ASIRI SURGICAL HOSPITAL PLC

ANNUAL REPORT

2017/18

DISTINCT

AT ASIRI SURGICAL, OUR CARE AND PROCESSES TRULY STAND OUT. WE GO THE EXTRA MILE TO PROVIDE A COMPREHENSIVE SERVICE TO OUR PATIENTS FROM BEGINNING TO END AND OUR LEVEL OF EXPERTISE AND METICULOUS PRECISION ARE NOTHING SHORT OF LEGENDARY. THIS HAS ONLY PROVEN TO CEMENT US DEEPER IN THE PSYCHE OF SRI LANKANS AS THE BEST CHOICE FOR THEIR SURGICAL REQUIREMENTS AND CARE. A PLACE WHERE EXPERTISE AND ATTENTION TO DETAIL GO HAND IN HAND. WHAT ELSE WOULD YOU EXPECT FOR A SERVICE SO DISTINCT?

ASIRI SURGICAL HOSPITAL PLC
ANNUAL REPORT
2017/18

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Vision

To be a leading healthcare provider in South Asia with highest quality of clinical standards

Mission

To care for and improve the quality of human life, through the provision of ethical healthcare solutions together with cutting-edge technology

Values

Caring with a human touch
Respect for all stakeholders
Innovation and forward focus
Caring for society
Caring for our employees

About Asiri Surgical Hospital

At Asiri Surgical Hospital we are committed to being efficient and dynamic in specialised surgical services. Our patients receive the best care thanks to our dedicated and experienced staff. Highly driven by technology, Asiri Surgical Hospital stands out for its best practices in introducing the latest equipment for surgery and diagnostic imaging. For example, it is the only hospital in Sri Lanka equipped with a PET Scanner and runs the most complete Nuclear Medicine department in the country.

Since its establishment, Asiri Surgical Hospital has earned a reputation for world-class general surgical care.

Highlights of Our Performance in 2017/18

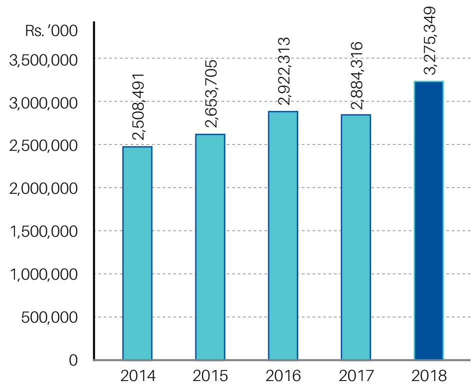
547 Mn
Profit for the Year

3,275 Mn
Revenue

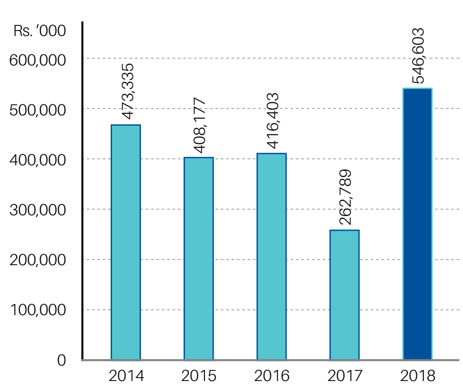
3,568 Mn
Net Assets

Year Ended 31st March		2018	2017
Operating Results			
Revenue	Rs. 000	**3,275,349**	2,884,316
Profit before Interest and Tax	Rs. 000	**797,782**	382,787
Profit after Tax	Rs. 000	**546,603**	262,789
Return on Equity		**15.32%**	7.21%
Balance Sheet Highlights			
Total Assets	Rs. 000	**4,899,129**	4,649,555
Total Equity	Rs. 000	**3,567,752**	3,647,019
Shareholder Information			
Earnings per Share	Rs.	**1.03**	0.50
Net Assets per Share	Rs.	**6.75**	6.90
Dividend per Share	Rs.	**0.85**	0.75
Share Price (31st March)	Rs.	**10.20**	9.20

Revenue



Profit After Tax



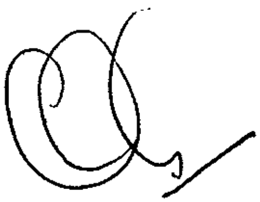
Earnings & Market Value

AS DISTINCT AS OUR **SKILLS** AS SURGEONS AND CAREGIVERS

DISTINCT

Chairman's Statement

"At ASH we have always worked with a single-minded purpose, that being to provide top-of-the-range healthcare solutions to safeguard human life and improve the health and wellbeing of the people of Sri Lanka."



Ashok Pathirage
Chairman/ Managing Director

Summing up the year 2017/18, I find there is much to reflect on. Asiri Surgical Hospital PLC (ASH) succeeded in delivering what is perhaps its best financial result in more than a decade, an achievement I am particularly proud of, especially given the level of competition that intensifies with each passing year. I believe the results further testify to our well-planned strategies aimed at giving ASH first-mover advantage in Sri Lanka's rapidly evolving private healthcare.

Demand for Private Healthcare in Sri Lanka

Recent indicators suggest that Sri Lanka's healthcare sector as a whole – and private hospitals in particular – are strongly positioned to benefit from several macroeconomic and demographic trends in the country. Among them, the rising per capita income, which has enabled more and more people to afford paid healthcare. In fact, the higher spending capacity appears to be urging an increasing number of Sri Lankans to opt for the convenience and speed of service offered by the country's private healthcare system.

In recent times, Sri Lanka has also become home to one of the highest and fastest growing ageing populations in the world, which has resulted in a sharp acceleration in the demand for private healthcare focused on geriatric and eldercare.

Meanwhile, the unprecedented rise in non-communicable diseases (NCDs) has served to further catalyse the demand for private sector healthcare services over the past five years, prompting widespread investment to develop capabilities in diagnostics, laboratory services and outpatient care.

Strategy and Focus

At ASH we have always worked with a single-minded purpose, that being to provide top-of-the-range healthcare solutions to safeguard human life and improve the health and wellbeing of the people of Sri Lanka. This belief is brought to life through work we do every day. Our investments in path-breaking technology, together with the ongoing quest to capture the highest levels of knowledge and skill, all aim to provide the best possible outcomes for our patients.

We have made great strides over the years. We have invested strategically to ensure ASH's facilities, equipment, staff and technology are among the best in the country and perhaps even the wider South Asian region. Regardless, we continue to remain proactive in our efforts to keep pace with the ever-changing world of medicine and medical science.

Our key focus in 2017 was the Asiri-AOI Cancer Centre project, which I am happy to report made steady progress in the year under review and remains on track to be completed by September 2018. The result of a landmark partnership between the Asiri Group and American Oncology Institute (AOI), the Asiri-AOI Cancer Centre is designed as a state-of-the-art facility equipped to provide the highest quality, personalised and

Chairman's Statement

integrative cancer care solutions. Furthermore, given the work that has gone in to benchmark global standards, I am confident that the Asiri-AOI Cancer Centre will put ASH on the map by surpassing other well-known Oncology centres in Asia.
Several other investments were also made to build capacity in key surgical specialties including Nephrology and Otorhinolaryngology that deals with ear, nose and throat (ENT) conditions.

We also began working towards deepening our coverage in preventive medicine, an area that is becoming increasingly relevant as Sri Lanka struggles to deal with the dual threat of an ageing population and the growing incidence of NCDs. Several new initiatives were taken in this regard, focused mainly on augmenting the wellness offerings. Special emphasis was also placed on developing ASH's capacity in geriatric care, prompting the first steps towards setting up a palliative care unit that would ensure better clinical outcomes for elderly patients.

Meanwhile, having found patient feedback to be a powerful tool that helps to determine if our investments are timely and relevant, and in fact deliver the desired clinical outcomes, we put in considerable time and effort in the current financial year to listen to and learn from our patients and their experiences. To provide patients with a more convenient interface to share their experiences a new digital tablet-based data capture mechanism was rolled out. The move has proven to be an instant success leading to a dramatic increase in the feedback received. At a strategic level, a dedicated Feedback Review Committee was set up to examine patient feedback data and recommend necessary improvements.

A significant workload was also undertaken to strengthen our quality systems as ASH began targeting the ACSHI (Australian Council on Healthcare Standards International) accreditation. Following the initial assessment in October 2017, I am happy to report that we have since made good headway in implementing our quality reform programme, which I expect will go a long way in enabling ASH to secure the ACSHI certification by end-2019.

Financial Highlights

In the year under review, ASH recorded revenue of Rs. 3,275 Mn translating in to a net profit of Rs. 547 Mn.

Advocating Sustainability

As a healthcare service provider, it is through the actions of our people that we deliver our core value proposition. In fact ASH's perception in the market depends heavily on its workforce. Therefore we believe that our ability to grow sustainably starts with extraordinary people and teams who are highly engaged and feel supported every day.

As I have reiterated many times before, attracting and retaining high-quality skilled staff is one of the principle challenges facing the industry we are in. However at ASH we now take a different approach. Led by a strong corporate culture we remain committed to invest in continuous training and development to groom our staff to take on bigger responsibilities and give them a sense of ownership for ASH's success. Further, we continue to reward high-achievers through various staff awards platforms that recognise service excellence, teamwork and integrity, aspiration and responsibility. These strategies have yielded good results as evidenced by the incrementally higher retention ratios seen over the past three years.

Renewing our commitment to support an environmentally sustainable future, a number of new initiatives were implemented to reduce our environmental impact. In parallel, we began working on aligning with the ISO 14001: 2015, the latest version of the globally accepted Environmental Management Systems standards, where special emphasis is placed on environmental life cycle mapping for all internal processes.

Our relationship with the community is also an important part of ASH's sustainability agenda. Through our flagship community CSR effort - the free-heart surgery initiative, we provide the opportunity for underprivileged children suffering from congenital heart conditions, to receive free surgery and aftercare through the Asiri Surgical Cardiac Care Unit. Deserving patients are identified either through the free health camps organised by Asiri Heart Centre in remote areas, or through referrals from the Lady Ridgeway Hospital database. I am proud to state that since its launch in 2011, ASH's free-heart surgery initiative has supported a total of 146 children to lead normal, healthy and fulfilling lives. Further as part of ASH's ongoing community awareness and education programme, over a thousand patients have been cared for through free consultation clinics and health camps conducted in the year under review, focusing on raising awareness on NCDs and cancer.

Going Forward

We recognise that demographics and healthcare trends will continue to evolve and shape our strategic and operating context in the years ahead. I believe for ASH, the key to staying ahead of the curve, would be to evaluate our strategy on an ongoing basis, to ensure we remain strongly positioned to benefit from potential opportunities and overcome any possible challenges.

Chairman’s Statement

However, in doing so we need to remain mindful that aligning with contemporary health models will require striking the right balance between technology, innovation and sustainability that would enable ASH to meet its objective to deliver the best quality and most consistent patient experience every single time.

Appreciations

To conclude, I wish to thank to my fellow Directors on the Board for their guidance and wise counsel that has enabled ASH to become the premier surgical hospital in the private sector.

A special word of thanks to all ASH staff for their outstanding support and dedication over the years. I firmly believe that it is through their ongoing commitment, passion and skill that we can continue to deliver truly outstanding care that ASH is known for.

I would also like to express my gratitude to our shareholders, business partners, patients and customers for their patronage. I look forward to your continued support in the years ahead as well.

Sgd.
Ashok Pathirage
Chairman/ Managing Director

Board of Directors

Board of Directors

01 Mr. Ashok Pathirage

Chairman/Managing Director

Mr. Pathirage is one of the country's leading entrepreneurs and business leaders. He is the founder and Chairman/Managing Director of Softlogic Group.

Mr. Pathirage is also Chairman/Managing Director of the Asiri hospital chain and the Chairman of Softlogic Capital PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC and Odel PLC which are listed public companies on the Colombo Stock Exchange in addition to the other companies of the Group operating in Leisure and Restaurants, Retail, Automobile and ICT industries.

He is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

02 Dr. Sivakumar Selliah

MBBS, M.Phill
Deputy Chairman

Dr. Selliah holds an MBBS Degree and a Master's Degree (M.Phill), and has over two decades of experience in many diverse fields.

Dr. Selliah is currently the Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospitals Private Ltd. He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantation PLC, ACL Cables PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Pvt Ltd. Dr. Selliah is also the Chairman of JAT Holdings Pvt Ltd, Vydexa (Lanka) Power Corporation Pvt Ltd and Cleanco Lanka Pvt Ltd.

Dr. Selliah serves on the Audit Committee, Investment committee, Strategic planning committee, Related party transaction committee and Remuneration committee which are sub committees of the board, of some of the companies listed above.

03 Dr. Manjula Karunaratne

MBBS, M.Sc (Trinity, Dublin), Dip. MS Med (UK)
MSOrth Med. (Eng)
Group Chief Executive Officer

Dr. Manjula Karunaratne was appointed to the Board of Asiri Hospital Holdings PLC and Asiri Surgical Hospital PLC in 2006, and currently serves as the Chief Executive Officer of the Asiri Group. He also serves on the Boards of Central Hospital Ltd., Asiri Central Hospitals Ltd., Asiri Hospital Matara (Pvt) Ltd., Asiri Diagnostic Services (Pvt) Ltd. and Asiri Hospital Kandy (Pvt) Ltd., He previously held the positions of Medical Director, Asiri Hospital Holdings PLC and was Group Chief Operating Officer, Asiri Hospitals Group. Dr. Karunaratne is a Specialist in Sports/ Orthopedic Medicine.

He possesses over 25 years of experience in the field of healthcare, and is responsible for the overall medical policy of the Group. Under his guidance the group has introduced over twenty five new medical procedures and technologies to Sri Lanka amongst which are the country's first Bone Marrow Transplant Unit, minimally invasive cardiac surgery service, first fully fledged stroke unit and a high end interventional neuroradiology unit. In addition, a 'live donor' Liver Transplant service is currently being set up.

04 Mr. Harris Premaratne

Director

Mr. Premaratne was appointed to the Board in March 2008 after 40 years of banking experience with Commercial Bank. He is specialised in Corporate Banking and is an Associate of the Chartered Institute of Bankers of London. He served as the Managing Director of Sampath Bank Limited from 2009 to December 2011. He was the managing Director of Cargills Bank Limited from 2012 to 2014. He held the position of Chairman of Sri Lanka Banks' Association. He was the deputy Chairman of Pan Asia Bank in the year 2017 and Deputy Chairman of Softlogic Finance PLC during 2015 to 2017.

He is a Director at Softlogic Holdings PLC and Softlogic Capital Limited and also serves on the Board of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospital Limited. He functions as the Chairman of the Remuneration Committee and also a member of the Audit Committee of all three hospitals.

05 Mr. Samantha Rajapaksa

Director

Mr. Rajapaksa is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Chartered Institute of Marketing of UK. He also holds an MBA from the University of Sri Jayewardenepura.

He began his career at Ms. Ernst & Young. He went on to serve as Director/General Manager at Informatics International.

Thereafter, he took on the appointment of Director/ Chief Executive Officer of CF Venture Fund Ltd. He was also appointed as a Group Director of Central Finance Co. PLC during the same period. He thereon took a posting overseas as Senior Project Manager at AT&T Inc. USA.

He returned to Sri Lanka in 2008 to take up the appointment as Group Director of Kshatriya Holdings PLC and thereafter joined as a Group Director of the Softlogic Group responsible for group business development initiatives and as Director/ Chief Executive Officer of Softlogic Communications Ltd handling the Nokia operations in Sri Lanka and the Maldives. Mr. Rajapaksa thereafter in 2012 took up the position of Group Managing Director of Associated Motorways (Pvt) Ltd.

Mr Rajapaksa currently serves as the Chairman of Kitra Holdings (Pvt) Ltd. and the Rakuen Group of Hotels. He also currently serves as Director of Bank of Ceylon, Asiri Hospitals Holdings PLC and Asiri Surgical Hospital PLC.

He is also the recipient of the Platinum Honors Award in recognition of Professional Excellence in the field of Management from the Postgraduate Institute of Management from the University of Sri Jayawardenepura,

Senior Management Team

Seated from Left to Right

Mr. N.P. John - *Director Laboratory Services* | **Mrs. Mihiri Cabandugama - Kuruppu** - *Director Strategic Planning & Laboratory Development*
Dr. Samanthi De Silva - *Director Operations* | **Mrs. Thelani Weerasinghe** - *Director Nursing*

Standing from Left to Right

Mrs. Hasanthi De Saram Karandagaspitiya - *Group Head HR & HRD* | **Dr. D.H.K. Baranage** - *Medical Director*
Dr. Manjula Karunaratne - *Group Chief Executive Officer* | **Mrs. Rochelle Rodé de Silva** - *Director Marketing*
Mr. Ajith Karunarathne - *Chief Financial Officer*

Group Consultant Medical Team

Dr. S D Athukorala
Consultant Clinical Bacteriologist

Prof. L R Amarasekara
Consultant Histopathologist

Dr. Y K M Lahie
Consultant Cardiothoracic Surgeon

Dr. Anil Perera
Consultant / Head Dept. of Anaesthesiology - Asiri Medical & Asiri Surgical Hospital

Dr.Himaru Wirithamulla
Consultants General Surgeon

Dr. Thushara Fernando
Consultant Anaesthesiologist

Dr. Gamini Jayaweera
Consultant /Head Dept. of Transfusion Medicine - Asiri Group

Dr. Gayani Senanayake
Consultant Anaesthesiologist

Dr. Hiranthi Abeysinghe
Consultant Anaesthesiologist

Dr. Vernon Manil Fernando
Consultant Orthopedic Surgeon

Dr. Rangika Goonaratne
Consultant Eye Surgeon

Dr. Saman Perera
Consultant Radiologist

Group Consultant Medical Team

Dr. Lallindra Gooneratne
Director- Bone Marrow Transplant & Clinical Haematology Unit - Asiri Central Hospital

Dr. Rohini Ranwala
Clinical Director - Dept. of Neuro Science, Asiri Central Hospital

Dr. Gulpa Subasinghe
Consultant Radiologist

Dr. Sumedha Amarasekara
Consultant Orthopaedic Surgeon

Dr. Darshani Amarasinghe
Consultant Anaesthesiologist

Dr. Stella Fernando
Consultant Aaesthesiologist

Dr. Romanie Nishanthi Fernando
Consultant Obstetrician & Gynaecologist

Dr. Dinesh De Silva
Consultant Eye Surgeon

Dr. V P Gamage
Consultant Surgeon

Dr. Chrishantha Mendis
Consultant / Head Dept. of Anaesthesiology - Asiri Central Hospital

Dr. Vivek Guptha
Senior Consultant Cardiothoracic Surgeon

Dr. Shantha Hettiarachchi
Consultant/ Head Dept. of Radiology - Asiri Medical and Asiri Surgical Hospital

Group Consultant Medical Team

Dr. Lakmali Paranahewa
Consultant/Head Dept. of Radiology - Asiri Central Hospital

Dr. Sunil Perera
Consultant/Head - Dept. of Neuro Science, Asiri Central Hospital

Dr. Kantha Samarawickrema
Consultant /Head – Dept. of Nuclear Medicine

Dr. Ajith Karunaratne
Senior Consultant Cardiothoracic Surgeon

Dr. Shama Goonathilake
Consultant Clinical Oncologist - Asiri-AOI Cancer Centre (Pvt) Ltd.

