

**Asiri
SURGICAL
HOSPITAL PLC**

Annual Report 2010



A matter of trust.

Taking care of you and yours.



Sometimes in life, you are called upon to make serious decisions. Decisions that make all the difference in your life and that of
your spouse, parents, children or other loved ones.

Now you can place your faith in the preferred choice for the best in healthcare, at Asiri Surgical Hospital. Every patient who comes to us receives the finest healthcare and professional services that ensure **total wellness** for everyone, young and old. You know you can place your trust in us.

We will take care of you and yours.

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Our vision

To be a leading healthcare provider in the region through our strengths in wellness and patient care.

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Our mission

To care for and improve the quality of human life through the provision of ethical clinical care and academic excellence.

Corporate Information

Name of the company

Asiri Surgical Hospital PLC

Registered office

No. 21, Kirimandala Mawatha,
Colombo 05, Sri Lanka.
Telephone : 4524400
Email : info@asiri.lk
Web : www.asiri.lk

Legal form

A Quoted Public Company incorporated in Sri Lanka, under the Companies Act No. 17 of 1982 with limited liability.

The Company has re-registered under the Companies Act:17 of 2007. An undertaking approved by the Board of Investment of Sri Lanka (BOI) under the Board of Investment of Sri Lanka Law No. 4 of 1978.

Stock exchange listing

The Ordinary Shares of the Company are listed with the Colombo Stock Exchange.

Company registration number

PQ (208)

Date of Incorporation

2nd March 2000

Directors

Mr. A. K. Pathirage - Chairman/Managing Director
Dr. S. Selliah - Deputy Chairman
Dr. K. M. P. Karunaratne - Director (Medical)/Chief Operating Officer
Mrs. D. Wimalasundera - Director Administration
Mrs. S. D. Nimalasuria - Director Finance
Dr. D. S. Rajapaksa
Mr. C. D. Weerasinghe
Mr. G. L. H. Premaratne
Mr. S. A. B. Rajapaksa
Mr. S. G. Wijesinha

Auditors

Messrs Ernst & Young
(Chartered Accountants)
No. 201, De Saram Place,
Colombo 10

Secretaries

Messrs Secretaries & Registrars (Private) Limited
No. 32 A, 1st Floor,
Sir Mohamed Macan Markar Mawatha,
Colombo 03.



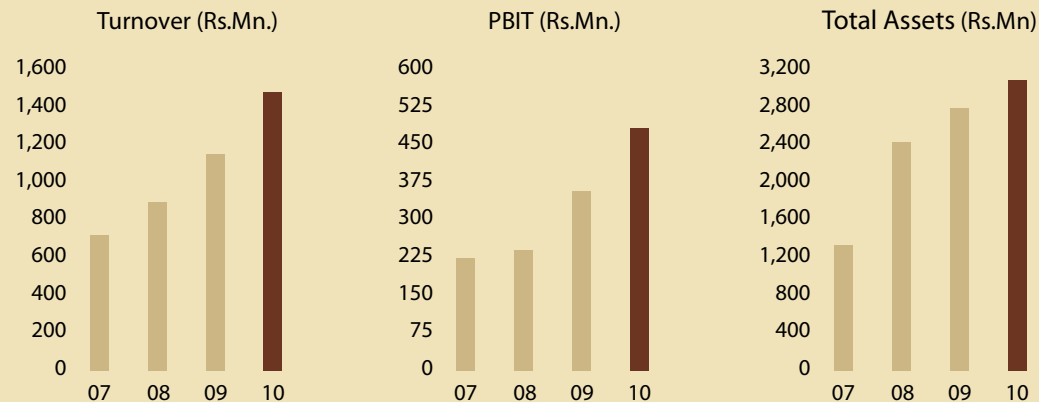
“We strive to treat each patient with the kind of **compassionate** care we would treat our own neighbour or family member.”



Financial Highlights

Year Ended 31st March

		2010	2009	% Change
Operating Results				
Revenue	Rs. 000	1,479,344	1,149,831	29
Profit before Interest and Tax	Rs. 000	483,127	354,059	35
Profit after Tax	Rs. 000	326,836	171,212	91
Cash from Operations	Rs. 000	468,038	658,236	28
Balance Sheet Highlights				
Total Assets	Rs. 000	3,084,664	2,794,354	10
Total Shareholders' Funds	Rs. 000	1,947,429	1,675,977	16
Gearing	%	33%	35%	(7)
Shareholder Information				
Return on Total Equity	%	17%	10%	70
Earnings per Share	Rs.	0.59	0.26	127
Net Assets per Ordinary Share	Rs.	3.29	2.77	18
Market Price of a Share as at 31st March	Rs.	9.50	6.75	41
Market Capitalisation as at 31st March	Rs. 000	5,020,342	3,567,088	41



“We strive to treat each patient with the kind of **compassionate** care we would treat our own neighbour or family member.”



Chairman's Message

I am pleased to place before you the annual report and audited accounts of the Asiri Surgical Hospital PLC for the year 2009/2010. The past year has been marked by a journey of recovery as hearts and minds of the people of this nation start to heal - as citizens shed memories of a violent history and look ahead to a peaceful future that brings with it tidings of prosperity and spiritual and economic rejuvenation.

Global financial recovery is taking longer than expected, with the eurozone crisis putting the brakes on the anticipated turnaround. Despite this, signs of economic recovery are visible in the form of a modest but steady recovery in most advanced economies and aggressive growth in many developing and emerging economies. On the whole, the feeling is that global recovery will continue despite financial turmoil in certain markets.

Sri Lanka stands poised at the cusp of what will be a historic era in which the peace dividend will unfold a multitude of opportunities that were denied to the country due to the ongoing three-decade war. The news that year-on-year consumer price inflation has dipped offers hope for the healthcare sector as it implies a greater number of people will access quality healthcare.

Furthermore, the government's vision to double GDP by 2014 implies greater spending power, which will follow greater demand for sophisticated health care, where Asiri group is ideally poised to cater to. While many sectors are still not experiencing an immediate economic boom, the health care sector has posted an exceptional year.

The healthcare sector in the country remains an under served segment and the ratio of hospital beds to patients remains woefully inadequate in the public sector for a country that scores high on many other social indicators. While private healthcare has helped ease the burden on government hospitals to a small degree, the sector still remains rich with potential.

During the year under review, the Asiri Surgical Hospital posted a net profit of Rs. 327 million as compared to Rs. 171 million in 2009. A salient contributor to this significant increase in profit was the deemed gain of Rs. 104 million arising out of the private placement of new shares of Central Hospitals at a premium.

In fact, our topline grew by 29% to settle at Rs. 1.479 billion from Rs. 1.149 billion the previous year. The interest cost has registered a marginal decline by Rs. 24 million, which has served to boost our bottomline.

Much of this comprehensive growth has come as a result of the newly-established Heart Centre which is fully operational and offers world-class cardiac care by our highly qualified team of doctors. Innovation and uncompromising quality have been the key drivers of our success, enabling the group to become the foremost private healthcare provider in the country.

The staff and employees of Asiri Surgical are instrumental in our successful performance, exhibiting superior service levels which have ensured that the hospital becomes the first choice for discerning patients looking for quality healthcare at affordable prices. Asiri Surgical is manned by a team of high profile medical experts who are experts in their respective area of specialization. The nurturing care and personal touch that patients experience at Asiri Surgical is unparalleled and displays our commitment to creating a healthy nation.

Asiri Surgical is ideally poised to be the premier private sector healthcare provider to the nation as we set our sights on establishing specialised plastic surgery and a specific urology centre with an eye on positioning ourselves at the forefront of medical tourism. Sri Lanka's tourism industry is already experiencing a boom and the government's thrust on this sector will allow us to leverage on increasing inbound tourist numbers to market Asiri Surgical Hospital's cardiac care, plastic surgery and urology facilities.

As you are aware, the Asiri Group was successful in arranging a US\$ 20 million loan from the International Finance Corporation (IFC), which will go a long way in helping the group consolidate its business. Furthermore, the money will be used to refinance existing borrowings on favourable terms and to restructure the balance sheets of the respective companies.

Looking ahead, Asiri Surgical is gearing itself to meet future expansion in terms of beds and medical services to better serve the people of the nation. Our investment in the latest world-renowned technology and machinery will be an ongoing endeavour.

In conclusion, I would like to express my deepest gratitude to the esteemed Board of Directors who have supported our initiatives whole-heartedly, encouraging us at every stage. Much of our success belongs to the people who patronize our hospital and place the responsibility of the health and well being of themselves and their loved ones in our hands. Last but not the least, I wish to thank my staff for their unstinted loyalty and hard work, which is propelling Asiri Surgical Hospital to the pinnacle of healthcare in the country.

(Sgd.)

A. K. Pathirige

Chairman/Managing Director

25th August 2010

“We strive to treat each patient with the kind of **compassionate** care we would treat our own neighbour or family member.”



The Board of Directors

Mr. Ashok Pathirage

Chairman/Managing Director

Mr. A. K. Pathirage was appointed to the Board as the Managing Director in July 2006 and appointed as the Chairman in March 2008. Mr. Pathirage, is the Chairman of the Softlogic Group which is a leading diversified corporate entity in the country and is also the Chairman of Uniwalkers and its subsidiaries. He is also the Chairman/Managing Director of Asiri Central Hospitals PLC and Central Hospital (Pvt) Ltd. He is Managing Director of Asiri Hospitals PLC, Asiri Diagnostic Services (Pvt) Ltd and other subsidiaries of the Asiri Group.

Dr. S. Selliah MBBS, M.Phil (Col)

Deputy Chairman

Dr. S. Selliah holds a MBBS degree and a Masters Degree (M.Phil). Dr.S.Selliah is currently the Deputy Chairman of Asiri Hospitals PLC, and Deputy Chairman of Asiri Surgical Hospital PLC. He is also the Deputy Chairman of Lanka Walltiles PLC and Lanka Tiles PLC. He is a Director of Horana Plantation PLC and Director of Parquet (Ceylon) PLC. He is also the Deputy Chairman of Central Hospital (Pvt) Ltd, the Chairman of the Remuneration Committees of Lanka Walltiles PLC and Lanka Tiles PLC. He serves on the Remuneration Committees of Asiri Hospitals PLC, Asiri Surgical Hospital PLC and Asiri Central Hospital PLC.

He is a member of the Audit Committee of the following listed companies; Lanka Walltiles PLC, Lanka Tiles PLC, Asiri Hospitals PLC, Asiri Surgical Hospital PLC and Asiri Central Hospital PLC.

Dr. Manjula Karunaratne MBBS, M.Sc (Dublin), MSOrthMed (UK)

Director (Medical) /Chief Operating Officer

Appointed to the Board in June 2006, he has previously held the post of Medical Director of Asiri Hospitals PLC. An Orthopedic Physician, he holds a Masters degree in Sports Medicine from Trinity College, University of Dublin, and is a prize winner in Orthopedic Medicine from the UK. He also serves on the Boards of Asiri Hospitals PLC, Asiri Central Hospitals PLC, Asiri Diagnostic Services (Pvt) Ltd and Central Hospital (Pvt) Ltd.

Mrs. D. Wimalasundera

Director - Administration

Mrs. Wimalasundera a senior board member, has been functioning as an Executive Director for over 15 years. She is a Director of Asiri Hospitals PLC, Asiri Central Hospitals PLC, Asiri Diagnostic Services (Pvt) Ltd and Central Hospital (Pvt) Ltd.

Mrs. Sharmini D. Nimalasuria FCMA

Group Finance Director

Was appointed to the Board in November 2007. Ms. Sharmini Nimalasuria counts nearly 26 years of experience in the field of Management Accounting in the Manufacturing, Trading and Service sectors. She is a fellow member of the Chartered Institute of Management Accountants (UK). She is also a director of Asiri Hospitals PLC, Asiri Central Hospitals PLC and Central Hospital (Pvt) Ltd.

Dr. D. S. Rajapaksa MS, FRCOG (UK)

Dr. Rajapaksa, a Fellow of the Royal College of Obstetricians and Gynaecologists, is currently a consultant in (Pvt) practice. He was one of the founder directors of Asiri Hospitals PLC and is also a member of the Asiri Central Hospitals Board. Dr. Rajapakshe has over 16 years experience as a Company Director and is also the Chairman of DSI Samson Group of Companies. He serves on the Remuneration Committees of all three companies. He is also a member of Central Hospital (Pvt) Ltd.

Mr. C. D. Weerasinghe

Mr. Weerasinghe, an experienced businessman was appointed to the Board in 2007. He is also a Director of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He runs several companies with interests in construction and real estate.

