



# HIGH TECH soft touch



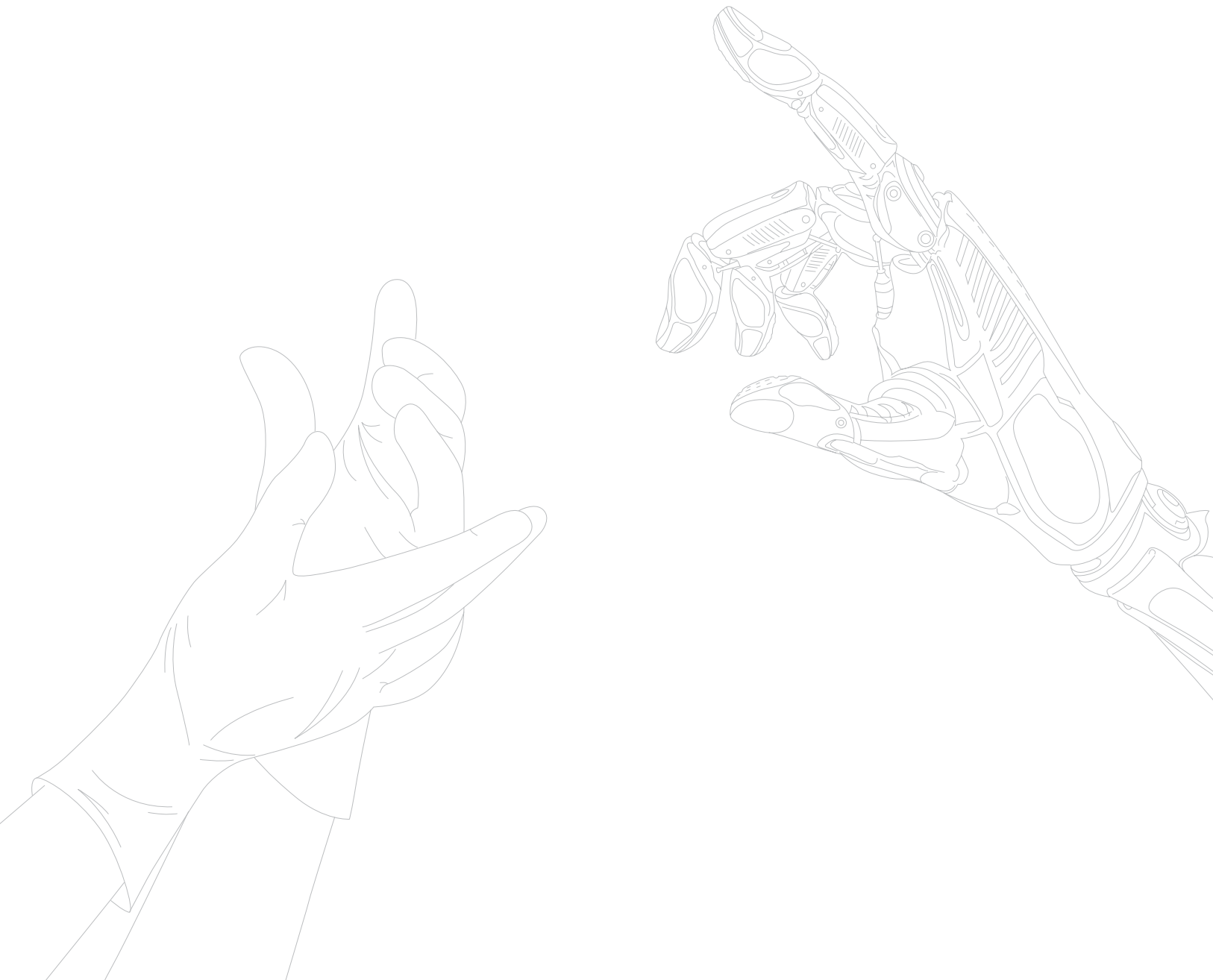




## **High Tech,** *Soft Touch*

*We remain the only surgical hospital in the country.*

*Our success has always hinged on how well we “married”  
state-of-the-art technology with caring and professionalism.*



# About Asiri Surgical

## Vision

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

## Mission

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

## Values

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

Asiri Surgical Hospital leads the field in specialised surgical care, a vital component of Asiri Health's proposition in Sri Lanka.

Fully geared to handle an array of surgeries, we provide a complete range of services under one roof. Driven by the latest technology and renowned for our dedicated nursing team, Asiri Surgical Hospital couples high-tech treatment with exemplary patient-care. We meet the highest standards for pre-surgical evaluation and diagnostics, employ a diverse and extremely qualified panel of surgeons, and ensure high-tech post-operation management.

At Asiri Surgical Hospital, we are continually improving processes, customising our care to meet changing needs, and optimising our patient experience; for truly world-class surgical care.

**135 beds**

**260 consultants**

**24-hour emergency treatment unit (ETU) and ambulance service**

**World-class Heart Centre and Comprehensive Cancer Care Centre**

**Centres of Excellence for Cardiology, Oncology, Orthopedics, Urology, and Gastropy**



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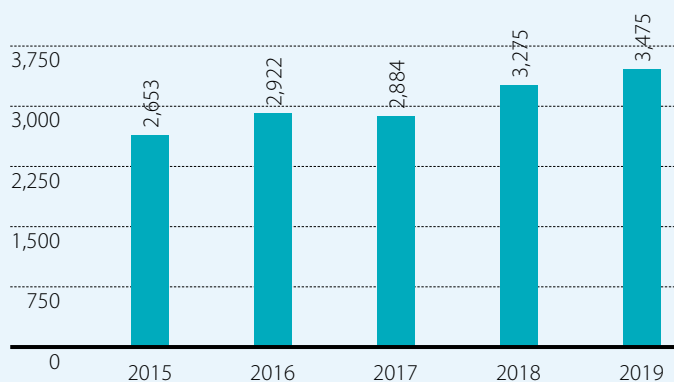


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this Annual Report*

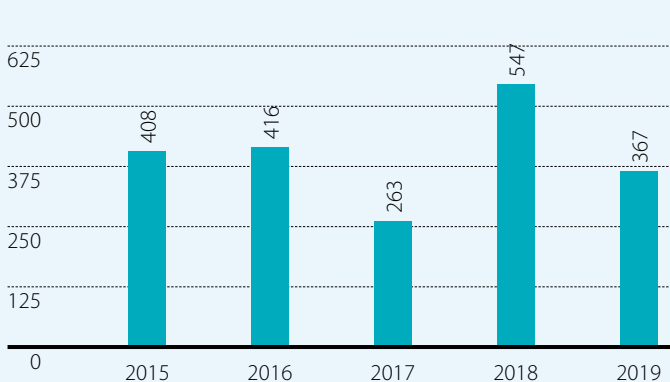
# Key Highlights

Year ended 31 March	2019 LKR '000	2018 LKR '000
<b>Operating results</b>		
Revenue	3,475,047	3,275,349
Profit before interest and tax	665,174	797,782
Profit after tax	366,515	546,603
Return on equity (%)	10.19	15.32
<b>Balance sheet highlights</b>		
Total assets	5,864,581	4,899,129
Total equity	3,596,437	3,567,752
<b>Shareholder information</b>		
Earnings per share	0.69	1.03
Net assets per share	6.81	6.75
Dividend per share	0.50	0.85
Share price (31 March)	9.50	10.20

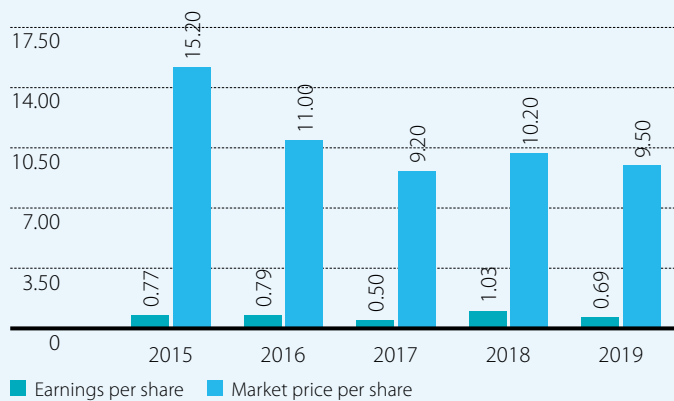
REVENUE (LKR Mn.)