Dr. Rajeeva Pieris
Consultant Cardiothoracic Surgeon

Prof. Vajira Dissanayake
Consultant Medical Geneticist

Dr. Menik Goonewardhene
Consultant Neonatologist

Dr. Thurul Attygalle
Resident Physician Stroke Unit

Dr. Gitanjali Jayathilaka
Consultant Anaesthesiologist

Dr. Nihal Wijewardhana
Consultant Interventional Radiologist

Dr. Philomena Chandrasiri
Consultant Microbiologist/ Head of infection Control

Group Consultant Medical Team

Dr. Natasha Peiris
Consultant Resident Physician

Dr. Kalyani Miranda
Consultant Radiologist

Dr. Dishna De Silva
Consultant Paediatrician

Not Pictured

Dr. Chandana Kanakaratna
Consultant Physician and Elderly Care specialist (Geriatrician)

AS DISTINCT AS OUR **WORLD CLASS TECHNOLOGY** AND PRACTICES

DISTINCT

Operations Review

"In a notable development the private sector healthcare system, which has traditionally been concentrated in Colombo and other urban areas surrounding the Western Province, has in recent times begun strategically increasing its footprint in other fast-developing cities."

Operating Environment

Sri Lanka's health sector has long since been dominated by a highly efficient state-run public healthcare system providing free services to all citizens of the country. However over the past four decades or so the emergence of a robust private sector healthcare model has helped boost the capacity of the country's overall healthcare system.

According to the data released by the Ministry of Health, 181 private hospitals with the capacity of 5,792 beds were registered with the Private Health Services Regulatory Council (PHSRC) by end 2017. *(Source: CBSL Annual Report 2017).*

Despite what appears to be a highly diversified industry, private sector healthcare in Sri Lanka is dominated by a few large hospitals based in Colombo. In fact, it is estimated that the top five private hospitals account for nearly 50% of the private sector bed capacity in the country.

In a notable development the private sector healthcare system, which has traditionally been concentrated in Colombo and other urban areas surrounding the Western Province, has in recent times begun strategically increasing its footprint in other fast-developing cities in the Southern and Central provinces as well. This capacity expansion is attributed to the increased demand for private healthcare, which has grown sharply over the past two decades in direct correlation to the rising per capita income that has enabled more people to afford paid healthcare.

And with Sri Lanka just a few years away from reaching the higher-middle-income band, under the current growth trajectory, the per capita health spend is likely to rise, in turn offering considerable medium-term growth potential for private hospitals. Meanwhile the country's ageing population and the rising threat of non-communicable diseases (NCDs) underscore the need for ever-more curative and preventive healthcare, a clear indication that private hospitals are poised for strong growth in the years ahead.

Performance Summary

Concluding a successful year, Asiri Surgical Hospital (ASH) reported notable improvements in all KPIs. Revenue for the year under review touched Rs. 3,275 Mn, up by 13.6% from the Rs. 2,884 Mn registered in the previous financial year.

Cardiac Catheterisation Laboratory

Operations Review

The largest contribution to the revenue mix came from the Cardiac Unit, which tabled a robust year-on-year growth in revenue. The higher numbers reported by the Cardiac Unit was due to several reasons, among them; the growing demand for high quality care offered at ASH's Coronary Care Unit and the Cardiothoracic Intensive Care Unit as well as the utilisation of cardiac catheterisation laboratories by cardiologists island wide. The cardiac awareness clinics and efforts to increase the island-wide referral base of private practitioners also contributed towards the higher volumes seen in the Cardiac Unit.

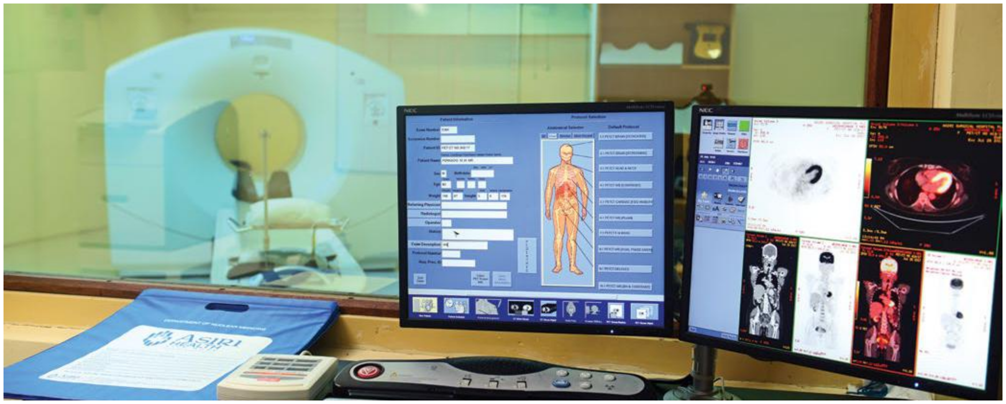
Meanwhile completing its first full year after installation, the demand for Radiology Department's new state-of-the-art MRI scanner was encouraging, even reporting maximum utilisation in some of the months. The department's PET scanner also yielded good results. Being the only PET scanner currently in use in the country, volumes continue to register year-on-year growth.

In the Oncology Department, both Medical oncology and Oncological Surgery registered an increase in numbers. General surgery also reported higher revenues, driven by a strong performance by the Urology and Orthopedic units. With these major surgical specialties reporting higher numbers, admissions increased by 11% year-on-year, while bed occupancy levels averaged 63% throughout the year. Day-surgery numbers were also on the rise, with the 8-bed day-surgery facility reporting full capacity throughout the year.

Bolstered by higher revenues across all disciplines, ASH's Gross Profits for the year under review showed a sharp increase over the previous year, a commendable achievement amidst the notable escalation in the cost of imported consumables caused by the depreciation in the Rupee from about September 2017.

Operational Developments

Operationally, the focus for the year was mainly centered on managing the unforeseen increase in the cost of consumable items, prompting immediate action to streamline the sourcing mechanism coupled with efforts to expand the network of global procurement partners, in particular for the sourcing of surgical material.



MRI Scanner

At the same time, work commenced to replace the standardised costing methodology with a value-based costing model that would give each doctor the flexibility to determine their preferred material for surgical procedures, thus creating a framework for ASH to manage the cost variation between doctors. The move forms part of a broader strategy to operationalise the market-driven pricing strategy rolled out in the previous year. Meanwhile in the interest of promoting greater transparency, ASH expanded its Bill Estimate programme to cover all surgical procedures, giving the patient greater clarity as well as predictability regarding the ultimate cost associated with a specific treatment or surgical procedure.

Efforts to further enhance the overall patient experience saw the in-patient feedback mechanism being revamped during the year. The existing feedback form was revised with a range of new areas being covered; among them - effectiveness of the pain management plan, proper communication with the patient with regard to treatment options, cost of treatment, etc. Meanwhile to make it more convenient for patients to provide their feedback, new digital tablets were introduced in addition to the paper-based forms. The move was met with considerable success with nearly 80% of patients providing feedback, a major improvement from just 10% with the paper-based capturing.

At a strategic level, a dedicated Feedback Review Committee was set up headed by the Director Operations. Consisting of a cross-functional team, the Feedback Review Committee is tasked with analysing feedback information, identifying trends in complaints etc. and implementing necessary corrective action to prevent the recurrence of negative feedback. Initiatives implemented by the Feedback Review

Operations Review

Committee based on patient feedback include the floor-level safety signage, directional signage, amenity kit, the car park emergency call-in system and most notably the Bill Estimate.

Process improvement project teams were set up due to frequent and recurrent comments from customers on admission and discharge process. This was followed by an in-depth study to identify potential choke points in both processes. Based on the findings of the study a number of administrative processes were streamlined to increase productivity and improve efficiency with the aim of cutting patient discharge time in half. A new digital display system was introduced to track time taken at each stage of the discharge process and highlight lag times. Moreover having determined the pharmacy procedure to be excessively time consuming, a new system was designed with several interconnected processes being automated to expedite the data capture.

Other noteworthy operational developments included the recertification of the ISO 22000 (Food Safety Management Systems) certification for the ASH kitchens. Having commenced the process of working towards ACHSI (Australian Council on Healthcare Standards International) accreditation, the initial gap analysis study was completed in October 2017. ASH is now in the process of taking necessary qualifying action and remains on target to receive the ACHSI accreditation by mid 2019. The OHSAS 18001 (Occupational Health and Safety Management Systems) audit was kicked off at the end of the financial year and is due to be completed in August 2018, which would enable ASH to secure the OHSAS accreditation for period of 03 years.

Capacity Building Initiatives

As a priority, capacity building initiatives are mainly aimed at strengthening ASH's position as a surgical hospital alongside efforts to build capacity in other disciplines as well.

Asiri-AOI Cancer Centre

Steps taken in the previous year to set up a fully fledged Cancer Treatment Center in partnership with the American Oncology Institute (AOI) gathered momentum in the year under review. Following the completion of the initial groundwork, construction work on the new Asiri-AOI Cancer Centre began in February 2018, with the project on track to be completed by September 2018. The first phase of the bunker construction to house the Linear Accelerator, began in the early part of 2018 and is due to be completed in time for the launch date in September 2018. In anticipation of the launch staffing recruitments for the new Cancer Centre were also completed within the financial year, and the entire team including clinical oncologists, physicists and radiation therapists were trained overseas at a specialised cancer treatment centre under AOI guidance.

ENT Console

Other key efforts for the year included investments to set up a fully equipped ENT console with the latest diagnostic equipment, surgical capabilities and a comprehensive treatment unit. Staffed by a group of highly skilled ENT surgeons and a dedicated nursing team, the new unit has the capacity to handle a range of high-end ENT surgeries, proper assessment and treatment with minor procedures on OPD basis as well.

03-unit Dialysis Centre

To enhance ASH's leverage in specialised medical treatment and critical care, a fully-fledged 03-bed dialysis centre was commissioned in the year under review. The hospital's reverse osmosis plant was further upgraded to be able to accommodate up to 10 Dialysis machines at a given time.

Preventive Care

The focus on preventive health saw several additional programnes being introduced to the Wellness Centre suite, including clinical psychology, stress management, memory training for young children, etc. specifically targeting the youth segment. In parallel, the Asiri Healthy Teen outreach programme was launched to create awareness at school-level. With the assistance of the clinical psychology team a pre-surgical counseling programme was rolled out during the year for the benefit of cardiac patients. Given the positive feedback from patients, steps were taken to activate the next phase of the initiative, which would see the pre surgical counseling programme being extended to other major surgical procedures as well. To further complement this effort, a post-surgical stress management clinic is scheduled to commence by mid 2018 to support the healing process and improve quality of life of cardiac patients through a holistic approach.

A range of structured corporate wellness packages were also launched to address the growing incidence of NCDs in over-40s.

Facilities at the Elderly Care Centre were further expanded with customised geriatric clinics being held to raise public awareness along with concessionary rates being offered at out patient clinics for those over 60 years of age. A series of special awareness sessions were also held to educate ASH's multidisciplinary team and nursing staff to help them identify potential elderly patients who would benefit from the facilities at the Elderly Care Centre. These efforts were coupled with a series of special health packages to boost registrations.

Operations Review

To further support ASH's elderly care model, a new Palliative Care Unit was set up with a core team comprising of an elder care physician, clinical oncologist and an anesthetist along with nurses trained in palliative care. The move is seen as a timely need to ensure better outcomes for elderly as well as terminally ill patients and would also compliment the Asiri Amazing Care services - the mobile care services unit of Asiri Health.

The Next Steps

The immediate priority going forward, would be to operationalise the Asiri-AOI Cancer Center scheduled for launch in September 2018. Fitted with the latest equipment including the Linear Accelerator and the Brachytherapy machine for advanced treatment of specific forms of cancer, the Asiri-AOI Cancer Centre will likely be positioned as a leading Cancer Treatment Centre in the sub-continent with the capacity to provide the full gamut of cancer treatment covering specialist consultations, cancer diagnosis, medical chemotherapy, oncology surgery, radiotherapy treatment along with nuclear medicine department consisting of PET CT scan and gamma camera.

Reinforcing its position as the country's premier surgical hospital, ASH would also look to invest in multidisciplinary capacity building. Earmarked for the coming year is a new Hernia Center equipped to offer same-day surgery that would ensure patients receive the best available clinical outcomes at affordable cost.

Meanwhile addressing the growing threat of NCDs will remain a high priority item on the agenda for ASH in the years ahead, and require necessary investments to enhance ASH's capacity in both curative and preventive care on par with international standards.

Crucially, cementing ASH's profile as an internationally accredited hospital would also depend on expediting the ACHSI certification process in the forthcoming year.

Sustainability Report

Sustainability has become an important tool for strengthening and maintaining our brand reputation as a responsible corporate citizen. At ASH we aim to weave sustainability into every aspect of business and follow a four-point sustainability strategy to maximise the positive effects generated through our activities.

Caring for Our People

At ASH, we believe that each one of our employees contributes towards our mission to deliver high-quality patient care. Therefore caring for our people is seen as an important aspect in our list of priorities. Our goal is to provide financial security and safeguard the physical and physiological wellbeing of our employees. In doing so, we are guided by the core human resource principles of the Asiri Group;

Diversity and Inclusion

We are of the view that respecting, nurturing and encouraging diversity of thought, background and experience contributes to a positive work environment that results in exceptional patient care.

Hence all our business practices are firmly rooted by the commitment to equal opportunity with all employment decisions are based on merit, qualifications, skills and most importantly, aligned to our values. Further as a non-discriminatory employer, ASH does not discriminate against race, religious beliefs, gender, marital status or any other status protected by law.

Competitive Remuneration

At ASH, we believe that for our employees to contribute effectively to our mission of providing quality patient care, it is imperative that they are adequately compensated. Remuneration and benefits are therefore an important part of our commitment to our people. ASH's policy is to provide market-competitive pay while rewarding employees for strong individual and organisational performance. Our compensation packages include basic salary and other incentives commensurate with an individual's skill set and experience.

Culture of Communication

We ask that our employees to speak openly and directly with their supervisors and advocate an open door policy to encourage employees to freely express their concerns through informal communication. Several formal mechanisms are also available for resolving concerns or disputes without retribution.

Further we expect that supervisors and employees proactively engage in open and direct communication to share ideas and recognise opportunities for improving individual as well as organisational performance.

Performance Management

All ASH employees are entitled to the Company's performance management mechanism, which is based on the underlying premise that; 'employees understand their roles, how their work contributes to achieving the goals of the Company, and are focused on results.'

The current performance management system in place is driven by an Annual Performance evaluation cycle, which serves to provide an objective assessment of the employee's performance in line with the standard expectations for each employee category. Based on the results of the annual performance review, good performance is recognised, while poor performance is closely monitored through regular coaching and mentoring.

Training and Development

We remain committed to ensuring that all staff have access to necessary training and development tools, which enable them to be suitably knowledgeable and skilled to carry out their role, and also to develop their talents in ways that fit with ASH's strategic objectives.

As such, decisions about investment in staff training and development are made after careful consideration of the needs of the business as well as the staff member's individual needs. Being a hospital, on-the-job training is a key component of the overall training model. All nursing staff complete a 3 year diploma in nursing which includes class room training as well as hands on training of practical skills under supervision. The Asiri Nurses Training school follows curriculum approved by the Tertiary and Vocational Education Commission (TVEC).

Career Progression

ASH works with the understanding that developing career paths for individuals provides greater job security and motivates them to be more enthusiastic about their jobs and in turn more supportive of our ultimate goal to achieve excellence in patient-care. Driven by the Performance Management mechanism outlined above, employees work with their supervisors to develop a suitable pathway to advance their careers within ASH's management hierarchy.

Safety and Wellness

We remain committed to providing our employees with a safe and healthy workplace and in doing so have ensured that all national standards and guidelines for employee safety are well implemented at all levels of the hospital. Efforts to benchmark international best practices prompted ASH to begin working towards the renewal process of the OSHAS 18001:2007

Sustainability Report

standards. The process, which commenced in April 2017 remains ongoing at the conclusion of the current financial year and is due to be completed by August 2018.

Meanwhile as part of a broader strategy to ensure employee wellness, a new medical surveillance policy was drafted and is due to be operationalised in the forthcoming year commencing with an annual health check for all employees.

Caring for Patients

Patients place their trust in us during a vulnerable time and we consider it our duty to honour that trust by providing them with the highest quality care in the safest possible environment. ASH's patient care model is based on three key tenets;

Commitment to Quality

We believe that the patients who come to ASH deserve world-class care. Underpinned by this belief we strive to provide the best quality care in order that our patients may benefit from the best possible outcomes.

We consider quality improvement to be an ongoing process at ASH, with a variety of quality management tools and methods used to identify quality gaps that need to be addressed. Further we seek to foster a quality culture and encourage employees to actively participate in the quality improvement process. Regular training is also carried out to ensure employees stay abreast of the latest quality developments.

To further reinforce our commitment to quality, we took an important step to begin the process of obtaining the ACSHI (Australian Council on Healthcare Standards International) accreditation. With necessary action being taken to benchmark ACSHI standards, it is expected that the accreditation could be secured by mid-2019.

Commitment to Safety

In fulfilling our mission to achieve excellence in patient-care, ASH is committed to provide the safest and most comfortable environment possible. While we are proud of our safety record, we nonetheless continue to focus on making improvements to ensure that our services remain safe at all times.

In the year under review, the existing safety governance mechanism was streamlined and brought under the purview of the newly established Environment, Health & Safety (EHS) Department. Under the supervision of the EHS department several improvements were made, among them the launch of a new comprehensive safety plan including a detailed Fire Emergency Preparedness Programme, the appointment of a number of Facility Management & Safety Committees as well as setting up of a 24-hour Incident Command Center.

A new special-focus training agenda was also put in place to ensure all employees receive regular and ongoing safety training.

Measuring Patient Satisfaction

We aspire to provide all patients who come through the doors of ASH with a positive experience and regularly measure patient satisfaction levels to help determine the effectiveness of our service standards. To facilitate this, we provide our patients with a variety of feedback tools that give them the opportunity to share their experiences.

The feedback received 2017/18 indicate an overall patient satisfaction level of 83%.

Caring for the Environment

At ASH, we want our services to have the lowest possible negative impact on the environment as possible and hence apply a long-term approach to address environmental sustainability issues. Our goal is to lead by example by constantly improving our services to achieve resource efficiency.

Environmental issues permeate all hospital activities and are integrated into all daily routines and procedures. These efforts aim to reduce our negative effects on the environment in those areas where we have the greatest environmental impact. In this context we focus on two key areas;

Energy Management

Grid electricity remains the primary source of energy used in the day-to-day activities at ASH. Over the past few years ASH's energy consumption tables have continued to increase, in direct correlation to business growth. In 2017/18 ASH reported a total of 5,357,410 kWh of energy units consumed, 4.48% more than the previous year, which has prompted a renewed emphasis on energy management.

Led by a comprehensive energy management strategy several conservation measures were put in place in the year under review coupled with new energy targets for the medium term.

All employees were also encouraged to contribute towards these goals through small actions such as turning off personal computers, lights and any unused electrical equipment.

