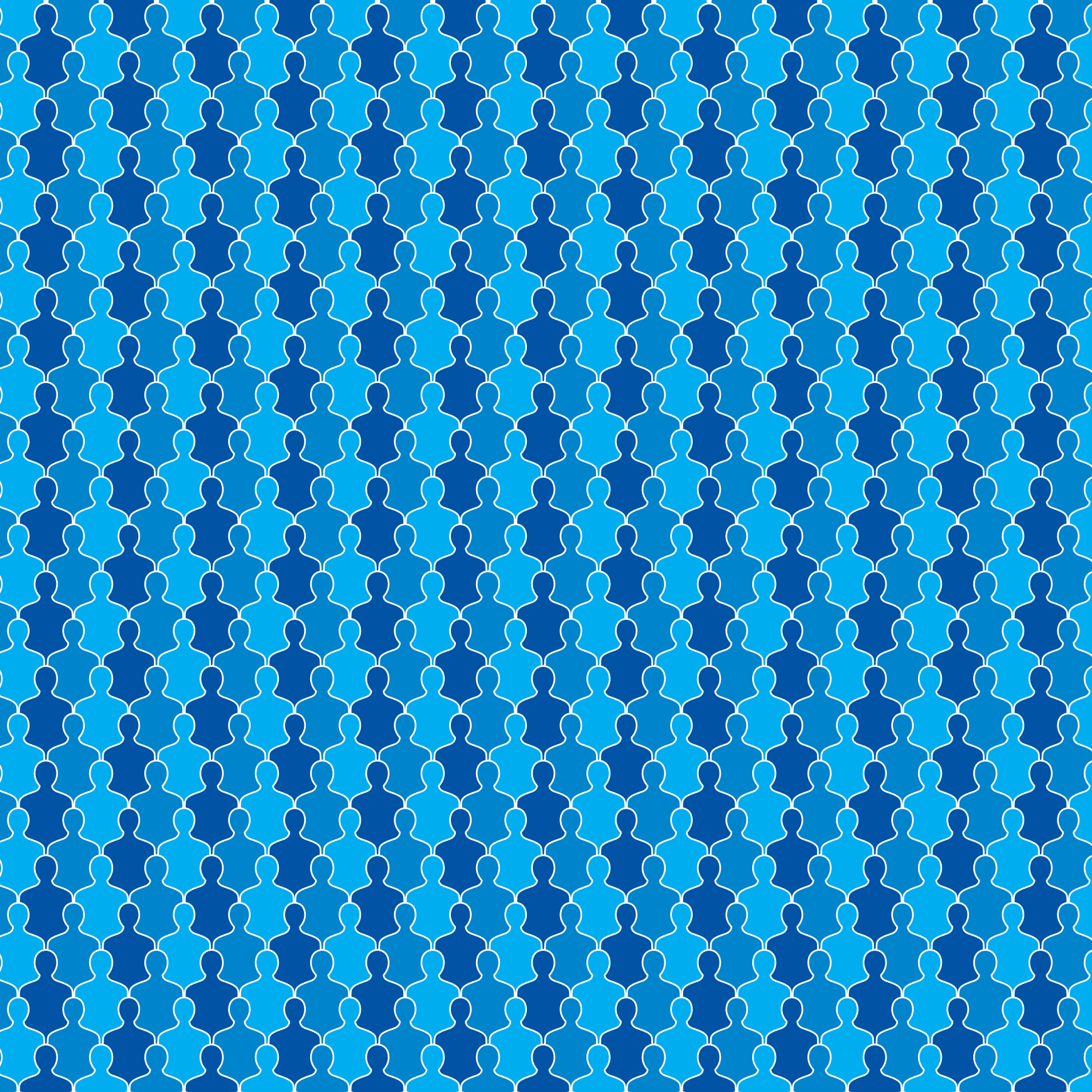




Putting  
People  
first





# Putting People first

At Asiri Hospitals, we bring together thousands of stakeholders, from doctors, nursing staff and support teams to business partners, regulators, investors and most importantly, our patients. We like to think of all our associates as part of the fast growing Asiri family; a family that is strong, tightly knit, responsible and caring.

Building our group of hospitals to be a reputed, technologically and clinically advanced and sustainable corporate enterprise is always a key concern. Yet whatever we do, however big we grow to be, we know where our priorities lie. The health and wellbeing of our patients is at the heart of all that we do and that's why at Asiri Hospitals, we're putting people first.

**Asiri**  
**Surgical**  
**HOSPITAL PLC** Putting people first.

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[www.asirihospitals.com](http://www.asirihospitals.com)

# Asiri

## Surgical Hospital PLC

We are Sri Lanka's leading surgical services provider, offering the most comprehensive range of procedures and facilities utilising the latest advances in medical and clinical technology. Our international standards of quality, superior patient care and consistent focus on innovation has enabled us to set ourselves apart in a highly competitive industry. As part of Sri Lanka's leading private healthcare group, Asiri Surgical Hospital together with our sister companies, take great pride in setting industry benchmarks for healthcare in the country.

### “ Vision

*To be the leading healthcare provider in South Asia with highest quality of clinical performance and customer care with cutting-edge technology*

### Mission

*To care for and improve the quality of human life, through the provision of ethical healthcare solutions together with professional and compassionate staff.*

### Values

- ✓ *Caring with a human touch*
- ✓ *Respect for all stakeholders*
- ✓ *Innovation and forward focus*

”





## **Asiri Surgical Hospital**

**Asiri Surgical Hospital offers the most comprehensive surgical care, with a broad spectrum of procedures and facilities.**

# Who we are...

With a bed capacity of 160, a staff pool of over 1100 and 225 specialist consultants we are Sri Lanka's foremost surgical care provider. Commencing operations in 2004, we have over the last decade cemented our position as one of Sri Lanka's leading private healthcare facilities, offering increasingly more comprehensive and integrated treatments and facilities.

## Our Excellence

We are one of the most awarded healthcare institutions in the country, an attestation to our excellence in all aspects of our operations. These include,

- Gold Award for the Healthcare and Related services sector at the National Business Excellence Awards for 2012 and 2013
- Gold Award for the most Tech Savvy Company at the National Business Excellence Awards 2012
- Silver Award for Corporate Governance National Business Excellence Awards 2013
- Bronze Award at the Annual Report Competition organised by the Chartered Institute of Accountants Sri Lanka 2012.
- Excellence Award at the Asian Hospital Management Awards (2014) for Corporate Social Responsibility.

## Our Accreditations and Certifications

We have obtained multiple international accreditations for various aspects of our operations, thus providing independent assurance to our stakeholders on the quality of our service offering.

- ISO 14001:2004 - Environmental Management System
- OHSAS 18001:2007- Occupational Health and Safety Management System
- ISO 22000:2005 - Food Safety Management System
- ISO 9001:2008- Quality Management System (Laboratory)

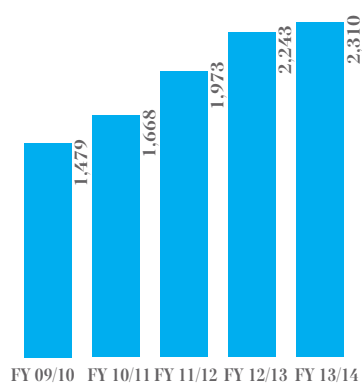
## The Services Offered...

Inpatient	Outpatient	Ancillary Services
Intensive Care Unit x 2	Health Check ups	Physiotherapy and Rehabilitation Unit
Laparoscopy and minimally invasive procedures		
Urology services with urodynamic lab	Pre surgical clinics	Blood Transfusion Service
Operating theatre suites		Dental Unit
Chemotherapy services		Electrophysiology Laboratory
Coronary care unit		Pathology laboratory
Cardiothoracic ICU		Genetic Laboratory
Cardiac cath. lab		Stem-cell Unit
Peripheral vascular cath. lab		



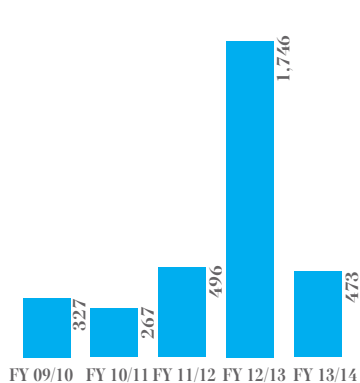
# Performance Highlights

LKR million	2013/2014	2012/2013
Revenue	2,310.43	2,242.97
Earnings before interest and tax	439.33	1,781.97
Profit after Tax	473.34	1,745.68
Return on Equity (%)	15.68	51.65
Total Assets	4,476.97	4,581.80
Total Equity	3,019.21	3,380.12
Earnings per share (LKR)	0.90	1.70
Net Assets per share (LKR)	5.71	6.40
Dividend per share (LKR)	1.56	1.00
Share price (31st March)	11.70	9.30



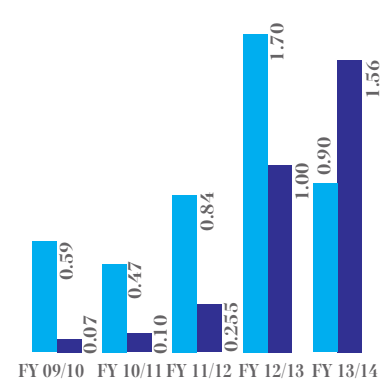
**Revenue** (LKR million)

- Revenue



**Profit after tax** (LKR million)

- Profit after tax



**EPS/ DPS** (LKR)

- EPS
- DPS

# Chairman's Review

“ *Our commitment towards achieving excellence in all aspects of our operation was recognised and rewarded by multiple external parties during the year. For the second consecutive year, Asiri Surgical Hospital won the coveted Gold Award for the Healthcare and related services sector at the National Business Excellence Awards 2013.* ”

Ashok Pathirage  
*Chairman/ Managing Director*



Dear Stakeholder,

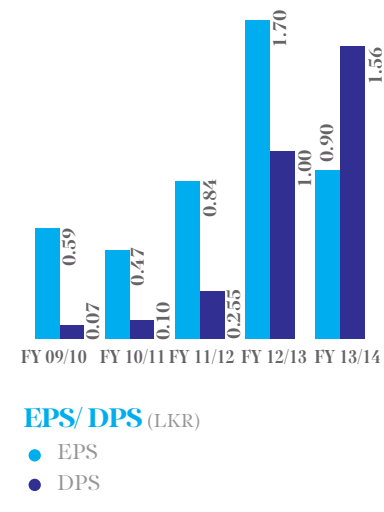
It is with great pleasure that I present to you the Annual Report, together with the statement of accounts for Asiri Surgical Hospital PLC. It was another year of focused expansion and achievement for the Hospital, as we recorded the highest ever turnover in our operating history. Despite multiple challenges in the external environment, we achieved a net profit of LKR 473.34 million during the reviewed period, translating to Earnings per share of LKR 0.90.

### Our priorities during the year..

The year under review saw us widening the breadth of our operations using cutting-edge technology, as we lived up to our reputation of offering the country's most comprehensive range of surgical care. Adding another 'first' to our already impressive list of pioneer procedures in the country, we introduced Digital Mammography with Tomosynthesis Technology during the year under review. The advanced three-dimensional breast imaging allows the earliest detection of breast cancer and is the gold standard in breast cancer screening and detection. Additionally, we introduced Key-hole surgery for Cardiac bypass during the year, a minimally invasive procedure which expedites recovery and reduces the risk of infection. The year under review also saw the introduction of Thoracic Surgery and Thorascocopy at the Hospital.

### Key Achievements

Our commitment towards achieving excellence in all aspects of our operation was recognised and rewarded by multiple external parties during the year. For the second consecutive year, Asiri Surgical Hospital won the coveted Gold Award for the Healthcare and related services sector at the National Business Excellence Awards 2013. The criteria for this award include products and processes, financial performance, human resources policies and procedures and Corporate social responsibility initiatives among others. It is with great pride



## Chairman's Review

that I report that we also secured the Excellence Award for CSR at the prestigious Asian Hospital Management Awards 2014. This competition featured numerous hospitals from regional countries including India, Philippines and Singapore. Furthermore, in line with our continuous focus towards maintain and improving our quality of care we continue to comply with the requirements of the multiple accreditations we have obtained for Occupational Health and Safety, Quality Management and Food Safety Management among others.

### **Our Commitment...**

Our corporate values of care and respect form the cornerstone of our approach towards sustainability; whilst we continuously strive to integrate the principles of sustainability to our day to day operations I believe we have strengthened our commitment towards our people, the communities and the environment that we operate in. Our approach to CSR is based on providing health services to underprivileged communities; during the year, we conducted 19 health camps across the island, even in peripheries such as Katankudi. In addition 55 free heart surgeries were performed for underprivileged children, in an ongoing programme which was initiated in 2011. We also perform free laboratory tests for patients referred by the cancer hospital of Maharagama.

### **Financial performance during the year**

The Hospital recorded solid financial performance during the year, demonstrating resilience to several challenges in the industry landscape including intense competitive pressures and persistent increases in cost. Revenue grew by 3% to reach a record high of LKR 2.31 billion during the year. However, increases in personnel costs and other consumables affected our profitability margins during the year resulting in the Hospital's Earnings before Interest and Tax (EBIT) falling to LKR 439.33 million. Overall net profit recorded a more significant decline to LKR 473.34 million, (2012/2013: LKR 1,745.68 million) as the profits of the preceding year were boosted by a substantial capital gain.





**The year will also see the introduction of several new ‘firsts’ to the industry, as we continuously expand the scope of our surgical procedures. Undoubtedly, the year will present a host of opportunities for the Hospital and I am excited by the prospects of propelling the Hospital to greater heights.**

### **Forward Outlook**

In the coming financial year, we intend to focus on obtaining accreditation from the Joint Commission International; the JCI Accreditation is considered the most rigorous standard in global health care and is expected to accrue a host of benefits to the Hospital, including strengthening patient safety, improve internal processes and risk management and widen the scope of staff education, among others. The year will also see the introduction of several new ‘firsts’ to the industry, as we continuously expand the scope of our surgical procedures. Undoubtedly, the year will present a host of opportunities for the Hospital and I am excited by the prospects of propelling the Hospital to greater heights.

### **Acknowledgements**

I would like to take this opportunity to extend my gratitude to my colleagues on the Board, whose vision has been a driving force in our success. Each and every employee at the Hospital is an invaluable asset to us and has contributed immensely towards making the Hospital what it is today; I extend my sincere appreciation to all of you and look forward to working with you in the future.

**Ashok Pathirage**

*Chairman/Managing Director*

# Board of Directors

**Dr. Sivakumar Selliah** *Deputy Chairman*, **Mr. Harris Premaratne** *Director*, **Dr. Manjula Karunaratne** *Director (Medical)/Chief Operating Officer*,  
**Mr. Ashok Pathirage** *Chairman/Managing Director*, **Mr. Samantha Rajapaksa** *Director*



### **Mr. Ashok Pathirage**

Chairman/Managing Director

#### ***Skills and Experience***

Among the country's leading entrepreneurs, Mr. Pathirage has over 25 years of experience in a senior management capacity in multiple industries including healthcare, finance and insurance, retail, automobile, leisure and information and communication technology.