PROFIT AFTER TAX (LKR Mn.)



EARNINGS PER SHARE AND MARKET PRICE PER SHARE (LKR)





# ***Leadership***



*“Our patients are at the core of everything we do at Asiri Surgical Hospital. From process improvements to capacity development, the Hospital’s focus is always on providing the highest quality and standard of healthcare.”*



# Chairman's Statement

Dear shareholders,

The year 2018/19 has been monumental for Asiri Surgical. We remain the hospital of choice for patients who want the latest, most advanced surgical care, and the caring heart of a committed team of clinicians. It is with great pleasure that I report the steps we have taken to provide healthcare that is truly high-tech, while retaining a soft-touch.

In line with our strategy to consolidate our position as the premier surgical hospital and stay responsive to changing needs in the healthcare sector, we made significant strides in expanding our reach and deepening our offering. We increased adoption of digital platforms and found greater synergy between new technology and healthcare best practice to improve our patient experience. We collaborated with key international and local agencies to bring world-class care to Sri Lanka. As a leader in the healthcare sector, Asiri Surgical continued to engage communities, regulators, and healthcare practitioners to develop the sector and bridge gaps between patients and their healthcare aspirations.

## THE HEALTHCARE SECTOR IN SRI LANKA

Sri Lanka is renowned for its universal Healthcare delivery system. In parallel however, private sector participation has grown tremendously over the last decade due to new needs and opportunities emerging for enhanced patient experience, a rapidly evolving medical science and the need for collaborative healthcare with the state sector. Rising incomes, urbanisation, and increased awareness have changed patient consumption patterns, while growing digital literacy and engagement have unlocked a host of new opportunities for the private healthcare sector.

Asiri Surgical Hospital is aware of changing trends, and has proactive strategies in place to ensure we are able to meet our patients' needs. The Hospital's strategy works at several levels to stay ahead of the curve. Known for the latest technology and advanced surgical procedures, we continued to invest in our teams, improved capacity of our centres of excellence, and expanded our reach to cater to current and projected demand. Our Wellness Centre leads the Group in preventive care, while our Orthopaedics Unit is expanding to provide sports-injury management while also treating age-related injuries.

In order to provide the best patient experience, we have adopted new opportunities unlocked by digitalisation. These include, streamlining multiple patient processes and enhancing customer experience within the Hospital. From patient engagement to greater monitoring and oversight – we are putting the latest technology to work for us.

Building a culture of quality is another key component of our strategy, wherein we continued to encourage cross-learning and knowledge-sharing with other hospitals in the Group. We have appointed a new Chief Process Officer, established a team, and put new processes into practice across the Hospital.

## A COMMENDABLE PERFORMANCE

Asiri Surgical Hospital ended the financial year on stable ground with revenue reaching LKR 3.5 Bn. a healthy 6% growth despite challenging conditions. Regulatory and macroeconomic changes created significant headwinds, and the Hospital posted net profit after tax of LKR 0.37 Bn. Despite downtime for expansion and renovation, the Hospital's Centres of Excellence continued to be in demand, driving revenue growth during the year under review.

## NEW FRONTIERS THROUGH PARTNERSHIP

The Asiri-AOI Cancer Centre was launched in November last year. A unique joint venture partnership with the American Oncology Institute (AOI) that

ensures precision-driven treatment, coupled with best-in-class collaborative protocols from the University of Pittsburgh Medical Center (UPMC), one of the leading providers of Oncology treatment in the United States. With the latest medical equipment and technology, and a multidisciplinary team of experienced, highly-trained specialists, nurses, and medical physicists, the new Cancer Centre will spearhead Asiri Surgical Hospital's journey towards being the Hospital of choice for cancer care in Sri Lanka.

## BUILDING A SUSTAINABLE BUSINESS

Key to our success in the industry has been Asiri Surgical Hospital's approach to sustainability, responsible governance, and ethical standards. Sustainability is an integral component of the Hospital's business model, and we have embraced our responsibility towards people, patients, communities, and the environment.

Our patients are at the core of everything we do at Asiri Surgical Hospital. From process improvements to capacity development, the Hospital's focus is always on providing the highest quality and standard of healthcare, optimal clinical effectiveness, and the best patient experience. We are proud of our safety record during the year, and continue to make improvements to ensure our patients' peace of mind.

We also maintain close relationships with local communities, raising awareness on National healthcare issues, and working towards increasing affordability and access to high-quality healthcare. In working to improve Sri Lanka's healthcare, we organised free health clinics, made life-saving surgeries available to the most vulnerable, reached out to communities to raise awareness, and collaborated with health practitioners across the private and public sectors. As a responsible corporate citizen, we are also aware of our environmental impact. We work closely with regulatory agencies and employ a comprehensive energy management strategy to minimise our environmental footprint.

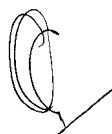
## LOOKING FORWARD

Asiri Surgical Hospital's expansion is well timed, and in line with demographic and socio-economic changes in Sri Lanka. Private sector healthcare will continue to take on a larger portion of out-patient treatment, while changing disease trends and increasing healthcare expenditure will result in increased demand.

Planned investment in our key Centres of Excellence will ensure the Hospital holds its premier position and continues to meet needs of our patients. We have several new strategic partnerships and offerings in the pipeline that will further consolidate our position as the leading surgical hospital in the country.

## APPRECIATION

I wish to thank my colleagues on the Board whose continued support and invaluable guidance during the year helped us reach new heights. Asiri Surgical Hospital's success would not have been possible without our committed and compassionate employees. I would also like to thank our shareholders and business partners for their trust and continued support. I look forward to your continued support in the years ahead.



**Ashok Pathirage**  
Chairman/Managing Director

25 June 2019

# Board of Directors



**1. MR ASHOK PATHIRAGE**

Chairman/Managing Director

Mr Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 10,000 employees. Mr Pathirage gives strategic direction to the Group which has a leading market presence in four vertical sectors – Retail and Telecommunications, Healthcare Services, Financial Services and IT, Leisure and Automotive. The Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation in Sri Lanka's private healthcare. He is the Chairman/Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, and Odel PLC.

He also serves as the Chairman of Softlogic Capital PLC and Softlogic Finance PLC in addition to the other companies of the Group. He is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

**2. DR SIVAKUMAR SELLIAH**

MBBS, M Phil.

Deputy Chairman

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

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

Dr Selliah serves on the Audit Committee, Investment Committee, Strategic Planning Committee, Related Party Transactions Review Committee and Human Resource and Remuneration Committee which are subcommittees of the Board, of some of the companies listed above.

**3. DR MANJULA KARUNARATNE**

MBBS, MSc (Trinity, Dublin), Dip. MS Med (Eng) MSOrth Med. (UK)

Group Chief Executive Officer

Dr Karunaratne was appointed to the Board of Asiri Hospital Holdings PLC and Asiri Surgical Hospital PLC in 2006, and currently serves as the Chief Executive Officer of the Asiri Group. He also serves on the Boards of Central Hospital Ltd., Asiri Central Hospitals Ltd., Asiri Hospital Matara (Pvt) Ltd., Asiri Hospital Galle (Pvt) Ltd., Asiri Diagnostic Services (Pvt) Ltd., and Asiri Hospital Kandy (Pvt) Ltd.

He previously held the positions of Medical Director, Asiri Hospital Holdings PLC (1996-2000) and was Chief Operating Officer, Asiri Hospitals Group during the period 2006-2014.