Waste Management

To effectively manage the waste materials resulting from our work, ASH remains committed to dispose of all waste products regularly, safely and in accordance with statutory requirements. Accordingly all clinical waste is sent for incineration to a CEA-approved contractor, while the disposal of e-waste and Mercury waste are also outsourced to CEA-approved contractors.

Sustainability Report

In 2018 a pilot project was initiated for the management of non-hazardous waste. A collaborative effort between ASH, the National Solid Waste Management Center, CMC and the CEA, the project aims to provide a sustainable solution for the disposal of solid waste in an environmental friendly manner.

ASH's waste management efforts also include recycling, where possible and practical in order to help protect the environment and make better use of resources. In line with this thinking, investments were made to commission a new effluent treatment plant with a capacity to process 65 cubic meters of wastewater per day.

Caring for the Community

We take our responsibility to the community very seriously and remain committed to serve the community in the best possible way. For ASH this means providing healthcare services for the benefit of the community. Our main effort in this regard is the free-heart surgery initiative that provides the opportunity for underprivileged children to receive free surgery and aftercare through the ASH Cardiac Care unit. ASH undertakes to identify beneficiaries through the free health camps organised by Asiri Heart Centre in remote areas, or alternatively receives referrals received from the Lady Ridgeway Hospital. To contribute towards the cost of surgery ASH seeks the assistance of donors who can either make direct contributions to the Group or do so anonymously through the Gift of Life initiative. In the event of partial donations, the remainder of the cost is met by the President's Fund.

An average of 36 surgeries are now performed annually, with a total of 146 children being supported since the launch of the free heat surgery initiative in 2011.

Meanwhile, with the rapidly growing numbers of people suffering from non-communicable diseases and recognising the role we can play in raising the standard of general health and wellness in our communities, our outreach programmes focus on educating the public on how to alter their lifestyles to improve their health and quality of life.

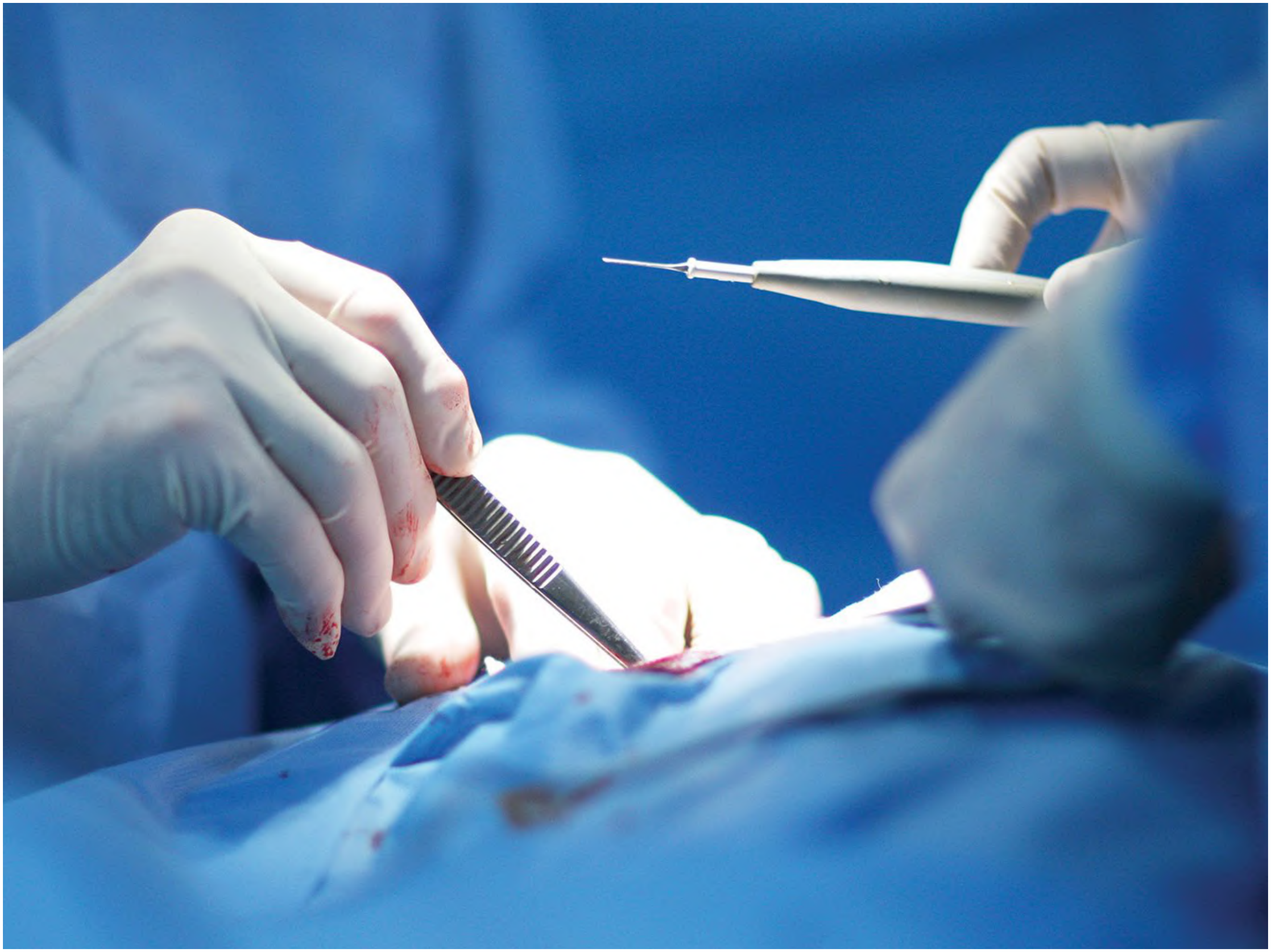
Four Heart Health Camps were organized in Jaffna, Vavunia, Anuradhapura and Ratnapura. The camp in Jaffana was conducted in collaboration with the military. The objective of these camps was to provide health education for the general public and offered basic health checks free of charge.

Asiri Surgical Hospital also launched its Elder Care programme on World Elders' day, with 2 days dedicated to offer free screening and educational talks for the participants. The screening included BMI, hearing, dental & vision checks, while the talks were conducted by the hospital Dietician, Physiotherapist, Clinical Psychologist and Dr. Chandana Kanakaratne, the Consultant Geriatric Physician. Participants were given ample time with the Specialist Consultant to raise any queries and clarify their concerns. A total of 80 elderly people participated in the programme.

Asiri Surgical Hospital, as the only surgery specialized hospital in the country, also offers free investigations & medication to selected underprivileged patients.

ASH's team of doctors and nurses volunteer their time and share their knowledge with the relevant communities to help operationalize these programmes, which are scheduled across the country, throughout the year.

Programme Description	Key Partners	Venue	Activities	Total Participants
Heart Camp	Lions Club, Anuradhapaura	Anuradhapura	Free ECG, RBS, BMI check and consultation with a Cardiologist	250
Heart Camp	Sri Lanka Army	Jaffna	Free ECG, RBS, BMI check and consultation with a Cardiologist	450
Cancer Awareness for Corporates	AIA Insurance Staff			150
Cardiac Awareness for Corporates	Brandix, Biyagama			150
Elder Care Clinic		Asiri Surgical Hospital	A free screening including BMI, hearing, dental & vision check. Educational sessions by the hospital Dietician, Physiotherapist, Clinical psychologist and the Consultant Geriatric Physician	80



AS DISTINCT AS THE WAY WE ENSURE THE
BEST RESULTS

DISTINCT

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 comprises of two Executive Directors and three Non-Executive Directors. Their profiles appear on page 9 of the Annual Report. The Board of Executive Directors generally has a responsibility for making and implementing operational decisions and running the Company's business. The Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making through their knowledge and experience of other business sectors.

Board Meetings and Attendance

The Board generally meets once a quarter. Special Board Meetings are also held as and when needed. Scheduled Board meetings are arranged well in advance to ensure, as far as possible, that Directors can manage their time commitments. All Directors are provided with supporting documents and relevant information for each meeting 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.

The Chairman and Managing Director

The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman also serves as the Managing Director, who is responsible for the recommending of strategy to the Board, leading the Executive Directors and for making and implementing operational decisions.

Appraisal of the Managing Director

The performance of the Managing Director is reviewed every year by the Board. The Managing Director and the Senior Management Commitee together are 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. Any directors appointed during the year seek re-election at the next AGM. The Managing Director is not subject to retirement by rotation.

Independence of the Directors

Dr. S Selliah, Mr. G L H Premaratne and Mr. S A B Rajapaksa function as independent directors of the Company.

As per the Rules issued by the Colombo Stock Exchange, Dr. S Selliah, Mr. G L H Premaratne and Mr. S A B Rajapaksa meet all the criteria of independence except one.

Dr. S Selliah, Mr. G L H Premaratne and Mr. S A B Rajapaksa are Directors of Asiri Hospital Holdings PLC in which majority of other Directors of Asiri Surgical Hospital PLC are employed and Directors, and Dr. S Selliah and Mr. G L H Premaratne are also directors of Softlogic Holdings PLC which has a significant shareholding in Asiri Hospital Holdings PLC, the immediate parent Company of Asiri Surgical Hospital PLC.

The Board having evaluated all the factors concluded that their independence have not been impaired due to them serving on the Boards of other companies in which majority of other Directors of Asiri Surgical Hospital PLC are employed and/or Directors and serving on the Board of another company which has a significant shareholding in the immediate parent company.

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.

Corporate Governance

Remuneration of the Directors

The remuneration of the Directors is determined by the Board and disclosed on page 81 of the Annual Report.

Company Secretary

Messrs Softlogic Corporate Services (Pvt) Ltd acts as the Company Secretaries. The role of the secretary is dealing with directors at board meetings and with 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 three Board committees.

The Audit Committee, Remuneration Committee and Related Party Transactions Review Committee of Asiri Hospital Holdings PLC, parent company, act as the Audit, the Remuneration and the Related Party Transactions Review Committee of the Company.

Audit Committee

Duties and Responsibilities	Composition
Review the Group's annual and interim financial statements and compliance reports. Review the performance of the internal audit function. Review the effectiveness of the Group's internal controls. Periodically approve and review the appointment and retirement of external auditors and their relationship with the Group.	**Chairman** Mr. S A B Rajapaksa Independent Non-Executive Director **Committee members** Mr. G L H Premaratne Independent Non-Executive Director Mr. J E Huxtable Independent Non-Executive Director **Frequency of meetings** Committee meets quarterly

Remuneration Committee

Duties and Responsibilities	Composition
Provide recommendations to the Board on the following; ◇ Remuneration policy for executive directors ◇ Remuneration policy and specific incentives for certain senior executives ◇ Employee benefits and long-term incentive schemes Principles governing the Group's remuneration policy ◇ To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Group. ◇ To support the recruitment, motivation and retention of high quality senior executives ◇ To ensure that performance is the key factor in determining individual reward ◇ To communicate the reward structure clearly and effectively to executives and shareholders	**Chairman** Mr. G L H Premaratne Independent Non-Executive Director **Committee members** Dr. S Selliah Independent Non-Executive Director **Frequency of meetings** Committee meets once a year

Corporate Governance

Related Party Transactions Review Committee

Duties and Responsibilities	Composition
◇ Review in advance all the related party transactions carried out by the Company and its listed companies in the group except related party transactions set out in Rule 9.5 of the Listing Rules of the Colombo Stock Exchange. ◇ Formulating policies and procedure to review related party transactions of the company and of the group and overseeing existing policies and procedures. ◇ Determining whether the relevant related party transactions are fair to, and in the best interest of the company and/or companies in the group and its stakeholders. ◇ Determining whether the related party transactions that are to be entered into by the company or companies of the group require the approval of the shareholders. ◇ Where necessary, the Committee may request the Board to approve related party transactions, which are under review by the Committee. ◇ Ensure that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made appropriately.	**Chairman** Mr. J E Huxtable Independent Non-Executive Director **Committee members** Mr. G L H Premaratne Independent Non-Executive Director Mr. S A B Rajapaksa Independent Non-Executive Director **Frequency of meetings** Committee meets at least once a quarter

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:-

- Exercise leadership, enterprise, 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 on corporate governance
- 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 control is effective
- Identify key risk areas and 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.

Corporate Governance

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 5 directors 3 are Non-Executive Directors.
7.10.2	Independent Directors	Complied with. All three Non-Executive Directors are independent. Please refer page 24 All Non-Executive Directors have submitted the declaration with regard to their independence/non-independence.
7.10.3	Disclosures relating to Directors	Dr. S Selliah, Mr. G L H Premaratne and Mr. S A B Rajapaksa meet all the criteria except one. Please refer to Page 24.
7.10.5	Remuneration Committee	Complied with. Comprises of two independent non-executive directors. The Remuneration Committee of Asiri Hospital Holdings PLC (parent company) acts as the Remuneration Committee of Asiri Surgical Hospital PLC. The names of the members of the Committee are given in the page 25 of the Annual Report.
7.10.6	Audit Committee	Complied with. Comprises of three Non-Executive Directors all of whom are independent directors. The Audit Committee of Asiri Hospital Holdings PLC (parent company) acts as the Audit Committee of Asiri Surgical Hospital PLC. The Chief Financial Officer attends all the meetings. The report of the Committee is given on page 35.

Risk Management Report

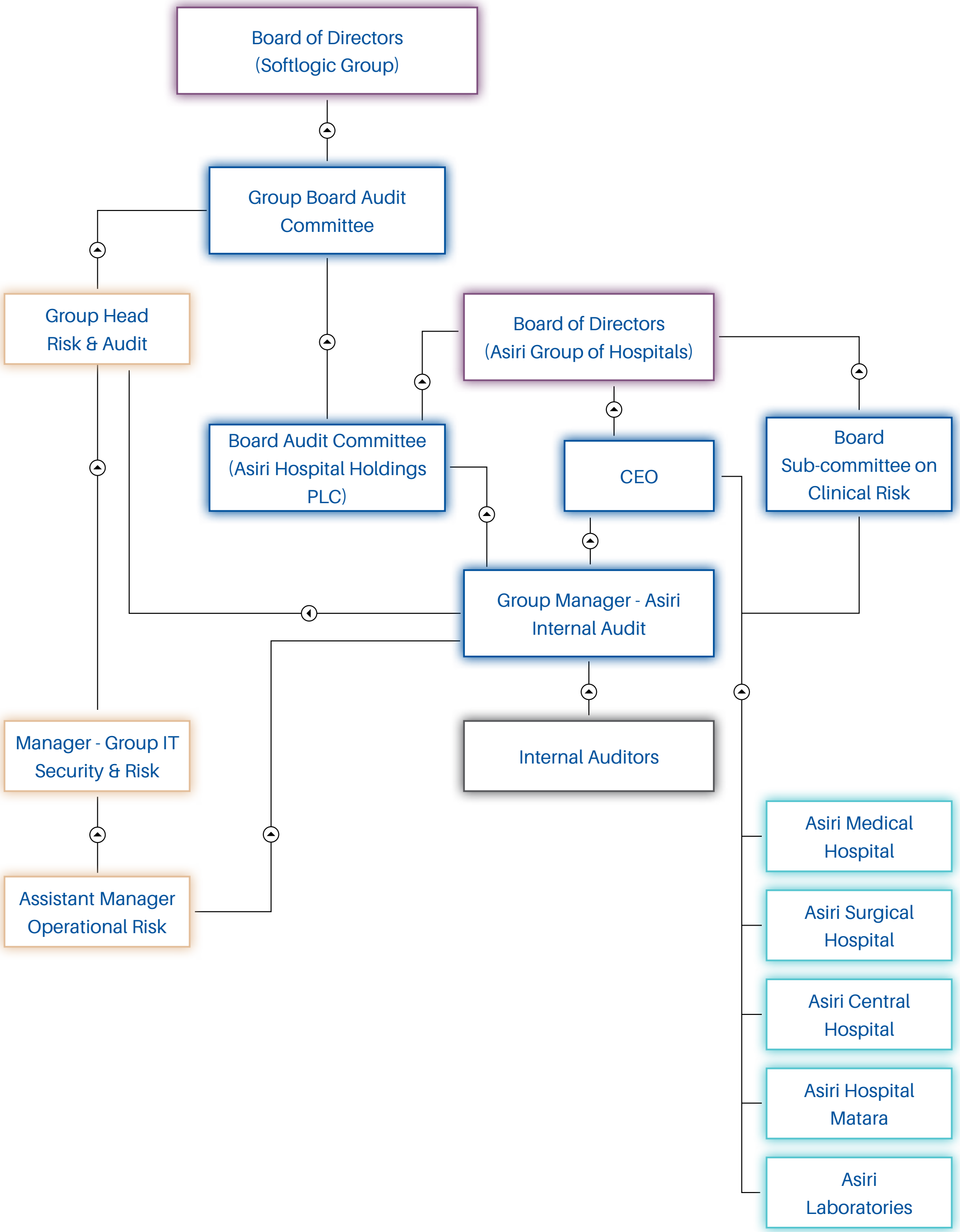
Integrated Risk Management

With an understanding that the decisions made by healthcare providers directly impact public health and safety, Asiri Group of Hospitals has taken sphere of strategies to effectively manage emerging risks in the business. Since a single error could cause irreversible damage to a patient's life, and lead to expensive lawsuits and excessive damages to the reputation, the group has implemented a robust risk management framework that is based on industry standards and best practices, and is efficient, transparent and proactive.

While managing risk is a key responsibility of the Board of Directors, each and every employee of the group is responsible for Risk Management in their sphere of operations. The Group has established an integrated and effective Risk Management framework where significant risks are identified, assessed, prioritised and managed by implementing appropriate risk mitigation actions. These actions are monitored through management systems where the heads of the business units act as first line of defense and provide useful information and feedback on risks.

Asiri Group of Hospitals has in place a comprehensive system of internal controls, which is designed to ensure that risks are mitigated and Group's objectives are attained. The Board Audit Committee reviews the effectiveness of the risk management process periodically and recommend required changes to Board of Directors.

The Functional Structure of Risk Management



Risk Management Report

Key Risks

Presented below is an account of key risks identified by Asiri Group of Hospitals together with potential impact and measures taken to mitigate those risks.