#### ***Current Appointments***

Chairman / Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Central Hospitals PLC and Central Hospital Limited. Chairman of Softlogic Capital PLC, Softlogic Finance PLC, Asian Alliance Insurance PLC, Asian Alliance General Insurance Limited, Softlogic Retail (Pvt) Ltd and other group companies operating in a diversified range of industries. He also serves as the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings PLC.

### **Dr. Sivakumar Selliah**

Deputy Chairman

#### ***Skills and Experience***

Extensive experience spanning 22 years in a variety of industries including healthcare, manufacturing, plantations and packaging. His experience in the healthcare sector is both in a clinical and governance capacity. Has held board positions in numerous organisations operating in multiple industries. He holds an MBBS degree and M.Phil, Master's degree.

#### ***Current Appointments***

Holds office as the Group Deputy Chairman of Asiri Hospital Holdings PLC and Central Hospital Limited. He is also the Chairman of Cleanco Lanka (Pvt) Ltd and JAT Holdings (Pvt) Ltd. He also serves on the Board of Lanka Floor Tiles PLC, Softlogic Holdings PLC, Expolanka Holdings PLC, Horana Plantations PLC, Lanka Walltiles PLC and Lanka Ceramic PLC.

### **Dr. Manjula Karunaratne**

Director (Medical)/Chief Operating Officer

#### ***Skills and Experience***

A Specialist in Sports/Orthopaedic Medicine, he counts over 25 years professional experience both locally and internationally. He is responsible for the overall medical policy of the Group. He holds an MBBS degree, M.Sc (Trinity, Dublin) Dip. MS Med (UK) MSOrthMed. (Eng).

#### ***Current Appointments***

Group Chief Operating Officer/ Director (Medical) Services. He also holds board positions in Central Hospital Limited, Asiri Central Hospitals PLC, Asiri Hospital Matara (Pvt) Ltd, Asiri Diagnostics Services (Pvt) Ltd and Asiri Hospital Kandy (Pvt) Ltd.

### **Mr. Harris Premaratne**

Director

#### ***Skills and Experience***

A banker by profession, his illustrious career spans over 40 years at Commercial Bank. He also served as the Managing Director of Sampath Bank and held the position of Chairman of the Sri Lanka Banker's Association. He is a member of the Chartered Institute of Bankers of London.

#### ***Current Appointments***

Currently holds office as the Managing Director of Cargills Bank Limited, Director at Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Central Hospitals PLC and Central Hospital Limited.

### **Mr. Samantha Rajapaksa**

Director

#### ***Skills and Experience***

Extensive experience in information technology, communication and finance industries where he has held senior management positions and directorships. Holds an MBA from the Postgraduate Institute of Management of the University of Sri Jayawardenapura. A member of the Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants- UK, Chartered Institute of Marketing- UK, his experience includes Directorships and CEO positions at Softlogic Group, Softlogic Communications (Pvt) Ltd, Central Finance PLC, CF Venture Fund PLC, Informatics International (Pvt) Ltd.

#### ***Current Appointments***

Serves as the Group Managing Director of Associated Motorways (Pvt) Limited while being a Director of AMW Capital Leasing & Finance PLC and Asiri Hospital Holdings PLC. He is a Council Member of the University of Colombo.

# The Group Management Team

*Front Row Seated Left to Right : Mrs. Hemanthi Vithanage - Group Manager - Procurement & Shipping, Mrs. Thelani Weerasinghe - Director Nursing, Mr. Deepthi Wijerathne - Group Maintenance Engineer, Mrs. Hasanthi De Saram Karandagaspitiya - Group Head Human Resources & Human Resource Development*

*Back Row Standing Left to Right : Mr. Premal Fernando - Chief Biomedical Technologist, Mr. Sudath Dabare - Group Security Consultant, Mr. Neil John - Director Laboratory Services, Mr. Kasun Rupasinghe - Group Internal Auditor; Mr. Nalin Pasqual - General Manager - Asiri Hospital Matara Pvt Ltd, Mr. Kelum Jayasuriya - Manager Quality Standards for Asiri Group Pharmacy Services*





*Front Row Seated Left to Right : Mr. Nipuna Mediwake - Chief Financial Officer, Mrs. Nirasha Irugalbandara Gooneratne - Group Head Marketing, Mr. Kosala Dissanayake - Director Administration, Mrs. Nadeeka Wimalathunga - Legal Officer*

*Back Row Standing Left to Right : Mr. Salinda De Silva - Manager Projects, Mr. Upul Wijekoon - Group Head - Food And Beverage, Ms. Janany Mahendran - Manager Quality Assurance, Mr. Samitha Premarathne - Group IT Manager, Mr. Sudath Hewage - Group Pharmacy Manager*



# Management Team

*Front Row Seated Left to Right : Dr. Aruni Ladduwahetty - Registrar/ Chief Medical Officer - Heart Centre, Dr. Philomena Chandrasiri - Consultant - Microbiologist/ Head of Infection Control, Dr. Shantha Hettiarachchi - Consultant Radiologist/Head Dept. of Radiology, Dr. Anil Perera - Clinical Director - Heart Centre/Head Dept. of Anaesthesiology*

*Back Row Standing Left to Right : Mr. Niranga Wijesooriya - Manager Human Resources, Mr. Chamila Shantha - Senior Accountant, Mr. Indika Kohilamullarachchi - Assistant Manager Stores, Mr. Charith Dissanayake - Assistant Manager Front Office, Mr. Dasarath Hettiarachchi - Marketing Manager*



*Front Row Seated Left to Right : **Dr. Ruwan Senatilleke** - Medical Director, **Dr. Shanika Algama** - Registrar/ Chief Medical Officer, **Mr. Kosala Dissanayake** - Director Administration, **Mrs. Senani Deegala** - Chief Nursing Officer*

*Back Row Standing Left to Right : **Mr. Keerthi Prasad** - Executive Housekeeper, **Mr. Sivaprakasam Sivalingham** - Superintendent Radiographer, **Mr. Chanaka Heiyantuduwa** - Maintenance Engineer, **Mr. Mario Jayatilleke** - Group Executive Chef*



# The Consultant Medical Team

*Front Row Seated Left to Right : Dr. Thushara Fernando - Consultant Anaesthesiologist, Dr. Darshani Amarasinghe - Consultant Anaesthesiologist, Dr. Stella Fernando - Consultant Anaesthesiologist, Dr. Maya Atapattu - Consultant Mycologist*

*Back Row Standing Left to Right : Dr. Dinesh de Silva - Consultant Eye Surgeon, Dr. Vivek Gupta - Consultant Cardiothoracic Surgeon, Dr. Anil Perera - Consultant /Head Dept. of Anaesthesiology, Dr. Rangika Goonaratne - Consultant Eye Surgeon, Dr. Thurul Attygalle - Resident Physician Stroke Unit, Dr. Menik Goonewardhena - Consultant Neonatologist, Dr. P. Chandrasiri - Consultant- Microbiologist/ Head of Infection Control.*



*Front Row Seated Left to Right : Dr. Natasha Pieris - Resident Physician, Dr. Gulpa Subasinghe - Consultant Radiologist, Dr. Kantha Samarawickrema - Consultant Radiologist, Dr. Shantha Hettiarachchi - Consultant Radiologist/Head Dept. of Radiology, Dr. Gayani Senanayake - Consultant Anaesthesiologist*

*Back Row Standing Left to Right : Dr. Lakmali Paranehewa - Consultant Interventional Radiologist, Dr. S.D. Athukorala - Consultant Clinical Bacteriologist, Dr. Lushantha Padmasiri - Consultant Anaesthesiologist, Dr. Chrisantha Mendis - Consultant Anaesthesiologist, Dr. Saman Perera - Consultant Radiologist, Dr. Gamini Jayaweera - Consultant Transfusion Medicine, Prof. L.R. Amarasekara - Consultant Histopathologist.*

*Absent - Prof. Vajira Dissanayake - Consultant Medical Geneticist*



# Operational Review-Our Year



During the year, we focused on three key strategies which are aligned with the strategic imperatives of our holding company; growth, patient care and technology. We made significant progress in all three of these priorities which translated to our financial performance during the year.

## Expanding the range of care

Asiri Surgical Hospital offers the most comprehensive surgical care, with a broad spectrum of procedures and facilities. The Surgical services include (but are not limited to) general, ENT, cardiology, oncology, orthopaedics and plastic surgery. During the financial year 2013/2014, the Hospital added several new procedures: Cardiac bypass-key hole surgery was introduced during the year, which is minimally invasive and allows rapid recovery times. Furthermore, thoracic surgery and thorascoscopy was introduced which enables the surgical management of chest diseases.

“ *The hospital’s revenue grew by a marginal 3% y-o-y to LKR 2.31 billion during the year, as patient volumes were maintained despite increasing competitive threats. However, profit margins were pressured by increasing cost of consumables as well as personnel expenses.* ”

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Adding another ‘first’ to the Group’s impressive pioneer procedures in the country, the Hospital introduced Digital Mammography with Tomosynthesis Technology during the year under review. The advanced three-dimensional breast imaging allows the earliest detection of breast cancer and is the gold standard in breast cancer screening and detection.

## Quality focus

Reputed for its superior quality of service, Asiri Surgical has sought assurance for multiple key operations through obtaining international certifications. The Hospital has thus obtained and continues to comply with the requirements of ISO 9001:2008 for Total Quality Management, OHSAS 18001: 2007 for Occupational Health and Safety, ISO 22000:2005 Food Safety Management and ISO14001: 2004 for Environmental Management.

## Recognition of excellence

An attestation to the Hospital’s commitment towards service excellence, Asiri Surgical Hospitals has consecutively won multiple awards at the National Business Excellence Awards. In 2012, the Hospital was

awarded the coveted Gold Award in the Healthcare and Related services category and as Best Tech Savvy Company. In 2013, it once again secured the Gold Award in the Healthcare and Related services category and also won the overall Silver award for Corporate Governance.

### **The Way Forward**

As the Hospital continuously strives to achieve excellence in its processes and patient care, it has initiated proceedings to obtain the JCI accreditation, the World's most recognised and rigorous quality standard in healthcare. The criteria for this accreditation covers a wide range of factors, including access to care, patient and family rights, care of patients, facility management and safety, infection prevention and control and communication and information among others, the compliance of which will raise the quality of care offered by the Hospital to truly international levels.

### **Performance in 2013/2014**

Asiri Surgical Hospital experienced good capacity utilisation levels during the year. The hospital's revenue grew by a marginal 3% y-o-y to LKR 2.31 billion during the year, as patient volumes were maintained despite increasing competitive threats. However, profit margins were pressured by increasing cost of consumables as well as personnel expenses. Administrative expenses escalated by around 20% during the year. Profitability of the preceding year was boosted by a non-recurring gain of LKR 1.24 billion, generated on the disposal of an associate and available for sale investment. Therefore, overall Asiri Surgical Hospital displayed a reduction in profits compared to last year, with a pre-tax profit of LKR 505.50 million.

## **Highlights 2013/2014**

- Won the Gold Award for the Healthcare sector and overall Silver award for Corporate Governance at the National Business Excellence Awards 2013.
- Introduction of several new surgical procedures including Key-hole surgery for cardiac bypass operations and thoracic surgery and thorascocopy and digital mammography with tomosynthesis technology.
- Our focus and commitment towards CSR was recognised and rewarded at the prestigious Asian Hospital Management Awards 2014, in which we were awarded a coveted Excellence Award. This competition featured numerous hospitals from regional countries including India, Philippines and Singapore.

## **Opportunities 2014/2015**

- The Hospital is currently putting in place the structures required to obtain JCI accreditation. This is anticipated to result in a substantial improvement in the Hospital's internal processes as well as quality of patient care.
- Ability to utilise the latest cutting-edge technology for surgical procedures

## **Challenges 2014/2015**

- Rising personnel expenses and costs of consumables amidst intensifying competitive pressures.
- Shortage of skilled personnel, the majority of medical graduates from local universities are absorbed by the government sector. Attracting skilled nursing staff also remains challenging to the private sector.

## Corporate Governance

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

The board manages the Company on behalf of the shareholders and is responsible to the shareholders for creating and delivering sustainable shareholder value through the management of the group's business. The Directors exercise their good-faith business judgment with respect to the best interest of the Company.

### Board of Directors

The Board comprises of two Executive Directors and three Non-executive Directors. Their profiles appear on page 13 of the Annual Report. The Board of Executive Directors generally has a responsibility for making and implementing operational decisions and running the Group'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.

Over the past year the Board held four (4) meetings and the attendance is given below.

Mr A K Pathirage	ED	Chairman / Managing Director	4/4
Dr S Selliah	I	Deputy Chairman	4/4

Dr K M P Karunaratne	ED		4/4
Mr G L H Premaratne	I		3/4
Mr S A B Rajapaksa	I		4/4
Mr S Wijesinha	I	(resigned w.e.f. 31st October 2013)	1/2
Mr V T Mahadevia	NED	(appointed w.e.f. 6th November 2013 & resigned w.e.f. 27th February 2014)	0/0

#### Key

- ED – Executive Director
- I – Independent Non-executive Director
- NED – Non-executive Director

### 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 is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring that corporate goals are achieved making the optimum use of resources available.

### Time commitment

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



## **Appointment to the Board**

New appointments to the Board are based on collective decisions of the Board. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to be better prepared for the managing of the Company. The Board aims to appoint Independent Non-executive Directors who have the skills and experience need for a comprehensive understanding of the Group's activities.

## **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, 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 on request at the Company's expense.

## **Remuneration of the Directors**

The remuneration of the Directors is determined by the Board and disclosed on page 57 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 two Board committees.

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

### ***Audit Committee***

Mr. S A B Rajapaksa - Chairman  
Mr. G L H Premaratne  
Mr. A H E Rodrigo  
Mr. J E Huxtable

## Corporate Governance

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

### **Remuneration Committee**

Mr. G L H Premaratne - Chairman

Dr. S Selliah

Mr. A H E Rodrigo

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

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

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

### **Responsibilities**

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

- 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 code 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 ensure that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the Managing Director
- Approve the Annual Budget
- Authorisation of Directors' conflicts or possible conflicts of interest
- Determination of independence of non-executive Directors
- Ensure the continuation of the Company as a going concern

### **Investor relations**

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

### **Compliance with the Corporate Governance Rules of the Colombo Stock Exchange**

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

Section	Criteria	Has the Company met the Criteria
7.10.1	Non-executive directors	Complied with.  Out of 5 directors 3 are Non-executive directors.
7.10.2	Independent Directors	Complied with.  All three Non-executive directors are independent. Please refer page 23
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 No. 23
7.10.5	Remuneration Committee	Complied with.  Comprises of three Non-executive directors including two Independent 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 24 of the Annual Report.

Section	Criteria	Has the Company met the Criteria
7.10.6	Audit Committee	Complied with.  Comprises of four Non-executive directors including three 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 34.

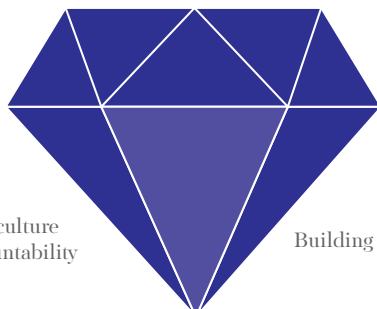
# Sustainability Report

## Sustainability Report

As a responsible healthcare operator sustainability is an important element of our strategy and is integrated into the key aspects of our operations. The three cornerstones of our sustainability strategy are our people, our environment and the communities we operate in.