He possesses over 30 years of experience in the field of healthcare, and is responsible for the overall medical policy of the Group. Under his guidance the Group has introduced over twenty new medical procedures and technologies to Sri Lanka amongst which are the country's first Bone Marrow Transplant Unit, first Minimally Invasive

Cardiac Surgery service, first fully fledged Stroke Unit with facilities for "clot retrieval" and a high end Interventional Radiology service. In addition a "live donor" Liver Transplant service is currently being set up.

**4. MR HARRIS PREMARATNE**

Director

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

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

**5. MR SAMANTHA RAJAPAKSA**

Director

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

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

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

He returned to Sri Lanka in 2008 to take up the appointment as Group Director of Kshatriya Holdings PLC and thereafter joined as a Group Director of the Softlogic Group responsible for Group business development initiatives and as Director/Chief Executive Officer of Softlogic Communications Ltd. handling the Nokia operations in Sri Lanka and the Maldives.

Mr Rajapaksa thereafter in 2012 took up the position of Group Managing Director of Associated Motorways (Pvt) Ltd.

Mr Rajapaksa currently serves as the Group Executive Director of the Informatics Group of Companies, Chairman of Kitra Holdings (Pvt) Ltd. and the Rakuen Group of Hotels. He also currently serves as Director of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and as President of the Sri Lanka – USA Business Council.

He is also the recipient of the Platinum Honours Award in recognition of Professional Excellence in the field of Management from the Postgraduate Institute of Management from the University of Sri Jayewardenepura.



# Senior Management



- |  |  |   |   |
|--|--|---|---|
| <b>1. Dr Manjula Karunaratne</b><br>Group Chief Executive Officer                | <b>2. Dr Samantha De Silva</b><br>Director Operations  | <b>3. Dr Champika Bogahawatte</b><br>Medical Director | <b>4. Mrs Thelani Weerasinghe</b><br>Director Nursing |
| <b>5. Mr Ajith Karunaratne</b><br>Chief Financial Officer                        | <b>6. Ms Mihiri Cabandugama</b><br>Director Strategic Planning and<br>Laboratory Development | <b>7. Mr N P John</b><br>Director Laboratory Services |   |
| <b>8. Mrs Hasanthi De Saram<br/>Karandagaspitiya</b><br>Director Human Resources | <b>9. Mrs Rochelle Rode de Silva</b><br>Director Marketing                                   |   |   |

# Group Consultant Medical Team



**Dr S D Athukorala**  
Consultant Clinical Bacteriologist



**Prof L R Amarasekara**  
Consultant Histopathologist



**Dr Y K M Lahie**  
Consultant Cardiothoracic Surgeon



**Dr Anil Perera**  
Consultant/Head – Department of Anaesthesiology –  
Asiri Medical and Surgical



**Dr Himaru Wirithamulla**  
Consultant General Surgeon



**Dr Thushara Fernando**  
Consultant Anaesthesiologist



**Dr Gamini Jayaweera**  
Consultant/Head – Department of Transfusion  
Medicine – Asiri Group



**Dr Gayani Senanayake**  
Consultant Anaesthesiologist



**Dr Hiranthi Abeysinghe**  
Consultant Anaesthesiologist



**Dr Vernon Manil Fernando**  
Consultant Orthopaedic Surgeon



**Dr Rangika Goonaratne**  
Consultant Eye Surgeon



**Dr Saman Perera**  
Consultant Radiologist



**Dr Lallindra Gooneratne**  
 Director – Bone Marrow Transplant and Clinical Haematology Unit – Asiri Central Hospital



**Dr Rohini Ranwala**  
 Clinical Director – Department of Neuroscience – Asiri Central Hospital



**Dr Gulpa Subasinghe**  
 Consultant Radiologist



**Dr Sumedha Amarasekara**  
 Consultant Orthopaedic Surgeon



**Dr Darshani Amarasinghe**  
 Consultant Anaesthesiologist



**Dr Stella Fernando**  
 Consultant Anaesthesiologist



**Dr Romanie Nishanthi Fernando**  
 Consultant Obstetrician and Gynaecologist



**Dr Dinesh De Silva**  
 Consultant Eye Surgeon



**Dr V P Gamage**  
 Consultant Surgeon



**Dr Chrisantha Mendis**  
 Consultant/Head – Department of Anaesthesiology – Asiri Central Hospital



**Dr Vivek Gupta**  
 Senior Consultant Cardiothoracic – Surgeon



**Dr Shantha Hettiarachchi**  
 Consultant/Head – Department of Radiology – Asiri Medical and Asiri Surgical Hospital





**Dr Lakmali Paranehewa**  
Consultant/Head – Department of Radiology –  
Asiri Central Hospital



**Dr Sunil Perera**  
Consultant/Head – Department of Neuroscience –  
Asiri Central Hospital



**Dr Kantha Samarawickrema**  
Consultant/Head – Department of Nuclear Medicine



**Dr Ajith Karunaratne**  
Senior Consultant Cardiothoracic Surgeon



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



**Dr Rajeeva Pieris**  
Consultant Cardiothoracic Surgeon



**Prof Vajira Dissanayake**  
Consultant Medical Geneticist



**Dr Menik Goonewardhene**  
Consultant Neonatologist



**Dr Thurul Attygalle**  
Resident Physician – Stroke Unit



**Dr Gitanjali Jayathilaka**  
Consultant Anaesthesiologist



**Dr Nihal Wijewardhana**  
Consultant Interventional Radiologist



**Dr Philomena Chandrasiri**  
Consultant Microbiologist/Head of Infection Control



**Dr Natasha Peiris**  
Consultant Resident Physician



**Dr Kalyani Miranda**  
Consultant Radiologist



**Dr Dishna De Silva**  
Consultant Paediatrician



**Dr Nimali Puwakwaththa**  
Consultant Anaesthesiologist



**Dr Sujatha Pathirage**  
Consultant Microbiologist



**Dr Udeni Dissanayake**  
Consultant Eye Surgeon



**Dr Champika Abeysinghe**  
Consultant Anaesthesiologist



**Dr K Chandrasekher**  
Family Physician

# ***Management Discussion and Analysis***

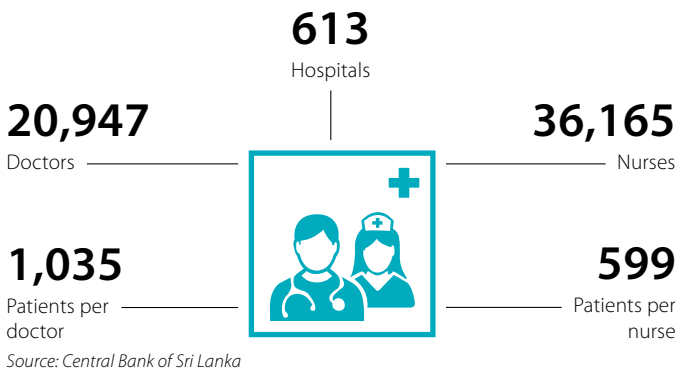
# Operating Environment

## HEALTHCARE IN SRI LANKA

Sri Lanka’s healthcare sector is renowned across the region for delivering health and well-being outcomes on a par with most developed nations. The sector is dominated by a well distributed and effective public delivery system that provides universal healthcare. The private sector has participated in healthcare since the 1980s when government-employed doctors were allowed to provide consultation and treatment, and to maintain private institutions. Since then, healthcare in the private sector has grown rapidly.