Risk	Potential Impact	Mitigation Strategy
Clinical Risk The events or incidents occur in our daily practice will potentially affect the quality of patient care. Asiri Group is keen on the patient care and safety, thus; we have prioritised most of the clinical risks and new additions are promptly identified through patient feedbacks and industry analysis.	Risks associated with patient care are vital in Healthcare industry. Clinical Risks can mediate other risks including reputation and legal risk while incurring significant financial losses. Since the likelihood and consequences of Clinical Risks may frequently change, it has become the most significant and vulnerable area to Asiri Group of Hospitals in terms of Risk.	Asiri Group of Hospitals has provided stringent guidelines for incident reporting, utilisation of informed consent documents and related defensible documentation. Constant monitoring and review of Clinical Risks are performed to ensure that the organisation's Clinical Risk Management Plan is adequate and effective. The Management swiftly takes measures to address the identified risk areas and in the event any risk cannot be eliminated, steps have been taken to minimise such risks to a tolerable level. The attempt to achieve international accreditation is to drive quality improvement and risk minimisation strategy across the hospitals within the group. Joint Commission International (JCI) for all aspects of its operations, including patients care & health, food and safety, quality management and laboratory management. Specialist doctors and medical officers who join Asiri group are subjected to a credentialing and privileging process to ensure they possess required skill and competence to deliver good clinical care to our patients. Similarly, the nursing professionals as well as the para medical staff are recruited with careful evaluation of their skill and competencies and thereafter encouraged to pursue continuous professional development to keep up with evolving trends in technology.
Infections Risk Healthcare-acquired infections (HAIs) would be critical to healthcare industry and mostly the medical staff of the hospitals and would hinder the operational effectiveness in long-term.	The Hospital acquired infections due to cross contamination would lead to prolonged stay for some patients or undue complications with escalation of treatment costs. HAI may affect the smooth operation of the hospital if health care professionals get affected with infectious diseases.	Asiri group of hospitals has initiated comprehensive infection control strategies. Among many solutions, the Group ensures all sanitation systems are up to date, operational and ensure that staff understands how to properly use the systems to keep patients safe. These initiatives continue to remind staff and visitors about basic infection control techniques

Risk Management Report

Risk	Potential Impact	Mitigation Strategy
Strategic Risks Failure to anticipate essential market needs on a timely manner and develop strategies to have competitive edge over rivals refers to Strategic Risk. It also relates and depends on future business plans and strategies including mergers & acquisitions, restructuring activities and innovations.	Incompetent strategic decisions will adversely affect shareholder objectives while failure to execute innovative decisions will hinder the expansion and opportunities in the emerging markets.	All strategic decisions are scrutinised by the Board of Directors who have expertise knowledge and vast experience in the industry. Recommended decisions are reviewed by the Softlogic Holdings Group Executive Board of Directors and thorough evaluations and assessments are been carried out prior to execution.
Reputational Risk A threat or danger to the good name or standing of the Asiri Group of Hospitals. Reputational risk will occur; ◈ Due to failure of internal processes ◈ Due to the negligence or malicious actions of employees or ◈ Due to action of peripheral parties, like suppliers	This type of risk may be difficult to realise financially. It is a matter of corporate trust, which has a great influence on damaging the reputation and has a severe impact on shareholder value.	Asiri Hospitals maintain positive correlation with its stakeholders by developing trust, confidence and win-win relationships while conforming international best practices. Well established complaint handing process is in place to address the issues expeditiously. The Ethics Committee, comprising of industry specialists, provides an advisory role on matters relating to research and clinical trials. The hospitals' nursing and other staffs undergo extensive training on patient management and customer service on a continuous basis.
Operational Risk These are the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.	Operational risk exists in the natural course of business activity. Failure to manage operational risks can expose the Group to significant losses.	The Group is promoting and enhancing the effectiveness of Operational Risk Management process which includes identification, assessment, treatment, monitoring and controlling. We cannot identify all the risks we may come across, some maybe latent. So we have crisis management processes and business continuity responses designed to improve our resilience to unforeseen events - such as a supply chain disruption, employee repatriation, natural disasters, cyber-attacks, technical mishaps - and to minimise their impact on our stakeholders, reputation and performance. This encompasses basic escalation and communication rules, guidelines for anticipation and action, and clear roles and responsibilities. Additionally, IT Security policies and policy on confidentiality and security of information management have been implemented and frequent IT audit reviews are performed.

Risk Management Report

Risk	Potential Impact	Mitigation Strategy
Internal Processes The dynamic operational environment requires effective and efficient internal processes to achieve the edge of industry competition and gain economical advantage. Inadequate internal controls may adversely affect the continuity or effectiveness of internal processes.	Internal processes are predominant in achieving business objectives and ineffectiveness of which will lead to severe financial or business losses. The impact is specific to each process and its contribution to the continuity of the service. When several processes failed, the cumulative impact might be greater than what is expected.	We minimise operational risks by maintaining proper internal control systems and initiating prompt responses to evolving risks. All the processes are continually reviewed by the Internal Audit department to ensure that none of the risks been unattended. Internal processes have been standardised in accordance with JCI and other accreditation requirements. Audit trails are checked in an appropriate manner and red flags (if any) are raised to draw the attention and ensure proper action is been taken and implemented on a timely manner.
Human Resources (People) Service industry, in which the Group operates, is heavily depending on human resources. Risks may arise from employee negligence, conflict of interest, fraud or misappropriation and due to poorly trained employees. The human capital may affect by failure to attract, develop and retained skilled workforce.	Failures in human resource could affect the continuity of business operations. The consequences could be serious, when loss of key executives without suitable replacement. Thus ability to recruit and retain qualified and skilled healthcare professionals are crucial for the success of the organisation.	While ensuring the safety and welfare of the employees, our risk management approach is directed towards minimising the Human related concerns. The Group has introduced a comprehensive recruitment and retention process. Qualified people are recruited after a proper screening. Employee requirements and satisfaction levels are efficiently and effectively monitored through surveys. The gaps are addressed promptly. A succession planning program is in place which includes; regular trainings, developments, promotions, KPI and supervision.
External Events External events including natural disasters and other similar types of emergencies that confront organisations on a daily basis which affects the Continuity of Business.	Some extreme events can interrupt the entire service function whilst keeping the alternate options limited. Unlike other industries, due to the necessity of business continuity in a disaster situation, stretched disaster recovery time may incur more financial and business losses.	The events are identified by analysing historical data and conducting proper assessments based on the real time information from external sources. Adequate business continuity measures have been taken to ensure that an uninterrupted service is provided. Additionally the revenue has been insured against uncontrollable events. Regular reviews are undertaken to ensure that adequate insurance covers are available to compensate financial losses.

Risk Management Report

Risk	Potential Impact	Mitigation Strategy
Cyber and Information Security Risk The healthcare industry has moved to electronic healthcare records, whilst exposing to new patient privacy concerns as these records are targeted by cyber criminals. Increasing use of technology has hosted new levels of complexity and threats such as: security breaches, system failures, malicious attacks, IT fraud and many other issues.	Invades into information systems will affect the business continuity of the hospitals and will incur both monetary and non-monetary damages. Failure to adopt robust information security controls could lead to potential risks of; ◈ Unauthorised access to information and associated information systems. ◈ Unauthorised modifications and manipulations on information and databases. ◈ Unavailability of access to critical systems for the authorised users Financial and business losses arise due to failure of IT systems are difficult to predict.	The Group has identified the importance of Information Security and has deployed numerous controls at both database and application levels. Information Security policies & procedures have been developed based on ISO 27000. Independent third party reviews and vulnerability assessments are carried out frequent. Regular maintenance of IT infrastructure, scheduled data backups, offsite storage and round-the-clock IT support by the parent Group are some of the strategies adopted to ensure zero losses of data during a system failure. Regular IT disaster recovery testing are carried out to ensure the resilience.
Technological Risk The industry in which our group operates is exposed to frequent technological revolutions. Failure to adopt latest technologies will drive the company towards technological obsolescence.	Inability to adopt the latest pioneering technology could result in loss of customers, leading to fall in revenue and erosion of profits.	We constantly pursue adoption of most innovative & advance methods for diagnostics and treatments. Research and innovations in Healthcare industry are regularly monitored. The Group makes regular investments in pioneering technology and training of staff for optional application of existing technology.
Credit Risk There is a risk of a patient not having adequate funds to settle his / her bills at the time of discharge.	Credit Risk will lead the Group to financial concerns such as liquidity and profitability. Cash flow issues may have a direct impact on its service quality.	We educate our customers of the services, associate cost and evaluate credit worthiness of corporates before granting credit facilities. Insurance policies of in-patients are validated at the time of patient registration. Regular reviews are done to ensure that the introduced systems are functioning effectively and any impact on the performance of the assets of the Group. Interim bills are issued for in-patients for periodic bill settlements.

Risk Management Report

Risk	Potential Impact	Mitigation Strategy
Interest Rate Risk Interest rate risk exists in interest bearing liabilities, such as loans and overdrafts where the financial expenses will increase due to increased interest rates.	The Company has obtained multiple facilities from various banks for working capital, capital expenditure and investments. Fluctuations of interest rates will adversely affect the business by increasing financial costs.	To mitigate the impact of Interest rate risk, more consideration is given to maintain minimum interest spreads during the rates are declining while fixed rates are encouraged during rising periods. Close monitoring and supervision is given for macroeconomics trends to understand the market behavior and to enable firm decision making.
Legal and Compliance Risk Healthcare is one of highly regulated industry and is bound with many laws and regulations adopted by the authorities. Compliance risk arises when the Group fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.	The Group will be exposed to legal penalties, financial forfeiture and material losses and the consequences of litigation are difficult to predict or quantify. Non- compliance would cause severe reputation damages as well.	Asiri Group of Hospitals is engaged in good corporate practices which ensure the transparency, compliance with laws & regulation and ethical business in all affairs with stakeholders. In addition to complying with the Colombo Stock Exchange, Securities and Exchange Commission and Companies Act disclosure requirements, the Group also complies with Sri Lanka Accounting Standards. Related Party Transaction Review committee has been established to assure the highest level of integrity and transparency.

Ethics Committee Report

The Ethics Committee of the Asiri Group of Hospitals was constituted to serve as an advisory body on matters relating to the conduct of research and clinical trials within the Asiri Group of Hospitals. Also, the matters concerning ethics issues in patient care as described in the Standard Operating Procedures, referred to it by the Management and also the visiting and resident staff. The committee reports all its decisions to the Management.

The committee is entrusted with the task of perusing on behalf of the Management, all proposals for research that are proposed to be carried out on patients from the Asiri Hospital group:

- To verify that the proposed investigators have obtained ethics approval from Ethics Review Committee/s that have Strategic Initiative for Developing Capacity in Ethical Review [SIDCER] recognition from the Forum for Ethical Review Committees in the Asian and Western Pacific Region [FERCAP];
- To verify that the proposed investigators have obtained all other approvals and permissions necessary depending on the nature of the research and the proposed research subjects; and
- Also to verify that it meets other requirements that may be decided from time to time and set out as Committee Decisions.

The committee is constituted and operates in accordance with an SLMA Ethics Committee proposal for the establishment of Hospital Ethics Committees in Sri Lanka.

Members:

Prof. Rohan W Jayasekara, (Chairperson)
(Emeritus Professor of Anatomy / Medical Geneticist, Faculty of Medicine, University of Colombo.)

Dr. Malik Fernando
(Retired Physician/Member of Ethics Review Committee of the Sri Lanka Medical Association-sometime Chair, Ethics Committee SLMA)

Dr. Arittha Wickramanayake
(Attorney at Law /Precedent Partner, Nithya Partners)

Dr. Siva Selliah
(Deputy Chairman of Asiri Group of Hospitals / Senior Lecturer, Dept. of Physiology, Faculty of Medicine University of Kelaniya)

Prof. Kemal I Deen
(Consultant General Surgeon –Intestinal)

Dr. Indrani Amarasinghe
(Consultant Oncologist)

Prof. Chandani Wanigatunga
(Professor in Pharmacology and Consultant Physician)

Dr. Kamal Weerapperuma
(Company Director)

Prof. Shalini Sri Ranganathan
(Professor in Pharmacology and Specialist Paediatrician)

Sgd.
Prof. Rohan Jayasekara
Chairman – Ethics Committee

29 June 2018

Audit Committee Report

Purpose of the Committee

The Committee is established to assist the Board of Directors in fulfilling its oversight responsibility for the Company's financial reporting system, system of internal controls, risk management process, internal audit function, compliance with legal and regulatory requirements and review of independence and external auditors performance.

Composition of the Committee and Meetings

The Audit Committee is appointed by the Board of Directors and comprises of three independent Non-Executive Directors. The Names of the Committee members are stated in the Corporate Governance Report on Page 25.

The Audit Committee met on five occasions during the year under review. The activities of the Audit Committee are quarterly reported to the Board of Directors. The attendance at these meetings was as follows:

Name of Director	Attendance
Mr. S A B Rajapaksa	5/5
Mr. G L H Premaratne	5/5
Mr. J E Huxtable	3/5

The Group Head of Risk & Audit of the Softlogic Group and Group Manager - Audit of Asiri Hospitals were permanent attendees of these meetings. The Group Chief Financial Officer of Softlogic Group, Chief Financial Officer of Asiri Hospitals, Directors of Operations and the External Auditors attend the meeting by invitation when required and the Company Secretary acted as the Secretary to the Committee.

Duties and Responsibilities

The duties of the Audit Committee includes keeping under review the scope and results of the audit, its effectiveness, and the independence and objectivity of the Auditors.

The Committee carries out the following responsibilities:

Financial Statements, Financial Reporting Process and Accounting Policies	The Audit Committee review; ◇ The quarterly and annual Financial Statements prior to its publication. ◇ Appropriateness and changes in Accounting Policies. ◇ Significant estimates and judgement made by the management. ◇ Compliance with relevant Accounting Standards and applicable regulatory requirements. ◇ Issues arising from the Internal Audit and Independent External Audit. ◇ The Company's ability to continue as a going concern.
Internal Controls and Risk Management	The Committee review and assess; ◇ The internal control environment and areas of significant risks. ◇ Effectiveness of the company's internal control system, including information technology security and control. ◇ Policies and practices with respect to risk assessment and risk management ensuring that a process of sound system of internal control is in place. ◇ Scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.
Internal Auditing	The Audit Committee review and approve; ◇ The internal audit charter ◇ Internal audit budget, resource plan including staffing, activities, and organisational structure of the function. ◇ Annual audit plan and all major changes to the plan and review the internal audit activity's performance. ◇ No unjustified restrictions or limitations to carry out duties. ◇ The work of the internal audit function and the effectiveness of the internal audit function.
IT Systems Auditing	The Audit Committee review and asses; ◇ Effectiveness and efficiency Information System Audits for IT operations, technologies, systems, structures and processes. ◇ IT assets are safeguarded in terms of integrity, confidentiality and availability and effective IT risk management measures are in place. ◇ Information system audit plans. ◇ IT Governance activities.

Audit Committee Report

External Audit	The Audit Committee review; ◇ The external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit. ◇ The performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. ◇ Review and confirm the independence and objectivity of the external auditors. ◇ Make recommendations to the Board, pertaining to appointment, re- appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. ◇ Resolve any disagreements between management and the external auditor regarding financial reporting.
Compliance	The Audit Committee review; ◇ Effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation. ◇ The findings of any examinations by regulatory agencies, and any auditor observations. ◇ Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith. ◇ Obtain regular updates from management and company legal counsel regarding compliance matters.

The Audit Committee recommended to the Board of Directors that M/s Ernst & Young be re-appointed as the auditors of the Company for the financial year ending 31st March 2019, subject to the approval of the shareholders at the Annual General Meeting.

Evaluation of the Effectiveness of the Committee

The Audit Committee conducts an annual evaluation of its own in terms of Audit Committee’s purpose, authorities, duties and responsibilities.

Sgd.
S.A.B. Rajapaksa
Chairman – Audit Committee

29 June 2018

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 25.

The Directors' emoluments are disclosed on page 61.

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

Sgd.
G. L. H. Premaratne
Chairman – Remuneration Committee

29 June 2018

Related Party Transactions Review Committee Report

Purpose

The Related Party Transaction Review Committee was established by the Board in order to comply with the Listing Rules of the Colombo Stock Exchange governing related party transactions in respect of listed companies as per the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

The Related Party Transactions Review Committee (the "Committee") assists the Board in reviewing all related party transactions carried out by the Company and its listed companies in the Group by early adopting of the Code of Best Practice on Related Party Transaction as issued by the Securities and Exchange Commission of Sri Lanka.

Composition

The Related Party Transactions Review Committee is appointed by the Board of Directors of the company and the following directors were served on the Committee as at 31st March 2018.

- Mr.J.E.Huxtable – Independent Non-executive Director (Chairman)
- Mr.S.A.B.Rajapaksa – Independent Non-executive Director
- Mr.G.L.H.Premaratne – Independent Non-executive Director

The Chief Financial Officer attends all meetings by invitation.

Softlogic Corporate Services (Pvt) Ltd., Secretaries of the Company function as the Secretary to the Related Party Transactions Review Committee.

Roles and Responsibilities

1. Reviewing in advance all proposed related party transactions of the Company and its listed companies in the Group in compliance with the Code.
2. Adopting policies and procedures to review related party transactions of the Company and its subsidiaries and reviewing and overseeing existing policies and procedures.
3. Determining whether related party transactions that are to be entered into by the Company and/or its subsidiaries require the approval of the Board or Shareholders of the respective companies.
4. If related party transactions are ongoing (recurrent related party transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.
5. Ensuring that no director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
6. If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approve the proposed related party transaction.
7. Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

The Committee on behalf of the Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been reviewed by the committee and are in compliance with the section 09 of the Rules.

Sgd.
J. E. Huxtable
Chairman – Related Party Transactions review Committee

29 June 2018

Statement of Directors' Responsibilities

The responsibilities 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 43.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. 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 Statement of Comprehensive Income 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 46 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 have justified in adopting the 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 to enable them to ensure the financial statements comply with the Companies Act No. 07 of 2007 and are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

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 date of the Statement of Financial Position have been paid or, where relevant provided for, in arriving at the financial results for the year under review except as specified in Note 22.3 to the Financial Statements covering contingent liabilities.

For and on behalf of the Board of
Asiri Surgical Hospital PLC

Sgd.
Softlogic Corporate Services (Pvt) Ltd
Secretaries

Colombo
29 June 2018

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 2018.

Principal Activities and Nature

The principal activity of the Company continues to be carrying out healthcare and hospital services.

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 pages 5 to 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 which include the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements are given on pages 46 to 83.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Financial Reporting Standards. A statement in this regard is given on page 39.

Auditor's Report

The Auditor's Report on the financial statements is given on pages 43 to 45.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 52 to 59. There was no change in the accounting policies adopted.

Property, Plant & Equipment

The movement in property, plant and equipment during the year under review is set out in note 9 to the financial statements.

Capital Expenditure

The capital expenditure of the Company during the year amounted to Rs. 361,443,324 (2016/2017 – Rs. 355,323,900/-) details of which are given in note 9.4 to the financial statements.

Reserves

The total reserves of the Company as at 31st March 2018 amounted to Rs. 2,174,424,672 The composition of reserves is shown in the Statement of Changes in Equity in the financial statements.

Donations

The donations made by the Company during the year amounted to Rs. 635,452 (2016/2017 Rs. Nil).

Stated Capital

The stated capital of the Company as at 31st March 2018 was Rs. 1,393,327,565/-. There was no change in the stated capital of the Company during the year under review.

Dividends

The Directors recommend to the shareholders that the Interim Dividend of Rs. 0.85 per share paid on 14th February 2018 be considered as the Final Dividend for the year ended 31st March 2018.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the Statement of Financial Position have been paid or, where relevant provided for, except as specified in Note 22.3 to the Financial Statements, covering contingent liabilities.

Events after the date of the Statement of Financial Position

No circumstances have arisen and no material events have occurred after the date of Statement of Financial Position, which would require adjustments to, or disclosure in the accounts other than those disclosed in Note 23 to the Financial Statements.