Quality focus through people engagement



Performance culture through accountability

Building Capacity

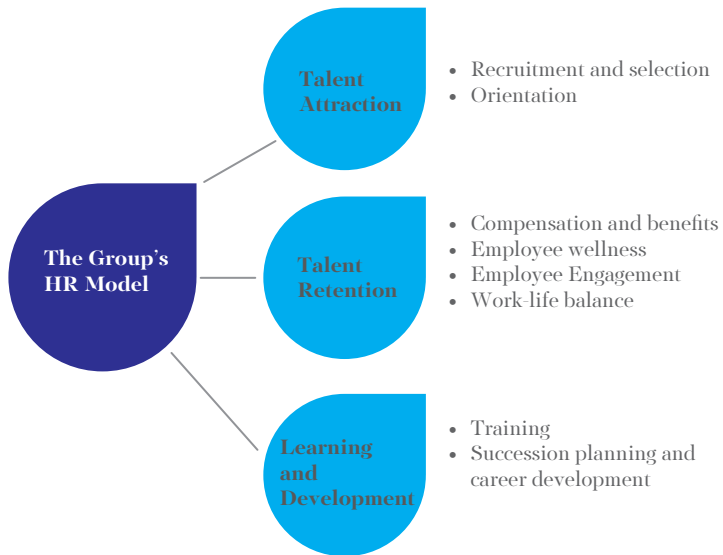
## Our People

Our people strategy has been carefully formulated taking into consideration the needs of our Stakeholders as well as the Organisation's strategic objectives. The people strategy is thus aligned

with the Group's overall strategic direction and focuses on three main aspects of value-addition; Capacity building, inculcating a performance based culture and focus on quality. We embody three main values in our HR practices; commitment, camaraderie and creativity.



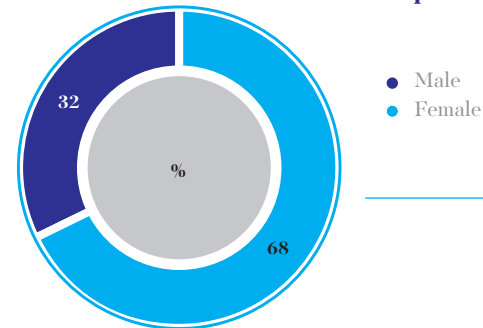
Our HR strategy is aligned with that of our holding group and translates to an operational HR model which is applied across all divisions and employees uniformly. The focus of our HR model is talent attraction, retention and learning and development.



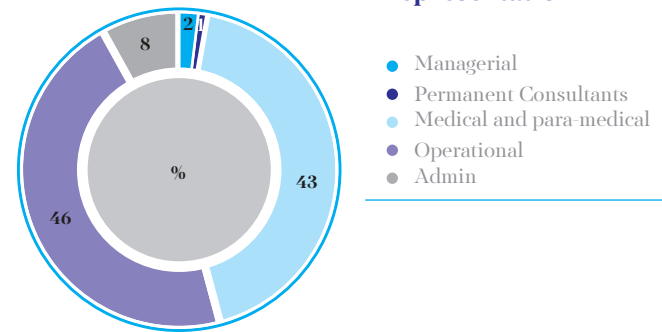
### Attracting and Retaining Talent

Our talent team comprises of 1124 committed employees, consisting of managerial, medical and para-medical, operational, administration and consultant staff. The Hospital follows a well-structured recruitment and selection process which enables the sourcing of suitably qualified employees in an efficient manner. We offer attractive financial and non-financial incentives to our employees, based on structured remuneration scales, which has enabled to record relatively good employee retention levels. We also focus on employee wellness and work-life balance and actively engage with our employees through maintaining a continuous and open dialogue. We believe in investing in our talent pool and consistently strive to develop our staff through structured and on the job training. The training programmes are focused towards the ultimate objectives of improving service quality, improving competencies and overall career development. Our focused and structured approach to training has equipped our staff with the skills required to excel in their respective fields of operation.

### Gender Representation



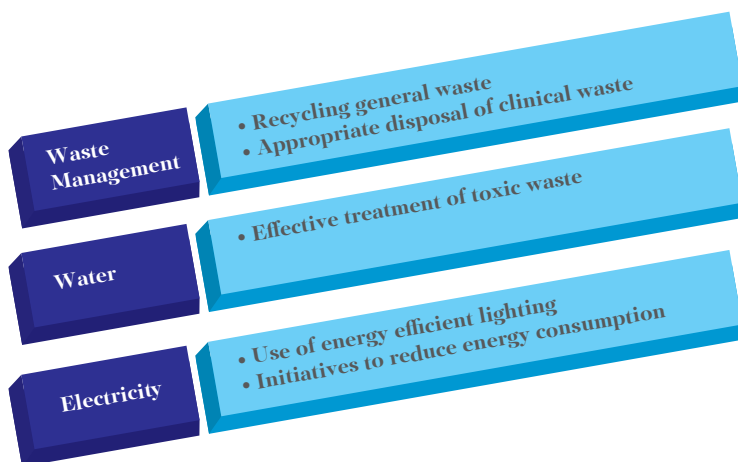
### Category Representation



### Environment

The Hospital's initiatives on environmental sustainability relates primarily to three areas; waste management, energy and water. We take proactive measures to optimise the consumption of natural resources whilst taking hospital-wide measures to reduce and recycle waste across the key aspects of our operations.

## Sustainability Report

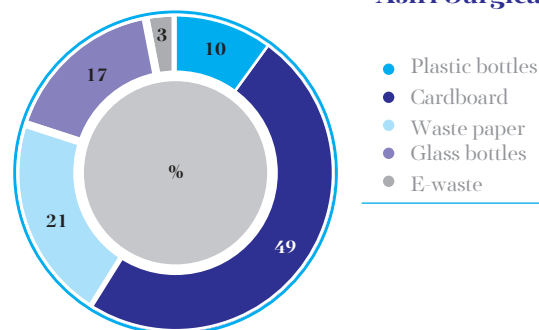


### Waste Management

The general waste which is discharged from the Hospital's operations are separated into the key categories of glass bottles, plastic bottles, stationary, waste papers and E-waste and are sent to approved third parties for recycling purposes. During the year under review, total general waste recycled by Asiri Surgical increased by over 70% to nearly 20,000 kgs. Clinical waste generated from the Hospital's operations is sent to the incinerator; this is the only appropriate method of disposing clinical waste.

General waste material	2012/2013 (kg)	2013/2014 (kg)
Plastic bottles	2429	2020
Cardboard	4232	9404
Waste paper	1080	4073
Glass bottles	2646	3223
E-waste	964	652
Total	11351	19372

### General Waste Recycling - Asiri Surgical Hospital



### Water

Water is consumed for multiple processes in the hospitals, including for medical equipment, sanitisation, laundry, kitchen/dishwashing, cooling and heating and landscaping among others. At Asiri, the waste water which is discharged from the laundry, operating theatres, and lavatories which could potentially be toxic is treated at the Hospital's effluent treatment plant, prior to being sent to the central sewer tanks.

### Electricity

The proactive measures to lower energy consumption and energy costs include the use of Capacitor Banks which enables more energy efficient use of equipment and utilities. We also emphasise on using more energy-efficient lighting; for instance incandescent and CFL bulbs are being replaced with LED bulbs across the hospitals.

#### Energy saving project at Asiri Surgical:

The Group has initiated a project in collaboration with Access Engineering in order to restructure and redesign certain key processes at Asiri Surgical hospital to generate energy savings. The project is expected to commence in the 2014/2015 financial year and is anticipated to generate significant electricity savings.

## Sustainability Report: Corporate Social Responsibility towards Our Communities

As a responsible healthcare operator, we have long since identified the importance of creating 'shared value' not just for our investors but also to society and the communities that we operate in. We believe that our ability to make a difference extends beyond our hospitals, and both as an Organisation and individuals we persistently strive to strengthen our ties with our communities, through a robust Corporate Social Responsibility programme. Our approach to CSR is strategic and focused, and we have clearly identified the communities we wish to reach out to as well as the scope of our support to them.

### Our Approach to CSR

As an Organisation, our aspiration is that society as a whole has access to the best standards of healthcare facilities; our approach to CSR too is aligned with that overall aspiration. Thus, the provision of healthcare facilities to needy parties is at the heart of our CSR strategy. In addition to healthcare, we also place emphasis on Education related CSR activities as well as Environmental preservation initiatives. The communities we wish to serve through our CSR programmes include the local and rural underprivileged communities, including senior citizens and school children as well as the families of our own employees. Our CSR strategy also aims to engage our own employees in CSR related activities.

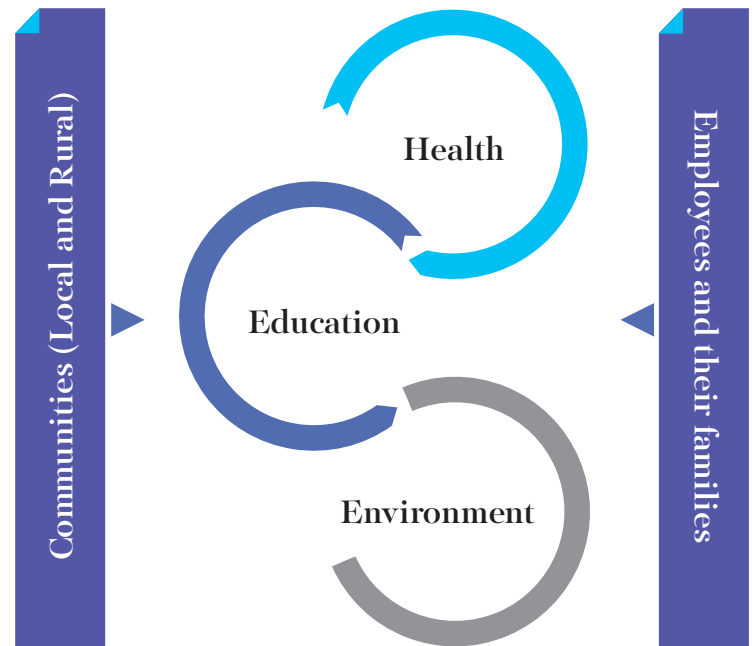
### Health related CSR

Given that our expertise lies in healthcare our CSR initiatives over the year has also tilted more towards healthcare. The Group undertakes numerous health-related CSR initiatives including donations, free services and health camps a few of which are detailed below.

#### **Platinum Sponsor - Batticaloa Teaching Hospital Emergency and Accident Project (BEAP):**

This project is conducted in association with the Foundation Supporting a National Trauma Service in Sri Lanka, of which we are proud to be the Platinum sponsor. The aim of the project is to provide

adequate medical resources, training and support to build a fully-fledged Teaching Hospital to competently handle Trauma within the Batticaloa teaching hospital. The ultimate goal of this ongoing project is to enhance the National Trauma Service from Karapitiya to Batticaloa and beyond.



### Donation Programmes

#### **Blood Donation to NBTS in Sri Lanka:**

As a continuing annual event, a blood donation programme to donate blood to the National Blood Transfusion Service (NBTS) in Sri Lanka was carried out at Asiri Surgical Hospital. The event attracted the keen interest and participation of our staff, with more than 100 donors from the Group, taking part in the programme to make life a little better for our fellow citizens of the country. The programme allowed our

## Sustainability Report



staff to participate in a worthy cause, thus further strengthening our relationship with Public Private Partnership (PPP).

**Donation of essentials:** As a part of an ongoing programme, Asiri Group has been helping to renovate and improve the infrastructure facilities of rural hospitals and other institutes/associations such as “Ekiriyankumbura” Government Hospital, “Sahanya” Elderly Care Center, Puttalam Base Hospital etc. In addition, essentials such as water, medical equipment, pharmaceuticals, refrigerators, hospital beds, wheel chairs and mattresses have been donated to these entities.

### Health Camps

In an ongoing programme, Asiri Surgical Hospital conducted 19 health camps in total, in collaboration with military forces and other not-for-profit organisations in the areas of Ampara, Anuradhapura, Galle, Hambanthota, Hingurakgoda, Jaffna, Kandy, Kalutara, Kataragama, Kattankudy, Kurunegala, Marawila, Matara, Negombo, Pamunugama, Panama, Trincomalee, Udawalawa and Welisara. These health camps typically include health checks, basic investigations and provision of health education.

### *Sponsorships for Medical Camps*

The Group contributed sponsorship vouchers for a medical camp organised for underprivileged senior citizens by the People’s Church of Kotte.

### **Free Medical, Surgical and Diagnostic services**

#### *Free Heart Surgery*

Asiri Surgical Hospitals commenced performing free heart surgeries for underprivileged children in 2011, and since then has successfully conducted 55 such surgeries to date. The patients are referred to Asiri Surgical by the Lady Ridgeway Hospital, and enables children from low-income households to obtain life-saving surgeries and related services free of charge.

#### *Free Investigations*

Asiri Surgical Hospitals frequently performs free investigations tests for patients referred by the cancer hospital of Maharagama. These tests include MRI and CT scans among others.







**Dental Camps:**

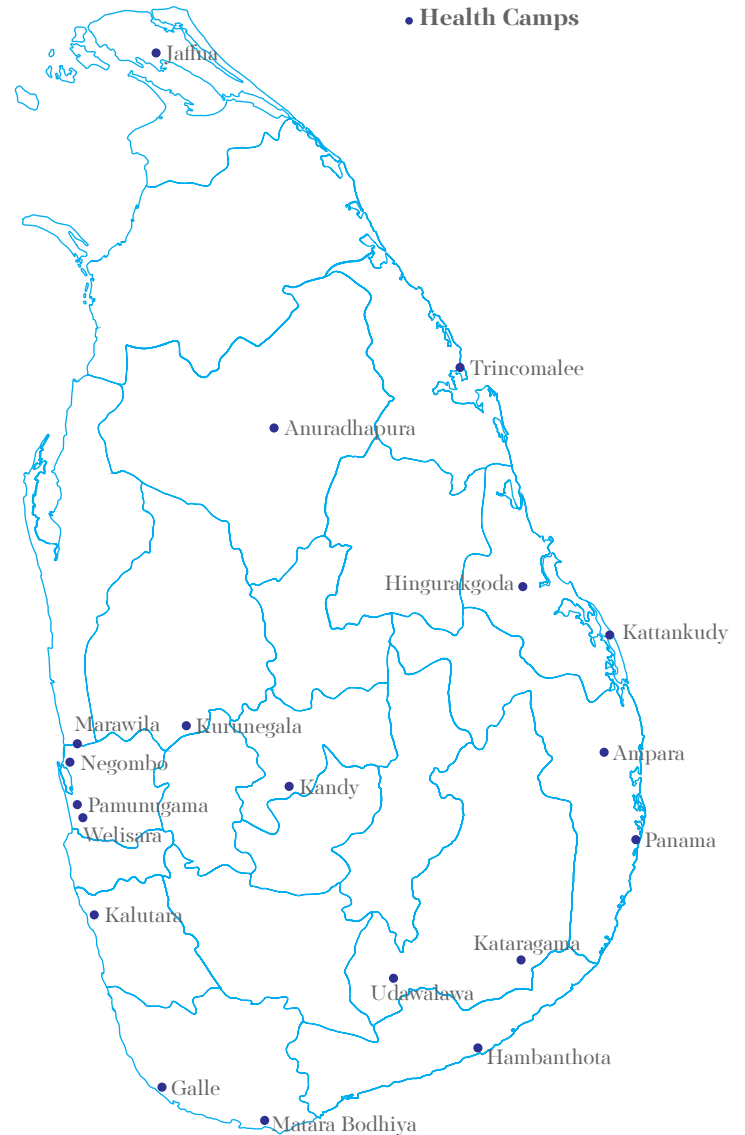
Asiri Surgical in an ongoing program, also conducts free dental camps for students, school teachers and the general public on a regular basis. These camps feature practical awareness sessions on dental hygiene.