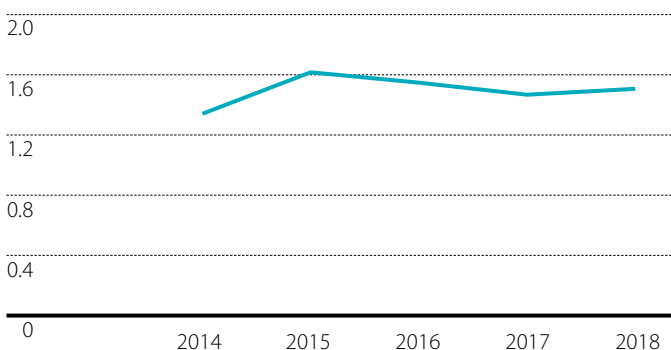
## PUBLIC HEALTHCARE

Sri Lanka’s public health service encompasses a large network of hospitals, clinics, and health centres that function at Central, Provincial, District, and Divisional level. This network ensures that most people have access to some form of public healthcare facility within 2 km of their homes. The National Hospital and a few specialised public and teaching hospitals mark the extent of state healthcare delivery in the Colombo city. Local government clinics and centres provide general medical and maternal care. In order to improve emergency response and paramedical services, the Government recently launched an emergency ambulance service with trained paramedical staff, that works in coordination with local law enforcement and response teams.



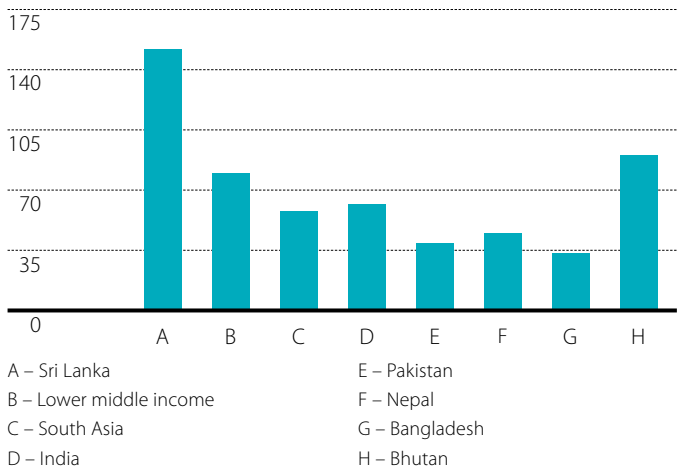
There has been a consistent increase in government healthcare expenditure over the years, recording an 11.0% year-on-year (YoY) increase to LKR 218,462 Mn. in 2018. Of this 83% was for recurrent expenditure and the balance for capacity building.

## STATE HEALTHCARE EXPENDITURE AS A PERCENTAGE OF GDP (%)



Sri Lanka’s per capita health expenditure continues to be far ahead of its South Asian peers and lower middle-income nations.

## HEALTH EXPENDITURE PER CAPITA – 2016 (USD)



## PRIVATE HEALTHCARE



Private healthcare continues to play a vital role in the sector, providing an estimated 65% of out-patient care, and 15% of in-patient care. While expenses for private healthcare are mostly out-of-pocket or through health insurance/medical schemes, the private sector has been able to offer advanced facilities, while maintaining a relatively low cost when compared to other countries in the region.

Demand for private healthcare is driven by naturally rising per-capita income levels, coupled with increased value for transparency, comfort, and patient experience. Private sector healthcare in Sri Lanka remains diverse, catering to a vast cross-section of income levels. Sri Lanka’s urban population (estimated to make up almost 50% of the population), achieves income levels 25%-30% higher than the rural counterparts. As such, the majority of large private sector hospitals serve urban and semi-urban agglomerations.

# Financial Performance

**LKR 3.5 Bn.**

Revenue

**LKR 264 Mn.**

Dividends paid

**LKR 1.4 Bn.**

Gross profit

**LKR 610 Mn.**

Profit before tax

**LKR 0.69**

Earnings per share

**LKR 0.50**

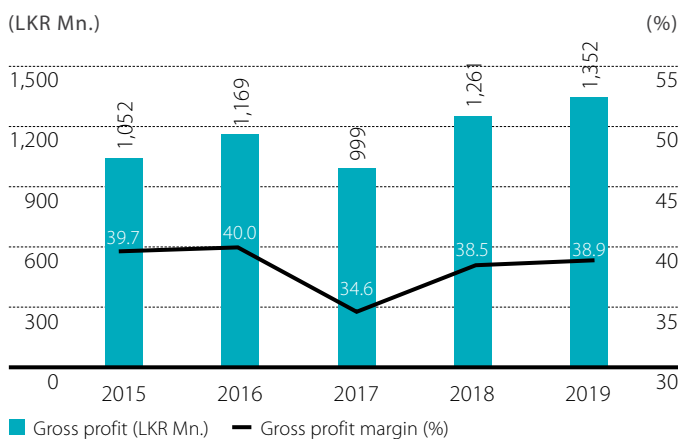
Dividends per share



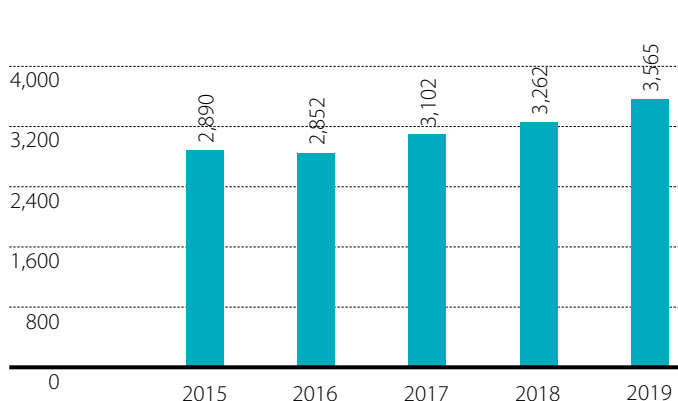
Asiri Surgical Hospital achieved revenue of LKR 3.5 Bn. for the year under review, up 6% from the previous year, despite challenging conditions brought about by policy changes such as price controls and increased cost of consumables resulting from depreciation of the Rupee against the Dollar. The Hospital achieved gross profit of LKR 1.4 Bn. in the year under review, up 7% from the previous year.

Strong performance from the cardiac centre despite down-time for renovations, and continued demand for services from the Gastro Centre helped boost revenue. Significant investment, expansion, and capacity development made during the year are expected to drive strong growth going forward.

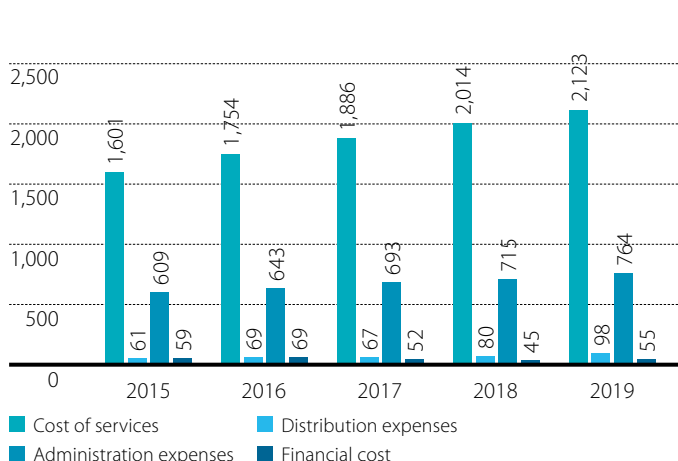
## GROSS PROFIT



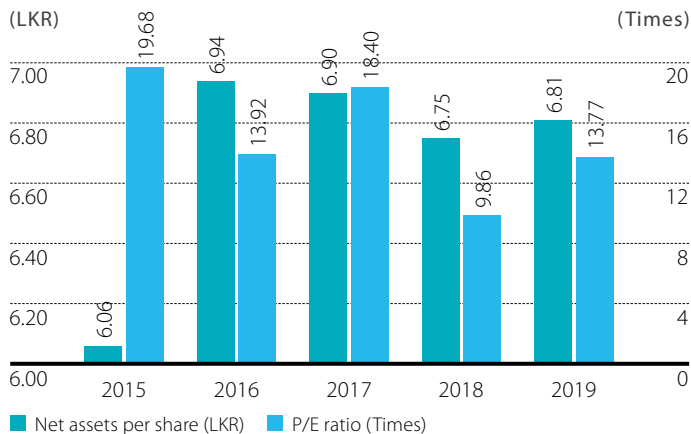
## PROPERTY, PLANT AND EQUIPMENT (LKR Mn.)