Mr. G. L. H. Premaratne

Was appointed to the Board in March 2008 after 40 years of banking experience with Commercial Bank. Mr. Premaratne is specialized in Corporate Banking, and is an Associate of the Institute of Bankers of London. He also serves on the Board of Asiri Hospitals PLC, and Asiri Central Hospitals PLC. He functions as the Chairman of the Remuneration Committee and also a member of the Audit Committee of all three Hospitals. Presently is the Chief Executive Officer & Executive Director of Sampath Bank PLC. He is also a member of Central Hospital (Pvt) Ltd.

Mr. S. A. B. Rajapaksa MBA, FCA, FCMA, MCIM

Mr. Samantha Rajapaksa has more than 20 years of both local and international experience in finance, venture capital, information technology, consulting and communication sectors. He was appointed to the Board in March 2008 and he also serves on the board of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He functions as the Chairman of the Audit Committee of all three Hospitals. He is currently a Director of Softlogic Holdings (Pvt) Ltd. He is also a Director of Central Hospital (Pvt) Ltd. And also holds the position of Director/Chief Executive Officer of Softlogic Communications (Pvt) Ltd. Mr. Rajapaksa is a Fellow of the Institute of Chartered Accountants of Sri Lanka and of the Chartered Institute of Management Accountants of UK. He is also a Member of the Chartered Institute of Marketing - UK, and holds an MBA from the Post Graduate Institute of Management of the University of Sri Jayawardenapura.

Mr. Sunil G Wijesinha

Mr. Sunil G Wijesinha is considered one of Sri Lanka's leading promoters of productivity, quality management, and Japanese style management. At present he is the Chairman and Managing Director of Dankotuwa Porcelain PLC. and the Deputy Chairman of Sampath Bank. He is the Deputy President of the National Chamber of Commerce of Sri Lanka He is also on the Committee of the Ceylon Chamber of Commerce and on the Council of the Employers' Federation of Ceylon. He is a member of many national advisory and business councils. Mr Wijesinha has a multi-disciplinary background with qualifications in Engineering, Accountancy, and Management Services and has a Masters Degree in Business Administration.

The Post Graduate Institute of Management Alumni Association too conferred the "Distinguished Service to Society" Award on Mr Wijesinha. The Institute of Personnel Management conferred on him Honorary Membership. He is a member of the Presidential Task Force on National Productivity and also the National Organizer of the Productivity Association of Sri Lanka.

Corporate Governance

Corporate Governance is the system by which companies are directed, managed and controlled.

The primary responsibility of the Board of Directors' is to foster the Company's long-term success, consistent with the Board's fiduciary duty to shareholders. In keeping with current concepts of corporate governance, the Board believes that the Company has designed effective corporate governance principles and practices to provide a strong framework to assist its stakeholders and on creating long term shareholder value. This statement sets out the Corporate Governance policies and practices adopted by the Board.

Board of Directors

The Board establishes broad corporate policies, sets strategic direction and oversees management, which is responsible for the Company's day-to-day operations. The Board comprises of four executive Directors and six non-executive Directors. Their profiles appear on page 8 of the Annual Report.

Board Meetings and Attendance

The Board generally meets once a month. Special Board Meetings are also held as and when needed. To facilitate active and informed discussion at Board and committee meetings, directors receive background material in advance and are expected to prepare themselves for, and to attend all Board meetings, shareholders' meetings and all meetings of the committees on which they serve, unless there are exceptional circumstances that prevent them from doing so.

Over the past year the Board held 11 meetings and the attendance is given below.

Mr. A. K. Pathirage	ED	(Chairman / Managing Director)	11/11
Dr. S. Selliah	I	(Deputy Chairman)	11/11
Dr. K. M. P. Karunaratne	ED		11/11
Mrs. D. Wimalasundera	ED		10/11
Mrs. S. D. Nimalasuria	ED		11/11
Dr. D. S. Rajapaksa	I		10/11
Mr. H. N. Jayasinghe	I	(ceased to be a director w.e.f. 02/09/2009)	5/5
Mr. C. D. Weerasinghe	NED		5/11
Mr. G. L. H. Premaratne	NED		10/11
Mr. S. A. B. Rajapaksa	NED		9/11
Mr. S. G. Wijesinha	I	(Appointed w.e.f. 26th May 2010)	-

Key

ED - Executive Director

I - Independent non-executive Director

NED - Non-executive Director

The Chairman of the Board

The Board generally believes that the Managing Director should also serve as the Chairman of the Board. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities.

Appraisal of the Managing Director

The performance of the Managing Director is reviewed every year by the Board. The Managing Director is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring that corporate goals are achieved making the optimum use of resources available.

Time Commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board meetings, they attend sub-committee meetings and make decisions via circular resolutions.

Appointment to the Board

New appointments to the Board are based on collective decisions of the Board. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to be better prepared for the managing of the Company.

Re-election of Directors

As per the Articles of Association of the Company one third of the directors shall retire from office at each Annual General Meeting (AGM) and offer themselves for re-election. The Board may select directors to fill vacancies in existing or new director positions. Such directors serve until the next AGM and seek re-election. The Managing Director is not subject to retirement by rotation.

Independence of the Directors

Mr. G. S. Wijesinha, Dr. S. Selliah and Dr. D. S. Rajapaksa function as independent directors of the Company.

As per the Rules issued by the Colombo Stock Exchange, Mr. S. G. Wijesinha meets all the criteria of independence. Dr. S. Selliah meets all the criteria of independence except one. Dr. D. S. Rajapaksa meets all the criteria of independence except two.

Dr. S. Selliah and Dr. D. S. Rajapaksa are also Directors of Asiri Hospitals PLC and Asiri Central Hospitals PLC, in which a majority of the other Directors of Asiri Surgical Hospital PLC are employed as directors.

Dr. D. S. Rajapaksa was appointed to the Board on 3rd March 2000 and therefore has been serving on the Board for more than nine years.

The Board, having evaluated all the factors, concluded that their independence has not been impaired due to them serving on the Board for more than nine years and serving on the Boards of other companies in which majority of the other Directors of Asiri Surgical Hospital PLC are employed as directors.

Access to Independent Professional Advice

All Directors have access to the advice of the Company Secretary and independent professional advice is available to Directors in appropriate circumstances at the Company's expense.

Remuneration of the Directors

The remuneration of the Directors is determined by the Board and disclosed on page 46, Note 16 of the Annual Report.

Company Secretary

Messrs Secretaries & Registrars (Private) Limited, act as the Company Secretaries. The role of the secretary consists of dealing with directors at board meetings and with the shareholders. The Company Secretary attends Board Meetings and ensures that minutes are kept of all proceedings at the Board Meetings. The Company Secretary advises the Board and ensures that proper procedures and applicable rules and regulations are followed by the Board.

Board Committees

The Board may establish committees from time to time to discharge their duties effectively. There are currently two Board committees.

The Audit and the Remuneration Committee of the parent company (i.e. Asiri Hospitals PLC) act as the Audit and the Remuneration Committee of the Company.

Audit Committee

Mr. S. A. B. Rajapaksa - Chairman
Dr. D. S. Rajapaksa
Dr. S. Selliah
Mr. G. L. H. Premaratne

The Audit Committee meets at least four times a year with the Finance Director and the external/internal auditors to monitor the Company's financial reporting processes and systems of internal accounting control, the independence and the performance of the independent auditors and the performance of the internal auditors. Periodically, it also approves and reviews the appointment and retirement of external Auditors, as well as their relationship with the Company.

Remuneration Committee

Mr. G. L. H. Premaratne - Chairman
Dr. D. S. Rajapaksa
Dr. S. Selliah

The Remuneration Committee regularly takes advice from external consultants acknowledged as experts in their fields. The Remuneration Committee usually meets at least twice a year. Its role is to make recommendations to the Board on the following.

- Remuneration policy for Executive Directors
- Remuneration policy and specific packages for certain senior executives
- Employee benefits and long term incentive schemes

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

Responsibilities

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. It is the responsibility of the Board of Directors to ensure good corporate governance. Good corporate governance requires that the Board must govern the Company with integrity. This includes the following:-

Corporate Governance

- Exercise leadership, entrepreneurship, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of board appointments
- Determine the Company's purpose values and strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant laws, regulations and codes of best practice
- Communicate with shareholders effectively and serve the legitimate interest of the shareholders
- Periodic and timely reporting to shareholders of the progress and performance of the Company
- Review processes and procedures regularly and ensure that internal controls are effective
- Identify key risk areas ensuring that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the Managing Director
- Approve the Annual Budget
- Authorisation of Directors' conflicts or possible conflicts of interest
- Determination of independence of Non-Executive Directors
- Ensure the continuation of the Company as a going concern

Investor Relations

The Annual General Meeting, Annual Report of the Company and Quarterly Reports are the principal means of communication with the shareholders.

Compliance with the Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 7 of the Rules of the Colombo Stock Exchange:-

Section	Criteria	Has the Company met the Criteria
7.10.1	Non-Executive Directors	Complied with. Out of 10 directors 6 are non-executive directors.
7.10.2	Independent Directors	Complied with. There are three independent directors on the Board. Please refer page 10
7.10.3	Disclosures relating to Directors	Mr. S. G. Wijesinha meets all the criteria set out in Rule 7.10.4 for determining the independence of directors. Dr. S. Selliah meets all the criteria except one. Dr. D. S. Rajapaksa meets all the criteria except two. Please refer to Page 10
7.10.5	Remuneration Committee	Complied with. Comprises of three non-executive directors including two independent directors. The remuneration committee of Asiri Hospitals PLC (parent company) acts as the remuneration committee of Asiri Surgical Hospital PLC. The names of the members of the committee are given on page 11 of the Annual Report.
7.10.6	Audit Committee	Complied with. Comprises of four non-executive directors including two independent directors. The audit committee of Asiri Hospitals PLC (parent company) acts as the audit committee of Asiri Surgical Hospital PLC. The Group Finance Director attends all the meetings. The report of the committee is given on page 14.

Ethics Committee

The Ethics Committee of the Asiri Group of Hospitals was constituted to serve as an advisory body on matters relating to conduct of research and clinical trials within the Asiri Group of Hospitals. The committee is entrusted with the task of accepting proposals for research, conducting scientific and ethical reviews of such proposals, granting or refusing ethics clearances and monitoring. The committee has so far reviewed experimental therapy and clinical trial protocols submitted to it by clinicians at Asiri. These include protocols on experimental stem cell therapy for Parkinson Disease and spinal cord transaction and a phase II trial for rheumatoid arthritis using an anti TNF alpha antibody. The committee is constituted and operates according to International Committee on Harmonization of Good Clinical Practice Guidelines (ICH-GCP) and is a member of the Forum for Ethics Review Committees in Sri Lanka.

Members:

Prof. Rohan W. Jayasekara, (Chairperson)

Professor of Anatomy and Director of Human Genetics Unit, Faculty of Medicine, University of Colombo.

Mr. Arittha Wickramanayake,

Attorney at Law, Nithya Partners.

Dr. Malik Fernando,

Member of Ethics Review Committee of Sri Lanka Medical Association and also Faculty of Medicine, University of Colombo.

Dr. Fred Perera,

Consultant Neurosurgeon.

Prof. Kemal I. Deen,

Professor of Surgery, Department of Surgery, Faculty of Medicine, University of Kelaniya, (Ragama.)

Dr. Siva Selliah,

Deputy Chairman of Asiri Group of Hospitals.

Mrs. Varuni Amunugama Fernando,

Attorney-at-Law. Co-founder and Jt. Managing Director of Triad Pvt Ltd and their Group of subsidiary companies

Dr. Indrani Amarasingha

Consultant Surgeon

Audit Committee Report

The Audit Committee is appointed by the Board of Directors and comprises of two Independent Directors and two Non-Executive Directors. The Names of the Audit Committee members are stated in the Corporate Governance Report on Page 11.

The Audit Committee examines any matters relating to the financial reporting system, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations. As and when required it requests additional information from the management in order to satisfy itself on the adequacy of the controls in place. The Audit Committee also recommends to the Board, the appointment and fees of external auditors.

The Audit Committee met on four occasions during the year to examine the effectiveness of the Company's internal control system and the system for monitoring compliance with laws and regulations.

The Audit committee also reviewed and approved the Annual and Interim financial statements prior to the final approval by the board and also assessed major businesses and controlled risks of the company. The Audit Committee recommends to the Board of Directors that Ernst & Young be re-appointed as the auditors of the company for the financial year ending 31st March 2011, subject to the approval of the shareholders at the Annual General Meeting.