Internal Control

The Board has overall responsibility for the Company's system of internal control and review its effectiveness. The internal control system has been designed to meet the particular needs of the organisation concerned and the risk to which it is exposed, and by their 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 (Group Chief Executive Officer)
Mr. G L H Premaratne
Mr. S A B Rajapaksa

Annual Report of the Board of Directors

In terms of Article 24(6) of the Articles of Association of the Company, Mr. S A B Rajapaksa retires by rotation and being eligible offer himself for re-election with the unanimous support of the Board.

The Directors have recommended the reappointment of Mr. G L H Premaratne who is 70 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re- appointment of Mr. G L H Premaratne.

Directors' Shareholding

Directors' interest in shares of the Company were as follows.

Name of Director	No. of shares as at 31st March 2018	No. of shares as at 31st March 2017
Mr. A K Pathirage	-	-
Dr. S Selliah	17,000	17,000
Dr. K M P Karunaratne	133	133
Mr. G L H Premaratne	-	-
Mr. S A B Rajapaksa	-	-

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year 2017/2018 are given in note 5 to the Financial Statements on page 61.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No. 07 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 in note 24 to the Financial Statements. 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.

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. 1,182,031
Fees for other services	-	Rs. Nil

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. Auditors also do not have any interest in the Company or any of the Group Companies.

Shareholders' Information

The twenty largest shareholders of the Company as at 31st March 2018 are given on page 88 together with an analysis of the shareholding. There were 3,260 registered shareholders as at 31st March 2018.

Share Information

Information on share trading is given on page 88 of the Annual Report.

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 Eighteenth Annual General Meeting of the Company will be held at Hotel Janaki, Fife Road, Colombo 05 on Friday the 14th day of September 2018 at 11.40 a.m. The Notice of the 18th Annual General Meeting is on page 90 of the Annual Report.

For and on behalf of the Board

Sgd.
Director

Sgd.
Director

Sgd.
Softlogic Corporate Services (Pvt) Ltd
Secretaries

29 June 2018
Colombo

Financial Calendar	
Financial Year End 31 March 2018 Announcement of Quarterly Financial Performance	
1st Quarter	14-Aug-2017
2nd Quarter	13-Nov-2017
3rd Quarter	15-Feb-2018
4th Quarter	31-May-2018
Notice of Annual General Meeting	29-Jun-2018
Annual General Meeting	14-Sep-2018

Independent Auditor's Report

Building a better working world

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Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ASIRI SURGICAL HOSPITAL PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asiri Surgical Hospital PLC, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 22.3 to the financial statements which describes a contingent income tax liability. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Tax-related contingent liability A dispute has arisen with the Department of Inland Revenue with regard to applicability of the tax exemption period as explained in Note 22.3. Due to the complexity of the matter and the uncertainty around the tax treatment, we considered this as a key audit matter.	Our audit procedures included the following; ◇ We assessed the management's judgement and evaluation in respect of tax-related contingent liability. ◇ We inspected the opinions obtained by the management from its tax and legal consultants in connection with the dispute. ◇ We assessed the appropriateness of the disclosures made in Note 22.3 regarding tax related contingent liability.
Revenue The Company's revenue generated from its healthcare services is disclosed in Note 3.1 together with the related accounting policy in 2.3.3 We considered revenue as a focus area due to the complexity of the pricing structure, its high volume, and determination of appropriateness of gross or net basis of revenue recognition in certain arrangements, and reliance on IT controls.	Our audit procedures included the following, among others; ◇ We carried out audit procedures over revenue measurement by testing on a sample basis, transactional level pricing and applicable documentary evidence. ◇ We discussed with management regarding the contractual arrangements where consultant medical personnel are involved, and tested on a sample basis the appropriateness of the recognition of revenue on a gross or net basis. ◇ We obtained an understanding about the key IT and manual controls over the occurrence of revenue and tested the same on a sample basis. ◇ We performed specific audit procedures over cash collection related to revenue covering a sample of locations where the Company's business is carried out. ◇ We assessed the adequacy of the disclosures made in Note 3.1 in the financial statement.

Other information included in The Company's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

Ernst & Young

29 June 2018
Colombo

Statement of Profit or Loss

Year ended 31 March 2018

	Note	2018 Rs.	2017 Rs.
Revenue	3.1	3,275,348,652	2,884,315,584
Cost of Services		(2,013,869,335)	(1,885,575,533)
Gross Profit		1,261,479,317	998,740,051
Other Income	3.2	232,248,956	30,006,092
Administrative Expenses		(715,141,483)	(693,216,926)
Selling and Distribution Costs		(80,466,084)	(66,923,336)
Finance Cost	4.1	(45,471,878)	(52,337,478)
Finance Income	4.2	93,759,466	114,180,752
Share of Profit of Joint Venture	10.2	5,902,066	-
Profit Before Tax	5	752,310,360	330,449,155
Income Tax Expense	6	(205,707,444)	(67,659,897)
Profit for the Year		546,602,916	262,789,258
Earnings Per Share - Basic	7	1.03	0.50
Earnings Per Share - Diluted	7	1.03	0.50
Dividend Per Share - Ordinary Shares	8.1	0.85	0.75

The Accounting Policies and Notes on pages 52 through 83 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2018

	Note	2018 Rs.	2017 Rs.
Profit for the Year		**546,602,916**	262,789,258
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Revaluation Surplus on Building	16	**84,994,507**	151,266,080
Actuarial (Loss)/Gain on Retirement Benefit Liability	19	**5,030,598**	(3,599,562)
		90,025,105	147,666,518
Deferred Tax Charge on Other Comprehensive Income	6.2	**(242,033,246)**	(17,719,983)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):		**(152,008,141)**	129,946,535
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):			
Loss on Valuation of Financial Assets - Available for Sale	10.1	**(15,912,674)**	(3,018,089)
Net Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):		**(15,912,674)**	(3,018,089)
Other Comprehensive Income for the Year, Net of Tax		**(167,920,815)**	126,928,446
Total Comprehensive Income for the Year, Net of Tax		**378,682,101**	389,717,704

The Accounting Policies and Notes on pages 52 through 83 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March 2018

	Note	2018 Rs.	2017 Rs.
ASSETS			
Non-current Assets			
Property, Plant and Equipment	9	**3,177,555,145**	3,017,255,155
Leasehold Property	11	**84,164,446**	85,201,379
Loans Granted to Related Parties	14.4	**468,000,000**	600,000,000
Financial Assets - Available for Sale	10.1	**332,670,672**	336,704,370
Investment In Joint Venture	10.2	**32,902,066**	-
		4,095,292,329	4,039,160,904
Current Assets			
Inventories	13	**167,901,404**	181,292,507
Trade and Other Receivables	14	**156,103,615**	129,875,365
Advances and Prepayments	14	**96,064,359**	163,358,250
Cash and Cash Equivalents	21	**383,767,134**	135,867,613
		803,836,512	610,393,735
Total Assets		**4,899,128,841**	4,649,554,639
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	15	**1,393,327,565**	1,393,327,565
Revaluation Reserve	16	**1,149,128,779**	1,304,758,951
Available for Sale Reserve		**(18,903,472)**	(2,990,798)
Retained Earnings		**1,044,199,365**	951,923,028
Total Equity		**3,567,752,237**	3,647,018,746

Statement of Financial Position

	Note	2018 Rs.	2017 Rs.
Non-current Liabilities			
Amount Due on Leasehold Property	17	22,056,667	26,128,667
Interest Bearing Loans and Borrowings	18	255,682,000	319,618,000
Post Employment Benefit Liability	19	116,104,526	100,622,860
Deferred Tax Liability	6.2	515,841,417	192,535,063
		909,684,610	638,904,590
Current Liabilities			
Amount Due on Leasehold Property	17	4,072,000	4,072,000
Interest Bearing Loans and Borrowings	18	64,407,152	63,936,000
Trade and Other Payables	20	261,106,722	282,710,870
Tax Payable		85,061,513	6,569,778
Dividend Payable		7,044,607	6,342,655
		421,691,994	363,631,303
Total Equity and Liabilities		4,899,128,841	4,649,554,639

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

sgd.
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by:

sgd.
Director

sgd.
Director

The Accounting Policies and Notes on pages 52 through 83 form an integral part of these Financial Statements.

29 June 2018
Colombo

Statement of Changes In Equity

Year ended 31 March 2018

	Note	Stated Capital Rs.	Available for Sale Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2016		1,393,327,565	27,291	1,171,644,801	1,104,543,954	3,669,543,611
Fair Value Adjustment - Guarantees		-	-	-	(15,899,410)	(15,899,410)
Profit for the Year		-	-	-	262,789,258	262,789,258
Other Comprehensive Income for the Year		-	(3,018,089)	133,114,150	(3,167,615)	126,928,446
Total Comprehensive Income for the Year		-	(3,018,089)	133,114,150	259,621,643	389,717,704
Dividend Paid - Ordinary Shares	8	-	-	-	(396,343,159)	(396,343,159)
Balance as at 31 March 2017		1,393,327,565	(2,990,798)	1,304,758,951	951,923,028	3,647,018,746
Fair Value Adjustment - Guarantees		-	-	-	(8,759,697)	(8,759,697)
Profit for the Year		-	-	-	546,602,916	546,602,916
Other Comprehensive Income for the Year		-	(15,912,674)	(155,630,172)	3,622,031	(167,920,815)
Total Comprehensive Income for the Year		-	(15,912,674)	(155,630,172)	550,224,947	378,682,101
Dividend Paid - Ordinary Shares	8	-	-	-	(449,188,913)	(449,188,913)
Balance as at 31 March 2018		1,393,327,565	(18,903,472)	1,149,128,779	1,044,199,365	3,567,752,237

The Accounting Policies and Notes on pages 52 through 83 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March 2018

	Note	2018 Rs.	2017 Rs.
Cash Flows From Operating Activities			
Profit Before Income Tax Expense		752,310,360	330,449,155
Adjustments for			
Amortisation of Leasehold Land	11	1,036,933	1,036,933
Depreciation	9.2	232,528,747	207,152,558
(Gain)/Loss on Disposal of Property, Plant and Equipment		(267,169)	4,404,424
Share of Profit of Joint Venture	10.2	(5,902,066)	-
Finance Income	4.2	(93,759,466)	(114,180,752)
Finance Costs	4.1	45,471,878	52,337,478
Scrip Dividend		(11,423,986)	-
Provision for Gratuity	19	24,935,585	20,078,081
Provision for Bad Debt	5	3,561,265	2,182,239
Operating Profit Before Working Capital Changes		948,492,081	503,460,116
Decrease/(Increase) in Inventories		13,391,103	(10,440,363)
Decrease in Trade and Other Receivables		37,504,375	159,084,557
(Decrease)/Increase in Trade and Other Payables		(20,902,195)	29,131,390
Cash Generated From Operations		978,485,364	681,235,700
Income Tax Paid		(45,942,602)	(71,170,434)
Finance Costs Paid		(43,987,878)	(48,790,129)
Defined Benefit Plan Costs Paid	19	(4,423,321)	(4,860,616)
Net Cash From Operating Activities		884,131,563	556,414,521
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	9.4	(361,443,324)	(355,323,900)
Proceeds from Sale of Property, Plant and Equipment		53,876,263	43,745,799
Investment in Joint Venture		(27,000,000)	-
Investment in Financial Assets	10.1	(454,990)	(338,349,102)
Finance Income Received		83,515,770	94,733,993
Loans Repayments from Related Parties		132,000,000	450,919,336
Net Cash Flows From/ (Used in) Investing Activities		(119,506,281)	(104,273,874)
Cash Flows From /(Used in) Financing Activities			
Payment of Amount due on Leasehold Property	18.2	(4,072,000)	(4,072,000)
Repayment of Interest Bearing Loans and Borrowings	18.2	(63,936,000)	(64,697,223)
Dividend Paid		(449,188,913)	(377,439,138)
Net Cash Flows From/(Used in) Financing Activities		(517,196,913)	(446,208,361)
Net Increase/(Decrease) in Cash and Cash Equivalents		247,428,369	5,932,288
Cash and Cash Equivalents at the beginning of the year	21	135,867,613	129,935,325
Cash and Cash Equivalents at the end of the year	21	383,295,982	135,867,613

The Accounting Policies and Notes on pages 52 through 83 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2018

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 and principal place of business is located 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.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent undertaking is Asiri Hospital Holdings PLC.

In the opinion of the Directors, Softlogic Holdings PLC is the ultimate parent undertaking and controlling party of the Company.

1.4 Date of Authorisation for Issue

The Financial Statements of Asiri Surgical Hospital PLC for year ended 31 March 2018 was authorised for issue in accordance with a resolution of the Board of Directors dated 29 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated.

The financial statements are presented in Sri Lankan Rupees (Rs), unless otherwise indicated.

2.1.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards ("SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.

2.1.2 Comparative Information

The accounting policies adopted are consistent with those of the previous financial year.

Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.2 Significant Accounting Judgments, Estimates and Assumptions

Estimates and Assumptions

The preparation of the financial statements of the Company require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets and liabilities at the end of the reporting period. In the process of applying the Company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair Value of Property, Plant and Equipment

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialist to assess fair value of such assets as at 31 March 2018. (Refer Note 9.5 to these financial statements).

Deferred Taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. (Refer Note 6.2 to these financial statements).

Since the Company was in the tax exemption period of Board of Investment of Sri Lanka, Company recognised deferred tax in their financial statements for temporary differences which will reverse after the expiry of the tax holiday period. Significant management judgment is required to determine the future tax implications arising from particularly property, plant and equipment after the expiration of the tax holiday.

Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, staff turnover, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty. (Refer Note 19 to these financial statements)

Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Notes to the Financial Statements

Year ended 31 March 2018

Impairment of Trade and Other Receivables

The Company reviews at each reporting date all receivables to assess whether impairment should be recorded in the statement of profit or loss. The management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recovery. (Refer Note 14 to these financial statements)

Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

2.3 Summary of Significant Accounting Policies Applied

The following are the significant accounting policies applied by the Company in preparing its Financial Statements:

2.3.1 Foreign Currency Translation

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

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

2.3.2 Fair Value Measurement

Fair value related disclosures for non-financial assets and financial instruments that are measured at fair value or where fair values are disclosed are summarised in Note 9.5 and 10 to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows,

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value

Notes to the Financial Statements

Year ended 31 March 2018

measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

a. Sales of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

b. Rendering of Services

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

c. Finance Income

For all financial instruments interest income is recorded using effective interest rate, the rate that exactly discounts the estimated future receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the Statement of Profit or Loss.

d. Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

e. Others

Other income is recognised on accrual basis.

2.3.4 Taxation

Current Taxes

Pursuant to the agreement dated 29 March 2000 entered into with the Board of Investment under section 17 of the Board of Investment Law, the 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.

The Company is liable to pay tax on other income earned at the prevailing tax rate and on business income from 01 January 2015 upon expiry of exemption period which is 10 years counted from the date on which the enterprise first commences commercial operations (01 January 2005).

Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.5 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of

Notes to the Financial Statements

Year ended 31 March 2018

the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Buildings are subsequently measured at fair value, less accumulated depreciation and accumulated impairment on buildings. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Depreciation is calculated on a straight-line basis over the useful life of assets or components. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the statement of profit or loss, the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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 derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

2.3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a Lessee:

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement 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 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 recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.3.7 Borrowing Costs

Borrowing Costs are recognised as an expense in the period in which they are incurred except borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

2.3.8 Financial Instruments - Initial Recognition and Subsequent Measurement

i) Financial Assets

The Company's financial assets include cash and bank balances, trade and other receivables including loans granted to related parties, available for sale investments and other financial assets.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as loans and receivables, available-for-sale financial assets, held to maturity or fair value through profit or loss as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss.

Notes to the Financial Statements

Year ended 31 March 2018

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of profit or loss in finance costs and removed from the available-for-sale reserve.

Trade and Other Receivables

Trade and Other Receivables including loans granted to related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. The losses arising from impairment are recognised in the statement of profit or loss.

Derecognition

Financial Assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or Company has transferred substantially all the risks and rewards of the asset.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. The assets are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to the statement of profit or loss.

ii) Financial Liabilities

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantees contracts, and other financial liabilities.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Interest Bearing Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Notes to the Financial Statements

Year ended 31 March 2018

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.9 Equity Accounted Investees (Investment in Associates and Joint Ventures)

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Profit or Loss reflects the Company's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Company's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit or loss of equity accounted investees' in the Statement of Profit or Loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

2.3.10 Inventories

Inventories are valued at the lower of 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 first-in first-out basis.

2.3.11 Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's fair value less costs to sell and its value in use. It is determined for an individual asset,

Notes to the Financial Statements

Year ended 31 March 2018

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.

2.3.12 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 the above 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.

2.3.13 Provisions

Provisions are recognised 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. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.3.14 Post Employment Benefits

a. Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of 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 recommended by LKAS 19 – "Employee benefits". Accordingly, the employee benefit liability is based on the actuarial valuation carried out by Messrs Actuarial and Management Consultants (Pvt) Ltd., Actuaries. The actuarial valuation involves making assumptions about discount rate, future salary increase rate and mortality rates etc. All assumptions are reviewed at each reporting date.

The Company's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in Statement of Other Comprehensive Income.

The Company is liable to pay gratuity in terms of the relevant statute.

The Gratuity liability is not externally funded.

b. Defined Contribution Plans

Employees' Provident Fund and Employee' Trust Fund

Employees are eligible for Employees' Provident Fund and Employee' Trust Fund contributions, in line with respective statute and regulations. The Company contributes 12% and 3% of gross remuneration of employees towards Employees' Provident Fund and Employee' Trust Fund respectively.

2.3.15 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Senior Management Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.4 Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an` impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to the Financial Statements

Year ended 31 March 2018

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2

CA Sri Lanka issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 and does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date.

Notes to the Financial Statements

Year ended 31 March 2018

3. REVENUE AND OTHER INCOME

3.1 Revenue

	2018 Rs.	2017 Rs.
Healthcare Services	**3,161,118,288**	2,792,042,707
Sales of Goods	**114,230,364**	92,272,877
	3,275,348,652	2,884,315,584

3.1.a Segment Information

The Senior Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue generated and is measured consistently with revenue in the financial statements.

The Company has identified the following segments based on the information provided to CODM for the purpose of making decisions about resource allocation and performance assessment.

- Pre care which include OPD revenue, channeling revenue and OPD laboratory investigation services
- Post care which include all IPD revenue including inpatient drugs and laboratory investigation
- Pharmaceutical which includes OPD pharmacy revenue

The following table presents the revenue generated by the Company's segments for the year ended 31 March 2018 and comparative figures for the year ended 31 March 2017.