**Others**

**Hand Hygiene Campaign:**

Asiri Surgical Hospitals conducted a campaign for around 400 students in Sujatha Vidyalaya, Colombo 5, to mark the World Hand Hygiene Day. Students were given practical demonstrations on how to maintain good hand hygiene.

*Our focus and commitment towards CSR was recognised and rewarded at the prestigious Asian Hospital Management Awards 2014, in which we were awarded a coveted Excellence Award. This competition featured numerous hospitals from regional countries including India, Philippines and Singapore.*



## Ethics Committee Report

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

### Members:

Prof. Rohan W Jayasekara, (Chairperson)  
*Professor of Anatomy / The Dean, Faculty of Medicine, University of Colombo.*

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

Mr. Ariththa Wickramanayake  
*Attorney at Law/ Precedent Partner, Nitbya Partners*

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

Dr. Fred Perera  
*Consultant Neurosurgeon*

Prof. Kemal I Deen  
*Professor of Surgery, Department of Surgery, Faculty of Medicine, University of Kelaniya, (Ragama.)*

Mrs. Varuni Amunugama Fernando  
*Attorney-at-Law/Co-founder and Jt. Managing Director of Triad Pvt Ltd and their Group of subsidiary companies*

Dr. Indrani Amarasinghe  
*Consultant Oncologist*

(Sgd.)

**Prof. Rohan Jayasekara**  
*Chairperson – Ethics Committee*  
30 July 2014

# 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 3 Non-executive Directors including two Independent Non-executive Directors. The names of the Committee members are stated in the Corporate Governance Report on page 24.

The Directors' emoluments are disclosed on page 57.

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*

*30 July 2014*

## Audit Committee Report

The Audit Committee is appointed by the Board of Directors and comprises of four Non-Executive Directors out of which three are Independent Directors. The Names of the Committee members are stated in the Corporate Governance Report on Page 23.

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

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

The Audit committee also reviewed and approved the Annual and Interim financial statements prior to the final approval by the Board and also assessed major business and control risks of the company.

The Audit Committee recommend to the Board of Directors the M/s Ernst & Young be re-appointed as the auditors of the Company for the financial year ending 31st March 2015, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

**Samantha Rajapaksa**

*Chairman – Audit Committee*

*30 July 2014*

# Risk Management

We adopt a proactive approach towards risk management. The key risks, the potential impact and methods of mitigation adopted by the Group are as follows:

Risks and Potential Impact	Mitigation
<p><b>Clinical Risk</b></p> <p>This is the risk associated with patient safety, arising from treatments and other patient care processes. It is essentially the most important and volatile area of exposure to a hospital, the mismanagement of which, can lead to a host of other risks including reputation and legal risk as well as significant financial losses.</p>	<p>The Group has obtained multiple accreditations for all aspects of its operations, including food and safety, quality management and laboratory management among others.</p> <p>The Group also has stringent guidelines for preparing incident reports, utilisation of informed consent documents and related defensible documentation. In addition, disclosure of adverse patient outcomes and a structured emergency medical treatment is also in place.</p>
<p><b>Reputation Risk</b></p> <p>The Group's reputation may be adversely impacted leading to a loss of customers due to multiple reasons such as poor customer service, unethical behaviour, loss of credibility and use of outdated technology and equipment among others.</p>	<p>The Group has in place a strong ethics framework. The Ethics committee, comprising of industry specialists provide an advisory role on matters relating to research and clinical trials within the Group. Capital expenditure is allocated annually for upgrading facilities as an ongoing process. Meanwhile, our nursing and other staff undergo extensive training on patient management and customer service on a continuous basis.</p>

Risks and Potential Impact	Mitigation
	<p>The Group also has stringent guidelines for preparing incident reports, utilisation of informed consent documents and related defensible documentation. In addition, disclosure of adverse patient outcomes and a structured emergency medical treatment is also in place.</p>
<p><b>Human Resources</b></p> <p>The Group operates in an industry which is heavily dependent on its staff for customer satisfaction and retention. The ability to recruit and retain qualified and skilled healthcare professionals is crucial to the success of the Organisation.</p>	<p>The Group has in place a comprehensive recruitment and retention process for its staff. Employee needs and satisfaction levels are frequently monitored through surveys, and gaps are addressed appropriately. The Group also has a succession planning program in place which includes ongoing coaching, development and regular promotions.</p>
<p><b>Competition</b></p> <p>The Group faces competitive pressure from other private and government hospitals, outpatient centres, stand-alone clinics and diagnostic centres. Competitive pressure can impact our revenues, market share and profitability.</p>	<p>Growth is one of the Group's key strategic priorities, and we seek to expand our reach outside the capital in order to geographically diversify our revenue sources. We also strive to rise above our competition by offering the most clinically advanced, cutting-edge medical procedures and excel in nursing and patient care.</p>

## Risk Management

Risks and Potential Impact	Mitigation
<b>Technological risk</b>	
Frequent innovations are a norm in the industry, and a hospital's inability to adopt the latest, cutting-edge technology could result in loss of customers, leading to fall in revenue and erosion of profitability. This risk could also give rise to reputation and clinical risk.	The Group constantly seeks to adopt the most advanced methods for diagnostics and treatment. Research and innovations in the industry are monitored on an ongoing basis.
<b>Credit Risk</b>	
This risk arises from the non-settlement of bills by individual and corporate clients, leading to financial losses.	Interim bills are issued for in-patients requesting period bill settlement. For corporate clients, a credit assessment is carried out prior to granting credit facilities.
<b>Interest Rate Risk</b>	
The risk that arises from the adverse movements of interest rates, resultantly affecting the Group's interest cost and thus profitability.	The Finance team continuously monitors the trends in market interest rates and negotiates with banks accordingly, in order to minimise the exposure to interest rate risk.
<b>Information Risk</b>	
Given the sensitivity and confidentiality of patient-related information held by the hospitals, the Group is exposed to information risk in the event of technical and IT system failures.	Regular maintenance of computer hardware and software, off-site storage and daily back-ups as well as round the clock IT support is available in order to mitigate this risk

# 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 31 March 2014.

## 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 8 to 11 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 43 to 80.

## 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 no 40.

## Auditor's Report

The Auditor's Report on the financial statements is given on page 42.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 48 to 55 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.79,858,240/- (2012/2013 - Rs.161,994,588/-) details of which are given in note 9.4 to the financial statements.

## Reserves

The total reserves of the Company as at 31st March 2014 amounted to Rs.1,625,886,272/- 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.415,183/- (2012/2013 Rs.598,250/).

## Stated Capital

The stated capital of the Company as at 31st March 2014 was Rs.1,393,327,565/-. There was no change in the stated capital of the Company during the year under review.

## Annual Report of the Board of Directors

### Dividends

The Directors recommend to the shareholders that the Interim Dividend of Rs.1.56 per share paid on 28th March 2014 be considered as the Final Dividend for the year ended 31st March 2014.

### Statutory Payments

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

### 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 organization concerned and the risk to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement 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

Mr. G L H Premaratne  
Mr. S A B Rajapaksa  
Mr. S G Wijesinha (resigned w.e.f 31st October 2013)  
Mr V T Mahadevia (appointed w.e.f. 6th November 2013 & resigned w.e.f. 27th February 2014)

In terms of Article 24(6) of the Articles of Association of the Company, Mr. G L H Premaratne retires by rotation and being eligible offer himself for re-election with the unanimous support of the Board.

### Directors' Shareholding

Directors' interest in shares of the Company as at 31st March 2014 were as follows.

Name of Director	No. of shares
Mr. A K Pathirage	-
Dr. S Selliah	17,000
Dr. K M P Karunaratne	133
Mr. G L H Premaratne	-
Mr. S A B Rajapaksa	-

### Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year 2013/2014 are given in note 5 to the Financial Statements on page 57.

### 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.1,489,760/-
Fees for other Services	- 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 2014 are given on page 84 together with an analysis of the shareholding. There were 2,964 registered shareholders as at 31 March 2014.

### **Share Information**

Information on share trading is given on page 84 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 Fourteenth Annual general Meeting of the Company will be held at Hotel Janaki, Fife Road, Colombo 05 on Friday the 26 day of September 2014 at 11.30 a.m. The Notice of the 14th Annual General Meeting is on page 87 of the Annual Report.

For and on behalf of the Board

(Sgd.)  
*Director*

(Sgd.)  
*Director*

(Sgd.)  
**Softlogic Corporate Services (Pvt) Ltd**  
*Secretaries*

*30 July 2014*  
*Colombo*

## Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 42.

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 profit or loss of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on pages 43 to 47 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.

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.

For and on behalf of the Board

(Sgd.)

**Softlogic Corporate Services (Pvt) Ltd**

*Secretaries*

30 July 2014

Colombo

# Financials

042/	Independent Auditor's Report
043/	Income Statement
044/	Statement of Comprehensive Income
045/	Statement of Financial Position
046/	Statement of Changes in Equity
047/	Statement of Cash Flows
048/	Notes to the Financial Statements
081/	Graphical Review
083/	Economic Value Added Statement
084/	Shareholder Information
086/	Five Year Summary

## Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

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

#### Report on the financial statements

We have audited the accompanying financial statements of Asiri Surgical Hospital PLC ("Company"), which comprise the Statement of Financial Position as at 31 March 2014, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

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

#### Scope of audit and basis of opinion

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

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

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

#### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on other legal and regulatory requirements

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

30 July 2014  
Colombo

Partners: A D B Talwette FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Suleiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

## Income Statement

Year ended 31 March 2014

	Note	2014 Rs.	2013 Rs.
Revenue		2,310,429,152	2,242,969,418
Cost of Services		(1,315,695,705)	(1,226,679,197)
<b>Gross Profit</b>		994,733,447	1,016,290,221
Other Income	3	11,165,641	1,252,965,137
Administrative Expenses		(542,354,547)	(455,545,776)
Selling and Distribution Costs		(18,106,153)	(21,453,075)
Finance Cost	4.1	(66,090,692)	(127,953,478)
Finance Income	4.2	132,259,531	113,253,143
Share of Loss of Associate		-	(12,323,813)
Net Exchange Gain/ (Loss)	17.2	(6,102,354)	2,034,327
<b>Profit Before Tax</b>	5	505,504,873	1,767,266,686
Income Tax Expense	6	(32,169,706)	(21,583,664)
<b>Profit for the Year</b>		473,335,167	1,745,683,022
Earnings Per Share-Basic	7	0.90	1.70
Dividend Per Share- Ordinary Shares	8.1	1.56	1.00

The Accounting Policies and Notes on pages 48 through 80 form an integral part of these Financial Statements.

## Statement of Comprehensive Income

<i>Year ended 31 March 2014</i>	<b>Note</b>	<b>2014</b> Rs.	<b>2013</b> Rs.
<b>Profit for the Year</b>		473,335,167	1,745,683,022
<b>Other Comprehensive Income</b>			
Revaluation of Building	15	-	1,251,613,601
Actuarial Gain/(Loss) on Retirement Benefit Liability		(5,847,231)	5,815,055
Transfer of Available for Sale Reserve	3.2	-	(53,047,662)
		(5,847,231)	1,204,380,994
Deferred Tax (Change)/Receivable on Other Comprehensive Income	6.2	701,668	(150,891,439)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		(5,145,563)	1,053,489,555
<b>Total Comprehensive Income for the Year, Net of Tax</b>		468,189,604	2,799,172,577

The Accounting Policies and Notes on pages 48 through 80 form an integral part of these Financial Statements.

# Statement of Financial Position

As at 31 March 2014

	Note	2014 Rs.	2013 Rs.
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	9	2,789,845,014	2,930,517,548
Leasehold Property	10	88,312,178	89,349,111
		2,878,157,192	3,019,866,659
<b>Current Assets</b>			
Inventories	12	138,335,810	127,300,028
Trade and Other Receivables	13	181,398,329	1,205,391,028
Advances and Prepayments	13	96,634,991	53,624,368
Loans Granted to Related Parties	13	1,153,433,135	130,686,042
Cash and Cash Equivalents	20	29,012,653	44,928,890
		1,598,814,918	1,561,930,356
<b>Total Assets</b>		4,476,972,110	4,581,797,015
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	14	1,393,327,565	1,393,327,565
Revaluation Reserve	15	1,101,419,969	1,101,419,969
Retained Earnings		524,466,303	885,373,862
<b>Total Equity</b>		3,019,213,837	3,380,121,396
<b>Non-current Liabilities</b>			
Amount Due on Leasehold Property	16	38,344,667	42,416,667
Interest Bearing Loans and Borrowings	17	271,721,574	383,852,765
Retirement Benefit Liability	18	36,805,405	23,978,884
Deferred Tax Liability	6.2	132,659,624	137,287,956
		479,531,270	587,536,272
<b>Current Liabilities</b>			
Amount due on Leasehold Property	16	4,072,000	4,072,000
Interest Bearing Loans and Borrowings	17	767,414,181	434,866,972
Trade and Other Payables	19	185,701,284	166,727,420
Tax Payable		18,009,014	6,918,511
Dividend Payable		3,030,524	1,554,444
		978,227,003	614,139,347
<b>Total Equity and Liabilities</b>		4,476,972,110	4,581,797,015

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)  
Chief Financial Officer

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

(Sgd.)  
Director

(Sgd.)  
Director

The Accounting Policies and Notes on pages 48 through 80 form an integral part of these Financial Statements.

30 July 2014  
Colombo

## Statement of Changes in Equity

Year ended 31 March 2014

	Note	Stated Capital Rs.	Available for Sale Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 01 April 2012</b>		1,393,327,565	53,047,662	-	1,145,058,147	2,591,433,374
Fair Value Adjustment-Guarantees		-	-	-	572,990	572,990
Profit for the Year		-	-	-	1,745,683,022	1,745,683,022
Other Comprehensive Income for the Year		-	(53,047,662)	1,101,419,969	5,117,248	1,053,489,555
<b>Total Comprehensive Income for the Year</b>		-	(53,047,662)	1,101,419,969	1,750,800,270	2,799,172,577
Repurchase of Preference Shares	14.2	-	-	-	(1,482,600,000)	(1,482,600,000)
Dividend Paid Ordinary Shares	8.1	-	-	-	(528,457,545)	(528,457,545)
<b>Balance as at 31 March 2013</b>		1,393,327,565	-	1,101,419,969	885,373,862	3,380,121,396
Fair Value Adjustment-Guarantees		-	-	-	(4,703,393)	(4,703,393)
Profit for the Year		-	-	-	473,335,167	473,335,167
Other Comprehensive Income for the Year		-	-	-	(5,145,563)	(5,145,563)
<b>Total Comprehensive Income for the Year</b>		-	-	-	468,189,604	468,189,604
Dividend Paid-Ordinary Shares	8.1	-	-	-	(824,393,770)	(824,393,770)
<b>Balance as at 31 March 2014</b>		1,393,327,565	-	1,101,419,969	524,466,303	3,019,213,837

The Accounting Policies and Notes on pages 48 through 80 form an integral part of these Financial Statements.