Samantha Rajapaksa

Chairman

Audit Committee

25th August 2010

Remuneration Committee Report

The Remuneration committee is a sub-committee of the Board constituted under the Company's Corporate Governance policies for the purpose of recommending the remuneration of Senior Management. The members, of the Committee comprise of 1 Non-Executive Independent Director and 2 Non-Executive Directors. The names of the Committee members are stated in the Corporate Governance Report on page 11.

The Directors' emoluments are disclosed on page 46.

The Committee meets biannually. The Committee has acted within the parameters set by its terms of reference.

G. L. H. Premaratne

Chairman - Remuneration Committee

25th August 2010

Risk Management

Risk is associated with any business. The type of risk and the degree to which it affects a particular business varies. Uncertainties provide both risk and opportunity with a potential to erode or enhance the enterprise value. The Board of Directors is mindful of these uncertainties and through the Management at various levels have put in place adequate systems to identify in advance occurrence of such risks and to exercise remedial measures to minimize the impact. Regular reviews are done to ensure that the systems introduced function effectively and the impact, if any, on the performance of the assets of the Company.

Service Quality and Reputation Risk

The Company has systems to ensure the provision of a quality service to its patients so that they are satisfied and retained. In today's world, good reputation has become an organisation's most valuable asset. "Asiri" has developed into a leading household brand name. The Company has recognized the need to protect itself from loss of reputation and against sanctions arising from non-compliance with laws, regulations and ethical standards.

Though adequate insurance cover is available, losses could arise by patients who resort to legal action for professional negligence.

Operational Risk

The Company has a satisfactory system of internal controls in place to mitigate operational risk. Periodic checks are carried out to ensure that the system of internal controls in place is of the highest quality and also cost effective. Regular reviews are undertaken to ensure that appropriate infrastructure and adequate insurance cover is available to safeguard the Company's assets and minimize any financial losses.

Credit Risk

The company admits any patient on placement of a deposit or at an emergency, even without a deposit. Further, it admits patients of corporate clients. There is a risk of a patient not having adequate funds to settle his/her bills at the time of discharge. In order to mitigate such risk the Company issues interim bills to the patients requesting periodic bill settlement. Further there is a risk of corporate clients being delayed or non payment of a bill. The Company evaluates credit worthiness of companies before granting credit facilities to corporate clients.

Interest Rate Risk

Interest rate risk is the Company's exposure to adverse movement in interest rates. The Company has obtained multiple facilities from various banks for working capital, capital expenditure and investment at varying terms and conditions.

Compliance with Laws and Regulations

Legal risks are those risks resulting from legal consequences of transactions, with inadequate documentation, legal or regulatory issues and other factors that may result in contracts with counter parties becoming unenforceable causing unexpected financial losses.

In addition to complying with the Colombo Stock Exchange, Securities and Exchange Commission and Companies Act disclosure requirements, the Company also complies with Sri Lanka Accounting Standards.

Technological Obsolescence

The health industry is a sector where frequent innovations are made. The non-availability of state of the art technology can have an impact on the company's performance. The Company makes regular investments in cutting edge technology and staff are trained for optional application of existing technology.

Investment Risk

A common uncertainty associated with investments is that they may not provide the desired returns. The Company invests substantial sums in Capital Expenditure on expansion and providing new services in addition to investments in other companies. Returns on such investments are closely monitored and benefits are periodically evaluated.

Information Security and Loss of Data

The environment that the Company operates is getting more and more computerized. Loss of important data or inability to access systems due to technical failures is another risk that we need to be mindful of. Regular maintenance of equipment, daily backups, off-site storage and round the clock IT support are some the strategies adopted to mitigate such risk.

The hospital maintains a lot of confidential data of its patients. Employees are made aware of the importance of the security of such information. The Company has introduced a password policy in this regard.

Financial information

To care for and improve the quality of human life by providing of ethical clinical care and academic excellence.

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Annual Report of the Board of Directors

The Directors of Asiri Surgical Hospital PLC have pleasure in presenting to the members their report together with the audited financial statements of the Company for the year ended 31st March 2010.

Principal Activities and Nature

The principal activity of the Company continues to be that of carrying out Health Care Services and holding investments in the healthcare industry.

There has been no significant change in the nature of the Company's principal activities during the year.

Review of Operations

A review of the operations of the Company and its performance during the year is contained in the Chairman's Review on page 7 of the Annual Report. This review together with the Financial Statements reflects the state of affairs of the Company. These reports form an integral part of the Directors' Report.

Financial Statements

The financial statements of the Company are given on pages 24 to 51.

Auditor's Report

The Auditor's Report on the financial statements is given on page 23.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 28 to 31. There was no change in the accounting policies adopted.

Internal Control

The Board has overall responsibility for the Company's system of internal control and to review its effectiveness. The internal control system has been designed to meet the particular needs of the organization concerned and the risk to which it is exposed, and by its nature can provide reasonable but not absolute assurance against material mis-statement or loss. The Board is satisfied with the effectiveness of the internal control system for the period up to the date of signature of the accounts.

Directorate

The following Directors held Office during the year under review.

Mr. A. K. Pathirage (Chairman/Managing Director)
Dr. S. Selliah (Deputy Chairman)
Dr. K. M. P. Karunaratne
Mrs. D. Wimalasundera
Mrs. S. D. Nimalasuria
Dr. D. S. Rajapaksa
Mr. H. N. Jayasinghe (ceased to be a director w.e.f. 2nd September 2009)
Mr. C. D. Weerasinghe
Mr. G. L. H. Premaratne
Mr. S. A. B. Rajapaksa
Mr. S. G. Wijesinha

In terms of Article 24(2) of the Articles of Association of the Company, Mr. S G Wijesinha retires and being eligible offers himself for re-election with the unanimous support of the Board.

In terms of Article 24(6) of the Articles of Association of the Company, Dr. D S Rajapaksa and Dr. K M P Karunaratne retire by rotation and being eligible offer themselves for re-election with the unanimous support of the Board.

Directors' Shareholding

Directors' interest in shares of the Company as at 31st March 2010 were as follows.

Name of Director	No. of shares as at 31/03/2010	No. of shares as at 31/03/2009
Mr. A K Pathirage	1,033,872	1,033,872
Dr. S Selliah	170,000	170,000
Dr. D S Rajapaksa	150,014	150,014
Dr. K M P Karunaratne	133	133
Mrs. D Wimalasundera	1,200,013	1,200,013
Mr. C D Weerasinghe	14,999,998	14,999,998
Alternate Directors		
Mr. D M Rajapaksa	2,764,350	

Interest Register

The Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

Directors' interests in contracts and proposed contracts with the Company

Directors' interests in contracts with the Company, both direct and indirect are given below. These interests have been declared at the Board Meetings. The Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company.

Company	Particulars of Transaction	Name of Directors	Nature of Interest Received	Amounts (paid)/Received
Asiri Hospital PLC	Repayment of Temporary Finance Obtained and fund transfers	Note 01	Common Directors	172,705,688
	Temporary Finance Obtained			(104,300,000)
	Staff Related Income/Expenses			13,335,451
	Chanelling fee collected on behalf of Related Party			15,986,319
	Expenses Reimbursed to Related Party			2,650,747
Asiri Matara Hospital (Pvt) Ltd.	Repayment of Temporary Finance Obtained and fund transfers	Note 02	Common Directors	22,000,000
	Temporary Finance Obtained			(25,000,000)
	Staff Related Income/Expenses			(3,003,735)
	Expenses Reimbursed to Related Party			205,863
Asiri Central Hospital PLC	Temporary Finance Obtained	Note 03	Common Directors	(2,000,000)
	Staff Related Income/Expenses			4,433,097
	Chanelling fee collected on behalf of Related Party			(22,100)
	Expenses Reimbursed to Related Party			788,445
Central Hospital (Pvt) Ltd.	Repayment of Temporary Finance Obtained and fund transfers	Note 04	Common Directors	234,527,792
	Temporary Finance Obtained			(238,084,163)
	Expenses Reimbursed to Related Party			3,557,283
Asiri Diagnostic Services(Pvt) Ltd.	Repayment of Temporary Finance Obtained and fund transfers	Note 05	Common Directors	2,197,428
	Temporary Finance Obtained			(3,750,000)
	Staff Related Income/Expenses			983,316
	Expenses Reimbursed to Related Party			741,122
Softlogic Holdings Ltd & subsidiaries	Purchase of Computers & Software Maintanace	Note 06	Common Directors	(6,784,337)
Uniwalkers Ltd	Purchase of Electronic Items	Note 06	Common Directors	(1,996,878)
D Samson & Sons (Pvt) Ltd	Shoe Supplier	Dr. D. S. Rajapaksa	Director	(679,919)
Anro Super Flower	Flower Arrangment	Mr. C. D. Weerasingha	Director	(573,000)
Udayagiri Stores	Food Supplier	Mr. H. N. Jayasingha	Partner	(2,782,840)
Samson Information Technologies (Pvt) Ltd	Purchase of Computers and Accessories	Dr. D. S. Rajapaksa	Director	(138,600)

Annual Report of the Board of Directors

Common Directors

Note 01 : Mr A. K. Pathirage, Dr. D. S. Rajapaksa, Mrs. S. D. Nimalasuria, Dr. S. Selliah, Dr. K. M. P. Karunaratne, Mrs. D. Wimalasundera, Mr. H. N. Jayasinghe(resigned), Mr. G. L. H. Premarathna, Mr. C. D. Weerasinghe, Mr. S. A. B. Rajapaksa, Mr. P. P. Subasingha

Note 02: Mr. A. K. Pathirage, Dr. S. Selliah, Dr. D. S. Rajapaksa, Dr. K. M. P. Karunaratne, Mrs. D. Wimalasundera, Dr. D S Rajapaksha

Note 03: Mr. A. K. Pathirage, Dr. S. Selliah, Mrs. D. Wimalasundera, Dr. K. M. P. Karunaratne, Mrs. S. D. Nimalasuria, Mr. G. L. H. Premaratne, Mr. S. A. B. Rajapakse, Mr. C. D. Weerasinghe, Dr. D. S. Rajapaksha

Note 04: Mr. A. K. Pathirage, Dr. S. Selliah, Mrs D.Wimalasundera, Dr. K. M. P. Karunaratne, Mrs. S. D. Nimalasuria, Mr G. L. H. Premaratne, Mr S. A. B. Rajapakse, Dr. D. S. Rajapaksha

Note 05: Mr. A. K. Pathirage, Mr. P. P. Subasinghe, Dr. K. M. P. Karunaratne, Mrs D. Wimalasundera, Mr. H. N. Jayasinghe (resigned)

Note 06: Mr. A. K. Pathirage, Mr. S. A. B. Rajapaksa, Mr. G. L. H. Premarathna

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year 2009/2010 are given in note 16 to the Financial Statements on page 46.

Donations

The donations made by the Company during the year amounted to Rs. 1,205,303/- (2008/2009 Rs. 367,155/-).

Auditors

Company's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants.

The following payments were made to them during the year.

Audit Fees	-	Rs. 589,208/-	(08/09-Rs.689,550)
Fees for other Services	-	Rs. Nil	(08/09-Nill)

Other services consisted of tax related work.

As far as the Directors are aware the Auditors do not have any relationship with the Company or any of its subsidiaries other than those disclosed above. The auditors also do not have any interest in the Company or any of the Group Companies.

Financial Statements

The financial statements which include the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements are given on pages 24 to 51.

Capital Expenditure

The capital expenditure of the Company during the year amounted to Rs. 143,482,599/- (2008/2009 – Rs. 508,838,121/-) details of which are given in note 3 and 4 the financial statements.

Property, Plant & Equipment

The movement in property, plant and equipment during the year under review is set out in note 3 and 4 to the financial statements.

Dividends

The Directors recommend to the shareholders that the Interim Dividend of Rs. 0/075 per share paid on 13th August 2009 be considered as the Final Dividend for the year ended 31st March 2010.

Stated Capital

The stated capital of the Company as at 31st March 2010 was Rs. 1,393,327,565/-. There was no change in the stated capital of the Company during the year under review.

Reserves

The total reserves of the Company as at 31st March 2010 amounted to Rs. 554,101,630/- (31st March 2009-Rs. 282,649,830/-) The composition of reserves is shown in the Statement of Changes in Equity in the financial statements.

Shareholders' Information

The 20 largest shareholders of the Company as at 31st March 2010 are given on page 54 and 55 together with an analysis of the shareholding. There were 2,647 (31.03.2009- 2,613) registered shareholders as at 31st March 2010.

Share Information

Information on share trading is given on page 55 of the Annual Report.