	2018 Rs.	2017 Rs.
Pre Care	**976,623,900**	972,471,241
Post Care	**2,184,494,388**	1,819,571,466
Pharmaceutical	**114,230,364**	92,272,877
	3,275,348,652	2,884,315,584

3.2 Other Income

	2018 Rs.	2017 Rs.
Rental Income	**23,054,200**	17,660,075
Sundry Income	**2,460,771**	11,481,546
Gain on Disposal of Property, Plant and Equipment	**267,169**	-
Exchange (loss)/Gain	**(118,046)**	800,815
Dividend Income - External	**21,084,862**	63,656
Gain on Sale of Shares	**185,500,000**	-
	232,248,956	30,006,092

Notes to the Financial Statements

Year ended 31 March 2018

4. FINANCE COST AND INCOME

4.1 Finance Cost

	2018 Rs.	2017 Rs.
Interest Expense on Overdrafts	**2,226**	242,430
Interest Expense on Loans and Borrowings	**43,274,606**	47,829,609
Interest on Guarantees	**1,484,000**	3,547,349
Bank Charges	**711,046**	718,090
	45,471,878	52,337,478

4.2 Finance Income

	2018 Rs.	2017 Rs.
Interest Income	**83,515,770**	94,733,993
Guarantee Income	**10,243,696**	19,446,759
	93,759,466	114,180,752

5. PROFIT BEFORE TAX

	2018 Rs.	2017 Rs.
Stated After Charging		
Included in Cost of Sales		
Depreciation	**140,312,959**	121,344,597
Employee Benefits including the following:	**673,214,940**	601,087,058
- Defined Contribution Plan Costs - EPF and ETF	**48,529,815**	43,700,990
Included in Administrative Expenses		
Depreciation	**92,215,787**	85,807,962
Employee Benefits Including the following:	**258,606,362**	244,485,997
- Defined Benefit Plan Costs - Gratuity	**24,935,585**	20,078,081
- Defined Contribution Plan Costs - EPF and ETF	**18,576,419**	18,367,452
Directors' Fees and Remuneration	**10,494,458**	12,376,219
Amortisation of Leasehold Property	**1,036,933**	1,036,933
Donations	**635,452**	-
Legal Fees	**2,883,564**	6,010,773
Audit Fees and Reimbursable Expenses	**1,182,031**	1,094,473
Included in Selling and Distribution Costs		
Advertising Costs	**16,672,116**	15,769,409
Provision for Bad Debts	**3,561,265**	2,182,239

Notes to the Financial Statements

Year ended 31 March 2018

6. INCOME TAX EXPENSE

	2018 Rs.	2017 Rs.
Current Income Tax		
Current Income Tax Charge (Note 6.1)	88,631,850	49,933,154
Under/(Over) in Respect of Previous Years	35,802,487	(552,068)
	124,434,337	49,381,086
Deferred Income Tax		
Deferred Taxation Expense (Note 6.2)	81,273,107	18,278,811
Income Tax Expenses Reported in the Statement of Profit or Loss	205,707,444	67,659,897
Deferred Income Tax		
Deferred Tax Expenses Reported in the Other Comprehensive Income (Note 6.2)	242,033,246	17,719,983
Income Tax Expenses Reported in the Statement of Total Comprehensive Income	447,740,690	85,379,880

6.1 Reconciliation between Current Tax Expense and Accounting Profit

	2018 Rs.	2017 Rs.
Accounting Profit before Income Tax	752,310,360	330,449,155
Disallowable Expenses	293,009,097	318,114,302
Allowable Expenses	(325,032,544)	(293,698,139)
Profit Exempt from Income Tax	(169,141,304)	(19,510,415)
Assessable Income	551,145,609	335,354,903
Less: Qualifying Payments	(11,335,203)	(28,630,303)
Taxable Income	539,810,406	306,724,600
Income Tax Expense - 12%	46,886,298	26,962,300
Income Tax Expense - 28%	41,745,552	22,970,854
	88,631,850	49,933,154

Notes to the Financial Statements

Year ended 31 March 2018

6.2 Deferred Tax Assets and Liabilities

	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability						
- Revaluation of Building	**403,296,800**	168,077,637	**(5,405,516)**	(3,150,918)	**240,624,679**	18,151,930
- Accelerated Depreciation for Tax Purposes	**145,053,884**	36,532,169	**108,521,715**	23,255,825	**-**	-
	548,350,684	204,609,806	**103,116,199**	20,104,907	**240,624,679**	18,151,930
Deferred Tax Assets						
- Defined Benefit Obligation	**(32,509,267)**	(12,074,743)	**(21,843,092)**	(1,826,096)	**1,408,567**	(431,947)
	(32,509,267)	(12,074,743)	**(21,843,092)**	(1,826,096)	**1,408,567**	(431,947)
Deferred Tax Expense			**81,273,107**	18,278,811	**242,033,246**	17,719,983
Net Deferred Tax Liability	**515,841,417**	192,535,063				

Company is liable to pay income tax at 28% on its profits commencing from 1 April 2018 in accordance with New Inland Revenue Act No 24 of 2017 which was made effective from 1 April 2018. Hence Deferred tax liabilities have been measured considering the tax rate of 28%.

Notes to the Financial Statements

Year ended 31 March 2018

7. EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders 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.

Diluted Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effect of all diluted potential ordinary shares. There were no potentially diluted ordinary shares outstanding at any time during the year/previous year.

The following reflects the income and share data used in the Basic/Diluted Earnings Per Share computations.

	2018 Rs.	2017 Rs.
Profit for the Year	**546,602,916**	262,789,258
Profit Attributable to Ordinary Shareholders	**546,602,916**	262,789,258

Number of Ordinary Shares used as the Denominator	2018 Number	2017 Number
Weighted Average number of Ordinary Shares in Issue Applicable to Basic/Diluted Earnings Per Share	**528,457,545**	528,457,545

8. DIVIDENDS PAID AND PROPOSED

	2018 Rs.	2017 Rs.
Declared and Paid During the Year		
8.1 Equity Dividends on Ordinary Shares :		
Interim Dividend for 2015/2016: 0.40 per share and 2016/2017: 0.35 per share	-	396,343,159
Interim Dividend for 2017/2018: 0.85 per share	**449,188,913**	-
	449,188,913	396,343,159

Notes to the Financial Statements

Year ended 31 March 2018

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Gross Carrying Amounts

	Balance as at 01.04.2017 Rs.	Additions Rs.	Valuation Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2018 Rs.
At Valuation					
Building on Leasehold Land	2,161,000,000	12,416,502	39,833,998	-	**2,213,250,500**
	2,161,000,000	12,416,502	39,833,998	-	**2,213,250,500**
At Cost					
Medical Equipment	1,698,923,804	230,807,088	-	(111,239,235)	**1,818,491,657**
Furniture and Fittings	112,296,298	28,954,918	-	(6,129,910)	**135,121,306**
Motor Vehicles	38,803,180	-	-	-	**38,803,180**
Sundry Equipment	483,955,479	27,413,420	-	(37,455,687)	**473,913,212**
	2,333,978,761	287,175,426	-	(154,824,832)	**2,466,329,355**
Capital Work in Progress					
Work-in-Progress	13,559,780	61,851,396	-	(13,559,780)	**61,851,396**
	13,559,780	61,851,396	-	(13,559,780)	**61,851,396**
Total Value of Depreciable Assets	4,508,538,541	361,443,324	39,833,998	(168,384,612)	**4,741,431,251**

9.2 Accumulated Depreciation

	Balance as at 01.04.2017 Rs.	Charge for the Year Rs.	Valuation Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2018 Rs.
At Valuation					
Building on Leasehold Land	-	45,160,509	(45,160,509)	-	**-**
	-	45,160,509	(45,160,509)	-	**-**
At Cost					
Medical Equipment	1,006,974,872	140,310,083	-	(71,675,669)	**1,075,609,286**
Furniture and Fittings	83,411,692	7,746,240	-	(5,699,389)	**85,458,543**
Motor Vehicles	10,744,042	5,570,411	-	-	**16,314,453**
Sundry Equipment	390,152,780	33,741,504	-	(37,400,460)	**386,493,824**
	1,491,283,386	187,368,238	-	(114,775,518)	**1,563,876,106**
Total Accumulated Depreciation	1,491,283,386	232,528,747	(45,160,509)	(114,775,518)	**1,563,876,106**

Notes to the Financial Statements

Year ended 31 March 2018

9.3 Net Book Values

	2018 Rs.	2017 Rs.
At Valuation		
Building on Leasehold Land	**2,213,250,500**	2,161,000,000
At Cost		
Medical Equipment	**742,882,371**	691,948,932
Furniture and Fittings	**49,662,763**	28,884,606
Motor Vehicles	**22,488,727**	28,059,138
Sundry Equipment	**87,419,388**	93,802,699
	902,453,249	842,695,375
Capital Work in Progress		
Work-in-Progress	**61,851,396**	13,559,780
Total Carrying Amount of Property, Plant and Equipment	**3,177,555,145**	3,017,255,155

9.4 During the year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 361,443,324/- (2017 -Rs. 355,323,900/-). Cash payments amounting to Rs. 361,443,324/- (2017 - Rs. 355,323,900/-) were made during the year for purchase of Property, Plant and Equipment.

9.5 The following properties are fair valued and recorded under buildings. Fair Value measurement disclosure for revalued building based on un-observable inputs are as follows,

Location	Extent	Independent Valuer	Effective Date of Valuation	Valuation Details	Significant Unobservable Input (Level 3)	Range	Fair Value Measurement Rs.
No 21, Kirimandala Mawatha, Narahenpita	368,123 Sq. ft	P B Kalugalagedara & Associates	31 March 2018	Direct Capital Comparison Method using Depreciated Replacement Cost	Building value per square feet	Rs. 3,000/- to Rs.8,250/-	Rs.2,213,250,500/-

The surplus arising from the revaluation net of deferred tax is recognised in the Other Comprehensive Income and transferred to Revaluation Reserve in Equity. Significant increases (decreases) in estimated building value per square meter in isolation would result in a significantly higher (lower) fair value.

Notes to the Financial Statements

Year ended 31 March 2018

9.6 Depreciation

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

	2017/2018
Buildings on Leasehold Land	Over 60 Years
Medical Equipment	Over 10 Years
Furniture and Fittings	Over 10 Years
Motor Vehicles	Over 5-8 Years
Sundry Equipment	Over 5- 10 Years

9.7 Company's property, plant and equipment include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 933 Mn (2017 - Rs. 596 Mn).

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

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2018 Rs.	Net Carrying Amount 2017 Rs.
Building on Leasehold Land	1,006,346,445	221,305,397	785,041,047	789,335,357
	1,006,346,445	221,305,397	785,041,047	789,335,357

10. INVESTMENTS

10.1 Investment in Equity Securities - Available for Sales

Non-current	Number of Shares 2018	Number of Shares 2017	Fair Value 2018 Rs.	Fair Value 2017 Rs.
Quoted				
National Development Bank PLC	**2,499,404**	2,411,893	**332,670,672**	336,704,370
Total Investment in Equity Securities	**2,499,404**	2,411,893	**332,670,672**	336,704,370

Notes to the Financial Statements

Year ended 31 March 2018

10.1.1 Investment in Equity Securities - Available for sales

	2018 Rs.	2017 Rs.
Balance at the beginning of the Year	**336,704,370**	1,373,357
Investments Made During the year	**454,990**	338,349,102
Loss on Valuation of Financial Assets - Available for Sale	**(15,912,674)**	(3,018,089)
Share Allotment as Scrip Dividends	**11,423,986**	-
Balance at the end of the Year	**332,670,672**	336,704,370

10.2 Investment in Joint Venture

Asiri-AOI Cancer Centre (Private) Limited started its operation on 01st September 2017 and as intended at the inception of the project, Asiri Surgical Hospital divested 50% stake of Asiri-AOI Cancer Centre (Private) Limited to the joint venture partner 'Cancer Treatment Services Hyderabad Private Limited' on 29th September 2017. Accordingly, 2,700,000 shares were disposed for a consideration of Rs. 212,500,000 and the gain on sale of shares amounts to Rs. 185,500,000 recorded under other income (Note 3.2).

Asiri-AOI Cancer Centre (Private) Limited is a company incorporated in Sri Lanka and is principally engaged in providing comprehensive oncology services.

10.2.1 Summarised Financial Information of Joint Venture Investees

	2018 Rs.
Non-Current assets	**48,835,719**
Current Assets	**24,371,615**
Non-Current Liabilities	**(3,257,099)**
Current Liabilities	**(4,146,102)**
Net Assets	**65,804,133**
Company's Share of Net Assets	**32,902,066**
Carrying amount of interest in Joint Venture	**32,902,066**
Revenue	**62,122,500**
Cost of Sales	**(36,914,762)**
Profit for the year	**11,804,133**
Total Comprehensive Income for the Year	**11,804,133**
Company's share of Total Comprehensive Income	**5,902,066**

Notes to the Financial Statements

Year ended 31 March 2018

11. LEASEHOLD PROPERTY/ RIGHT-TO-USE OF LAND

	2018 Rs.	2017 Rs.
Balance as at the Beginning of the Year	**85,201,379**	86,238,312
Amortisation for the Year	**(1,036,933)**	(1,036,933)
Balance as at the End of the Year	**84,164,446**	85,201,379

11.1 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 agreement dated 29 March 2000.

The right-to-use the land under lease arrangement has been accounted for in line with the Statement of Recommended Practices (SoRP) issued by Institute of Chartered Accountants of Sri Lanka dated 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013.

Accordingly, the 'Right' to use land is recognised as a non-current asset and is amortised over the remaining lease term or useful life of the underlying right whichever is shorter.

12. FINANCIAL ASSETS AND LIABILITIES - FAIR VALUE HIERARCHY

	31 March 2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets				
Available for Sale Investments	**332,670,672**	332,670,672	-	-

	31 March 2017 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets				
Available for Sale Investments	336,704,370	336,704,370	-	-

Notes to the Financial Statements

Year ended 31 March 2018

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

Except for the below indicated loans and borrowing non-current balance, carrying value of financial assets and liabilities based on other methods of valuation approximates the fair value. This table does not include the fair values of non–financial assets and non–financial liabilities.

	Carrying Amount		Fair Value (Level 2)	
	2018	2017	2018	2017
Financial Liabilities				
Loans and Borrowings-Non Current	**319,618,000**	383,554,000	**319,618,000**	383,554,000

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not recorded using fair value measurement basis in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Financial assets and financial liabilities with variable interest rates are also considered to be carried at fair value.

Fixed Rate Financial Instruments

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending Rates published by the CBSL were used.

13. INVENTORIES

	2018 Rs.	2017 Rs.
Finished goods (at lower of cost and net realisable value)		
- Chemical and Test Materials	**18,974,190**	33,804,219
- Pharmaceuticals and Surgical Inventory	**127,121,271**	128,422,249
- Consumables	**21,805,943**	19,066,039
	167,901,404	181,292,507

During 2018, Rs.717,503,101 (2017: Rs.594,431,939) was recognised as an expense for inventories carried at net realisable value and included in 'cost of sales'. In addition, inventories have been reduced by Rs.3,471,563 (2017: Rs. Nil) as a result of the write-down to net realisable value. The write-down was recognised as an expense in 2018 and included in 'cost of sales'.

Notes to the Financial Statements

Year ended 31 March 2018

14. TRADE AND OTHER RECEIVABLES

	2018 Rs.	2017 Rs.
Trade Debtors (Note 14.1)	**128,240,590**	103,429,318
Less: Provision for Bad Debts	**(2,951,083)**	(2,691,076)
	125,289,507	100,738,242
Trade Debtors - Related Parties (Note 14.2)	**29,214,060**	27,399,728
Other Debtors - Related Parties (Note 14.3)	**1,600,048**	1,737,395
Trade and Other Receivables	**156,103,615**	129,875,365
Advances and Prepayments	**96,064,359**	163,358,250

14.1 Trade receivables are non-interest bearing and are generally on terms of 30 days.

As at 31 March, the ageing analysis of trade receivables, is as follows:

			Past due but not Impaired				Past due Impaired
	Total Rs.	Neither past due nor Impaired Rs.	30-60 Days Rs.	61-90 Days Rs.	91-180 Days Rs.	181-365 Days Rs.	> 365 Days Rs.
2018							
Gross Trade Receivables	157,454,647	99,487,984	16,167,607	11,020,555	18,364,875	8,880,934	3,532,692
Less: Impairment	(2,951,082)	-	-	-	-	-	(2,951,082)
	154,503,565	99,487,984	16,167,607	11,020,555	18,364,875	8,880,934	581,610
2017							
Gross Trade Receivables	130,829,046	78,279,291	23,446,524	10,810,201	10,346,528	3,985,132	3,961,370
Less: Impairment	(2,691,076)	-	-	-	-	-	(2,691,076)
	128,137,970	78,279,291	23,446,524	10,810,201	10,346,528	3,985,132	1,270,294

Notes to the Financial Statements

Year ended 31 March 2018

14.2 Trade Debtors - Related Parties

	Relationship	2018 Rs.	2017 Rs.
Asiri Hospital Holdings PLC	Parent Company	**14,069,661**	17,460,909
Softlogic Restaurants (Pvt) Limited	Affiliate Company	-	8,400
Digital Health (Pvt) Limited	Affiliate Company	**5,388,505**	3,676,888
Central Hospital Limited	Fellow Subsidiary	**3,632,815**	945,873
Asiri Diagnostic Services (Private) Limited	Fellow Subsidiary	**171,328**	172,091
Asiri Hospital Matara (Private) Limited	Fellow Subsidiary	**100,381**	90,216
Softlogic Life Insurance PLC	Affiliate Company	**5,851,370**	5,045,351
		29,214,060	27,399,728

14.3 Other Debtors - Related Parties

		2018 Rs.	2017 Rs.
Asiri Hospital Kandy (Private) Limited	Fellow Subsidiary	**1,600,048**	1,737,395
		1,600,048	1,737,395

Outstanding current account balances as at the year end are unsecured, non-interest bearing and settlement occurs in cash.

14.4 Loans Granted to Related Parties

		2018 Rs.	2017 Rs.
Non- Current Assets			
Asiri Hospital Holdings PLC (Note 14.4.a)	Parent Company	**468,000,000**	600,000,000
		468,000,000	600,000,000

14.4.a The balance due from Asiri Hospital Holdings PLC amounting to Rs. 911,631,415/- has been transferred to Loans due from Related Parties - Non - Current Assets as at 31 March 2015 and the outstanding balance amounted to Rs.468,000,000/- as at 31 March 2018(2017 - Rs. 600,000,000).

14.4.b The interest for intercompany loans is charged based on AWPLR% for loans granted to related entities.

Notes to the Financial Statements

Year ended 31 March 2018

15. STATED CAPITAL

	2018 Number	2018 Rs.	2017 Number	2017 Rs.
Fully Paid Ordinary Shares (Note 15.1)	**528,457,545**	**1,393,327,565**	528,457,545	1,393,327,565
		1,393,327,565		1,393,327,565

15.1 Fully Paid Ordinary Shares

	2018 Number	2018 Rs.	2017 Number	2017 Rs.
Balance at Beginning of the Year	**528,457,545**	**1,393,327,565**	528,457,545	1,393,327,565
Balance at End of the Year	**528,457,545**	**1,393,327,565**	528,457,545	1,393,327,565

16. REVALUATION RESERVE

	2018 Rs.	2017 Rs.
On Buildings		
As at 1 April	**1,304,758,951**	1,171,644,801
Revaluation Surplus during the Year (Note 9)	**84,994,507**	151,266,080
Deferred tax on Revaluation (Note 6.2)	**(240,624,679)**	(18,151,930)
As at 31 March	**1,149,128,779**	1,304,758,951

17. AMOUNT DUE ON LEASEHOLD PROPERTY

	2018			2018	2017
	Amount Repayable Within 1 Year Rs.	Amount Repayable Within 2-5 Years Rs.	Amount Repayable After 5 Years Rs.	Total Rs.	Total Rs.
Payable to the Board of Investment of Sri Lanka					
Gross Liability on Leasehold Land	**4,275,600**	**17,102,400**	**6,057,100**	**27,435,100**	31,710,700
Less: Finance Charges Allocated to Future Periods	**(203,600)**	**(814,400)**	**(288,433)**	**(1,306,433)**	(1,510,033)
Net Liability on Leasehold Land	**4,072,000**	**16,288,000**	**5,768,667**	**26,128,667**	30,200,667

Notes to the Financial Statements

Year ended 31 March 2018

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

17.1.1 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 is payable, over a period of 25 years commencing from the financial year 2000/2001.