## EXPENSE ANALYSIS (LKR Mn.)



## NET ASSETS AND P/E RATIO



# Operational Performance

**64%**

Bed occupancy (avg.)

**447**

Consultations per day (avg.)

**43**

I/P admissions per day (avg.)



**340**

OPD patients per day (avg.)

**21**

Surgeries carried out per day (avg.)

Our focus in 2018/19 was consolidation of our position as a premier surgical hospital, and continued expansion, capacity development, and improvement of the patient experience. Asiri Surgical Hospital's strategic investments were in line with growing demand and changing demographic trends. We also took several steps to leverage opportunities created by technology and digitalisation. Collaboration was another key feature of the year, with new partnerships and initiatives that brought world-class care, and ensured a holistic healthcare service that bridged gaps and met the needs of our patients.

## ASIRI-AOI CANCER CENTRE

We launched the Asiri-AOI Cancer Centre in November last year. A unique partnership with the American Oncology Institute (AOI) enables highly precision driven radiotherapy treatment, resulting in better patient outcomes. The newly installed variant true-beam linear accelerator is one of very few in South East Asia. The Centre also connects us to an international forum of technical experts that allows for collaborative review and treatment planning.

Asiri Surgical Hospital enables patients to access the complete range of treatment and post-treatment under one roof, from diagnosis to evaluation, treatment, and post-treatment. Coupled with our expert teams, we continue to be the premier private hospital for cancer treatment in Sri Lanka.

## CARDIAC CENTRE

We renovated our existing facilities and doubled our capacity with the launch of a new Cardiac Catheterising Centre (cath-lab). A downtime of three months had an impact on revenue, but parallel running of the labs in the future will help us meet increasing demand for cardiac procedures. Process improvements involved establishment of a single contact point for all cardiac inquiries. The cardiac coordinator is the

primary contact point for information, reservations, cost-estimates, and meet/greet at entry. We strive to ensure the best patient experience with our competent and experienced cardiac care team.

## UROLOGY CENTRE

We expanded to occupy a two-theatre complex that offers the full spectrum of urology services under one roof. Establishing separate recovery and urodynamic investigation facilities have gone a long way in ensuring patient comfort and ease of management, whilst allowing Urology specialists to provide care in a safer and more coordinated manner.

## ENDOSCOPY AND GASTROINTESTINAL CENTRE

Our Endoscopy Unit was enhanced to accommodate two endoscopy suites, including a facility for Endoscopic Retrograde Cholangio-Pancreatography (ERCP). Set up of separate recovery and consultation rooms adjoining procedure rooms further reduced delay for patients, allowing surgeons to consult and direct for procedures.

## ORTHOPEDICS

We expanded our offering for sports-injury management, and management of ageing-related injuries, prostheses, and replacement surgeries. We are also registered with the President's Fund and the National Insurance Trust Fund to make life-changing care, more affordable to people at all levels.

## DIALYSIS CENTRE

In line with improvements to critical care and management, we expanded our Dialysis Centre, commissioning a five-bed unit which is now open to accommodate regular outpatient dialysis as well.

*The Asiri-AOI Cancer Centre is a unique joint venture that will strengthen our proposition to be the Hospital of Choice for cancer care. It is equipped with the latest medical equipment, and a team of experienced, highly-trained specialists, nurses, and medical physicists.*





### WELLNESS CENTRE

Asiri Surgical Hospital continued to make investments in preventive care, improving the offerings from our Wellness Centre, increasing accessibility of essential counselling, and raising awareness on mental health.

Our resident clinical psychologist worked closely with consultants to ensure all patients who undergo a major surgery had pre-surgery psychological counselling. Post-surgical counselling and stress management was also made available for all cardiac procedures. Formal mental health evaluations were also introduced to help patients identify areas for care, while reiterating the importance of holistic wellness. Brain and memory training programmes for young children and youth remain a popular part of the Centre, helping a wide group, including children with special needs. Plans are also underway to introduce hypnosis and mindfulness therapy sessions through the Wellness Centre.

### PROCESS IMPROVEMENTS

Constant monitoring and improvement of our processes is a key factor that enables Asiri Surgical Hospital to meet world-class standards, while not losing the intimate care and commitment to our patients. Improving the patient experience is a continual process with new developments throughout the year. The last year saw several quality of life improvements through effective use of technology, and greater collaboration across the Hospital and with external stakeholders. Process improvements in the last year helped improve efficiency, and significantly increased convenience for our patients.

During 2018/19 we completely digitalised our patient feedback mechanism with back-end reporting. Real-time monitoring of patient feedback allows our front office and customer-care teams to identify ongoing pain-points and potential roadblocks. Live monitoring is coupled with routine feedback reviews and processes for patient engagement. These ensure we provide our patients with a caring, efficient, and comfortable experience at all times.

Reducing time taken to discharge a patient was a priority for the Hospital in the last year. Using a digital dashboard provided greater visibility of the discharge process, allowing multi-disciplinary teams to pre-plan, track, and work together to improve efficiency. Getting our pharmacy online and migrating prescriptions to the system also allowed for significant reductions in processing time.

Financial counselling at admission was another key process improvement that created greater transparency and allowed for patients to make informed decisions regarding the cost of upcoming procedures.

Streamlining of inventory management and stock-levels helped us reduce our stock holding significantly, thereby releasing more cash for daily operations.

Asiri Surgical Hospital's partnering with General Practitioners (GPs) for efficient continuation of care, was an important step in the last year. We worked to improve links between the Hospital and surrounding GPs, ensuring availability of essential medical records, ease of collaboration





on diagnoses and report results, and created the space for GPs to stay involved and committed in the care and treatment of their patients. We have established a single contact-point for GP coordination, and will be introducing a digital platform, which would greatly streamline the collaborative process. While pushing change and innovative ways of work remain challenging, our patients stand to gain from greater collaboration and coordination between the various levels of healthcare provision in the country.

#### SUSTAINABILITY REVIEW

Sustainability is an integral part of strategy and operations at Asiri Surgical Hospital. Our people, patients, communities, and environment are the four key pillars of our sustainable business model. For Asiri Surgical Hospital and the Asiri Health Group, sustainability is put into practice every day as we create value for all our stakeholders. We acknowledge and embrace our responsibility as Sri Lanka's leading private healthcare provider, leveraging our position to improve the sector and the lives of all Sri Lankans.

#### OUR PEOPLE

Asiri Surgical Hospital's world-class care is only possible because of our experienced team of oncologists and surgeons, complemented by a dedicated team of nurses and paramedical technicians who provide committed care to each patient. Engaging our patients, responding to feedback, and providing the best patient experience requires close collaboration across our teams. This is made possible by continuous

learning and development, knowledge-sharing, and a culture of communication whereby innovation is encouraged and proactive engagement is ensured.

Diversity and inclusion are an important tenet of our business model. From hiring, to performance management and career planning, our business practices and processes ensure equal opportunity. Similarly, non-discrimination is institutionalised through our processes and HR policies.

In order to build and retain a capable workforce, we invest in continuous learning and development across all our teams, ensuring all staff have access to necessary training and opportunities for personal development. Across the Group, the quality of nursing is a stand-out feature of how we do healthcare. The Asiri School of Nursing is embedded in Asiri Surgical Hospital, and develops young, talented individuals for absorption across the Group. Our nursing school is Government certified, providing a vital component for the professional growth and development of our nurses.

Building a high-performance culture is one of Asiri Surgical Hospital's key strategies. We provide competitive remuneration and benefits at entry, and all employees have access to a performance management system based on an annual performance evaluation cycle. This is tied to career planning and progression, which is an integral part of our HR culture. At Asiri Surgical Hospital, we believe that employee engagement is a vital ingredient in our offering of the best patient experience. Our high-performance culture and open channels of communication help employees stay engaged, and ensure Management can resolve concerns and disputes in partnership with our employees.