Post Balance Sheet Events

No circumstances have arisen and no material events have occurred since the Balance Sheet date, which would require adjustments to, or disclosure in the accounts other than those disclosed in the note 23 of the Financial Statements in this Report.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the government have been made up to date.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the Directors have adopted the going-concern basis in preparing the accounts.

Annual General Meeting

The 10th Annual general Meeting of the Company will be held at Hotel Janaki, Fife Road, Colombo 05th on 30th day of September 2010 at 11.30 a.m. The Notice of the 10th Annual General Meeting is on page 57 of the Annual Report.

For and on behalf of the Board

(Sgd.)

Ashok Pathirage
Director

(Sgd.)

Sharmini Nimalasuria
Director

(Sgd.)

Secretaries & Registrars (Private) Limited
Secretaries

25th August 2010
Colombo

Statement of Directors' Responsibilities

The responsibility of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 23.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparation and presentation of the financial statements and other statutory reports. These documents need to be prepared in accordance with the relevant provisions of the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on pages 24 to 51 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they are justified in adopting on a going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act No. 7 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

The directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, in arriving at the financial results for the year under review.

For and on behalf of the Board

(Sgd.)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

20th May 2010

Independent Auditors' Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF ASIRI SURGICAL HOSPITAL PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Asiri Surgical Hospital PLC ("Company"), which comprise the Balance Sheet as at 31 March 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.

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 policies 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 31 March 2010 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2010 and its profit and cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Section 151(2) of the Companies Act No. 7 of 2007.

(Sgd)

Ernst & Young

20 May 2010
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Balance Sheet

As at 31 March 2010

	Note	2010 Rs.	2009 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	1,723,213,080	1,724,682,056
Leasehold Property	4	92,459,910	93,496,843
Investment in Associate	5	784,732,679	761,302,718
Investments in Equity Securities	6.1	216,973,011	-
		2,817,378,680	2,579,481,617
Current Assets			
Inventories	7	113,672,941	89,836,801
Trade and Other Receivables	8	130,697,548	106,057,571
Short Term Deposit		5,000,000	5,000,000
Cash and Bank Balances	20.1	17,915,352	13,978,217
		267,285,841	214,872,589
Total Assets		3,084,664,521	2,794,354,206
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	9	1,393,327,565	1,393,327,565
Retained Earnings		554,101,630	282,649,830
Total Equity		1,947,429,195	1,675,977,395
Non-Current Liabilities			
Non Interest Bearing Loans and Borrowings	10	54,632,667	59,745,943
Interest Bearing Loans and Borrowings	11	521,309,518	541,512,166
Retirement Benefit Liability	12	12,537,625	3,645,310
		588,479,810	604,903,419
Current Liabilities			
Trade and Other Payables	13	111,337,202	139,734,306
Tax Payable		124,532	436,884
Non Interest Bearing Loans and Borrowings	10	5,113,277	5,113,277
Interest Bearing Loans and Borrowings	11	432,180,505	368,188,925
		548,755,516	513,473,392
Total Equity and Liabilities		3,084,664,521	2,794,354,206

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd)
Priyal De Silva
Group Financial Controller

The board of directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the board by:

(Sgd)
Ashok Pathirage
Director

(Sgd)
Sharmini Nimalasuria
Director

The Accounting Policies and Notes on pages 28 through 51 form an integral part of these Financial Statements.

20 May 2010
Colombo

Income Statement

Year ended 31 March 2010

	Note	2010 Rs.	2009 Rs.
Revenue		1,479,344,211	1,149,831,857
Cost of Services		(762,292,875)	(519,874,932)
Gross Profit		717,051,336	629,956,925
Other Income and Gains	14	6,865,648	6,280,654
Administrative Expenses		(327,106,276)	(259,242,403)
Selling and Distribution Costs		(11,977,517)	(4,191,751)
Finance Cost	15.1	(152,944,455)	(177,129,752)
Finance Income	15.2	3,486,455	8,895,509
Share of Loss of an Associate	6	(9,475,627)	(27,639,695)
Net Gain on Deemed Disposal of Investment	6.1.1	104,283,390	-
Profit Before Tax	16	330,182,954	176,929,487
Income Tax Expense	17	(3,346,838)	(5,717,228)
Profit for the Year		326,836,116	171,212,259
Earnings Per Share-Basic	18	0.59	0.26
Dividend Per Share			
- Ordinary Shares	19.1	0.075	0.15
- Preference Shares	19.2	0.075	0.15

The Accounting Policies and Notes on pages 28 through 51 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 March 2010

	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2008		982,305,030	222,206,203	1,204,511,233
Issues of shares for cash	9.1	411,022,535	-	411,022,535
Profit for the Year		-	171,212,259	171,212,259
Dividend Paid - Ordinary Shares	19.1	-	(79,268,632)	(79,268,632)
- Preference Shares	19.2	-	(31,500,000)	(31,500,000)
Balance as at 31 March 2009		1,393,327,565	282,649,830	1,675,977,395
Profit for the Year		-	326,836,116	326,836,116
Dividend Paid - Ordinary Shares	19.1	-	(39,634,316)	(39,634,316)
- Preference Shares	19.2	-	(15,750,000)	(15,750,000)
Balance as at 31 March 2010		1,393,327,565	554,101,630	1,947,429,195

The Accounting Policies and Notes on pages 28 to 51 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March 2010

	Note	2010 Rs.	2009 Rs.
Cash Flows From Operating Activities			
Profit Before Income Tax Expense		330,182,954	176,929,487
Adjustments for			
Amortisation of Leasehold Land	4	1,036,933	1,036,933
Depreciation	3.3	148,334,105	107,491,741
Share of Loss of an Associate	6	9,475,627	27,639,695
Net Gain on Deemed Disposal of Investment		(104,283,390)	-
Profit/(Loss) on sales of Property, Plant and Equipment		(13,650)	80,375
Provision for Bad Debts		2,424,621	-
Provision for Obsolete Stocks		1,933,257	-
Finance Costs	15	152,944,455	177,129,752
Gratuity	12	9,456,975	(31,868)
Operating Profit/(Loss) Before Working Capital Changes		551,491,887	490,276,115
(Increase)/Decrease in Inventories		(25,769,397)	(28,291,336)
(Increase)/Decrease in Trade and Other Receivables		(27,064,598)	113,693,856
Increase/(Decrease) in Trade and Other Payables		(30,619,444)	82,557,585
Cash Generated From/(Used in) Operations		468,038,448	658,236,220
ESC/Income Tax paid		(3,659,190)	(2,286,237)
Finance Costs paid		(150,886,967)	(177,129,752)
Defined Benefit Plan Costs paid	12	(564,660)	(105,753)
Net Cash From/(Used in) Operating Activities		312,927,631	478,714,478
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	3.5	(143,482,599)	(508,838,121)
Acquisition of Other Investment	6.1	(145,595,208)	(78,191,430)
Net Cash Flows Used in Investing Activities		(289,077,807)	(587,029,551)
Cash Flows from/(Used in) Financing Activities			
Proceeds From Issuance of Share Capital	9.1	-	411,022,535
Proceeds From Interest Bearing Loans & Borrowings	11.2	813,086,098	840,977,554
Repayment of Non-Interest Bearing Loans & Borrowings		(5,113,276)	(4,706,077)
Repayment of Interest Bearing Loans & Borrowings		(653,234,904)	(956,937,676)
Dividend Paid		(55,332,485)	(111,590,573)
Net Cash Flows from Financing Activities		99,405,433	178,765,763
Net Increase/(Decrease) in Cash and Cash Equivalents		123,255,257	70,450,690
Cash and Cash Equivalents at the beginning of the year	20	(137,278,664)	(207,729,354)
Cash and Cash Equivalents at the end of the year	20	(14,023,407)	(137,278,664)

The Accounting Policies and Notes on pages 28 to 51 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Asiri Surgical Hospital PLC (“Company”) is a public limited liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company previously located at No. 181, Kirula Road, Colombo 5 and has been changed to No. 21, Kirimandala Mawatha, Colombo 5 with effect from 12th May 2009. The principal place of business is situated at No. 21, Kirimandala Mawatha, Colombo 5.

1.2 Principal Activities and Nature of Operations

During the year, principal activities of the Company were to operate a two tier hospital and provide healthcare services and managing and holding of investments in the healthcare industry.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company’s parent undertaking is Asiri Hospitals PLC. In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party is also Asiri Hospitals PLC, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of Asiri Surgical Hospital PLC for the year ended 31 March 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 20 May 2010.

2.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis unless otherwise stated. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No.7 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of Asiri Surgical Hospital PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year

Certain prior year figures and phases are rearranged whenever necessary to conform to the current year presentation.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and Assumptions

Impairment of Assets

The Company assesses whether there are any indicators of impairment for its investment in associates at each reporting date. Such assessment is made as described under accounting policy No 2.3.10 to these Financial Statements. In this regard, the fair value measurement included the Company’s ability to benefit from synergies and other tangible/ intangible assets that arise from its holding.

Defined Benefit Plans

The cost of defined benefit plans – Gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company’s functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

2.3.2 Taxation

a) Income Tax

Pursuant to agreement dated 29 March 2000 entered into with the Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply to the business of operating a two tier hospital and providing healthcare services, for a period of 10 years commencing from 31 March 2004. This exemption expires on 31 March 2014.

The Company is liable to pay tax on other income earned at the prevailing tax rate.

b) Economic Service Charge

As per the provisions of the Economic Service Charge Act No.13 of 2006 and subsequent amendments thereto, Economic Service Charge (ESC) is payable on relevant turnover. The rate of ESC relating to the revenue referred to in the BOI agreement where the corresponding profit is exempt from income tax is 0.25% and the rate relating to other income is 1%. ESC paid is deductible from the Company's income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable for a further four years.

c) Value Added Tax (VAT)

As per item XII of Part II (b) of first schedule to the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto the supply of health care services provided by the Company is exempt whilst other revenue would be liable at the prevailing rate.

d) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No. 5 of 2005 and subsequent amendments thereto, the Company is liable to pay SRL at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Act.

e) Deferred Taxation

As the Inland Revenue Act does not apply as stated above, temporary differences do not exist during the tax exemption period. Therefore deferred tax does not apply.

2.3.3 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.4 Inventories

Inventories are valued at lower cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted for using the following cost formula:-

Pharmaceuticals	- At actual cost on first-in first-out basis
Surgical and other Consumables	- At actual cost on first-in first-out basis

2.3.5 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowances for bad and doubtful receivables.

2.3.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Property, Plant and Equipment

All items of property, plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets.

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Notes to the Financial Statements

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.3.8 Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged and reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in 2.3.7.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2.3.9 Investments

a) Investment in Associates

The Company's investment in associates is accounted for by using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

b) Other Investments

Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non current investment in the balance sheet.

Measurement

Current Investment:

Current investments are carried at market value.

Unrealized gains and losses on current investments carried at market value are recognised as income or expense.

Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Short Term Deposit

Short term deposit in the Balance Sheet comprise short term deposits with an original maturity of twelve months or less.

2.3.10 Impairment of Assets

The Company assesses at each reporting date whether there is an indication that non financial assets and investment in Associates may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary at the end of every financial year using the Projected Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No 16, Employee Benefits (Revised 2006).

The item is stated under Retirement Benefit Liability in the Balance Sheet.

b) Defined Contribution Plan- Employees Provident Fund & Employees Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.13 Income Statement

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

b) Interest

Interest income is recognized as the interest accrues unless recovery is in doubt.

c) Others

Other income is recognized on an accrual basis.

2.4 Effect of Sri Lanka Accounting Standards Issues but not yet Effective

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka and are effective for the accounting periods on the dates specified below.

a) Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44) and Sri Lanka Accounting Standard 45 Financial Instruments; Recognition & Measurement (SLAS 45)

SLAS 44 and 45 becomes effective for financial years beginning on or after 1 January 2011. Accordingly, the financial Statements for the year ending 31 March 2012 will adopt SLAS 44 and 45, for the first time.

These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including Derivatives) into financial assets, financial liabilities and equity instruments.

In order to comply with the requirements of these standards, the Company is in the process of assessing the effect of adoption of the aforesaid two standards. Due to the complex nature of the effect of these standards the impact of adoption cannot be estimated as at the date of publication of these financial statements.

b) Sri Lanka Accounting Standard 39- Share Based Payments (SLAS 39)

SLAS 39- Share based payments, effective for periods beginning on or after 1st January 2010 will be first adopted in the year ending 31 March 2011. This standard requires an expense to be recognized where the Company buys goods or services in exchange for shares or rights over shares (equity –settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash- settled transactions).

For equity-settled share-based payment transactions, the Company is required to apply SLAS 39 to grants of shares, share options or other equity instruments that were granted after 1 January 2010.