17.1.2 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 which ever is lower. Accordingly, BOI has increased the annual lease rent by 5% in the financial year 2009/10. Accordingly, the finance cost amounting to Rs.203,600/- has been recognised as an expense each year from year 2010/11.

If BOI exercises same right, at the end of 5 years and every 5 years thereafter at the maximum allowed rate of 10%, the Company would have to incur a gross liability of Rs.32,964,876/- including future finance costs of Rs. 4,460,876/-.

All payments are subject to taxes prevailing at the time of payment.

18. INTEREST BEARING LOANS AND BORROWINGS

	2018 Amount Repayable Within 1 Year Rs.	2018 Amount Repayable After 1 Year Rs.	2018 Total Rs.	2017 Amount Repayable Within 1 Year Rs.	2017 Amount Repayable After 1 Year Rs.	2017 Total Rs.
Long Term Loans (Note 18.3)	63,936,000	255,682,000	319,618,000	63,936,000	319,618,000	383,554,000
Bank Overdraft (Note 21.2)	471,152	-	471,152	-	-	-
	64,407,152	255,682,000	320,089,152	63,936,000	319,618,000	383,554,000

Notes to the Financial Statements

Year ended 31 March 2018

18.2 A reconciliation of Liabilities Arising from Financing Activities is as Follows:

	As at 01.04.2017 Rs.	Repayment of borrowings Rs.	Other changes Rs.	As at 31.03.2018 Rs.
Long Term Loans				
- Current	63,936,000	(63,936,000)	63,936,000	**63,936,000**
- Non-current	319,618,000	_	(63,936,000)	**255,682,000**
Amount Due on Leasehold Property				
- Current	4,072,000	(4,072,000)	4,072,000	**4,072,000**
- Non-current	26,128,667	-	(4,072,000)	**22,056,667**
	413,754,667	(68,008,000)	-	**345,746,667**

18.3 Details of the Long Term Loans;

Details of the Long Term Loans;	Approved Facility	Repayment Terms	Security	Security Amount Rs.
Commercial Bank of Ceylon PLC	Rs.511.4 Mn	95 equal monthly installments of Rs 5,328,000/- each and a final installment of Rs 5,266,000/- together with interest.	Concurrent Mortgage Bond No 3329/4687 with Hatton National Bank PLC over hospital property at No181, Kirula Road , Narahenpitiya, owned by Asiri Hospital Holdings PLC. (Hatton National Bank PLC interest Rs. 75 Mn and Commercial Bank of Ceylon PLC's interest Rs. 125 Mn)	125 Mn
			Corporate Guarantee of Asiri Hospital Holdings PLC	148.4 Mn

Notes to the Financial Statements

Year ended 31 March 2018

19. RETIREMENT BENEFIT LIABILITY

19.1 Retirement Benefit Obligations (Gratuity)

	2018 Rs.	2017 Rs.
Defined Benefit Obligation at the Beginning of the Year	100,622,860	81,805,833
Interest Charge for the Year	12,597,982	8,998,642
Current Service Cost	12,337,603	11,079,439
Actuarial (Gain)/Loss	(5,030,598)	3,599,562
Benefit Paid During the Year	(4,423,321)	(4,860,616)
Defined Benefit Obligation at the End of the year	116,104,526	100,622,860
Interest Charge for the Year	12,597,982	8,998,642
Current Service Cost	12,337,603	11,079,439
Actuarial (Gain)/Loss	(5,030,598)	3,599,562
	19,904,987	23,677,643

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

Principal Actuarial Assumptions

The principal financial assumptions underlying the valuation are as follows:

	2018	2017
Discount Rate	10% p.a	12.5%p.a
Salary Increase Rate	7.5%p.a	9%p.a
Staff Turnover Rate	Up to 49 years - 25%	Up to 49 years - 22%

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

Notes to the Financial Statements

Year ended 31 March 2018

19.3 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis of all employees in Asiri Surgical Hospital PLC is as follows:

Discount Rate as at 31 March	2018 Rs.	2017 Rs.
Effect on Retirement Benefit Obligation due to 1% increase in discount rate	**(3,196,071)**	(3,030,680)
Effect on Retirement Benefit Obligation 1% decrease in discount rate	**3,406,606**	3,237,582
Salary Escalation Rate as at 31 March	**Rs.**	**Rs.**
Effect on Retirement Benefit Obligation 1% increase in Salary Escalation rate	**3,988,222**	3,775,119
Effect on Retirement Benefit Obligation 1% decrease in Salary Escalation rate	**(3,803,211)**	(3,587,542)

19.4 The following payments are expected contributions to the defined benefit plan in future years:

	2018 Rs.	2017 Rs.
Within the next 12 months	**32,174,685**	23,191,695
Between 1 to 2 years	**40,652,472**	31,155,920
Between 3 to 5 years	**26,579,651**	30,189,695
Between 6 to 10 years	**13,390,494**	12,185,305
Beyond 10 years	**3,307,224**	3,900,245
	116,104,526	100,622,860

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.09 years (2017 - 3.47 years).

20. TRADE AND OTHER PAYABLES

	2018 Rs.	2017 Rs.
Trade Payables	**158,707,819**	135,771,990
Trade Payable - Related Party (Note 20.1)	**42,050,624**	44,933,544
Sundry Creditors Including Accrued Expenses	**60,348,279**	102,005,336
	261,106,722	282,710,870

Notes to the Financial Statements

Year ended 31 March 2018

20.1 Trade Payable - Related Party

	Relationship	2018 Rs.	2017 Rs.
Asiri Hospital Holdings PLC	Parent Company	31,557,401	39,538,345
Central Hospital Limited	Fellow Subsidiary	2,204,705	2,016,522
Asiri Hospital Matara (Pvt) Ltd	Fellow Subsidiary	106,649	-
Softlogic Automobiles (Pvt) Limited	Affiliate Company	109,288	109,288
Softlogic BPO Services (Pvt) Limited	Affiliate Company	2,285,865	84,520
Softlogic Communications (Pvt) Limited	Affiliate Company	2,993	15,980
Softlogic Computers (Pvt) Limited	Affiliate Company	1,037,262	758,885
Softlogic Corporate Services (Pvt) Limited	Affiliate Company	224,240	574,270
Softlogic Information Technologies (Pvt) Limited	Affiliate Company	720,612	694,926
Softlogic Mobile Distribution (Pvt) Limited	Affiliate Company	-	41,580
Softlogic Retail (Pvt) Limited	Affiliate Company	1,087,770	859,426
Future Automobiles (Pvt) Limited	Affiliate Company	-	239,802
Digital Health (Pvt) Limited	Affiliate Company	422,573	-
Nextage (Pvt) Limited	Affiliate Company	9,405	-
Asiri-AOI Cancer Centre (Pvt)Ltd	Joint Venture	2,281,861	-
		42,050,624	44,933,544

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	2018 Rs.	2017 Rs.
21.1 Favourable Cash and Cash Equivalents Balance		
Cash and Bank Balances	383,767,134	135,867,613
	383,767,134	135,867,613
21.2 Unfavourable Cash and Cash Equivalents Balance		
Bank Overdraft (Note 18)	(471,152)	-
Total Cash and Cash Equivalents for the Purposes of the Cash Flow Statement	383,295,982	135,867,613

Notes to the Financial Statements

Year ended 31 March 2018

22. COMMITMENTS AND CONTINGENCIES

22.1 Capital Expenditure and Other Commitments

The Company does not have significant capital and other commitments as at 31 March 2018 (2017 - Nil)

22.2 Contingent Liabilities

a. Legal Claims

Pending litigations against the Company with a Maximum liability of Rs. 100 Mn exist as at the reporting date. (2017 - Rs. 100 Mn)

Based on the information currently available the management is in the view that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements.

b. Guarantees

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

	2018 Rs. Mn	2017 Rs. Mn
Cargills Bank Limited	-	250
Sampath Bank PLC	463	463
Nations Trust Bank PLC	-	200
Hatton National Bank PLC	330	330
Commercial Bank of Ceylon PLC	550	1,480
	1,343	2,723

22.3 Contingent Income Taxes

A dispute has arisen with the Department of Inland Revenue with regard to the applicability of the income tax exemption in terms of the agreement entered between Asiri Surgical Hospital PLC and the Board of Investment of Sri Lanka (BOI) in 2000. Since there is litigation in the Court of Appeal in CA (Writ) 386/2016 with regard to this matter, in accordance with Paragraph 92 of LKAS 37, we are unable to provide further information on this and associated risks, in order not to impair the outcome and/or prejudice the Company's position in this matter. The aforesaid matter is coming up for argument on 18th of July 2018 at the Court of Appeal.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after 31 March 2018 that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

Year ended 31 March 2018

24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

24.1 Transactions with Parent and Related Entities

	Softlogic Holdings PLC Ultimate Parent Company		Asiri Hospitals Holdings PLC Parent Company		Transactions with Group Companies*		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Nature of Transaction	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At the Beginning	-	116,845,380	**577,922,564**	916,779,496	**6,281,013**	5,847,496	**584,203,577**	1,039,472,372
Repayment of Temporary Finance Obtained and Fund Transfers	-	(126,195,523)	**73,293,990**	(444,346,580)	**(135,967,335)**	(14,462,638)	**(62,673,345)**	(585,004,741)
Temporary Finance Granted	-	-	-	215,008,453	-	-	-	215,008,453
Interest Charged	-	9,350,143	**54,127,314**	76,910,288	-	-	**54,127,314**	86,260,431
Sale/(Purchase) of Goods/ Services including Staff Related Items	-	-	**(293,407,565)**	(184,113,154)	**131,882,444**	26,045,993	**(161,525,121)**	(158,067,161)
Channeling Fee Collected by Related Party/ (Company on behalf of the Related Party)	-	-	**25,298,965**	20,094,262	**(1,859,597)**	(1,212,240)	**23,439,368**	18,882,022
Expenses Incurred by the Company on behalf of Related Party	-	-	**13,276,992**	(22,410,201)	**5,914,699**	(9,937,598)	**19,191,691**	(32,347,799)
At the End	-	-	**450,512,260**	577,922,564	**6,251,224**	6,281,013	**456,763,484**	584,203,577
Included under Trade and Other Receivables (Note 14.2 and 14.3)	-	-	**14,069,661**	17,460,909	**16,744,447**	11,676,212	**30,814,108**	29,137,121
Included Under Loans Granted to Related Parties (Note 14.4)	-	-	**468,000,000**	600,000,000	-	-	**468,000,000**	600,000,000
Included under Trade and Other Payables (Note 20)	-	-	**(31,557,401)**	(39,538,345)	**(10,493,223)**	(5,395,199)	**(42,050,624)**	(44,933,544)
	-	-	**450,512,260**	577,922,564	**6,251,224**	6,281,013	**456,763,484**	584,203,577

*Group Companies include Central Hospital Limited, Asiri Hospital Matara (Pvt) Limited, Asiri Diagnostics Services (Pvt) Limited, Asiri Hospitals Kandy (Pvt) Limited , Softlogic Automobile (Pvt) Limited, Softlogic BPO Services (Pvt) Limited, Softlogic Communications (Pvt) Limited, Softlogic Computers (Pvt) Limited, Softlogic Corporate Services (Pvt) Limited, Softlogic Information Technologies (Pvt) Limited, Softlogic Mobile Distribution (Pvt) Limited, Softlogic Retail (Pvt) Limited, Future Auto Mobile (Pvt) Limited, Softlogic Life Insurance PLC, Digital Health (Pvt) Limited, Asiri-AOI Cancer Centre (Pvt) Limited & Nextage (Pvt) Limited.

Management fees paid to Softlogic Holdings PLC amounted to Rs. 13,491,989/- in the current financial year. (2017- Rs. 11,641,319)

The Company carried out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 – Related party disclosure.

Notes to the Financial Statements

Year ended 31 March 2018

24.2 Off Balance Sheet Items

a. Guarantees made on behalf of Asiri Hospital Holdings PLC, has been given in Note 22.2.(b) to these Financial Statements.

b. Asiri Hospital Holdings PLC has granted Corporate Guarantees to Commercial Bank of Ceylon PLC, Sampath Bank PLC and Hatton National Bank PLC to secure the banking facilities obtained by the Company, for the value of Rs. 148Mn, Rs. 100Mn and Rs. 100Mn respectively.

24.3 Transactions with Key Management Personnel of the Company

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

24.3.1 Key Management Personnel Compensation

	2018 Rs.	2017 Rs.
Short Term Employment Benefits	**10,494,458**	12,376,219
Total Compensation paid to Key Management Personnel	**10,494,458**	12,376,219

24.3.2 Share Transactions

The directors of the company hold 17,133 shares of Asiri Surgical Hospital PLC as at 31 March 2018.(2017- 17,133 shares).

24.3.3 Transactions with Entities that are Controlled, Jointly Controlled or Significantly Influenced by Key Management Personnel

Name of the Related Party	Details of Transactions	Services (Obtained)/ Rendered 2018 Rs.	Services (Obtained)/ Rendered 2017 Rs.
Asian Alliance Insurance PLC	Insurance	-	(14,392,429)
Softlogic BPO Services (Private) Limited	Software Maintenance	**(28,594,918)**	(20,988,630)
Softlogic Computers (Private) Limited	Purchase of Computers and Accessories	**(3,855,604)**	(2,205,156)
Softlogic Mobile Distribution (Pvt) Limited	Purchase of Mobile Phones	-	(448,709)
Softlogic Communications (Private) Limited	Purchase of Accessories	**(300,600)**	(93,680)
Softlogic Information Technologies (Private) Limited	Purchase of Computers and Accessories	**(10,329,587)**	(24,029,372)
Softlogic Corporate Services (Private) Limited	Secretarial Services	**(2,507,736)**	(2,097,072)
Softlogic Retail (Private) Limited	Purchase of Computers and Software Accessories	**(10,698,669)**	(7,962,609)
Future Automobiles (Private) Limited	Purchase of Motor Vehicles and Services	**(1,839,355)**	(14,950,854)
Softlogic Automobiles (Pvt) Ltd	Services and Repairs	**(4,775)**	-
Digital Health (Pvt) Limited	Maintenance and Data Connection Charges	**(1,943,393)**	(1,091,560)
Nextage (Pvt) Ltd	Advertisement	**(33,629)**	-
Softlogic Holdings PLC	Technical & Other Consultation Fee	**(14,864,753)**	-
Softlogic International(Pvt) Ltd	Purchase of Mobile Phones	**(178,562)**	-
Softlogic Destination Management (Pvt) Ltd	Air Ticket Expenses	**(258,500)**	-
Softlogic Life Insurance PLC	Life Insurance Cover	**(5,700,146)**	-

Notes to the Financial Statements

Year ended 31 March 2018

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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 the probable occurrence of such risks in advance and to exercise mitigating measures to minimise the impact.

The key financial risks include operational risk, credit risk, interest rate risk, legal risk, foreign exchange risk, investment risk and liquidity risk. Managing these risks is part of the Company's risk management process.

Mechanisms adopted by the Company in managing eventual impact of such risk are given below:

Credit Risk

The Company admits patients on placement of a deposit or in an emergency, even without a deposit. Further, the hospital admits patients who are corporate clients. There is a risk of a patient not having adequate funds to settle his / her bill 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' payments being delayed or not being paid. The Company evaluates credit worthiness of companies before granting credit facilities to corporate clients in order to minimise the non-collection of bills.

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. The finance function negotiates with banks and finance institutions to get the best interest rates and favourable terms for both long and short term borrowing facilities.

Legal Risk

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.

Foreign Exchange Risk

Foreign Exchange Risk is the Company’s exposure to adverse movement in foreign currency against the Sri Lankan Rupee.

Notes to the Financial Statements

Year ended 31 March 2018

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 for expansion and new services. Returns on such investments are closely monitored and benefits are periodically evaluated.

Liquidity Risk

Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's covenant compliance and compliance with internal balance sheet ratio targets.

The maturity profile of the company's financial liabilities are as follows:

2018	0-6 Months	6-12 Months	2-5 years	>5 years
Interest Bearing Loans and Borrowings	49,965,383	48,004,827	316,885,849	-
Trade and Other Payables	184,451,621	76,655,100	-	-
Amount due on Leasehold Property	-	4,275,600	17,102,400	6,057,100

2017	0-6 Months	6-12 Months	2-5 years	>5 years
Interest Bearing Loans and Borrowings	53,982,161	51,977,411	348,010,191	67,983,524
Trade and Other Payables	199,713,273	82,997,595	-	-
Amount due on Leasehold Property	-	4,275,600	17,102,400	10,322,700

Equity Price Risk

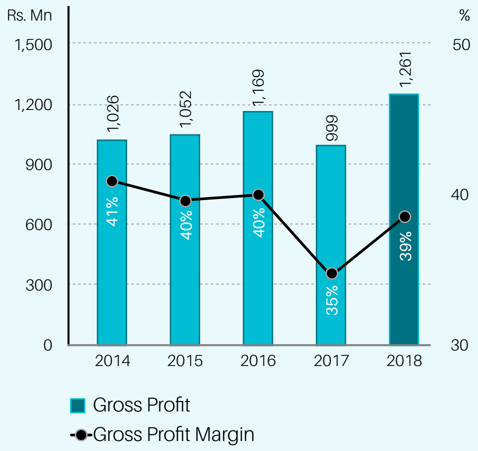
The Company holds listed and unlisted equity securities which are susceptible to market-price risk arising from uncertainties about future values of these securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Periodic reports on equity investment portfolios are submitted to the senior management on a regular basis. The respective Boards of Directors review and approve all equity investment decisions.

At the reporting date, the exposure to unlisted equity securities was Rs.32,902,066 and analyses of these investments have been provided in Note 10.

At the reporting date, the exposure to listed equity securities at fair value listed on the CSE was Rs. 332,670,672. The company has determined that a decrease in market price by 10% on equity shares held by the company could have a negative impact of Rs. 33,267,067 on OCI an equal change in the opposite direction could have a positive impact of Rs. 33,267,067 on OCI.