Living our values has always been the heart of Asiri Surgical Hospital and the Group's journey. As such, we are committed to the health and safety of our employees. The Hospital meets national and industry-specific standards and guidelines for workplace health and safety. As the Hospital endeavours to stay abreast of health trends and works to tune the patient experience, change-management is built into process improvements; helping our employees adapt to changing workplace practices. In order to protect our employees, and ensure their long-term well-being, we are also working toward strategies that enable employees to maintain a healthy work-life balance.

#### OUR PATIENTS

Our patients are at the core of everything we do at Asiri Surgical Hospital. From continuous investment in the latest technology and equipment, to development of new offerings, the Hospital's focus is always on providing the highest quality and standard of healthcare, working toward optimal clinical effectiveness, and providing the best patient experience. Our commitment to patients is also reflected in the spectrum of services we offer and safety standards employed by the Hospital.

The period under review saw investment and upgrades to our Centres of Excellence, as described in the operational review section. Part of our continued commitment to improving the quality of healthcare we offer, our investments in the newest machinery allowed us to increase accuracy, reduce delays, and improve patients' clinical outcomes. The Hospital is also working toward the ACSHI (Australian Council on Healthcare Standards International) accreditation further affirming our

commitment to quality. Our training and capacity development for Hospital staff also goes a long way toward improving the quality of our healthcare service.

Providing patients with a comfortable and safe environment during treatment and convalescence is a key value proposition for Asiri Surgical Hospital. Our safety governance comes under the purview of an Environment, Health and Safety (EHS) Department, who institute safety protocols across the Hospital. We are proud of our safety record during the year, but continue to make improvements to ensure our patients' peace of mind.

At Asiri Surgical Hospital, we aspire to provide the best patient experience to all those who walk through our doors. Embracing technology, increasing digitalisation, and improving coordination, we made several improvements across the Hospital that helped increase transparency, reduce discharge-time, and alleviate other pain-points identified through patient feedback. The operational review section describes process improvements undertaken during the period under review. As part of our unwavering commitment to improving the patient experience, we continually train staff and pilot new initiatives across our patient-facing departments.



**85%**  
"Excellent" or "Good" patient  
satisfaction rating

## OUR COMMUNITY

Asiri Surgical Hospital works to add value to our communities by staying responsive in crises, maintaining close cooperation with local groups, raising awareness on National healthcare issues, and increasing affordability and access to high-quality healthcare. Our position as a responsible business entity is reflected in our long-term commitment to local communities.

Asiri Surgical Hospital partners with other hospitals in the Group to maintain close ties with local communities in the vicinity. Community forums organised by the Hospital create essential dialogue between a variety of stakeholders in the area including the local Medical Officer of Health (MOH), Public Health Inspectors (PHIs), Police, School representatives, and community leaders. The Hospital works continuously to raise awareness and address public concerns. In times of National crisis such as the dengue epidemic last year, Hospital teams raised awareness amongst the community, set up safety committees, and organised regular walk-throughs in the area to reduce potential mosquito breeding sites. This was alongside expert medical care provided to patients admitted for care during the epidemic.

Rising income levels in urban areas, changing consumption patterns, and a gradual demographic shift have resulted in new health concerns and disease trends. As the Hospital gears its response to changing needs and disease burdens, we also believe in raising awareness to help our communities mitigate and prepare for the same. Asiri Surgical Hospital uses community forums, seminars, free health clinics, direct partnerships with corporates, and standard media channels to advise and raise awareness. From increased risk of non-communicable diseases (NCDs), to mental health and well-being, and elder care, the Hospital employs a two-pronged approach of readiness and mitigation to help our communities cope and adapt to changing trends.

Target group	Topic	Number of participants	Date
Medical professionals	CME on acute kidney injury	126 +	3 April 2018
Medical professionals, Clinical staff	CME Update on Bone Marrow Transplant in Sri Lanka	157	2 May 2018
Medical professionals	Apes evolution and Back-pain management	97 +	20 June 2018
Medical professionals	Minimally Invasive Cardiac Surgery	94 +	17 July 2018
Medical professionals	Chest pain and cardiac management	86	15 September 2018
Clinical paramedics	Palliative Care	288 +	15 March 2019
Medical professionals	Living and dying with dignity	143 +	31 March 2019

Asiri Surgical Hospital continues to provide free health clinics across a variety of disciplines. Health clinics raise awareness on issues, allow for early detection, and help direct people to suitable care. Our doctors and nurses are involved in all community actions, volunteering their time and expertise to help operationalise the clinics. The Hospital also works with national funds and private insurers to provide discounted or free healthcare to underserved at-risk communities. Our free heart-surgery initiative continues, and has now benefitted over 195 children.

Asiri Surgical Hospital also runs a structured internship programme that enables university undergraduates to receive vital exposure in clinical practice and healthcare administration. 40 interns completed internships required for their degrees during the year under review.

## OUR ENVIRONMENT

As a responsible corporate citizen, Asiri Surgical Hospital works to reduce our negative impact on the Planet. We have a comprehensive energy management strategy in place, which is operationalised through conservation practices rolled out across the Hospital and the Group. Our employees are part of our movement and contribute to these goals at every level. Effective management and disposal of clinical and hazardous waste is vital in the healthcare industry. We are committed to dispose of all waste products regularly, safely, and in accordance with statutory requirements. Accordingly, the Hospital works with CEA-approved contractors for removal and disposal of all clinical waste. We are also working with local authorities and central ministries to increase recycling and adapt sustainable solutions for non-hazardous solid waste.

Through internal policies and coordinated actions, we have built a culture of waste minimisation and improved waste recycling rates. Adoption of energy management processes have also helped reduce energy consumption.

Recyclable items recovered from non-clinical waste (Kg)	2018/19	2017/18	YoY variance (%)
ASH	23,665	19,214	23

Electricity consumption (kWh)	2018/19	2017/18	YoY variance (%)
ASH	5,283,391	5,357,410	(1)

## NEXT STEPS

Looking forward, we are working to strengthen our position as the preferred hospital for cancer care. Asiri Surgical Hospital's direction is driven by several key strategic imperatives including adaptation and upgrading to stay ahead of changing healthcare needs in the region; continuing to innovate and invest in our capacity; and collaborating to improve the lives of our patients, people, and communities.

We have several new partnerships in the pipeline, which will enable us to continue providing world-class healthcare outcomes to our patients. Cross-learning through new partnerships and knowledge sharing across hospitals in the Group will enrich training and development across all levels of our workforce.

The Hospital will also continue to scale-up our Centres of Excellence, beginning with upgrades to the Endoscopy Unit, allowing it to function as a fully fledged Gastro Centre. Responding to changing health and demographic trends, we are scaling up the Wellness Centre to spearhead the Group's wellness programme. Orthopedics and sports-medicine offerings will also see growth with new investments and partnerships in the future. Improvements to our elder-care offering, scale up of homecare services, and new efforts that reach out to the population, are also on the cards.

# ***Governance***

# Corporate Governance

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

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

## BOARD OF DIRECTORS

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

## BOARD MEETINGS AND ATTENDANCE

The Board generally meets once a quarter. Special Board meetings are also held as and when needed. Scheduled Board meetings are arranged well in advance to ensure, as far as possible, that Directors can manage their time commitments. All Directors are provided with supporting documents and relevant information for each meeting and are expected to prepare themselves for and to attend all Board meetings, shareholders' meetings and all meetings of the committees on which they serve, unless there are exceptional circumstances that prevent them from doing so.

## THE CHAIRMAN AND MANAGING DIRECTOR

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

## APPRAISAL OF THE MANAGING DIRECTOR

The performance of the Managing Director is reviewed every year by the Board. The Managing Director 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 subcommittee meetings and make decisions via circular resolutions.