# Statement of Cash Flows

Year ended 31 March 2014

	Note	2014 Rs.	2013 Rs.
<b>Cash Flows From Operating Activities</b>			
Profit Before Income Tax Expense		505,504,873	1,767,266,686
<b>Adjustments for</b>			
Amortisation of Leasehold Land	10	1,036,933	1,036,933
Depreciation	9.2	220,224,915	215,476,696
Profit on Disposal of Property, Plant and Equipment		(2,345,641)	(600,645)
Share of Loss of Associate		-	12,323,813
Profit on Sale of Associate	3	-	(1,063,779,175)
Profit on Sale of Available for Sale Investment	3	-	(180,116,214)
Finance Income		(132,259,531)	(113,253,143)
Finance Costs		66,090,692	107,763,059
Unrealised Foreign Currency Exchange (Gain)/ Loss		6,102,354	(9,195,483)
Provision for Gratuity	18	10,023,321	8,441,043
<b>Operating Profit Before Working Capital Changes</b>		674,377,917	745,363,570
Increase in Inventories		(11,035,782)	(7,014,068)
Increase in Trade and Other Receivables		(41,765,018)	(362,053,545)
Increase in Trade and Other Payables		18,973,864	43,410,282
<b>Cash Generated From Operations</b>		640,550,981	419,706,239
Income Tax Paid		(25,005,867)	(5,616,987)
Finance Costs Paid		(63,227,840)	(103,650,651)
Defined Benefit Plan Costs Paid	18	(3,044,030)	(2,623,043)
<b>Net Cash From Operating Activities</b>		549,273,244	307,815,558
<b>Cash Flows From/(Used in) Investing Activities</b>			
Acquisition of Property, Plant and Equipment	9.4	(79,858,240)	(161,994,588)
Proceeds from Sale of Property, Plant and Equipment		2,651,500	600,645
Loans Granted to Related Parties		-	(114,699,960)
Finance Income Received		124,693,286	74,857,836
Proceeds from Disposal of Associate		-	1,814,631,138
Proceeds from Disposal of Available for Sale Investment		-	397,089,225
<b>Net Cash Flows from/ (Used in) Investing Activities</b>		47,486,546	2,010,484,296
<b>Cash Flows from/(Used in) Financing Activities</b>			
Proceeds From Interest Bearing Loans and Borrowings	17.2	20,115,750	49,852,000
Payment of Amount due on Leasehold Property		(4,072,000)	(4,072,000)
Repayment of Interest Bearing Loans and Borrowings		(205,087,773)	(357,886,523)
Repayment of Finance Lease Instalment		-	(1,351,983)
Repurchase of Preference Shares		-	(1,482,600,000)
Dividend Paid		(822,917,690)	(528,079,159)
<b>Net Cash Flows Used in Financing Activities</b>		(1,011,961,713)	(2,324,137,666)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		(415,201,923)	(5,837,812)
<b>Cash and Cash Equivalents at the beginning of the year</b>	20	(200,596,877)	(194,759,065)
<b>Cash and Cash Equivalents at the end of the year</b>	20	(615,798,800)	(200,596,877)

The Accounting Policies and Notes on pages 48 through 80 form an integral part of these Financial Statements.

# Notes to the Financial Statements

Year ended 31 March 2014

## 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 Authorization for Issue

The Financial Statements of Asiri Surgical Hospital PLC for year ended 31 March 2014 was authorized for issue in accordance with a resolution of the Board of Directors dated 30 July 2014.

## 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 by the Company are consistent with those used in the previous financial year except for the policy on retirement benefits obligations – gratuity.

The Company applied revised Sri Lanka Accounting Standards (LKAS-19) on Employee Benefits retrospectively in accordance with the transitional provisions set out in the said standard.

As per previous policy actuarial gain/loss was recognized in full in the Income Statement. As per revised LKAS 19, actuarial gain/loss is recognized in full in Other Comprehensive Income (OCI).

Accordingly, the Group changed its policy for recognizing actuarial gain/ loss in OCI.

This resulted in reclassifying actuarial gain/loss previously recognized in the Income Statement to the OCI. Since there were no significant impact on retirement benefit liability, the opening Statement of Financial Position of the earliest comparative period has not been presented. The transition did not have impact on the Statement of Cash Flows.

Previous year’s figures and phrases have been re-arranged when even necessary to conform to current presentation.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

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

### 2.2.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is also 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. All differences arising are taken to the Income Statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.2.2 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. Rendering of Services

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

#### b. Finance Income/Expense

Interest is recognized on a time proportion basis that takes in to account the effective interest rate on the asset.

Finance Income/Expense comprises of gains and losses arising from changes in fair value of foreign exchange forward contracts.

#### c. Others

Other income is recognised on accrual basis.

### 2.2.3 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 commencing from 31 March 2004. This exemption expires on 31 March 2014.

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

#### 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 utilized.

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.

## Notes to the Financial Statements

*Year ended 31 March 2014*

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.

### **2.2.4 Property, Plant and Equipment**

Property, plant and equipment is 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 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 income statement, in which case the increase is recognised in the income statement. 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 income statement in the year the asset is derecognised.

### **2.2.5 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 fulfilment 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 income statement.

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 income statement on a straight-line basis over the lease term.

## 2.2.6 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.

## 2.2.7 Financial Instruments-Initial Recognition and Subsequent Measurement

### i) 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 recognized 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.

The Company's financial assets include cash and bank balances, trade and other receivables, available-for-sale financial assets and other financial assets.

#### 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.

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 and removed from the available-for-sale reserve.

#### Trade and Other Receivables

Trade and Other Receivables 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 income statement.

#### 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 reorganization 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.

## Notes to the Financial Statements

Year ended 31 March 2014

### **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 income statement. 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 income statement.

### **Available-for-Sale Financial Instruments**

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

### **ii) Financial Liabilities**

#### **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.

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.

#### **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 income statement 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.

#### **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 income statement.

#### **Fair Value of Financial Instruments**

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

#### **Derivative Financial Instruments-Forward Foreign Exchange Contracts**

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Forward Foreign Exchange Contracts are contractual agreements with banks to exchange two currencies at an agreed rate on an agreed date in the future. These transactions are exposed to market risks due to fluctuation of market rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each date that a statement of financial position is prepared.

Forward Foreign Exchange Contracts are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on forward contracts are taken directly to the income statement as Finance Income/Expense.

#### **2.2.8 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 following cost formula:-

Pharmaceuticals- At actual cost on first-in first-out basis

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

#### **2.2.9 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, 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.

#### **2.2.10 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.

## Notes to the Financial Statements

Year ended 31 March 2014

### 2.2.11 Dividend Distributions

The Company recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

### 2.2.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### 2.2.13 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 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 and Associate Company engaged an independent valuation specialist to assess fair value of such assets as at 31 March 2013 and during the financial year 2010 respectively. (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 is in the tax exemption period of Board of Investment of Sri Lanka, Company recognises deferred tax in their financial statements for temporary differences which will reverse after the tax 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 date 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 18 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.

#### **Impairment of Trade and Other Receivables**

The Company reviews at each reporting date all receivables to assess whether impairment should be recorded in the income statement. 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 13 to these financial statements)

## **2.4 Standards Issued but not yet Effective**

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

#### **(i) SLFRS 9 -Financial Instruments-Classification and measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and Liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

#### **(ii) SLFRS 13 -Fair Value Measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRs. This standard will be effective for the financial period beginning on or after 01 January 2014. However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for the annual periods commencing on after 01 January 2014.

SLFRS 10-Consolidated Financial Statements

SLFRS 11-Joint Arrangements

SLFRS 12-Disclosure of Interests in Other Entities

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

## Notes to the Financial Statements

Year ended 31 March 2014

	2014 Rs.	2013 Rs.
<b>3. OTHER INCOME</b>		
Car Park Rental	4,800,000	4,800,000
Dialog Antenna Rental	1,800,000	1,599,103
Restaurant Rental	1,500,000	1,325,000
Mobitel Antenna Rental	720,000	720,000
Profit on Disposal of Property, Plant and Equipment	2,345,641	600,645
Profit on Disposal of Associate (Note 3.1)	-	1,063,779,175
Profit on Disposal of Available for Sale Investment (Note 3.2)	-	180,116,214
Sundry Income	-	25,000
	11,165,641	1,252,965,137

**3.1** In 2013, Profit on disposal of Associate comprises of profit on disposal of 7,303,257 shares of Asiri Central Hospitals PLC to Asiri Hospital Holdings PLC, as a part of the Group restructure.

**3.2** In 2013, Profit on disposal of Available for Sale Investment comprises of profit on disposal of Rs.127,068,552/- arising from sale of Central Hospital Limited shares and transfer of Available for Sale Reserve of Rs.53,047,662/-.

	2014 Rs.	2013 Rs.
<b>4. FINANCE COST AND INCOME</b>		
<b>4.1 Finance Cost</b>		
Interest Expense on Overdrafts	10,836,864	21,515,172
Interest Expense on Loans, Borrowings and Finance Leases	44,779,922	82,221,710
Interest on Guarantees	2,862,852	4,026,177
Realised Loss on Forward Contracts	7,611,054	13,029,263
Unrealised Loss on Forward Contracts	-	7,161,156
	66,090,692	127,953,478
<b>4.2 Finance Income</b>		
Interest Income	124,693,286	109,799,956
Interest on Guarantees	7,566,245	3,453,187
	132,259,531	113,253,143

	<b>2014</b> Rs.	<b>2013</b> Rs.
<b>5. PROFIT BEFORE TAX</b>		
<b>Stated after Charging</b>		
Included in Cost of Sales		
Depreciation	134,428,250	131,139,745
Employee Benefits including the following:	437,365,601	330,949,219
- Defined Contribution Plan Costs-EPF and ETF	34,285,134	29,506,111
<b>Included in Administrative Expenses</b>		
Depreciation	85,796,666	84,336,954
Employee Benefits Including the Following:	96,750,418	61,795,479
- Defined Benefit Plan Costs-Gratuity	8,556,000	2,625,988
- Defined Contribution Plan Costs-EPF and ETF	9,301,705	3,278,457
Directors' Fees and Remuneration	4,200,000	12,209,415
Amortisation of Leasehold Property	1,036,933	1,036,933
Donations	415,183	598,250
Legal Fees	458,312	562,688
Audit Fees and Reimbursable Expenses	1,489,760	1,809,786
<b>Included in Selling and Distribution Costs</b>		
Advertising Costs	7,465,572	4,420,991
(Reversal)/Provision for Bad Debt	(5,284,602)	4,030,706
<b>6. INCOME TAX EXPENSE</b>		
Income Tax on Other Income (Note 6.1)	36,096,370	24,601,197
<b>Deferred Income Tax</b>		
Deferred Taxation Reversal (Note 6.2)	(3,926,664)	(3,017,533)
<b>Income Tax Expenses Reported in the Income Statement</b>	<b>32,169,706</b>	<b>21,583,664</b>
<b>Deferred Income Tax</b>		
Deferred Taxation Charge/(Reversal) (Note 6.2)	(701,668)	150,891,439
<b>Income Tax Expenses Reported in the Statement of Total Comprehensive Income</b>	<b>31,468,038</b>	<b>172,475,103</b>

## Notes to the Financial Statements

Year ended 31 March 2014

	2014 Rs.	2013 Rs.
<b>6.1 Reconciliation between Current Tax Expense/(Income) and the Product of Accounting Profit</b>		
Accounting Profit before Income Tax	505,504,873	1,767,266,686
Profit Exempt from Income Tax	(372,120,017)	(1,648,997,627)
Taxable Income	133,384,856	118,269,059
Less: Deductions under Section 32	(4,469,249)	(10,793,160)
Less: Tax Losses Utilised	-	(19,614,483)
Assessable Income	128,915,607	87,861,416
Income Tax Expenses - 28%	36,096,370	24,601,197

### 6.2 Deferred Tax Assets, Liabilities and Income Tax Rates to the followings

	Statement of Financial Position		Income Statement		Statement of Other Comprehensive Income	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Deferred Tax Liability</b>						
Revaluation of Building	150,193,632	150,193,632	-	-	-	150,193,632
	150,193,632	150,193,632	-	-	-	150,193,632
<b>Deferred Tax Assets</b>						
- Capital Allowances for Tax Purposes	(13,117,359)	(10,028,210)	(3,089,149)	(2,319,373)	-	-
- Defined Benefit Plans	(4,416,649)	(2,877,466)	(837,515)	(698,160)	(701,668)	697,807
	(17,534,008)	(12,905,676)	(3,926,664)	(3,017,533)	(701,668)	697,807
Deferred Tax (Income)/Expense			(3,926,664)	(3,017,533)	(701,668)	150,891,439
Net Deferred Tax Liability	132,659,624	137,287,956				

Deferred Tax has been computed considering the prevailing tax rate for the health care industry 12%.

