wickramasinghe
Mr P A Lionel
Dr T R C Ruberu
Mr A M M de Alwis
Mrs R S Cabraal
Mr Malvinder Mohan Singh
Mr Shivinder Mohan Singh
Mr Sunil Godhwani

Secretaries

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

Auditors

M/s. KPMG Ford, Rhodes, Thornton & Co
(Chartered Accountants)
32A, Mohomed Macan Markar Mawatha,
Colombo 3.
Tel: +94 11 5426426

Registrars to Shares

National Asset Management Limited
2nd Floor, 73, W.A.D. Ramanayake Mawatha,
Colombo 2.
Tel: +94 11 2445911

Bankers

Hatton National Bank PLC
Seylan Bank PLC
NDB Bank PLC
Bank of Ceylon



LANKA HOSPITALS

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