The Company is in the process of evaluating the impact of this Standard. However it is unlikely that this Standard will have a material impact on the Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2010

3. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2009 Rs.	Additions /Transfers Rs.	Balance Disposals/ Transfers Rs.	As at 31.03.2010 Rs.
3.1 Gross Carrying Amounts				
At Cost				
Building on Leasehold Land	886,197,734	48,219,980	-	934,417,714
Medical Equipment	750,465,493	50,135,109	-	800,600,602
Office Equipment	48,503,752	8,451,731	(273,000)	56,682,483
Furniture and Fittings	91,506,873	2,611,277	-	94,118,150
Kitchen Equipment	10,744,818	1,091,567	-	11,836,385
Generator	9,566,544	16,968,879	-	26,535,423
Air Conditioners	80,081,862	11,215,430	-	91,297,292
Housekeeping Equipment	2,870,873	99,403	-	2,970,276
Laundry Equipment	8,387,030	-	-	8,387,030
Motor Vehicles	2,687,610	4,733,523	-	7,421,133
Tools and Equipment	34,698,525	948,203	-	35,646,728
Fixtures and Fittings	116,420,596	1,901,273	-	118,321,869
Elevators	29,711,328	540,177	-	30,251,505
	2,071,843,038	146,916,552	(273,000)	2,218,486,590
Assets on Finance Leases				
Motor Vehicles	2,123,424	3,454,304	-	5,577,728
	2,123,424	3,454,304	-	5,577,728
Total Value of Depreciable Assets	2,073,966,462	150,370,856	(273,000)	2,224,064,318

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	Balance As at 01.04.2009 Rs.	Incurred During the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3.2 In the Course of Construction				
Work in Progress	5,083,055	7,909,259	(11,155,636)	1,836,678
Total Gross Carrying Amount	2,079,049,517	158,280,115	(11,428,636)	2,225,900,996

	Balance As at 01.04.2009 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
3.3 Depreciation				
Building on Leasehold Land	53,538,980	18,223,795	-	71,762,775
Medical Equipment	147,653,878	78,341,854	-	225,995,732
Office Equipment	16,659,647	10,089,602	(13,650)	26,735,599
Furniture and Fittings	25,302,083	9,335,102	-	34,637,185
Kitchen Equipment	4,799,495	1,090,194	-	5,889,689
Generator	4,741,245	956,654	-	5,697,899
Air Conditioners	22,400,013	8,726,096	-	31,126,109
Housekeeping Equipment	938,319	286,710	-	1,225,029
Laundry Equipment	4,151,115	838,703	-	4,989,818
Motor Vehicles	1,505,062	1,089,766	-	2,594,828
Tools and Equipments	15,077,075	3,539,875	-	18,616,950
Fixtures and Fittings	50,621,516	11,741,632	-	62,363,148
Elevators	6,979,033	3,016,148	-	9,995,181
Total Depreciation	354,367,461	147,276,131	(13,650)	501,629,942
Assets on Finance Leases				
Motor Vehicles	-	1,057,974	-	1,057,974
	-	1,057,974	-	1,057,974
Total Depreciation	354,367,461	148,334,105	(13,650)	502,687,916

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	2010 Rs.	2009 Rs.
3.4 Net Book Values		
Building on Leasehold Land	862,654,939	832,658,754
Medical Equipment	574,604,870	602,811,615
Office Equipment	29,946,884	31,844,105
Furniture and Fittings	59,480,965	66,204,790
Kitchen Equipment	5,946,696	5,945,323
Generator	20,837,524	4,825,299
Air Conditioners	60,171,183	57,681,849
Housekeeping Equipment	1,745,247	1,932,554
Laundry Equipment	3,397,212	4,235,915
Motor Vehicles	4,826,305	1,182,548
Tools and Equipments	17,029,778	19,621,450
Fixtures and Fittings	55,958,721	65,799,080
Elevators	20,256,324	22,732,295
	1,716,856,648	1,717,475,577
Assets on Finance Leases		
Motor Vehicles	4,519,754	2,123,424
	4,519,754	2,123,424
In the Course of Construction		
Building	1,836,678	5,083,055
Total Carrying Amount of Property, Plant and Equipment	1,723,213,080	1,724,682,056

3.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.147,124,479/- (2009 - Rs.580,719,634/-). Cash payments amounting to Rs.143,482,599/- (2009 - Rs. 508,838,121/-) were made during the year for purchase of Property, Plant & Equipment.

3.6 The Company has received the leasehold right to the land, for a period of 99 years from the BOI and the lease-hold right of the property vested with the Company along with the building has been mortgaged to Hatton National Bank PLC as security for the loan facility of Rs. 200 Million obtained by Asiri Hospitals PLC on July 09, 2004.

3.7 Secondary mortgage of the land and building referred to under 3.6 has been given in favour of Commercial Bank of Ceylon PLC and Hatton National Bank PLC for a syndicated loan of Rs 350 Mn obtained by Asiri Surgical Hospital PLC.

3.8 Depreciation

The provision for depreciation is calculated by using a straight line method on the cost of all Property, Plant and Equipment in order to write off such amounts over the following estimated useful lives by equal installments.

	2010	2009
Buildings on Leasehold Land	Over 50 Years	Over 50 Years
Medical Equipment	Over 10 Years	Over 10 Years
Office Equipment	Over 5 Years	Over 5 Years
Furniture and Fittings	Over 10 Years	Over 10 Years
Kitchen Equipment	Over 10 Years	Over 10 Years
Generator	Over 10 Years	Over 10 Years
Air Conditioners	Over 10 Years	Over 10 Years
Housekeeping Equipment	Over 10 Years	Over 10 Years
Laundry Equipment	Over 10 Years	Over 10 Years
Motor Vehicles	Over 5 Years	Over 5 Years
Tools and Equipments	Over 10 Years	Over 10 Years
Fixtures and Fittings	Over 10 Years	Over 10 Years
Elevators	Over 10 Years	Over 10 Years

Year ended 31 March 2010

	2010 Rs.	2009 Rs.
4. LEASEHOLD PROPERTY		
Balance as at the beginning of the year	93,496,843	94,533,776
Amortization for the year	(1,036,933)	(1,036,933)
Balance as at the end of the Year	92,459,910	93,496,843

The Company obtained leasehold rights to the land situated at No.21, Kirimandala Mawatha, Colombo 05 for 99 years from Board of Investment of Sri Lanka by the agreement dated 29 March 2000. Refer Note 3.6 to these Financial Statements.

Notes to the Financial Statements

5. INVESTMENT IN ASSOCIATES

a) Asiri Central Hospitals PLC

The Company has a 32.71% (2009 - 32.71%) interest in Asiri Central Hospital PLC which is involved in the hospital and healthcare service industry. The cost of investment as at balance sheet date is Rs.727,563,277/- (2009- Rs. 727,563,277/-).

5.1 Carrying Value of the Investments

	Number of Shares		2010 Rs.	2009 Rs.
	2010	2009		
Quoted				
Asiri Central Hospitals PLC	7,303,257	7,303,257	727,563,277	727,563,277
Post Acquisition loss net of dividend			(44,784,883)	(39,451,989)
Net Gain on Deemed Disposal (refer note 6.1.1)			101,954,285	-
Un Quoted				
Central Hospital (Private) Limited	-	7,319,143	-	73,191,430
Carrying Value of the Investments			784,732,679	761,302,718
Share of Associate's Balance Sheet				
Current Assets			23,042,391	91,985,605
Non- Current Assets			646,586,624	1,147,458,606
Current Liabilities			(294,083,286)	(75,147,663)
Non- Current Liabilities			(8,702,344)	(842,613,643)
Net Assets			366,843,384	321,682,904
Fair value, Good will and other adjustments on acquisition			417,889,295	439,619,814
Carrying amount of the Investment			784,732,679	761,302,718

6. SHARE OF THE ASSOCIATE'S REVENUE AND LOSS

	2010 Rs.	2009 Rs.
Revenue	213,494,680	202,865,568
Loss before Income Tax	(4,358,993)	(23,073,229)
Income Tax	(5,116,634)	(4,566,466)
	(9,475,627)	(27,639,695)

6.1 INVESTMENT IN EQUITY SECURITIES

Non Quoted	Number of Shares		2010 Rs.	2009 Rs.
	2010	2009		
Carrying amount as at the beginning of the year	-	-	-	-
Transferred from Investment in Associate	7,319,143	-	69,048,698	-
Investment made during the year	8,564,424	-	145,595,208	-
Net Gain on Deemed Disposal (refer note 6.1.1)	-	-	2,329,105	-
Carrying amount as at the end of the year	15,883,567	-	216,973,011	-

6.1.1 Central Hospital (Private) Limited

Central Hospital (Private) Limited until December 2009 was a subsidiary of Asiri Central Hospitals PLC. In December 2009, following a new issue of shares by Central Hospital (Private) Limited, such Company became an Associate of Asiri Central Hospitals PLC. Further, following such new issue of shares, the Company's direct holding in Central Hospital (Private) Limited (refer note 5.1) also reduced from 8.2 % to 7.38%. Accordingly, the Company's direct holding of 7.38% in Central Hospital (Private) Limited has been reflected under "Investments in Equity Securities".

	2010 Rs.	2009 Rs.
7. INVENTORIES		
Pharmaceuticals	27,311,932	17,012,746
Surgical	71,783,441	52,167,830
Genetic Lab	6,047,929	8,653,582
X-Ray and Radiology Consumables	1,189,587	1,729,949
Kitchen/ Canteen	545,618	518,215
House Keeping Consumables	754,295	750,719
Stationery	4,249,903	4,198,690
Others	3,723,493	4,805,070
	115,606,198	89,836,801
Less: Provision for Obsolete Stocks	(1,933,257)	-
	113,672,941	89,836,801

Notes to the Financial Statements

	2010 Rs.	2009 Rs.
8. TRADE AND OTHER RECEIVABLES		
Trade Debtors	64,357,090	44,666,351
Less: Provision for Bad Debts	(2,596,187)	(171,565)
	61,760,903	44,494,786
Other Debtors - Related Parties (8.1)	46,057,615	4,373,959
Advances, Deposits and Prepayments	22,879,030	57,188,826
	130,697,548	106,057,571

8.1 Other Debtors - Related Parties

		2010 Rs.	2009 Rs.
	Relationship		
Asiri Hospitals PLC	Parent Company	40,408,504	-
Asiri Matara Hospital (Pvt) Ltd	Group Company	-	2,097,068
Asiri Central Hospitals PLC	Associate Company	5,476,333	2,276,891
Asiri Diagnostic Services (Pvt) Ltd	Group Company	171,866	-
Central Hospital (Pvt) Ltd	Group Company	912	-
		46,057,615	4,373,959

9. STATED CAPITAL

	2010		2009	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares (9.1)	528,457,545	1,183,327,565	528,457,545	1,183,327,565
Fully Paid Cumulative Non Redeemable Preference Shares (9.2)	210,000,000	210,000,000	210,000,000	210,000,000
		1,393,327,565		1,393,327,565

9.1 Fully Paid Ordinary Shares

	2010		2009	
	Number	Rs.	Number	Rs.
Balance at beginning of the year	528,457,545	1,183,327,565	469,740,040	772,305,030
Issue of shares for cash	-	-	58,717,505	411,022,535
Balance at end of the year	528,457,545	1,183,327,565	528,457,545	1,183,327,565

9.2 Fully Paid Cumulative Non Redeemable Preference Shares

	2010		2009	
	Number	Rs.	Number	Rs.
Balance at beginning of the year	210,000,000	210,000,000	210,000,000	210,000,000
Balance at end of the year	210,000,000	210,000,000	210,000,000	210,000,000

9.3 Rights, Preferences and Restrictions of Classes of Capital

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

Holders of preference shares will confer the right to a dividend which will be equal to any dividend declared on the ordinary shares. The holders of preference shares will have a priority right over the ordinary shareholders to the payment of such dividend. The preference shareholders do not carry the right to vote at a general meeting.

In a winding-up, the preference shares will confer the right to the payment of the paid preference share capital to the holders thereof in priority to the payment of the paid up ordinary share capital to the holders of such capital. Thereafter, all shares rank equally with regard to the Company's residual assets, after the return to the ordinary shareholders of the paid up ordinary shares.