## 7. EARNINGS PER SHARE

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

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

	2014 Rs.	2013 Rs.
Profit for the Year	473,335,167	1,745,683,022
The Excess of the Fair Value of the Consideration Paid to the Preference Shareholders Over the Carrying Amount of Preference Shares	-	(852,600,000)
Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	472,988,752	893,083,022
<b>Number of Ordinary Shares used as the Denominator</b>	<b>2014 Number</b>	<b>2013 Number</b>
Weighted Average number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	528,457,545	528,457,545
	2014 Rs.	2013 Rs.
<b>8. DIVIDENDS PAID AND PROPOSED</b>		
<b>Declared and Paid During the Year</b>		
<b>8.1 Equity Dividends on Ordinary Shares :</b>		
Interim Dividend for 2013/2014: Rs.1.56 per share (2012/ 2013: Rs.1 per share)	824,393,770	528,457,545
	824,393,770	528,457,545

## Notes to the Financial Statements

Year ended 31 March 2014

### 9. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2013 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2014 Rs.
<b>9.1 Gross Carrying Amounts At Valuation</b>				
Building on Leasehold Land	2,107,411,145	3,476,003	-	2,110,887,148
	2,107,411,145	3,476,003	-	2,110,887,148
<b>At Cost</b>				
Medical Equipment	1,370,649,116	45,099,286	-	1,415,748,402
Office Equipment	68,539,134	8,471,700	(1,817,025)	75,193,809
Furniture and Fittings	89,912,709	5,817,564	-	95,730,273
Kitchen Equipment	14,455,451	765,287	-	15,220,738
Generators	27,605,125	4,049,930	-	31,655,055
Air Conditioners	79,016,443	7,376,916	-	86,393,359
House Keeping Equipment	24,515,639	490,149	-	25,005,788
Motor Vehicles - Brand New	41,018,569	3,700,000	-	44,718,569
Motor Vehicles - Reconditioned	3,723,704	-	(3,454,304)	269,400
Tools and Equipment	43,830,631	37,000	-	43,867,631
Fixtures and Fittings	116,861,448	574,405	-	117,435,853
Elevators	30,251,505	-	-	30,251,505
	1,910,379,474	76,382,237	(5,271,329)	1,981,490,382
<b>Total Value of Depreciable Assets</b>	4,017,790,619	79,858,240	(5,271,329)	4,092,377,530

**9. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

	<b>Balance as at 01.04.2013</b>	<b>Charge for the Year</b>	<b>Disposals</b>	<b>Balance as at 31.03.2014</b>
	Rs.	Rs.	Rs.	Rs.
<b>9.2 Depreciation</b>				
<b>At Valuation</b>				
Building on Leasehold Land	35,090,091	42,170,818	-	77,260,909
	35,090,091	42,170,818	-	77,260,909
<b>At Cost</b>				
Medical Equipment	714,319,496	134,428,250	-	848,747,746
Office Equipment	51,227,280	6,439,879	(1,626,309)	56,040,850
Furniture and Fittings	50,292,587	9,186,909	-	59,479,496
Kitchen Equipment	4,974,132	1,468,332	-	6,442,464
Generators	12,866,587	3,131,756	-	15,998,343
Air Conditioners	41,555,485	6,842,031	-	48,397,516
House Keeping Equipment	14,218,165	2,472,444	-	16,690,609
Motor Vehicles-Brand New	7,162,063	3,897,453	-	11,059,516
Motor Vehicles- Reconditioned	2,763,534	739,150	(3,339,161)	163,523
Tools and Equipment	42,319,042	329,877	-	42,648,919
Fixtures and Fittings	96,576,833	6,092,866	-	102,669,699
Elevators	13,907,776	3,025,150	-	16,932,926
	1,052,182,980	178,054,097	(4,965,470)	1,225,271,607
<b>Total Depreciation</b>	1,087,273,071	220,224,915	(4,965,470)	1,302,532,516

## Notes to the Financial Statements

Year ended 31 March 2014

### 9. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	2014 Rs.	2013 Rs.
<b>9.3 Net Book Values</b>		
<b>At Valuation</b>		
Building on Leasehold Land	2,033,626,239	2,072,321,054
<b>At Cost</b>		
Medical Equipment	567,000,656	656,329,620
Office Equipment	19,152,959	17,311,854
Furniture and Fittings	36,250,777	39,620,122
Kitchen Equipment	8,778,274	9,481,319
Generators	15,656,712	14,738,538
Air Conditioners	37,995,843	37,460,958
Housekeeping Equipment	8,315,179	10,297,474
Motor Vehicles-Brand New	33,659,053	33,856,506
Motor Vehicles-Reconditioned	105,877	960,170
Tools and Equipment	1,218,712	1,511,589
Fixtures and Fittings	14,766,154	20,284,615
Elevators	13,318,579	16,343,729
	756,218,775	858,196,494
<b>Total Carrying Amount of Property, Plant and Equipment</b>	2,789,845,014	2,930,517,548

9.4 During the year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.79,858,240/- (2013 -161,994,588/-). Cash payments amounting to Rs.79,858,240/- (2013-Rs.161,994,588/-) were made during the year for purchase of Property, Plant and Equipment.

9.5 The fair value of buildings were determined by means of a revaluation during the financial year 2012/ 2013. Asiri Surgical Hospital PLC located at 21, Kirimandala Mawatha, Colombo 05 was revalued at Rs.2,101,936,000/-. The valuation was carried out by Messrs. P B. Kalugalagedara & Associates an independent chartered valuation surveyor. The Valuer's assessment is based on reference made to depreciated replacement cost of the above buildings. The results of such revaluation were incorporated in the Financial Statements from its effective date which is 31 May 2012. The surplus arising from the revaluation was transferred to a revaluation reserve in Equity.



## 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 instalments.

	<b>2014/2013</b>
Buildings on Leasehold Land	Over 50 Years
Medical Equipment	Over 10 Years
Office Equipment	Over 5 Years
Furniture and Fittings	Over 10 Years
Kitchen Equipment	Over 10 Years
Generators	Over 10 Years
Air Conditioners	Over 10 Years
Housekeeping Equipment	Over 10 Years
Motor Vehicles-Reconditioned	Over 5 Years
Motor Vehicles-Brand New	Over 8 Years (residual value 20 %)
Tools and Equipment	Over 10 Years
Fixtures and Fittings	Over 10 Years
Elevators	Over 10 Years

<b>Class of Asset</b>	<b>Cost</b> Rs.	<b>Cumulative Depreciation If assets were Carried at cost</b> Rs.	<b>Net Carrying Amount 2014</b> Rs.	<b>Net Carrying Amount 2013</b> Rs.
Building on Leasehold Land	968,642,584	154,982,813	813,659,771	833,032,622
	968,642,584	154,982,813	813,659,771	833,032,622

## Notes to the Financial Statements

Year ended 31 March 2014

### 10. LEASEHOLD PROPERTY/ RIGHT-TO-USE OF LAND

	2014 Rs.	2013 Rs.
Balance as at the Beginning of the Year	89,349,111	90,386,044
Amortization for the Year	(1,036,933)	(1,036,933)
Balance as at the End of the Year	88,312,178	89,349,111

**10.1** 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 Alternate Treatment (SoAT) issued by Institute of Chartered Accountants of Sri Lanka dated 19 December 2012.

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.

### 11. FINANCIAL ASSETS AND LIABILITIES-FAIR VALUE HIERARCHY

As at 31 March 2014, the Company held the following financial instruments carried at fair value on the statement of financial position: The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

### 11.1 Liability Measured at Fair Value

		<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Rs.	Rs.	Rs.	Rs.
Foreign Exchange Forward Contracts	Liability	-	-	-	-
		<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		Rs.	Rs.	Rs.	Rs.
Foreign Exchange Forward Contracts	Liability	39,010	-	39,010	-

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

"Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>				
Trade and Other Receivables	181,398,329	1,205,391,028	181,398,329	1,205,391,028
Loans Granted to Related Parties	1,153,433,135	130,686,042	1,153,433,135	130,686,042
Cash and Short Term Deposits	29,012,653	44,928,890	29,012,653	44,928,890
<b>Total</b>	<b>1,363,844,118</b>	<b>1,381,005,960</b>	<b>1,363,844,118</b>	<b>1,381,005,960</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	185,701,284	166,727,420	185,701,284	166,727,420
Loans and Borrowings-Current	767,414,181	434,866,972	767,414,181	434,866,972
Loans and Borrowings-Non Current	271,721,574	383,852,765	229,887,106	335,660,632
<b>Total</b>	<b>1,224,837,039</b>	<b>985,447,157</b>	<b>1,183,002,571</b>	<b>937,255,024</b>

## Notes to the Financial Statements

Year ended 31 March 2014

	<b>2014</b> Rs.	<b>2013</b> Rs.
<b>12. INVENTORIES</b>		
Pharmaceuticals	29,760,216	27,125,443
Surgical	82,263,702	74,097,134
Genetic Lab	6,779,884	9,237,219
X-Ray and Radiology Consumables	5,389,540	1,541,187
Kitchen/ Canteen	777,859	1,147,810
House Keeping Consumables	165,061	891,360
Stationery	7,460,830	6,942,996
Others	5,738,718	6,316,879
	<b>138,335,811</b>	<b>127,300,028</b>
<b>13. TRADE AND OTHER RECEIVABLES</b>		
Trade Debtors (Note 13.1)	116,961,845	86,814,518
Less: Provision for Bad Debts	(4,282,321)	(9,566,923)
	112,679,524	77,247,595
Other Debtors-Related Parties (Note 13.2)	68,718,805	1,128,143,433
	<b>181,398,329</b>	<b>1,205,391,028</b>
Advances and Prepayments	96,634,991	53,624,368
Loans Granted to Related Parties (Note 13.2)	1,153,433,135	130,686,042

**13.1** 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:

	<b>Total</b> Rs.	<b>Neither Past Due Nor Impaired</b> Rs.	<b>Past Due but Not Impaired</b>			<b>Past Due Impaired</b>	
			<b>30-60 Days</b> Rs.	<b>61-90 Days</b> Rs.	<b>91-180 Days</b> Rs.	<b>181-365 Days</b> Rs.	<b>&gt; 365 Days</b> Rs.
<b>2014</b>							
Gross Trade Receivables	116,961,846	61,141,598	24,118,740	12,510,987	14,698,292	1,292,984	3,199,244
Less- Impairment	(4,282,321)	-	-	-	-	(1,083,077)	(3,199,244)
	112,679,525	61,141,598	24,118,740	12,510,987	14,698,292	209,907	-
<b>2013</b>							
Gross Trade Receivables	86,814,518	46,571,066	13,052,465	6,131,905	8,071,904	7,134,378	5,852,800
Less- Impairment	(9,566,923)	-	-	-	-	(3,714,123)	(5,852,800)
	77,247,595	46,571,066	13,052,465	6,131,905	8,071,904	3,420,255	-

**13.2 Other Debtors-Related Parties**

	<b>Relationship</b>	<b>2014</b> Rs.	<b>2013</b> Rs.
Asiri Hospital Holdings PLC (Note 13.2.a )	Parent Company	21,544,476	998,037,862
Asiri Central Hospitals PLC	Fellow Subsidiary	45,436,934	127,925,856
Asiri Diagnostics Services (Private) Limited	Fellow Subsidiary	-	390,665
Asiri Hospital Kandy (Private) Limited	Fellow Subsidiary	1,737,395	1,737,395
Asiri Hospital Matara (Private) Limited	Fellow Subsidiary	-	51,655
		68,718,805	1,128,143,433
<b>Loans Granted to Related Parties</b>			
Asiri Hospital Holdings PLC (Note 13.2.a )	Parent Company	911,631,415	-
Softlogic Retail (Private) Limited	Affiliate Company	35,962,474	32,875,413
Softlogic Holdings PLC	Ultimate Parent	107,888,811	97,810,629
Central Hospital Limited	Fellow Subsidiary	4,365,435	-
Asiri Central Hospitals PLC	Fellow Subsidiary	93,585,000	-
		1,153,433,135	130,686,042

## Notes to the Financial Statements

Year ended 31 March 2014

### 13. TRADE AND OTHER RECEIVABLES (Contd.)

**13.2.a** The balance due from Asiri Hospital Holdings PLC amounting to Rs.813,931,248/- has been transferred to Loans due from related parties from June 2013 and the outstanding balance represents the amounts transferred along with accrued interest as at 31 March 2014.

### 14. STATED CAPITAL

	2014		2013	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares (Note 14.1)	528,457,545	1,393,327,565	528,457,545	1,393,327,565
		1,393,327,565		1,393,327,565
<b>14.1 Fully Paid Ordinary Shares</b>				
Balance at Beginning of the Year	528,457,545	1,393,327,565	528,457,545	1,183,327,565
Transfer of Carrying Value of Repurchased Preference Shares	-	-	-	210,000,000
Balance at End of the Year	528,457,545	1,393,327,565	528,457,545	1,393,327,565
<b>14.2 Fully Paid Cumulative Non Redeemable Preference Shares</b>				
Balance at Beginning of the Year	-	-	210,000,000	210,000,000
Transfer of Carrying Value of Repurchased Preference Shares	-	-	(210,000,000)	(210,000,000)
Balance at End of the Year	-	-	-	-

In 2013, 210,000,000 unlisted preference shares issued to Asiri Hospital Holdings PLC were repurchased by the Company at a price per share of Rs.7.06 amounting to a total sum of Rs.1,482,600,000.

### 15. REVALUATION RESERVE

	2014 Rs.	2013 Rs.
<b>On Buildings</b>		
As at 1 April	1,101,419,969	-
Revaluation Surplus during the Year	-	1,251,613,601
Deferred Tax Effect on Revaluation	-	(150,193,632)
As at 31 March	1,101,419,969	1,101,419,969

## 16. AMOUNT DUE ON LEASEHOLD PROPERTY

	Amount Repayable Within 1 Year Rs.	2014 Amount Repayable Within 2-5 Years Rs.	Amount Repayable After 5 Years Rs.	2014 Total Rs.	2013 Total Rs.
<b>Payable to the Board of Investment of Sri Lanka</b>					
Gross Liability on Leasehold Land	4,275,600	17,102,400	23,159,500	44,537,500	48,813,100
Less: Finance Charges Allocated to Future Periods	(203,600)	(814,400)	(1,102,833)	(2,120,833)	(2,324,433)
Net Liability on Leasehold Land	4,072,000	16,288,000	22,056,667	42,416,667	46,488,667

### 16.1 Terms of Repayment-Board of Investment of Sri Lanka (BOI)

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

**16.1.2** 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 (i.e. after the financial year of 2013/14) and every 5 years thereafter at the maximum allowed rate of 10%, the Company would have to incur a gross liability of Rs.113,100,004/- including future finance costs of Rs.8,567,470/-.

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

## 17. INTEREST BEARING LOANS AND BORROWINGS

	2014 Amount Repayable Within 1 Year Rs.	2014 Amount Repayable After 1 Year Rs.	2014 Total Rs.	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.
Long Term Loans	122,602,729	271,721,574	394,324,303	189,341,206	383,852,765	573,193,971
Bank Overdraft (Note 20.2)	644,811,452	-	644,811,452	245,525,766	-	245,525,766
	767,414,181	271,721,574	1,039,135,755	434,866,972	383,852,765	818,719,737

## Notes to the Financial Statements

Year ended 31 March 2014

### 17. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

#### 17.2 Bank Loans

	<b>Bank Loans 01.04.2013</b>	<b>As at Obtained</b>	<b>Loans Accrued</b>	<b>Interest Repayments</b>	<b>Exchange Difference</b>	<b>As at 31.03.2014</b>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Commercial Bank of Ceylon PLC	55,000,000	-	3,559,594	(45,399,594)	-	13,160,000
Hatton National Bank PLC	9,700,000	20,115,750	631,770	(30,447,520)	-	-
DFCC Bank	261,160,393	-	26,291,685	(130,719,655)	-	156,732,423
International Finance Corporation	247,333,578	-	14,296,872	(43,300,924)	6,102,354	224,431,880
	573,193,971	20,115,750	44,779,922	(249,867,694)	6,102,354	394,324,303

#### 17.3 Details of the Long Term Loans;

<b>Details of the Long Term Loans;</b>	<b>Approved Facility</b>	<b>Repayment Terms</b>	<b>Security</b>	<b>Security Amount Rs.</b>
Commercial Bank of Ceylon PLC	Rs.100 Million	59 equal monthly instalments with one year grace period commencing from 25th December 2009	Primary Mortgage over machinery to be imported and Corporate Guarantee from Asiri Hospital Holdings PLC	250 Million
DFCC Bank	Rs.200 Million	59 equal monthly instalments (capital) after a grace period of one month commencing from date of first disbursement	66,000,000 ordinary shares of Asiri Surgical Hospital PLC held by Asiri Hospital Holdings PLC	200 Million
DFCC Bank	Rs.200 Million	59 equal monthly instalments after a grace period of one month from the date of first disbursement	Corporate Guarantee from Asiri Hospital Holdings PLC and Assignment over 66,000,000 Asiri Surgical Hospital PLC shares held by Asiri Hospital Holdings PLC	200 Million
DFCC Bank	Rs.100 Million	56 equal monthly instalments after a grace period of 4 months from the date of first disbursement	Corporate Guarantee from Asiri Hospital Holdings PLC bearing registration No:PQ204 Primary mortgage over movable machinery	100 Million
International Finance Corporation	USD 1.9 Million	17 equal semi annual instalments starting from 15 April 2013	Refer Note 17.4	



#### 17.4 Group IFC Loan Security Details

A sum of USD 16,000,000 to be secured by a primary mortgage in respect of leasehold rights over the property at Kirimandala Mawatha, Narahenpita belonging to Asiri Surgical Hospital PLC and a primary additional security mortgage in respect of the property at Norris Canal Road, Colombo 10 belonging to The Central Hospital Limited ranking concurrently and pari passu with the existing mortgage in respect of such property as further and additional security.