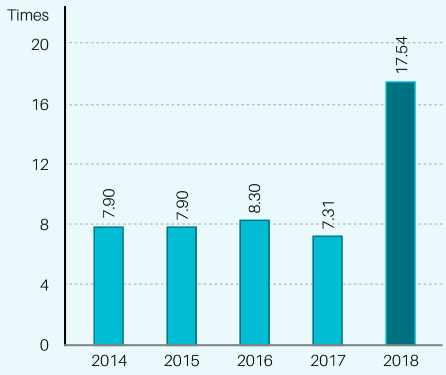
Graphical Review

Gross Profit

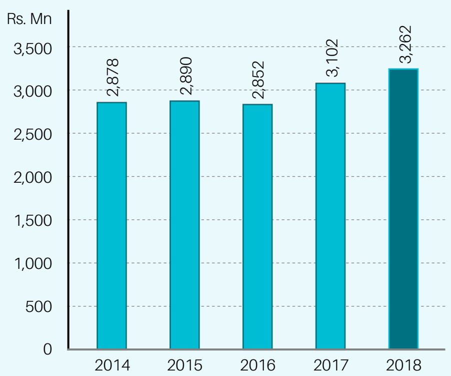


Share Price

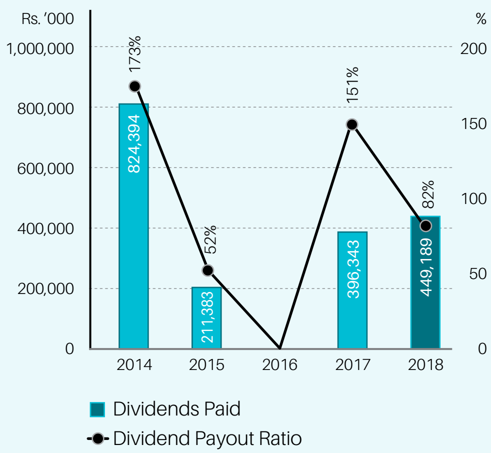
Interest Cover



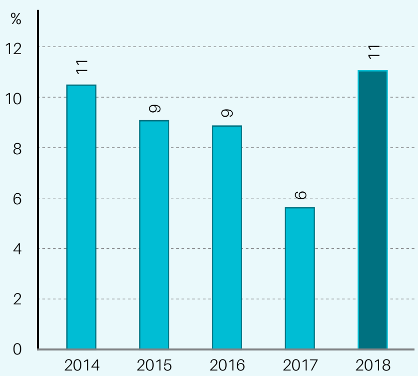
Property, Plant & Equipment



Dividends Paid

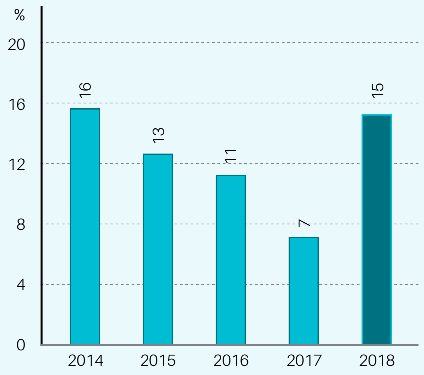


Return on Capital Employed

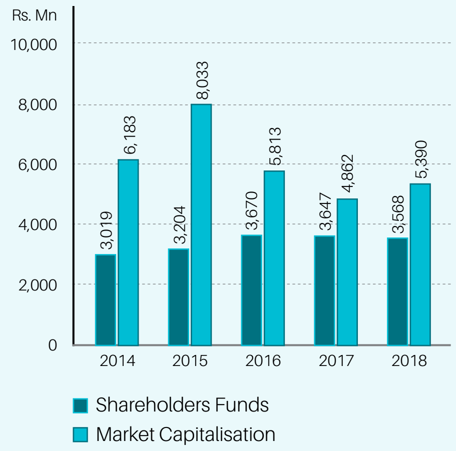


Graphical Review

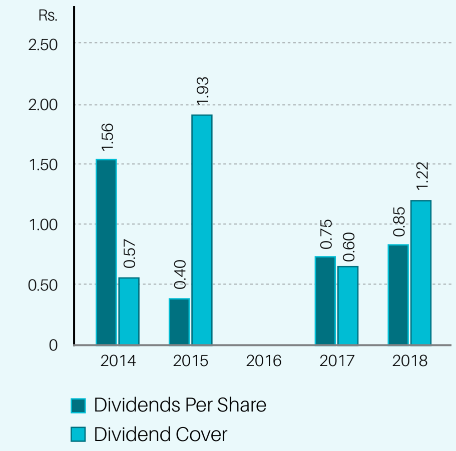
Return on Equity



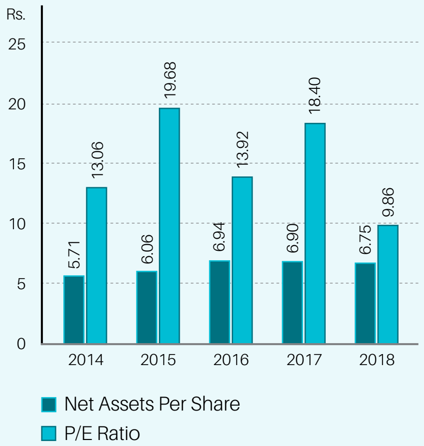
Total Equity Vs Market Capitalisation



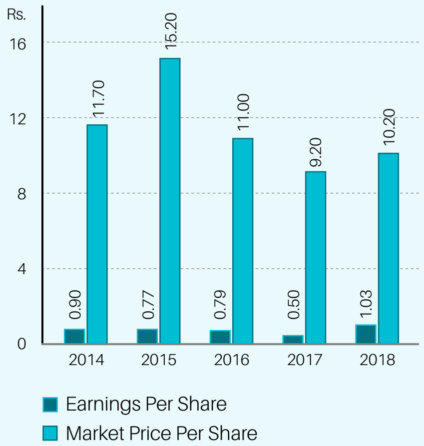
Dividends



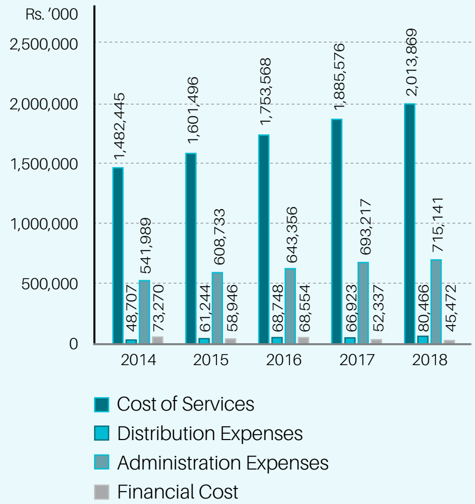
Share Value



Earnings and Market Value

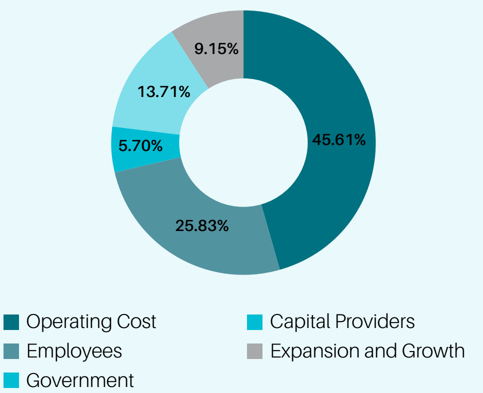


Expense Analysis



Economic Value Added Statement

		2017/18 Rs.'000	2016/17 Rs.'000	
Direct economic value generated				
Revenue		3,275,349	2,884,316	
Other Income		232,249	30,006	
Finance Income		93,759	114,181	
Share Of profit of Joint Venture		5,902	-	
		3,607,259	3,028,502	
	%			%
Economic Value Distributed				
Operating Cost	45.61	1,645,127	1,592,991	52.60
Employees				
Employee Wages & Benefits	25.83	931,821	845,573	27.92
Government				
All Taxes	5.70	205,707	67,659	2.23
Capital Providers				
Finance Cost	1.26	45,472	52,337	1.73
Shareholders	12.45	449,189	396,343	13.09
Expansion and Growth				
Depreciation	6.45	232,529	207,153	6.84
Retained Profit	2.70	97,414	(133,554)	(4.41)
	100.00	3,607,259	3,028,502	100.00



The creation of wealth is the main purpose of existence of any commercial organisation.

The value added statement highlights the wealth created by the activities of the company over the last two years and the distribution of this wealth created, among its stakeholders.

Through its operations during the financial year 2017/18, the company created a total wealth of Rs. 3.60 Bn, which was a 19% growth compared to previous year.

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, 2018 and copies of this annual report have been submitted to the Colombo Stock Exchange.

DISTRIBUTION OF SHAREHOLDERS

Shareholdings			No of	3/31/2018			3/31/2017		
				No of Shareholders	Holding	Holding %	No of Shareholders	Holding	Holding %
1	to	1000	shares	1,827	460,647	0.09	1,779	453,283	0.09
1001	to	10,000	shares	844	3,471,716	0.66	829	3,338,502	0.63
10001	to	100,000	shares	478	14,444,554	2.73	482	14,620,832	2.77
100001	to	1,000,000	shares	100	29,348,040	5.55	103	29,250,336	5.54
Over		1,000,001	shares	11	480,732,588	90.97	13	480,794,592	90.98
Total				3,260	528,457,545	100.00	3,206	528,457,545	100.00
Composition of Shareholders									
Individual				3,174	109,698,793	20.76	3,121	134,529,305	25.46
Institutional				86	418,758,752	79.24	85	393,928,240	74.54
Total				3,260	528,457,545	100.00	3,206	528,457,545	100.00
Resident				3,242	527,524,963	99.82	3,189	528,242,461	99.96
Non-Resident				18	932,582	0.18	17	215,084	0.04
Total				3,260	528,457,545	100.00	3,206	528,457,545	100.00

Major Shareholdings

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

	31st March 2018		31st March 2017	
Asiri Hospital Holdings PLC	**414,243,632**	**78.39**	389,391,719	73.68
Mr. D.K. Subasinghe / Mrs. S.N. Subasinghe	**40,014,793**	**7.57**	49,514,806	9.37
Mr. P.P. Subasinghe	**7,955,542**	**1.51**	8,404,943	1.59
Mrs. Neetha Weerasinghe	**7,500,015**	**1.42**	7,500,015	1.42
Mr. D.M. Rajapaksa / Dr. M.D.B.D. Rajapaksa	**3,080,250**	**0.58**	3,080,250	0.58
Mr. M.D.N. Jayaratne / Mrs. H.C.D. Jayaratne	**2,249,998**	**0.43**	2,249,998	0.43
Mr. M.R. Weerasinghe	**2,000,000**	**0.38**	2,000,000	0.38
Mrs. Chandani Vishaka Ariyaratne	**1,333,333**	**0.25**	1,333,333	0.25
Mrs. Menaka Priyadarsani Rajapakse	**1,283,333**	**0.24**	1,283,333	0.24
Mr.Uditha Harilal Palihakkara/Mrs. D.S. Palihakkara/Mr. K.D.H Palihakkara	**1,071,692**	**0.20**	1,036,197	0.20
Bank Of Ceylon - NO2 A/C	**1,000,000**	**0.19**	1,000,000	0.19
Dr. Dammearachchi Anuja Somaratne	**862,499**	**0.16**	862,499	0.16
Mr. Chaminda Dilantha Weerasinghe (Deceased)	**833,333**	**0.16**	833,333	0.16
Mr. D.M. Rajapaksa/Dr. D.S.D. Rajapaksha	**803,627**	**0.15**	478,372	0.09
Mrs. Sithy Jazeema Badurdeen	**749,999**	**0.14**	749,999	0.14
Dr. W.M. Swarnamali Welagedara	**749,999**	**0.14**	749,999	0.14
Dr. Himali Rangika Jayasekera	**749,999**	**0.14**	766,665	0.15
Mr. Mohamed Faizer Hashim	**748,726**	**0.14**	782,059	0.15
DR. Kalutara Koralalage Don Gamini Jayaweera	**743,395**	**0.14**	621,645	0.12
Mr. N.D. Kurukulasuriya	**730,361**	**0.14**	730,361	0.14
	488,704,526	**92.48**	473,369,526	89.58
Shares held by the other shareholdings	**39,753,019**	**7.52**	55,088,019	10.42
Total No. of Shares issued	**528,457,545**	**100.00**	528,457,545	100.00
Public Shareholding	**114,196,780**	**21.61**	139,048,693	26.31

Share Trading	2017/18		2016/17	
Market Price (Rs.)				
Highest	**12.10**	(13/10/17)	15.30	(13/05/16)
Lowest	**9.20**	(04/04/17)	9.10	(31/03/17)
As at year end	**10.20**	(29/03/18)	9.20	(31/03/17)
No of Trades	**2,703**		2,960	
No of Shares Traded	**30,347,676**		4,532,795	
Value of the Shares Traded (Rs.)	**330,751,778**		59,053,940	
Earnings per Share (Rs.)	**1.03**		0.50	
Dividends per Share (Rs.)	**0.85**		0.75	
Net Assets per Ordinary Share (Rs.)	**6.75**		6.90	

Five Year Summary

Year ended 31 March 2018	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Income Statements					
Revenue	3,275,349	2,884,316	2,922,313	2,653,705	2,508,491
Cost of Services	(2,013,869)	(1,885,576)	(1,753,568)	(1,601,496)	(1,482,445)
Gross Profit	1,261,479	998,740	1,168,745	1,052,209	1,026,046
Other Income and Gains	232,249	30,006	14,122	9,817	11,166
Administration and Distribution Expenses	(795,608)	(760,140)	(712,104)	(669,977)	(590,696)
Finance Cost	(45,472)	(52,337)	(68,554)	(58,946)	(73,270)
Finance Income	93,759	114,181	97,487	73,382	132,260
Share of Profit/(Loss) of Associate	5,902	-	-	-	-
Profit before Tax	752,310	330,449	499,696	406,485	505,505
Income Tax (Expense)/ Reversal	(205,707)	(67,660)	(83,293)	1,693	(32,170)
Net Profit for the year	546,603	262,789	416,403	408,177	473,335
Balance Sheet					
Property Plant & Equipment	3,261,720	3,102,457	2,852,207	2,890,390	2,878,157
Financial Assets - Available for Sale	332,671	336,704	1,373	-	-
Investment In Joint Venture	32,902	-	-	-	-
Inventories	167,901	181,293	170,852	158,481	138,336
Receivables	720,168	893,234	1,505,419	1,329,051	1,431,466
Cash and Bank balance	383,767	135,868	132,855	83,808	29,013
Total Assets	4,899,129	4,649,555	4,662,706	4,461,730	4,476,972
Stated Capital	1,393,328	1,393,328	1,393,328	1,393,328	1,393,327
Reserve	1,130,225	1,301,768	1,171,672	1,104,365	1,101,420
Accumulated Profits	1,044,199	951,923	1,104,544	705,830	524,466
Shareholders' Funds	3,567,752	3,647,019	3,669,544	3,203,522	3,019,213
Non Interest Bearing Long Term Liabilities	22,057	26,129	30,200	34,273	38,345
Interest Bearing Long Term Liabilities	255,682	319,618	383,554	612,545	271,722
Deferred Tax Liability	515,841	192,535	156,536	134,340	132,660
Deferred Retirements Obligations	116,105	100,623	81,806	64,415	36,805
Trade Creditors	261,107	282,711	235,083	304,908	185,701
Other Payables	92,106	12,912	34,294	7,294	21,040
Non Interest Bearing Loans and Borrowings	4,072	4,072	4,072	4,072	4,072
Interest Bearing Short Term Borrowings	64,407	63,936	67,617	96,361	767,414
Total Equity & Liabilities	4,899,129	4,649,555	4,662,706	4,461,730	4,476,972
Cash Flow					
Net Cash Flow from operating activities	884,132	556,415	300,966	761,918	549,273
Net Cash Flow used in Investing activities	(119,506)	(104,274)	21,747	(164,456)	47,487
PBIT/Turnover	24%	13%	19%	18%	23%
GP Margin	39%	35%	40%	40%	41%
Debts to Equity	0.10	0.11	0.13	0.23	0.36
Quick Asset ratio	1.51	1.18	2.21	1.14	1.49

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Asiri Surgical Hospital PLC will be held at Hotel Janaki, Fife Road, Colombo 05 on Friday the 14th day of September 2018 at 11.40 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31st March 2018 together with the Report of the Auditors thereon.

2) To ratify the Interim Dividend of Rs. 0.85 per share paid on 14th February 2018 as the Final Dividend for the year ended 31st March 2018.

3) To re-elect Mr. S A B Rajapaksa who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.

4) To pass the ordinary resolution set out below to re- appoint Mr. G L H Premaratne who is 70 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G L H Premaratne who is 70 years of age and that he be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007".

5) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

6) To authorise the Directors to determine and make donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.

By Order of the Board
Softlogic Corporate Services (Pvt) Ltd

Sgd.
Secretaries

Colombo
29 June 2018

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, 21, Kirimandala Mawatha, Colombo 05, not less than 48 hours before the time for holding the Meeting.

Notes

Notes

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. K M P Karunaratne	of Colombo or failing him
Mr. G L H Premaratne	of Colombo or failing him
Mr. S A B Rajapaksa	of Colombo

as *my/our Proxy to represent me/us and to speak and vote for *me/us on *my/our behalf at the 18th ANNUAL GENERAL MEETING OF THE COMPANY to be held at HOTEL JANAKI, Fife Road, Colombo 05 at 11.40 a.m. on Friday the 14th day of September 2018 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 and Financial Statements of the Company for the year ended 31st March 2018 together with the Report of the Auditors thereon.		
2)	To approve the interim dividend of Rs. 0.85 per share paid on 14th February 2018 as the final dividend for the year ended 31st March 2018.		
3)	To re-elect Mr. S A B Rajapaksa who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.		
4)	To pass the ordinary resolution set out below to re-appoint Mr. G L H Premaratne who is 70 years of age, as a Director of the Company. "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G L H Premaratne who is 70 years of age and that he be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007".		
5)	To re-appoint retiring Auditors Messrs Ernst & Young and to authorise the Directors to fix their remuneration.		
6)	To authorise the Directors to determine and make donations for the year ending 31st March 2019 and up to the date of the next Annual General Meeting.		

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

....

*Signature/s

Note:

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse hereof.
3) The shareholders / proxy holders are requested to bring their National Identity Card or Passport when attending the meeting.

Form of Proxy

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 time appointed for holding of the Meeting.

Please provide the following details :

Shareholder's N.I.C./ Passport/ Company Registration No.	Shareholder's Folio No.	Number of Shares Held	Proxy Holder's N.I.C. No. (if not a Director)

Corporate Information

NAME OF THE COMPANY
Asiri Surgical Hospital PLC

REGISTERED OFFICE
No. 21, Kirimandala Mawatha, Colombo 05, Sri Lanka.
Telephone : 011 4524400
Fax : 011 4527311
Email : info@asiri.lk
Web : www.asirihealth.com

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 No. 07 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. Manjula Karunaratne - Group Chief Executive Officer
Mr. G.L.H. Premaratne
Mr. S.A.B. Rajapaksa

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

SECRETARIES
Messrs Softlogic Corporate Services (Pvt) Ltd. No. 14, De Fonseka Place, Colombo 05.

STOCK CODE
AMSL.N0000

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