Notes to the Financial Statements

10. NON INTEREST BEARING LOANS AND BORROWINGS

Payable to the Board of Investment of Sri Lanka	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable Within 2-5 Years Rs.	2010 Amount Repayable After 5 Years Rs.	2010 Total Rs.	2009 Total Rs.
Gross Liability on Leasehold Land	4,275,600	17,102,400	41,398,667	62,776,667	62,776,666
Less: Finance Charges allocated to future periods	(203,600)	(814,400)	(3,054,000)	(4,072,000)	-
Net Liability on Leasehold Land	4,072,000	16,288,000	38,344,667	58,704,667	62,776,666
On-relocation (10.1.3)	1,041,277	-	-	1,041,277	2,082,554
	5,113,277	16,288,000	38,344,667	59,745,944	64,859,220

10.1 - Terms of Repayment - Board of Investment of Sri Lanka (BOI)

10.1.1 - An annual sum equivalent to 4% of the total market value of leasehold land (Rs.101,800,000/-) as at the date of the lease agreement, over a period of 25 years commencing from the financial year 2000/2001.

10.1.2 - BOI reserves the right to revise the annual lease rent every 05 years on the basis of an annual increase not greater than the Average Weighted Deposit Rate prevailing at the end of each year as determined by the Central Bank of Sri Lanka or 10%, per annum whichever is lower. Accordingly, BOI has increased the annual lease rent by 10% in the financial year 2009/10. Accordingly, the finance cost amounting to Rs. 203,600/- has been recognised as an expenses in 2009/10.

- If BOI exercises same right, at the end of 5 years (i.e. after the financial year of 2013/14) and every 5 years thereafter at the maximum allowed rate of 10%, the Company would have to incur a gross liability of Rs.113,100,004/- including future finance costs of Rs. 8,245,104/-.
- Due to the uncertainty of exercising such right, the Company has not accounted for future finance costs pertaining to the above lease which would amount to approximately Rs.749,555/- for the current year.
- All payments are subject to taxes prevailing at the time of payment.

10.1.3 - An amount of Rs. 7,288,940/- is payable in seven equal annual installments on account of relocation fees commencing from the financial year 2004/2005.

11. INTEREST BEARING LOANS AND BORROWINGS

	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
Finance Leases (11.1)	963,774	2,556,476	3,520,250	318,221	1,462,166	1,780,387
Bank Loans (11.2)	399,277,972	518,753,042	918,031,014	216,613,824	540,050,000	756,663,824
Bank Overdraft (21.2)	31,938,759	-	31,938,759	151,256,880	-	151,256,880
	432,180,505	521,309,518	953,490,023	368,188,925	541,512,166	909,701,091

11.1 Finance Leases

	As at 01.04.2009 Rs.	New Leases Obtained Rs.	Repayment Rs.	As at 31.03.2010 Rs.
Hatton National Bank PLC	2,675,491	3,368,880	(1,515,996)	4,528,375
Gross Liability	2,675,491	3,368,880	(1,515,996)	4,528,375
Finance Charges allocated to future periods	(895,104)			(1,008,125)
Net liability	1,780,387			3,520,250

11.2 Bank Loans

	As at 01.04.2009 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2010 Rs.
Commercial Bank of Ceylon PLC	508,900,000	150,000,000	(159,380,000)	499,520,000
Hatton National Bank PLC	214,013,824	183,086,098	(232,999,922)	164,100,000
Nations Trust Bank PLC	33,750,000	-	(9,000,000)	24,750,000
DFCC Bank	-	200,000,000	(20,338,986)	179,661,014
HSBC Limited	-	180,000,000	(180,000,000)	-
Pan Asia Banking Corporation PLC	-	100,000,000	(50,000,000)	50,000,000
	756,663,824	813,086,098	(651,718,908)	918,031,014

Notes to the Financial Statements

11. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

11.3	Details of the Long Term Loans;	Approved Facility	Purpose	Repayment Terms	Security	Security Amount Rs.
	Commercial Bank of Ceylon PLC	Rs.300 Million	Part finance the cost of construction of Phase 2 of the hospital complex	60 equal monthly installments commencing from 12 Months after first disbursement	Corporate Guarantee from Asiri Hospitals PLC	300 Mn
	Commercial Bank of Ceylon PLC	Rs.100 Million	Establishment of irrevocable documentary Letters of Credits for the importation of medical equipment	60 equal monthly installments with one year grace period commencing from 25th December 2009	Corporate Guarantee from Asiri Hospitals PLC	300 Mn
	Commercial Bank of Ceylon PLC	Rs.175 Million	To part refinance the term loan granted to finance the Purchase of 6,577,981 Shares of Asiri Central Hospitals PLC	59 equal monthly installment of Rs. 2.9 Mn each and final installment of Rs. 3.9 Mn	Leasehold Land and Buildings	175 Mn
	Commercial Bank of Ceylon PLC	Rs.100 Million	To finance the working capital requirements of the Company	Each loan will be repaid in 30 days	Secondary Concurrent Mortgage Bond with Hattion National Bank PLC over property of the Company and Corporate Guarantee of Asiri Hospitals PLC.	175 Mn
	Hatton National Bank PLC	Rs.175 Million	To part settle temporary facilities obtained to purchase stake in Asiri Central Hospitals PLC	59 equal monthly installment of Rs. 2.9 Mn each and final installment of Rs. 3.9 Mn	Leased hold Land and Buildings	175 Mn
	Hatton National Bank PLC	Rs.50 Million	To retire import bills under the Letter of Credit facility	Repayable within maximum period of 90 days	Corporate Guarantee from Asiri Hospitals PLC	150 Mn
	Hatton National Bank PLC	Rs.50 Million	Operational requirements	Each loan will be repaid in 30 days	Corporate Guarantee from Asiri Hospitals PLC	150 Mn

11.3	Details of the Long Term Loans;	Approved Facility	Purpose	Repayment	Security	Security Amount Rs.
	Nation Trust Bank PLC	Rs 36 Million	For importation of Cardiac Monitoring and Resuscitation system	48 equal monthly installments commencing from January 2009	Mortgage over Equipment Corporate Guarantee from Asiri Hospital PLC	36 Mn
	Pan Asia Banking Corporation PLC	Rs.50 Million	To finance the working capital requirements of the Company	Each loan will be repaid in 90 days	Corporate Guarantee from Asiri Hospitals PLC	100 Mn
	DFCC Bank *	Rs.200 Million	Settle part of the short term borrowings	50 equal monthly installments (capital) after a grace period of one month commencing from 25th December 2009	134,915,107 ordinary shares of Asiri Surgical Hospital PLC held by Asiri Hospitals PLC	200 Mn

*Carrying value of the pledged assets have been disclosed in note 22 of these financial statements.

Notes to the Financial Statements

12. RETIREMENT BENEFIT LIABILITY

12.1 Retirement Benefit Obligations - Gratuity

	2010 Rs.	2009 Rs.
Balance as at the beginning of the year	3,645,310	3,782,931
Charge/(Reverse) for the year	9,456,975	(31,868)
Benefits Paid	(564,660)	(105,753)
Balance as at the end of the year	12,537,625	3,645,310

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2010 . Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Principal Actuarial Assumption

The principal financial assumptions underlying the valuation are as follows:

	2010	2009
Discount Rate	11% p.a.	12% p.a.
Salary Increases	12% p.a.	10% p.a.
Staff Turnover	Up to 50 years - 10%	Up to 50 years -10%

The demographic assumptions underlying the valuation are retirement age of 55 years.

13. TRADE AND OTHER PAYABLES

	2010 Rs.	2009 Rs.
Trade Payables	47,404,644	27,066,786
Contract Retention	9,746,560	7,163,699
Sundry Creditors including Accrued Expenses	50,485,194	45,534,121
Other Payable - Related Parties (13.1)	3,700,804	59,969,700
	111,337,202	139,734,306

13.1 Other Payable - Related Parties

		2010 Rs.	2009 Rs.
	Relationship		
Asiri Hospitals PLC	Parent Company	-	59,969,700
Asiri Matara Hospital (Pvt) Ltd	Group Company	3,700,804	-
		3,700,804	59,969,700

14. OTHER INCOME AND GAINS

	2010 Rs.	2009 Rs.
Car Park Rental	3,900,000	2,700,000
Dialog Antenna Rental	1,607,143	1,800,000
Restaurant Rental	876,493	774,000
Hostel Fees	118,612	622,154
Sundry Income	363,400	384,500
	6,865,648	6,280,654

15. FINANCE COST AND INCOME

	2010 Rs.	2009 Rs.
15.1 Finance Cost		
Interest Expense on Overdrafts	10,964,006	16,211,712
Interest Expense on Loans, Borrowings & Finance Leases	141,980,449	160,918,040
	152,944,455	177,129,752
15.2 Finance Income		
Interest Income	3,486,455	8,895,509
	3,486,455	8,895,509

Notes to the Financial Statements

16. PROFIT BEFORE TAX

	2010 Rs.	2009 Rs.
Stated after Charging/(Crediting)		
Included in Cost of Sales		
Depreciation	78,341,852	53,491,612
Employee Benefits include the followings	192,398,660	128,695,091
- Defined Contribution Plan Costs - EPF & ETF	17,049,641	11,489,500
Included in Administrative Expenses		
Depreciation	69,992,253	54,000,129
Employee Benefits include the following	36,093,421	23,188,611
- Defined Benefit Plan Costs - Gratuity	9,456,975	(31,868)
- Defined Contribution Plan Costs - EPF & ETF	1,894,405	1,276,611
Directors' Fees and Remuneration	9,786,981	6,277,750
Amortisation of Leasehold Property	1,036,933	1,036,933
Donations	1,205,303	367,155
Legal Fees	1,385,953	699,769
Audit Fees and Reimbursable expense	589,208	689,550
Included in Selling and Distribution Costs		
Advertising Costs	9,552,896	3,762,320
	2010 Rs.	2009 Rs.
17. INCOME TAX EXPENSES		
Income Tax on Other Income	3,346,838	5,717,228
	3,346,838	5,717,228

18. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic Earnings Per Share computations.

	2010 Rs.	2009 Rs.
Profit for the Year	326,836,116	171,212,259
Dividend on Preference Shares	(15,750,000)	(31,500,000)
Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	311,086,116	139,712,259

Number of Ordinary Shares used as the Denominator

	2010 Number	2009 Number
Ordinary Shares at the beginning of the year	528,457,545	469,740,040
Share issue during the year	-	58,717,505
Adjusted Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	528,457,545	528,457,545

19. DIVIDENDS PAID AND PROPOSED

	2010 Rs.	2009 Rs.
--	-------------	-------------

Declared and paid during the year

19.1 Equity dividends on Ordinary Shares :

Final dividend for 2008/09 : Nil (2007/2008 : Rs.0.075-per share)	-	39,634,316
Interim dividend for 2009/2010 : Rs.0.075-per share (2008/ 2009: Rs. 0.075 per share)	39,634,316	39,634,316
	39,634,316	79,268,632

19.2 Dividends on Preference Shares :

Final dividend for 2009/2010 : Nil (2008/2009: Rs.0.075 per share)	-	15,750,000
Interim dividend for 2009/10 : Rs. 0.075-per share (2008/09: Rs. 0.075 per share)	15,750,000	15,750,000
	15,750,000	31,500,000
	55,384,316	110,768,632

Notes to the Financial Statements

20. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	2010 Rs.	2009 Rs.
20.1 Favourable Cash and Cash Equivalents Balance		
Cash and Bank Balances	17,915,352	13,978,217
	17,915,352	13,978,217
20.2 Unfavourable Cash and Cash Equivalents Balance		
Bank Overdraft	(31,938,759)	(151,256,880)
Total Cash and Cash Equivalents for the Purposes of the Cash Flow Statement	(14,023,407)	(137,278,663)

21. COMMITMENTS AND CONTINGENCIES

21.1 Capital Expenditure Commitments

	2010 Rs.	2009 Rs.
Contracted but not provided for	2,000,000	31,100,000

21.2 Contingent Liabilities

(a) Legal Claims

There is a legal case against the Company claiming Rs.1,500,000/-. The outcome of the case cannot be ascertained until it is finally determined. Hence no provision has been made for any liability that may result in this regard.

(b) Guarantees

The Directors of the Company have signed Corporate Guarantee Bonds with the following banks securing the banking facilities obtained by Asiri Hospitals PLC.