A sum of USD 4,000,000 to be secured by a primary mortgage in respect of all shares of The Central Hospital Limited, Asiri Diagnostics Services (Private) Limited and Asiri Hospital Matara (Private) Limited belonging to Asiri Hospital Holdings PLC, a primary additional security mortgage in respect of all shares of The Central Hospital Limited belonging to Asiri Central Hospitals PLC, a primary additional security mortgage in respect of movable assets belonging to Asiri Surgical Hospital PLC, and a primary additional security mortgage in respect of movable assets belonging to The Central Hospital Limited.

#### 18. RETIREMENT BENEFIT LIABILITY

	2014 Rs.	2013 Rs.
<b>18.1 Retirement Benefit Obligations- Gratuity</b>		
Defined Benefit Obligation at the Beginning of the Year	23,978,884	23,975,939
Interest Charge for the Year	2,637,677	2,553,598
Current Service Cost	7,385,643	5,887,445
Actuarial (Gain)/Loss	5,847,231	(5,815,055)
Benefit Paid During the Year	(3,044,030)	(2,623,043)
<b>Defined Benefit Obligation at the End of the year</b>	<b>36,805,405</b>	<b>23,978,884</b>
Interest Charge for the Year	2,637,677	2,553,598
Current Service Cost	7,385,643	5,887,445
Actuarial (Gain)/ Loss	5,847,231	(5,815,055)
	15,870,551	2,625,988

## Notes to the Financial Statements

Year ended 31 March 2014

### 18. RETIREMENT BENEFIT LIABILITY (Contd.)

**18.2** 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:

	2014	2013
Discount Rate	11%p.a	11%p.a
Salary Increases	10%p.a	10%p.a
Staff Turnover Rate	Up to 50 years-10%	Up to 50 years-10%

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

**18.3** 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	Rs.
Effect on Retirement Benefit Obligation due to 1% increase in discount rate (i.e. 12%)	(2,284,183)
Effect on Retirement Benefit Obligation 1% decrease in discount rate (i.e. 10%)	2,588,187
Salary Escalation Rate as at 31 March	Rs.
Effect on Retirement Benefit Obligation 1% increase in Salary Escalation rate (i.e. 11%)	2,752,013
Effect on Retirement Benefit Obligation 1% decrease in Salary Escalation rate (i.e. 9%)	(2,467,572)

**19. TRADE AND OTHER PAYABLES**

		<b>2014</b>	<b>2013</b>
		Rs.	Rs.
Trade Payables		117,082,767	107,585,150
Other Payable-Related Party (Note 19.1)		1,623,109	-
Other Liabilities (Note 19.2)		-	39,010
Sundry Creditors Including Accrued Expenses		66,995,408	59,103,260
		<b>185,701,284</b>	<b>166,727,420</b>
<b>19.1 Other Payable-Related Party</b>			
	<b>Relationship</b>		
Asiri Hospital Matara (Private) Limited	Fellow Subsidiary	215,835	-
Asiri Diagnostics Services (Private) Limited	Fellow Subsidiary	1,307,436	-
The Central Hospital Limited	Fellow Subsidiary	99,838	-
		<b>1,623,109</b>	<b>-</b>
<b>19.2 Other Liabilities</b>			
Unrealised Exchange Gain from Forward Contracts		-	39,010
		<b>-</b>	<b>39,010</b>

\*The Forward Contracts entered in to by the Company which remain outstanding as at the reporting date have been fair valued.  
The above balance represents the liability whilst the corresponding gains have been considered in arriving at profit/ loss for the year.

**20. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT**

<b>Components of Cash and Cash Equivalents</b>		<b>2014</b>	<b>2013</b>
		Rs.	Rs.
<b>20.1 Favourable Cash and Cash Equivalents Balance</b>			
Cash and Bank Balances		29,012,653	44,928,890
		<b>29,012,653</b>	<b>44,928,890</b>
<b>20.2 Unfavourable Cash and Cash Equivalents Balance</b>			
Bank Overdraft		(644,811,452)	(245,525,766)
Total Cash and Cash Equivalents for the Purposes of the Cash Flow Statement		<b>(615,798,799)</b>	<b>(200,596,876)</b>

## Notes to the Financial Statements

Year ended 31 March 2014

### 21. COMMITMENTS AND CONTINGENCIES

#### 21.1 Capital Expenditure and Other Commitments

##### 21.1.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at 31 March 2014. (2013- Nil).

##### 21.1.2 Other Commitments

As at 31 March 2014, outstanding Currency Forward Agreements amount to Rs.102,879,551/- (USD 782,354) [2013- Rs.172,163,123/- (USD 1,300,326)]. These agreements were entered into in March 2014 and will be matured in April 2014.

### 21.2 Contingent Liabilities

#### a. Legal Claims

Pending litigations against the Company with a maximum liability of Rs.50 Mn exist as at the reporting date. (2013- Nil)

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 advance effect on the results of 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.

	2014 Rs. Mn.	2013 Rs. Mn.
Sampath Bank PLC	60	60
Seylan Bank PLC	-	25
Nations Trust Bank PLC	378	378
Hatton National Bank PLC	180	180
Commercial Bank of Ceylon PLC	1,430	380
	2,048	1,023

## 22. ASSETS PLEDGED

The following assets have been pledged as security for liabilities:

<b>Nature of Assets</b>	<b>Nature of liability</b>	<b>Carrying 2014 Rs.</b>	<b>Amount Pledge 2013 Rs.</b>
Leasehold Land and Buildings	"Primary/Secondary Mortgage Bond for Loans and Borrowings"	-	2,072,321,054
Medical Equipment (CT Scanner)	Primary Mortgage Bond for Loans and Borrowing	43,301,226	55,110,651
Medical Equipment (PET Scanner)	Primary Mortgage Bond for Loans and Borrowing	93,895,313	105,881,949
		137,196,539	2,233,313,654

Refer Note 17.3 and Note 17.4 to these financial statements for assets pledged.

## 23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after 31 March 2014 that require adjustments to or disclosure in the financial statements.

## Notes to the Financial Statements

Year ended 31 March 2014

### 24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

#### 24.1 Transactions with Parent and Related Entities

##### 24.1.1

Nature of Transaction	Softlogic Holdings PLC Ultimate Parent Company	
	2014 Rs.	2013 Rs.
As at 1 April	97,810,629	-
Repayment of Temporary Finance Obtained and Fund Transfers	-	-
Temporary Finance Granted	-	85,000,000
Interest Charged	10,078,183	12,811,480
Sale/(Purchase) of Goods/ Services including Staff Related Items	-	-
Channelling Fee Collected by Related Party/ (Company on behalf of the Related Party)	-	-
Expenses Incurred by the Company on behalf of Related Party	-	(851)
Repurchase of Preference Shares	-	-
Disposal of Asiri Central Hospitals PLC and The Central Hospital Limited Investments	-	-
Settlements of Sales Proceed from Disposal of Asiri Central Hospitals PLC and The Central Hospital Limited Investments	-	-
As at 31 March	107,888,812	97,810,629
Included under Trade and Other Receivables	-	-
Included Under Loans Granted to Related Parties	107,888,812	97,810,629
Included under Trade and Other Payables	-	-
	107,888,812	97,810,629

\* Affiliate Companies include Asiri Hospital Matara (Private) Limited, Asiri Central Hospitals PLC, Asiri Diagnostics Services (Private) Limited, Asiri Hospital Kandy (Private) Limited, The Central Hospital Limited and Softlogic Retail (Private) Limited.

**24.1.2** During the year, the Company has paid Dividends of Rs.607,451,082/- to Asiri Hospital Holdings PLC for ordinary shares.

**24.1.3** During the current financial year, Company has paid Rs.31,666,570/- to Softlogic Holdings PLC to be remitted to Aitken Spence PLC for the implementation of new ERP system.

<b>Asiri Hospitals Holdings PLC Parent Company</b>		<b>Transactions with Affiliate Companies*</b>		<b>Total</b>	
<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
998,037,863	362,101,781	162,980,984	299,710,665	1,258,829,475	661,812,446
(1,207,931,248)	(707,089,225)	(126,329,488)	(224,632,000)	(1,334,260,736)	(931,721,225)
1,117,931,248	2,760,085,467	101,718,826	28,945,034	1,219,650,074	2,874,030,501
97,702,066	67,940,454	14,617,514	26,655,927	122,397,763	107,407,861
10,918,759	14,728,294	18,179,641	19,375,161	29,098,400	34,103,455
9,140,854	13,405,350	312,550	353,700	9,453,404	13,759,050
(92,623,651)	(30,534,259)	7,984,104	12,572,497	(84,639,547)	(17,962,613)
-	(1,482,600,000)	-	-	-	(1,482,600,000)
-	2,211,720,363	-	-	-	2,211,720,363
-	(2,211,720,363)	-	-	-	(2,211,720,363)
933,175,891	998,037,862	179,464,129	162,980,984	1,220,528,831	1,258,829,475
21,544,476	998,037,862	47,174,329	130,105,571	68,718,805	1,128,143,433
911,631,415	-	133,912,909	32,875,413	1,153,433,135	130,686,042
-	-	(1,623,109)	-	(1,623,109)	-
933,175,891	998,037,862	179,464,129	162,980,984	1,220,528,831	1,258,829,475

## Notes to the Financial Statements

Year ended 31 March 2014

### 24. RELATED PARTY DISCLOSURES (Contd...)

#### 24.2 Off Balance Sheet Items

- a. Guarantees made on behalf of Asiri Hospital Holdings PLC, has been given in Note 21.2(b) to these Financial Statements.
- b. Asiri Hospital Holdings PLC has granted Corporate Guarantees to Commercial Bank of Ceylon PLC, DFCC Bank and Hatton National Bank PLC to secure the banking facilities obtained by the Company, for the value of Rs.700 Mn, Rs.500 Mn and Rs.100 Mn respectively.
- c. Refer Note 17.3 to these Financial Statements for assets pledged by Asiri Hospital Holdings PLC to DFCC Bank in order to obtain a loan of Rs.200Mn by Asiri Surgical Hospital PLC.

#### 24.3 Transactions with Key Management Personnel of the Company to its Parent

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

##### 24.3.1 Key Management Personnel Compensation

	2014 Rs.	2013 Rs.
Short Term Employment Benefits	4,200,000	12,209,415
Total Compensation Paid to Key Management Personnel	4,200,000	12,209,415

##### 24.3.2 Share Transactions

The directors of the company hold 17,133 shares of Asiri Surgical Hospital PLC as at 31 March 2014.(2013- 167,147)

##### 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 2014 Rs.	Services (Obtained)/ Rendered 2013 Rs.
Softlogic Computers (Private) Limited	Purchase of Computers and Accessories	(358,176)	(870,304)
Softlogic Information Systems (Private) Limited	Software Maintenance	-	(157,000)
Softlogic Communication (Private) Limited	Purchase of Mobile Phones	(541,702)	(357,380)
Softlogic Information Technologies (Private) Limited	Purchase of Computers and Accessories	(5,428,336)	(3,683,200)
Softlogic Corporate Services (Private) Limited	Secretarial Services	(874,200)	-
Softlogic Retail (Private) Limited	Purchase of Computers and Software Accessories & Electronic Equipment	(11,322,170)	(4,946,957)
Future Automobiles (Private) Limited	Purchase of Motor Vehicles	(3,700,000)	-



#### **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 minimize the impact.

The key financial risks include service quality and reputation risk, 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:

##### **Service Quality and Reputation Risk**

"The Company has systems to ensure the provision of quality service to its patients so that they are satisfied and retained. In today's world, a sound reputation has become an organization's most valuable asset. "Asiri" has developed into a leading household brand name. The Company has recognized the need to protect itself from loss of reputation and against sanctions arising from non-compliance with laws, regulations and ethical standards. Though adequate insurance cover is available, losses could arise due to patients who resort to legal action for professional negligence.

##### **Operational Risk**

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

Regular reviews are done to ensure that the systems introduced function effectively and the impact, if any, on the performance of the assets of the Company.

##### **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 minimize the non-collection of bills.

## Notes to the Financial Statements

*Year ended 31 March 2014*

### **25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)**

#### **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 Lankan Rupee. The Company has obtained a foreign currency loan from International Finance Corporation (IFC). Obtained facilities from Commercial banks to hedge against a major part of the loan.