## APPOINTMENT TO THE BOARD

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

## RE-ELECTION OF DIRECTORS

As per the Articles of Association of the Company one-third of the Directors shall retire from office at each Annual General Meeting (AGM) and offer themselves for re-election. Any Directors appointed during the year seek re-election at the next AGM. The Managing Director is not subject to retirement by rotation.

## INDEPENDENCE OF THE DIRECTORS

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

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

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.

Mr G L H Premaratne and Mr S A B Rajapaksa had served on the Board of the Company continuously for a period exceeding nine (9) years from the date of their first appointment.

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, serving on the Board of another company which has a significant shareholding in the immediate parent company and having served on the Board of the Company continuously for a period exceeding nine (9) years from the date of their first appointment.

### ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

### REMUNERATION OF THE DIRECTORS

The remuneration of the Directors is determined by the Board and disclosed on page 61 of the Annual Report.

### COMPANY SECRETARY

Messrs Softlogic Corporate Services (Pvt) Ltd. acts as the Company Secretaries. The role of the secretary is dealing with Directors at Board meetings and with shareholders. The Company Secretary attends Board meetings and ensures that minutes are kept of all proceedings at the Board meetings. The Company Secretary advises the Board and ensures that proper procedures and applicable rules and regulations are followed by the Board.

### BOARD COMMITTEES

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

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

### AUDIT COMMITTEE

Duties and responsibilities	Composition
Review the Group's Annual and Interim Financial Statements and Compliance Reports.	<b>Chairman</b> Mr R A Ebell Independent Non-Executive Director (Asiri Hospital Holdings PLC)
Review the performance of the internal audit function.	<b>Committee members</b> Mr G L H Premaratne Independent Non-Executive Director
Review the effectiveness of the Group's internal controls.	Mr S A B Rajapaksa Independent Non-Executive Director
Periodically approve and review the appointment and retirement of External Auditors and their relationship with the Group.	<b>Frequency of meetings</b> Committee meets quarterly

### REMUNERATION COMMITTEE

Duties and responsibilities	Composition
Provide recommendations to the Board on the following; <ul style="list-style-type: none"> <li>• Remuneration policy for Executive Directors</li> <li>• Remuneration policy and specific incentives for certain senior executives</li> <li>• Employee benefits and long-term incentive schemes</li> </ul>	<b>Chairman</b> Mr G L H Premaratne Independent Non-Executive Director
Principles governing the Group's remuneration policy; <ul style="list-style-type: none"> <li>• To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Group.</li> <li>• To support the recruitment, motivation and retention of high quality senior executives</li> <li>• To ensure that performance is the key factor in determining individual reward</li> <li>• To communicate the reward structure clearly and effectively to executives and shareholders</li> </ul>	<b>Committee members</b> Dr S Selliah Independent Non-executive Director
	<b>Frequency of meetings</b> Committee meets once a year

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Duties and responsibilities	Composition
<ul style="list-style-type: none"> <li>• Review in advance all the related party transactions carried out by the Company and its listed companies in the Group except related party transactions set out in Rule 9.5 of the Listing Rules of the Colombo Stock Exchange</li> <li>• Formulating policies and procedure to review related party transactions of the Company and of the Group and overseeing existing policies and procedures</li> <li>• Determining whether the relevant related party transactions are fair to, and in the best interest of the Company and/or Companies in the Group and its stakeholders</li> <li>• Determining whether the related party transactions that are to be entered into by the Company or companies of the Group require the approval of the shareholders</li> <li>• Where necessary, the Committee may request the Board to approve related party transactions, which are under review by the Committee</li> <li>• Ensure that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made appropriately</li> </ul>	<b>Chairman</b> Mr S A B Rajapaksa Independent Non-Executive Director
	<b>Committee members</b> Mr G L H Premaratne Independent Non-Executive Director
	Mr R A Ebell Independent Non-Executive Director (Asiri Hospital Holdings PLC)
	<b>Frequency of meetings</b> Committee meets quarterly

## 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 judgement 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 ensuring that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the Managing Director
- Approve the Annual Budget
- Authorisation of Directors' conflicts or possible conflicts of interest
- Determination of independence of Non-Executive Directors
- Ensure the continuation of the Company as a going concern

## INVESTOR RELATIONS

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

Compliance with the Corporate Governance Rules of the Colombo Stock Exchange.

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

Section	Criteria	Has the Company met the criteria
7.10.1	Non-Executive Directors	Complied with. Out of five Directors three are Non-Executive Directors.
7.10.2	Independent Directors	Complied with. All three Non-Executive Directors are independent. Please refer page 24. All Non-Executive Directors have submitted the declaration with regard to their independence/non-independence.
7.10.3	Disclosures relating to Directors	Dr S Selliah meets all the criteria except one, Mr G L H Premaratne and Mr S A B Rajapaksa meet all the criteria except two. Please refer to page 24.
7.10.5	Remuneration Committee	Complied with. Comprises two Independent Non-Executive Directors. The Remuneration Committee of Asiri Hospital Holdings PLC (parent company) acts as the Remuneration Committee of Asiri Surgical Hospital PLC. The names of the members of the Committee are given on page 25 of the Annual Report.
7.10.6	Audit Committee	Complied with. Comprises three Non-Executive Directors all of whom are Independent Directors. The Audit Committee of Asiri Hospital Holdings PLC (parent company) acts as the Audit Committee of Asiri Surgical Hospital PLC. The Chief Financial Officer attends all the meetings. The report of the Committee is given on page 28.



# Ethics Committee Report

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

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

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

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

## MEMBERS

### **Prof Rohan W Jayasekara, (Chairperson)**

(Emeritus Professor of Anatomy/Medical Geneticist, Faculty of Medicine, University of Colombo)

### **Dr Malik Fernando**

(Retired Physician/Member of Ethics Review Committee of the Sri Lanka Medical Association – sometime Chair, Ethics Committee SLMA)

### **Dr Ariththa Wickramanayake**

(Attorney at Law/Precedent Partner, Nithya Partners)

### **Dr Siva Selliah**

(Deputy Chairman of Asiri Group of Hospitals/Senior Lecturer, Department of Physiology, Faculty of Medicine, University of Kelaniya)

### **Prof Kemal I Deen**

(Consultant General Surgeon – Intestinal)

### **Dr Indrani Amarasinghe**

(Consultant Oncologist)

### **Prof Chandani Wanigatunga**

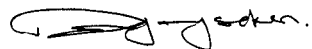
(Professor in Pharmacology and Consultant Physician)

### **Dr Kamal Weerapperuma**

(Company Director)

### **Prof Shalini Sri Ranganathan**

(Professor in Pharmacology and Specialist Paediatrician)



### **Prof Rohan W Jayasekara**

Chairman – Ethics Committee

25 June 2019

Colombo

# Audit Committee Report

## SCOPE OF THE COMMITTEE

The Audit Committee supports the Board of Directors in fulfilling its oversight responsibility for Company's financial reporting system, system of internal controls, risk management process, internal audit function, compliance with legal and regulatory requirements and review of the External Auditors' performance and independence.

The Audit Committee of the Company's parent, Asiri Hospital Holdings PLC, functions as Audit Committee of the Company, as permitted by the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION OF THE COMMITTEE AND MEETINGS

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

Mr J E Huxtable ceased to be a Director of Asiri Hospital Holdings PLC on 28 December 2018 and Mr R A Ebell was appointed as a Director on 1 January 2019. Mr Ebell was appointed as the Chairman of the Committee on that date, the position previously held by Mr S A B Rajapaksa.

The Audit Committee met on six occasions during the year under review. The activities of the Audit Committee are reported quarterly to the Board of Directors.

The attendance at Audit Committee meetings was as follows:

Name of Director	Attendance
Mr R A Ebell (Member/Chairman from 1 January 2019)	2/2
Mr S A B Rajapaksa (Chairman to 31 December 2018)	5/6
Mr G L H Premaratne	6/6
Mr J E Huxtable	3/4

The Group Manager – Audit and the Chief Financial Officer of Asiri Group of Hospitals were permanent attendees at these meetings, as were the Group Head of Risk and Audit and the Group Chief Financial Officer of Softlogic Group. The Directors of Operations of Asiri Group of Hospitals and the External Auditors attended meetings by invitation when required and the Company Secretary, Softlogic Corporate Services served as secretary to the Committee.