	2010 Rs. Mn.	2009 Rs. Mn.
Sampath Bank PLC	175	175
Seylan Bank PLC	10	10
Nations Trust Bank PLC	180	180
Hatton National Bank PLC	180	180
Commercial Bank of Ceylon PLC	280	280
Bank of Ceylon	24	-
	849	825

22. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of liability	Carrying Amount Pledged	
		2010 Rs.	2009 Rs.
Leasehold Land and Buildings	Primary/Secondary Mortgage Bond for loans and borrowings	955,114,849	926,155,597
Inventories and Trade debtors	Primary Mortgage Bond for overdraft facility	175,433,844	134,503,152
Cardiac Monitoring and Resuscitation System	Primary Mortgage for finance facility	28,800,000	33,000,000
Medical Equipment	Primary Mortgage Bond for loans and borrowing	115,516,366	119,335,540
		1,274,865,059	1,212,994,289

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

After satisfying the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommended the payment of an interim dividend of Rs.0.10 (10 cents) per ordinary share and cumulative non redeemable preference share for the financial year ending 31 March 2011. However, in accordance with Sri Lanka Accounting Standard No. 12 (Revised 2005) - Events After the Balance Sheet Date, this interim dividend has not been recognised as a liability as at 31 March 2010. This would result in a total outflow of Rs. 73,845,755/-. There have been no material events occurring after the Balance Sheet date other than as disclosed above that require adjustments to or disclosure in these Financial Statements.

Notes to the Financial Statements

24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

24.1 Transactions with Parent and Related Entities

a)

Nature of Transaction	Asiri Hospitals PLC Parent Company		Transactions with Affiliate Companies*		Total	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
As at 1 April	(59,969,700)	116,303,146	4,373,959	46,598,552	(55,595,741)	162,901,698
Repayment of Temporary Finance Obtained and fund transfers	172,705,688	249,500,000	236,725,220	40,371,075	409,430,908	289,871,075
Temporary Finance Obtained	(104,300,000)	(440,000,000)	(246,834,162)	(91,665,974)	(351,134,162)	(531,665,974)
Sale/(Purchase) of goods/services including staff related items	13,335,451	(6,404,520)	2,412,678	315,483	15,748,129	(6,089,036)
Channeling fee collected by Related Party/ the Company on behalf on the Company/Related Party respectively	15,986,318	18,501,091	(22,100)	-	15,964,218	18,501,091
Expenses incurred by the Company on behalf of Related Party	2,650,747	2,130,583	5,292,712	8,754,822	7,943,459	10,885,405
As at 31 March	40,408,504	(59,969,700)	1,948,307	4,373,959	42,356,811	(55,595,741)
Included under Trade and Other Receivables	40,408,504	-	5,649,111	4,373,959	46,057,615	4,373,959
Included under Trade and Other Payables	-	(59,969,700)	(3,700,804)	-	(3,700,804)	(59,969,700)
	40,408,504	(59,969,700)	1,948,307	4,373,959	42,356,811	(55,595,741)

* Affiliate Companies include Asiri Matara Hospital (Pvt) Ltd, Asiri Central Hospital PLC, Asiri Diagnostics Services (Pvt) Ltd and Central Hospital (Pvt) Ltd.

b) The Company has invested in equity shares of Asiri Central Hospitals PLC and Central Hospital (Pvt) Ltd as disclosed in Note 5 of these Financial Statements.

24.2 Off Balance Sheet Items

Guarantees made on behalf of Asiri Hospitals PLC, has been given in Note 21.2.(b) and Note 3.6 to these Financial Statements.

a) Asiri Hospitals PLC has granted Corporate Guarantees to Commercial Bank of Ceylon PLC, Hatton National Bank PLC, Nations Trust Bank PLC, Pan Asia Banking Corporation PLC and Seylan Bank PLC to secure the banking facilities obtained by the Company, for the value of Rs. 630 million, 150 million, Rs 36 million, Rs. 100 million and Rs. 10 million respectively.

b) Refer Note 11.3 to these Financial Statements for assets pledged by Asiri Hospital PLC to DFCC Bank in order to obtain a loan of Rs. 200 million by Asiri Surgical Hospital PLC.

24. RELATED PARTY DISCLOSURES (Contd.)

24.3 Transactions with Key Management Personnel of the Company or its Parent

The key management personnel of the Company are the members of its Board of Directors and that of its parent.

a) Key Management Personnel Compensation

	2010 Rs.	2009 Rs.
Short Term Employment Benefits	9,786,981	6,277,750
Post Employment Benefits	-	401,362
Total Compensation Paid to Key Management Personnel	9,786,981	6,679,112

b) Transactions with entities that are controlled, jointly controlled or significantly influenced by key management personnel

Name of the Related Party	Details	Services (Obtained) /Rendered 2010 Rs.	Services (Obtained) /Rendered 2009 Rs.
		Softlogic Trading (Pvt) Ltd	Purchase of Computers and Accessories
Softlogic Computers (Pvt) Ltd	Purchase of Computers and Accessories	(54,090)	(423,723)
Softlogic Information Systems (Pvt) Ltd	Software Maintenance	(1,760,250)	(1,656,250)
Softlogic Communications (Pvt) Ltd	Purchase of Mobile Phones	(107,396)	(155,340)
Uniwalkers Ltd	Purchase of Electronic Equipment	(1,996,878)	(3,216,446)
Udayagiri Stores	Food Supplies	(2,782,839)	(5,948,779)
Anro Super Florist	Floral Arrangements	(573,000)	475,800
D.Samson and Sons (Pvt) Ltd	Supply of Goods	(679,919)	672,531
Samson Information Technologies (Pvt) Ltd	Purchase of Computers and Accessories	(138,600)	-

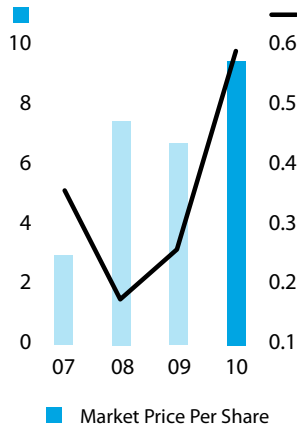
24.4 Other Transactions

The shareholders of the Company are eligible for a 50% discount on the hospital bills excluding the charges for drugs, medical consumables, professional fees, and blood charges up to a limit of 12.5% per annum, of the nominal value of the shares held for a minimum period of three months. Discounts are also given on investigations on out patients such as Laboratory, MRI, X-Ray ECG, Ultrasound Scanning, and others provided by the Company.

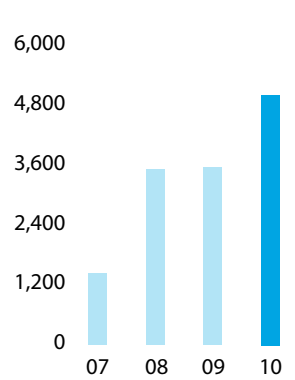
This facility is extended to the shareholder and three nominees, subject to the above limit.

Graphical Review

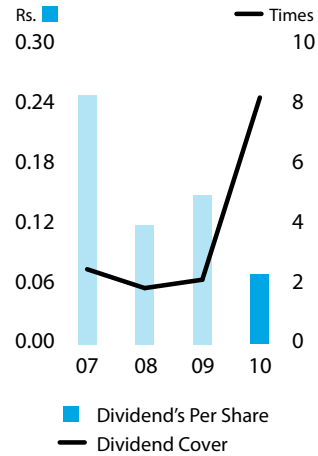
Earning and Market Price (Rs.)



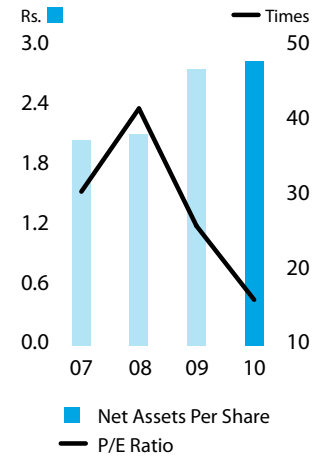
Market Capitalization (Rs.Mn)



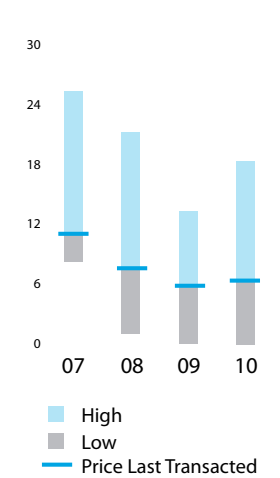
Dividends



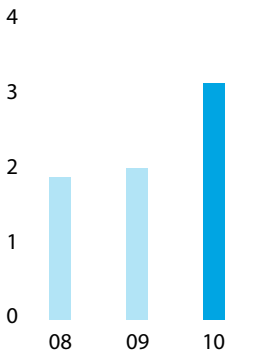
Share Value



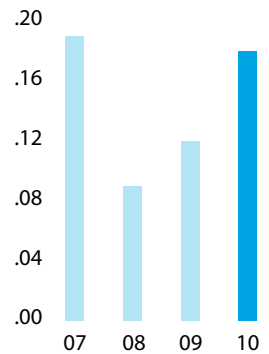
Share Price (Rs.)



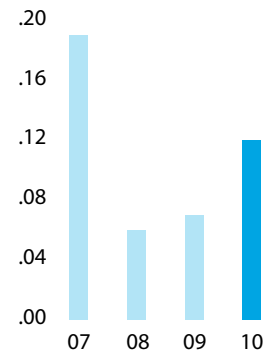
Interest Cover (Times)



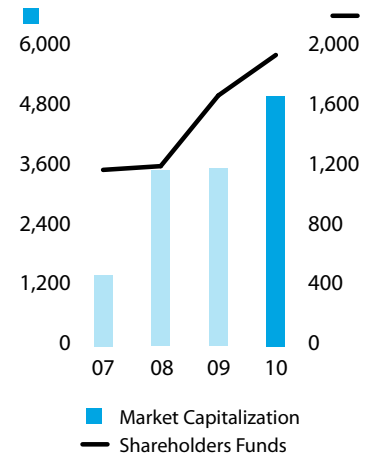
Return on Equity (%)



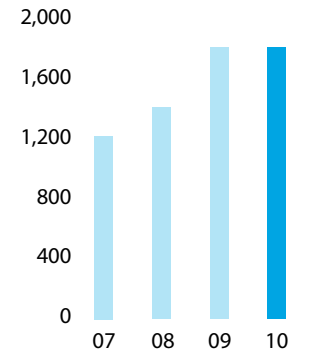
Return on Capital Employed (%)



Shareholders Funds Vs Market Capitalization (Rs. Mn)



Property Plant & Equipment (Rs. Mn)



Economic Value Added Statement

Economic Value Added Statement

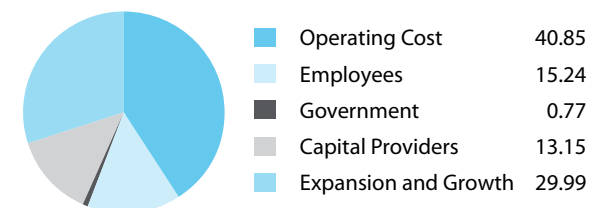
	2009/10 Rs.'000	2008/09 Rs.'000
Direct economic value generated		
Revenue	1,479,344	1,149,832
Other Income	6,866	6,281
Finance Income	3,486	8,895
Share of loss of an Associate	(9,476)	(27,640)
Net Gain on Deemed Disposal of Investment	104,283	
	1,584,503	1,137,368

Economic Value Distributed	%		%	
Operating Cost	40.85	647,328	35.38	402,442
Employees				
Employee Wages & Benefits	15.24	241,515	13.70	155,867
Government				
All Taxes	0.77	12,162	1.10	12,455
Capital Providers				
Interest on loan	9.65	152,944	15.57	177,130
Shareholders	3.50	55,384	9.74	110,769
Expansion and Growth				
Depreciation	9.36	148,334	9.45	107,492
Retained Profit	20.63	326,836	15.05	171,212
	100.00	1,584,503	100.00	1,137,367

The creation of wealth is the main purpose of any commercial organisation. company over the last two years and the distribution of this wealth created among its stakeholders.

Through its operation during the financial year 2009/10, the company created a total wealth of almost Rs.1.6 billion, which was a 4% increase over the previous year.

Distribution of Economic Value Addition



Shareholder Information

The ordinary shares of the Company are listed in the Colombo Stock Exchange of Sri Lanka.