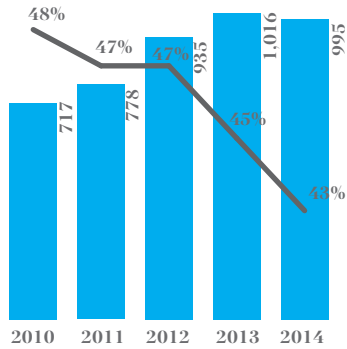
#### **Investment Risk**

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**

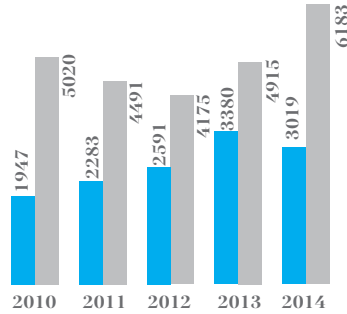
Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's covenant compliance and compliance with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

# Graphical Review



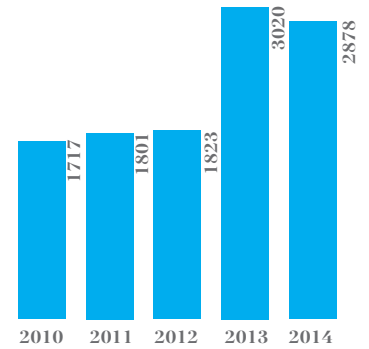
## Gross Profit

- Gross Profit
- Gross Profit Margin



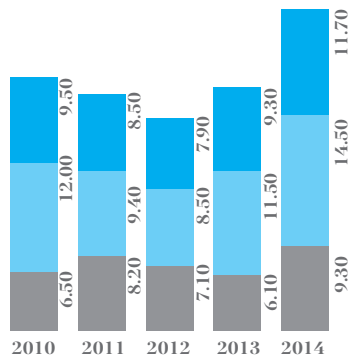
## Total Equity Vs. Market Capitalization

- Total Equity
- Market Capitalization



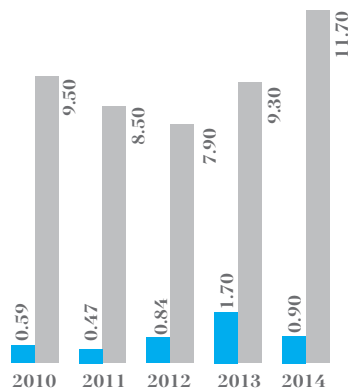
## Property Plant & Equipment

- Property Plant & Equipment



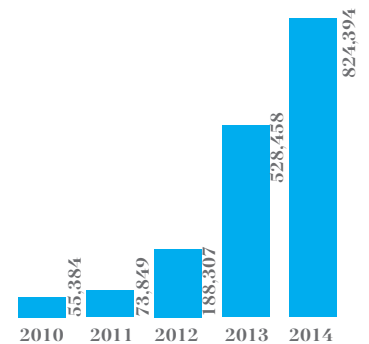
## Share Price

- Low
- High
- Price Last Traded



## Earnings and Market Value

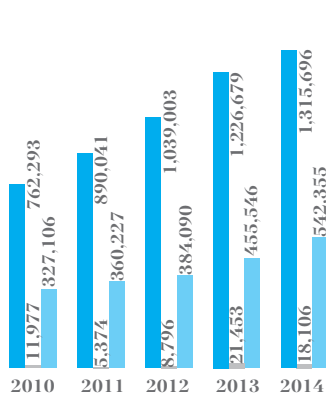
- Earnings Per Share
- Market Price Per Share



## Dividends Paid

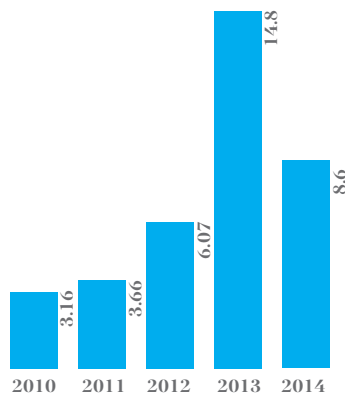
- Dividends

## Graphical Review



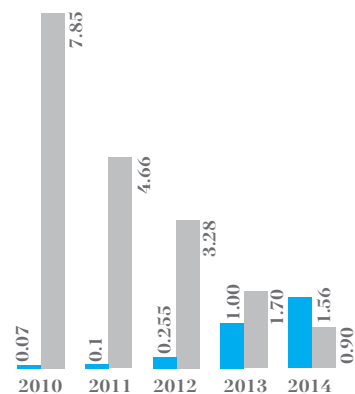
### Expense Analysis

- Cost of Services
- Distribution Expenses
- Administration Expenses



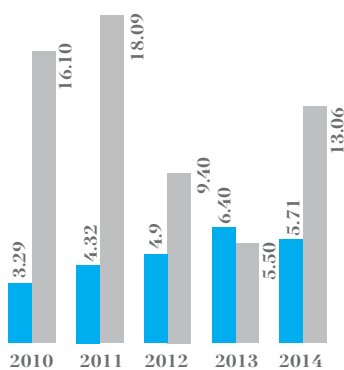
### Interest Cover

- Interest Cover



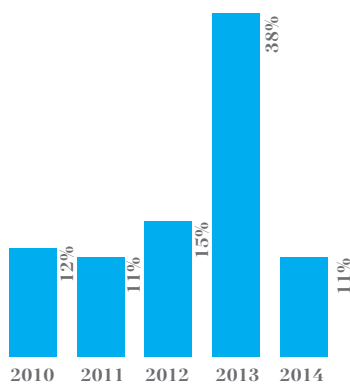
### Dividends

- Dividends
- Dividend Cover



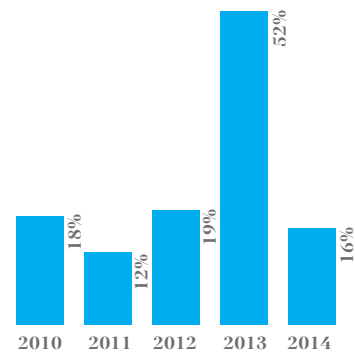
### Share Value

- Net Assets Per Share
- P/E Ratio



### Return On Capital Employed

- Return On Capital Employed



### Return On Equity

- Return On Equity

## Economic Value Added Statement

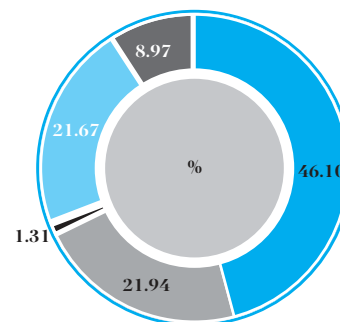
	2013/14		2012/13	
	%	Rs.'000	Rs.'000	%
<b>Direct economic value generated</b>				
Revenue		2,310,429	2,242,969	
Other Income		11,166	1,252,965	
Finance Income		132,260	113,253	
Share of loss of an Associate		-	(12,324)	
		2,453,854	3,596,863	
<b>Economic Value Distributed</b>	%			%
Operating Cost	46.10	1,131,329	1,096,285	30.48
<b>Employees</b>				
Employee wages & Benefits	21.94	538,316	404,954	11.26
Government				
All Taxes	1.31	32,170	21,584	0.60
<b>Capital Providers</b>				
Interest on loan	2.38	58,480	107,763	3.00
Shareholders	19.29	473,335	528,458	14.69
<b>Expansion and Growth</b>				
Depreciation	8.97	220,225	215,477	5.99
Retained Profit	-	-	1,222,342	33.98
	100.00	2,453,854	3,596,863	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 2013/14, the company created a total wealth of Rs. 2.453 billion.

### Economic Value Added Statement



- Operating Cost
- Employees
- Government
- Capital Providers
- Expansion and Growth

## 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, 2014 and copies of this annual report have been submitted to the Colombo Stock Exchange

### Distribution of Shareholders

Shareholdings				3/31/14			3/31/13		
				No of Shareholders	No of Holding	Holding %	No of Shareholders	No of Holding	No of Holding %
1	to	1000	shares	1,579	469,842	0.09	1,451	440,633	0.08
1001	to	10,000	shares	771	3,277,678	0.62	742	3,078,214	0.58
10001	to	100,000	shares	503	14,780,832	2.80	495	14,297,427	2.71
100001	to	1,000,000	shares	97	27,032,795	5.12	98	27,103,392	5.13
Over		1,000,001	shares	14	482,896,398	91.38	13	483,537,879	91.5
Total				2,964	528,457,545	100.00	2,799	528,457,545	100.00
<b>Composition of Shareholders</b>									
Individual				2,904	133,430,330	25.25	2,735	132,430,604	25.06
Institutional				60	395,027,215	74.75	64	396,026,941	74.94
Total				2,964	528,457,545	100.00	2,799	528,457,545	100.00
Resident				2,944	528,354,209	99.98	2,777	528,353,244	99.98
Non-Resident				20	103,336	0.02	22	104,301	0.02
Total				2,964	528,457,545	100.00	2,799	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 2014		31st March 2013	
			%		%
1	Asiri Hospital Holdings PLC	389,391,719	73.68	389,313,154	73.67
2	Mr. D. K. Subasinghe/Mrs. S. N. Subasinghe	49,514,793	9.37	49,666,679	9.40
3	Mr. P. P. Subasinghe	8,688,959	1.64	8,625,014	1.63
4	Mrs. N. Weerasinghe	7,500,015	1.42	7,500,015	1.42
5	Mrs. N. Weerasinghe/Miss L. I. Weerasinghe	7,499,999	1.42	7,499,999	1.42
6	Mrs. N. Weerasinghe/Miss. T. T. Weerasinghe	7,499,999	1.42	7,499,999	1.42
7	Mr. D. M. Rajapaksa	3,388,622	0.64	3,388,622	0.64
8	Mr. M. D. N. Jayaratne/Mrs. H. C. D. Jayaratne	2,249,998	0.43	2,249,998	0.43
9	Mr. M. R. Weerasinghe	2,000,000	0.38	2,000,000	0.38
10	Miss. Chandani Vishaka Subasinghe	1,333,333	0.25	1,333,333	0.25
11	Mrs. Menaka Priyadarsani Rajapakse	1,333,333	0.25	1,333,333	0.25
12	Employee Trust Fund Board	1,322,295	0.25	1,954,400	0.37
13	Mr. Edirisingha Chandrasekara	1,173,333	0.22	1,173,333	0.22
14	Bank of Ceylon	1,000,000	0.19	1,000,000	0.19
15	Dr. Dammearchchi Anuja Somaratne	862,499	0.16	862,499	0.16
16	Mr. Chaminda Dilantha Weerasinghe(Deceased)	833,333	0.16	833,333	0.16
17	Mr Uditha Harilal Palihakkara /Mrs. D. S. Palihakkara	824,187	0.16	824,187	0.16
18	Dr. Himali Rangika Jayasekara Gunawardena	749,999	0.14	749,999	0.14
19	Dr. W. M. Swarnamali Welagedara	749,999	0.14	749,999	0.14
20	Ruhunu Cables (Private)Limited	749,999	0.14	749,999	0.14
		488,666,414	92.46	489,307,895	92.59
	Shares held by the other shareholdings	39,791,131	7.54	39,149,650	7.41
	Total No. of Shares issued	528,457,545	100.00	528,457,545	100.00
	Public Shareholding	139,048,793	26.31	139,127,258	26.33

## Share Trading

	2013/14		2012/13	
Market Price (Rs.)				
Highest	14.50	(3/01/14)	11.50	(19/03/13)
Lowest	9.30	(23/04/13)	6.10	(14/05/12)
As at year end	11.70	(31/03/14)	9.30	(28/03/13)
No of Trades	4174		3149	
No of Shares Traded	10,656,199		148,086,147	
Value of the Shares Traded (Rs.)	128,251,899		1,319,767,891	
Earnings per Share (Rs.)	0.90		1.70	
Dividends per Share (Rs.)	1.56		1.00	
Net Assets per Ordinary Share (Rs.)	5.71		6.40	

## Five Year Summary

Year ended 31 March 2014 Rs.'000	2014	2013	2012	2011	2010
<b>Income Statements</b>					
Revenue	2,310,429	2,242,969	1,973,666	1,668,484	1,479,344
Cost of Services	(1,315,696)	(1,226,679)	(1,039,003)	(890,041)	(762,293)
Gross Profit	994,733	1,016,290	934,663	778,443	717,051
Other Income and Gains	11,166	1,252,965	8,327	11,054	6,365
Administration and Distribution Expenses	(560,461)	(476,999)	(392,885)	(365,601)	(339,083)
Finance Cost	(66,091)	(127,953)	(97,609)	(103,119)	(152,944)
Finance Income	132,260	113,253	21,889	10,809	3,486
Share of Profit/(Loss) of Associate	-	(12,324)	36,181	(57,738)	(9,476)
Net Trading Income/ (Expenses)	-	-	21,426	-	-
Net Exchange Gain/ (Loss)	(6,102)	2,034	(38,214)	-	-
Net Gain on Deemed Disposal of Investment	-	-	-	-	104,283
Profit before Tax	505,505	1,767,266	493,778	273,848	330,183
Income Tax (Expense) Reversal	(32,170)	(21,584)	1,902	(6,619)	(3,347)
Net Profit for the year	473,335	1,745,683	495,680	267,226	326,836
<b>Balance Sheet</b>					
Property Plant & Equipment	2,878,157	3,019,867	1,822,772	1,800,963	1,815,673
Deferred Tax Asset	-	-	10,586	8,420	-
Investment in Associates	-	-	763,176	726,994	784,733
Available for Sale Investments	-	-	270,021	270,021	216,973
Inventories	138,336	127,300	120,286	105,886	113,673
Receivables	1,431,466	1,389,701	890,072	417,431	130,697
Cash and Cash Equivalents	29,013	44,929	20,605	13,218	22,915
Total Assets	4,476,972	4,581,797	3,897,517	3,342,933	3,084,664
Stated Capital	1,393,327	1,393,327	1,393,328	1,393,328	1,393,328
Reserve	1,101,420	1,101,420	53,047	53,047	-
Retained Earnings	524,466	885,374	1,145,058	836,405	554,102
Total Equity	3,019,213	3,380,121	2,591,433	2,282,780	1,947,430
Amount due on Leasehold Property	42,417	46,489	50,561	55,674	59,946
Interest Bearing Long Term Liabilities	271,722	383,853	598,039	320,788	521,309
Deferred Tax Liability	132,660	137,288	-	-	-
Retirement Benefit Liability	36,805	23,979	23,976	19,038	12,538
Trade Payables	185,701	166,727	130,478	125,096	111,337
Other Payables	21,040	8,473	1,176	1,182	124
Interest Bearing Short Term Borrowings	767,414	434,867	501,854	538,374	432,180
Total Equity & Liabilities	4,476,972	4,581,797	3,897,517	3,342,933	3,084,664
<b>Cash Flow</b>					
Net Cash Flow from operating activities	549,273	307,816	190,261	280,459	312,928
Net Cash Flow used in Investing activities	47,487	2,010,484	(182,044)	(116,849)	(289,078)
PBIT/Turnover	25%	84%	31%	23%	33%
GP Margin	43%	45%	47%	47%	48%
Debts to Equity	36%	26%	44%	40%	52%



## Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Asiri Surgical Hospital PLC will be held at Hotel Janaki, Fife Road, Colombo 05 on Friday the 26th day of September 2014 at 11.30 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 2014 together with the Report of the Auditors thereon.
- 2) To ratify the Interim Dividend of Rs.1.56 per share paid on 28th March 2014 as the Final Dividend for the year ended 31st March 2014.
- 3) To re-elect Mr. G L H Premaratne who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.
- 4) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.
- 5) To authorize the Directors to determine and make donations for the year ending 31st March 2015 and up to the date of the next Annual General Meeting.

By Order of the Board

**SOFTLOGIC CORPORATE SERVICES (PVT) LTD**

(Sgd.)

SECRETARIES

*Colombo*

*30 July 2014*

### **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.



# 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 14th ANNUAL GENERAL MEETING OF THE COMPANY to be held at HOTEL JANAKI, Fife Road, Colombo 05 at 11.30 a.m. on Friday the 26th day of September 2014 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 2014 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To approve the interim dividend of Rs.1.56 per share paid on 28th March 2014 as the final dividend for the year ended 31st March 2014.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. G L H Premaratne who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-appoint retiring Auditors Messrs Ernst & Young and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5) To authorize the Directors to determine and make donations for the year ending 31st March 2015 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
 \*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.

### 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 : 4524400  
Email : info@asiri.lk  
Web : www.asiri.lk

**Legal form**

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

The Company has re-registered under the Companies Act 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 - *Director (Medical)/Chief Operating 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 Soflogic Corporate Services  
(Pvt) Ltd.  
No. 14, De Fonseka Place,  
Colombo 05.

**Stock Code**

AMSL.N0000

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