The Audited Financial Statements of the Company for the year ended March 31, 2010 and copies of this annual report have been submitted to the Colombo Stock Exchange

Distribution of Shareholders

Shareholdings	31st March 2010			31st March 2009		
	No of Shareholders	Total Holding	Holding %	No of Shareholders	Total Holding	Holding %
1 to 1000 shares	1,119	371,750	0.07	974	340,031	0.06
1001 to 10,000 shares	790	3,053,141	0.58	871	3,282,828	0.62
10001 to 100,000 shares	576	16,644,215	3.15	608	17,277,071	3.27
100001 to 1,000,000 shares	130	34,898,500	6.60	128	33,699,176	6.38
Over 1,000,001 shares	32	473,489,939	89.60	32	473,858,439	89.67
Total	2,647	528,457,545	100.00	2,613	528,457,545	100.00

Composition of Shareholders

Individual	2,572	188,727,118	35.71	2,541	189,603,083	35.88
Institutional	75	339,730,427	64.29	72	338,854,462	64.12
Total	2,647	528,457,545	100	2,613	528,457,545	100
Resident	2,622	527,988,582	99.91	2,598	528,373,682	99.98
Non-Resident	25	468,963	0.09	15	83,863	0.02
Total	2,647	528,457,545	100	2,613	528,457,545	100

Major Shareholdings

The 20 major shareholders as at the end of the financial year and their percentage holding are as follows:

	As at 31st March 2010	%	As at 31st March 2009	%
1 Asiri Hospitals PLC	156,140,941	29.55	156,140,941	29.55
2 Sri Lanka Insurance Corporation Ltd-General Fund	121,040,898	22.90	121,409,398	22.97
3 Mr. D. K. Subasinghe/Mrs. S. N. Subasinghe	52,159,753	9.87	52,159,753	9.87
4 Softlogic International (Pvt) Ltd	20,337,133	3.85	20,337,133	3.85
5 Sri Lanka Insurance Corporation Ltd-Life Fund	15,493,000	2.93	15,493,000	2.93
6 Mr. P. P. Subasinghe	9,000,014	1.70	9,000,014	1.7
7 Mr. T. Weerasinghe/Mrs. N. Weerasinghe	7,500,015	1.42	7,500,015	1.42
8 Mr. V. Kailasapillai	7,500,000	1.42	7,500,000	1.42
9 Mrs. N. Weerasinghe/Miss T. H. Weerasinghe	7,499,999	1.42	7,499,999	1.42
10 Mrs. N. Weerasinghe/Mr. C. D. Weerasinghe	7,499,999	1.42	7,499,999	1.42
11 Mrs. A. Selliah	7,100,000	1.34	7,100,000	1.34
12 Mr. C. D. Weerasingha/Mrs. N. Weerasinghe	6,666,666	1.26	6,666,666	1.26
13 Softlogic Communications (Pvt) Ltd	6,543,966	1.24	6,543,966	1.24
14 Miss. Sivamalar Subramaniam	6,300,000	1.19	6,300,000	1.19
15 Mrs. A. Kailasapillai	6,300,000	1.19	6,300,000	1.19
16 Mr. Kailasapillai Aravithan	6,280,000	1.19	6,280,000	1.19
17 Softlogic Trading (Pvt) Ltd	4,902,200	0.93	4,902,200	0.93
18 Mr. M. R. Weerasinghe	3,333,333	0.63	3,333,333	0.63
19 Mr. D. M. Rajapaksa	2,764,350	0.52	2,764,350	0.52
20 Arunodhaya Industries (Private) Limited	2,400,000	0.45	2,400,000	0.46
	456,762,267	86.43	457,130,767	86.5
Shares held by the other shareholdings	71,695,278	13.57	71,326,778	13.5
Total No. of Shares issued	528,457,545	100.00	528,457,545	100
Public Shareholding	230,957,416	43.70	240,853,162	45.58

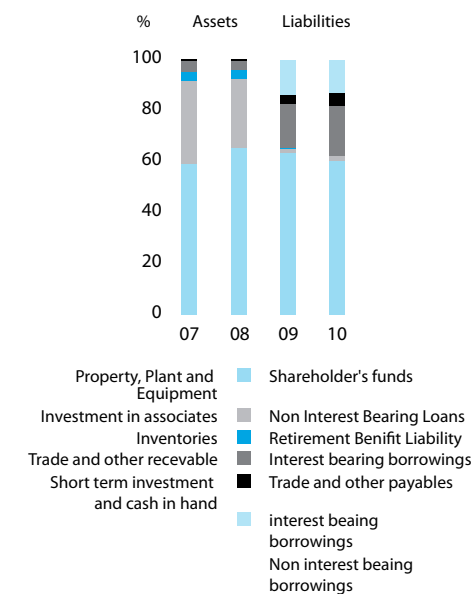
Share Trading	2009/10		2008/09	
Market Price (Rs.)				
Highest	12.00	(03/12/09)	7.50	(17/02/09)
Lowest	6.50	(01/04/09)	5.75	(12/01/09)
As at year end	9.50	(26/03/10)	6.75	(31/03/09)
No of Trades	674		1,446	
No of Shares Traded	1,597,500		8,570,900	
Value of the Shares Traded (Rs.)	16,235,650		60,315,250	
Earnings per Share (Rs.)	0.59		0.26	
Dividends per Share (Rs.)	0.15		0.15	
Net Assets per Ordinary Share (Rs.)	3.29		2.77	

Five Year Summary

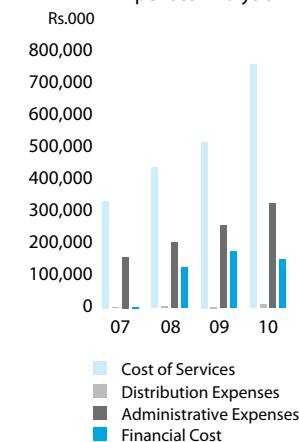
Year ended 31 March 2010
Rs.'000

	2010	2009	2008	2007	2006
Income Statements					
Revenue	1,479,344	1,149,832	896,373	718,972	530,533
Cost of Services	(762,293)	(519,875)	(440,323)	(334,930)	(261,938)
Gross Operating Profit	717,051	629,957	456,050	384,042	268,595
Other Income	10,352	15,176	4,808	3,736	318
Administration and Distribution Expenses	(339,083)	(263,434)	(212,259)	(162,267)	(129,473)
Profit Before Interest	388,320	381,699	248,599	225,511	139,439
Finance Cost	(152,944)	(177,130)	(126,777)	(4,248)	(245)
Share of Loss of an Associate	(9,476)	(27,640)	(9,838)	-	-
Net Gain on Deemed Disposal of Investment	104,283	-	-	-	-
Profit before Tax	330,183	176,929	111,983	221,263	139,194
Income Tax Expense	(3,347)	(5,717)	(1,700)	(566)	(64)
Net Profit for the year	326,836	171,212	110,284	220,697	139,130
Balance Sheet					
Property Plant & Equipment	1,815,673	1,818,179	1,415,826	1,225,578	1,235,651
Investment in Associates	784,733	761,303	643,772	-	-
Investment in Equity Securities	216,973	-	-	-	-
Inventories	113,673	89,837	61,545	55,240	53,100
Receivables	130,697	111,057	294,724	44,308	16,566
Cash and Bank balance	22,915	13,978	10,606	6,725	5,112
Total Assets	3,084,664	2,794,354	2,426,476	1,331,851	1,310,430
Stated Capital	1,393,328	1,393,328	982,305	982,305	982,305
Accumulated Profits	554,102	282,650	222,206	196,890	116,770
Shareholders' Funds	1,947,430	1,675,978	1,204,511	1,179,196	1,099,075
Non Interest Bearing Long Term Liabilities	54,633	59,746	64,248	69,565	75,086
Interest Bearing Long Term Liabilities	521,309	541,512	398,024	-	-
Deferred Retirements Obligations	12,538	3,645	3,783	1,953	933
Trade Creditors	111,337	139,734	57,656	34,819	28,284
Other Payables	124	437	-	-	81,781
Non Interest Bearing Loans and Borrowings	5,113	5,113	5,317	5,317	7,196
Interest Bearing Short Term Borrowings	432,180	368,189	692,935	41,002	18,075
Total Equity & Liabilities	3,084,664	2,794,354	2,426,474	1,331,852	1,310,430
Cash Flow					
Net Cash Flow from operating activities	312,928	478,714	(19,528)	190,245	217,010
Net Cash Flow used in Investing activities	(289,078)	(587,030)	(936,264)	(63,582)	(147,715)
PBIT/Turnover	26%	33%	28%	31%	26%
GP Margin	48%	55%	51%	53%	51%
Gearing	33%	35%	48%	3%	2%

Balance Sheet Structure



Expenses Analysis



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Asiri Surgical Hospital PLC will be held at HOTEL JANAKI, Fife Road, Colombo 05 on Thursday the 30th day of September 2010 at 11.30 a.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors, Statements of Accounts and the Balance Sheet of the Company for the year ended 31st March 2010 together with the Report of the Auditors thereon.
- 2) To ratify the Interim Dividend of Rs. 0/075 per share paid on 13th August 2009 as the Final Dividend for the year ended 31st March 2010.
- 3) To re-elect Mr. S. G. Wijesinha who retires in terms of Article 24(2) of the Articles of Association, as a Director of the Company.
- 4) To re-elect Dr. D. S. Rajapaksa who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.
- 5) To re-elect Dr. K. M. P. Karunaratne who retires in terms of Article 24(6) of the Articles of Association, as a Director of the Company.
- 6) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.
- 7) Special Business
 - I. To authorize the Directors to determine and make donations.
 - II. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Article Number 10 (3) (i) be deleted and the following be substituted therefor:

“The Board may resolve to refuse to register a transfer of a share within six (06) weeks of receipt of the transfer, if any amount payable to the Company in respect of the share is due but unpaid. The Company shall not register more than three persons as Joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member). If the Board resolves to refuse to register a transfer for these reasons, it must give notice of the refusal to the shareholder within one (01) week of the date of the resolution”

- III. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Article Number 11 (1) be amended by adding new Article No. 11 (1) (iv) and 11 (1) (v) immediately after the existing Article Number 11 (1) (iii) as follows:

“11 (1) (iv) Where notice is given by an advertisement, such advertisement, shall be published in Sinhala, Tamil and English national daily newspapers.”

“11 (1) (v) Any member whose registered address is not within Sri Lanka may name an address within Sri Lanka which for the purpose of notice, shall be considered as his registered address.”

- IV. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Articles of Association of the Company be amended by adding new Article Number 46 under the caption “Compliance with Rules” immediately after the existing Article Number 45 (3) as follows:

“COMPLIANCE WITH RULES

46. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository Systems, which shall be in force from time to time.”

By Order of the Board

SECRETARIES & REGISTRARS (PRIVATE) LIMITED

(Sgd.)
SECRETARIES

Colombo
25th August 2010

Note:

A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend instead of him/her.

A form of Proxy is enclosed in this Report.

The completed form of Proxy should be deposited at the Registered Office of the Company, No. 21, Kirimandala Mawatha, Colombo 05, not less than 48 hours before the time for holding the Meeting.

Form of Proxy

I/We of being a member/ members of ASIRI SURGICAL HOSPITAL PLC, do hereby appoint..... of.....or failing *him/her

Mr. A. K. Pathirage	of Colombo or failing him
Dr. S. Selliah	of Colombo or failing him
Dr. D. S. Rajapaksa	of Colombo or failing him
Dr. K. M. P. Karunaratne	of Colombo or failing him
Mrs. D. Wimalasundera	of Colombo or failing her
Mrs. S. D. Nimalasuria	of Colombo or failing her
Mr. C. D. Weerasinghe	of Colombo or failing him
Mr. G. L. H Premaratne	of Colombo or failing him
Mr. S. A. B. Rajapaksa	of Colombo or failing him
Mr. S. G. Wijesinha	of Colombo

as *my/our Proxy to represent me/us and to speak and vote for *me/us on *my/our behalf at the 10th ANNUAL GENERAL MEETING OF THE COMPANY to be held at HOTEL JANAKI, Fife Road, Colombo 05 at 11.30 a.m. on Thursday the 30th day of September 2010 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

- | | FOR | AGAINST |
|--|--------------------------|--------------------------|
| 1) To receive and consider the Annual Report of the Board of Directors, Statements of Accounts and the Balance sheet of the Company for the year ended 31st March 2010 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) To approve the interim dividend of Rs. 0/075 per share paid on 13th August 2009 as the final dividend. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) To re-elect Mr. S. G. Wijesinha who retires in terms of Article 24(s) of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) To re-elect Dr. D. S. Rajapaksa who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |

- | | FOR | AGAINST |
|--|--------------------------|--------------------------|
| 5) To re-elect Dr. K. M. P. Karunaratne who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) To re-appoint retiring Auditors Messrs Ernst & Young and to authorize the Directors to fix their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) Special Business | | |
| I. To authorize the Directors to determine and make donations. | <input type="checkbox"/> | <input type="checkbox"/> |
| II. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |
| III. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |
| IV. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this..... day of Two Thousand and Ten.

.....
*Signature/s

Note:

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 21, Kirimandala Mawatha, Colombo 05, not less than forty eight (48) hours before the appointed time for the Meeting.

ASIRI
SURGICAL
HOSPITAL PLC

Annual Report 2010

A matter of trust.

Taking care of you and yours.