## DUTIES AND RESPONSIBILITIES

The duties of the Audit Committee include –

- Oversight of preparation, presentation and adequacy of disclosure in the Financial Statements, in accordance with applicable laws, regulations, and accounting standards.
- Oversight of processes directed towards ensuring internal controls and risk management procedures are adequate and effective.
- Monitoring and reviewing the effectiveness of the internal audit function.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.
- Assessing the independence and performance of the Company's External Auditor.

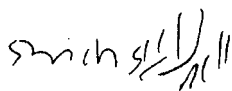
The Committee discharges the following responsibilities:

Financial Statements, Financial Reporting Process and Accounting Policies	<p>The Audit Committee reviews:</p> <ul style="list-style-type: none"> <li>• The quarterly and annual Financial Statements prior to publication.</li> <li>• The appropriateness of Accounting Policies applied.</li> <li>• Significant estimates and judgements made by the Management.</li> <li>• Compliance with Accounting Standards and regulatory requirements.</li> <li>• Issues arising from the internal audit and independent external audit.</li> <li>• The Company's ability to continue as a going concern.</li> </ul>
Internal Controls and Risk Management	<p>The Audit Committee reviews and assesses:</p> <ul style="list-style-type: none"> <li>• The internal control environment and areas of significant risk.</li> <li>• The effectiveness of internal control systems, including information technology security and control.</li> <li>• Policies and practices on risk assessment and management, directed towards ensuring a sound system of internal control is in place.</li> <li>• Internal and External Auditors' reviews of internal control over financial reporting and their reports on significant findings and recommendations, alongside Management's responses.</li> </ul>



Internal Auditing	<p>The Audit Committee reviews and approves:</p> <ul style="list-style-type: none"> <li>• The internal audit charter.</li> <li>• The internal audit budget and resource plan including staffing and organisational structure of the function.</li> <li>• The annual audit plan, major changes to the plan and the internal audit activity's performance against the plan, ensuring there are no unjustified restrictions or limitations on their activity.</li> </ul>
IT Systems Auditing	<p>The Audit Committee reviews and assesses:</p> <ul style="list-style-type: none"> <li>• The effectiveness and efficiency of Information System Audits on IT operations, technologies, systems, structures and processes.</li> <li>• The protection of IT assets in terms of integrity, confidentiality and availability.</li> <li>• The effectiveness of IT risk management measures in place.</li> <li>• IT Governance activities.</li> </ul>
External Audit	<p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>• Reviews the External Auditors' audit scope and approach, including coordination of audit effort with internal audit.</li> <li>• Reviews the performance, independence and objectivity of the External Auditors.</li> <li>• Makes recommendations to the Board pertaining to the appointment, reappointment and removal of External Auditors and their remuneration and terms of engagement.</li> <li>• Seeks to resolve disagreement between Management and the External Auditor regarding financial reporting.</li> </ul>
Compliance	<p>The Audit Committee reviews:</p> <ul style="list-style-type: none"> <li>• The effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigations.</li> <li>• The findings of examinations by regulatory agencies, and Auditors' observations.</li> <li>• The process for communicating the code of conduct to Company personnel, and monitoring compliance therewith.</li> <li>• Updates from Management and Company legal counsel regarding compliance.</li> </ul>

The Audit Committee recommends to the Board of Directors that Messrs Ernst & Young be reappointed as Auditors of the Company for the financial year ending 31 March 2020, subject to the approval of the shareholders at the Annual General Meeting.



**R A Ebell**

Chairman – Board Audit Committee

25 June 2019

Colombo

# Remuneration Committee Report

The Remuneration Committee is a subcommittee 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 two Independent Non-Executive Directors. The names of the Committee members are stated in the Corporate Governance Report on page 25.

The remuneration policy is designed to reward, motivate, and retain the Company's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically taking into account the performance of the individual and industry standards.

All Non-Executive Directors receive a fee for serving on the Board and serving on subcommittees. They do not receive any performance related incentive payments.

The Directors' emoluments are disclosed on page 61.

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



**G L H Premaratne**

Chairman – Remuneration Committee

25 June 2019  
Colombo

# Related Party Transactions Review Committee Report

## PURPOSE

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

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

## COMPOSITION

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company and the following Directors were served on the Committee as at 31 March 2019:

- Mr S A B Rajapaksa – Independent Non-Executive Director (Chairman)
- Mr G L H Premaratne – Independent Non-Executive Director
- Mr R A Ebell – Independent Non-Executive Director (Asiri Hospital Holdings PLC)

Mr S A B Rajapaksa assumed the chairmanship of the Committee on 28 December 2018. Mr J E Huxtable was the Chairman and member of the Committee from 1 April 2018 to 28 December 2018.

Mr R A Ebell was appointed to the Committee on 1 January 2019.

The Chief Financial Officer attends all meetings by invitation.

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

## ATTENDANCE AT MEETINGS

Name	Attended/Eligible to attend
Mr J E Huxtable	2/2
Mr S A B Rajapaksa	3/4
Mr G L H Premaratne	4/4
Mr R A Ebell	2/2

## ROLES AND RESPONSIBILITIES

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

## REVIEW OF THE RELATED PARTY TRANSACTIONS DURING THE YEAR

The Committee reviewed all proposed Related Party Transactions of Asiri Surgical Hospital PLC and scrutinised such transactions to ensure that they are no less favourable to the Group than those generally available to an unaffiliated third party in a similar circumstance. The activities and observations of the Committee have been communicated to the Board quarterly through tabling minutes of the meeting of the Committee at Board meetings. Details of related party transactions entered by the Company during the above period are disclosed in Note 26 to the Financial Statements.

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

The related party transactions of the Company during the financial year have been reviewed by the Committee and are in compliance with Section 9 of the Rules.



**S A B Rajapaksa**

Chairman – Related Party Transactions Review Committee

25 June 2019

Colombo

## Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on pages 40 to 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 Statement of Comprehensive Income of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing Financial Statements set out on pages 43 to 80 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the Financial Statements comply with the Companies Act No. 07 of 2007 and are prepared in accordance with Sri Lanka Accounting Standard (SLFRS/LKAS).

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

The Directors are required to prepare Financial Statements and to provide the External Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

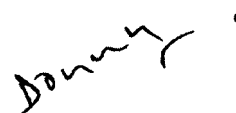
### COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the date of the Statement of Financial Position have been paid or, where relevant provided for, in arriving at the financial results for the year under review except as specified in Note 24 to the Financial Statements covering contingent liabilities.

### COMPLIANCE WITH RELATED PARTY TRANSACTIONS RULES

Transactions of related parties (as defined in LKAS 24 – Related Party Disclosures) with the Company are set out in Note 26 to the Financial Statements.

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



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

25 June 2019  
Colombo

# 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 2019.

## 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 06 to 07 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 Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow 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 32.

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on pages 40 to 42.

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 48 to 58. There was no change in the accounting policies adopted other than those disclosed in Note 2.4 to the Financial Statements.

## PROPERTY, PLANT AND 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 LKR 678,287,885/- (2017/18 – LKR 361,443,324/-) details of which are given in Note 9 to the Financial Statements.

## RESERVES

The total reserves of the Company as at 31 March 2019 amounted to LKR 2,203,109,146/-. 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 LKR 116,000/- (2017/18 – LKR 635,452/-).

## STATED CAPITAL

The stated capital of the Company as at 31 March 2019 was LKR 1,393,327,565/-. There was no change in the stated capital of the Company during the year under review.

## DIVIDENDS

The Directors recommend to the shareholders that the Interim dividend of LKR 0.50 per share paid on 18 April 2019 be considered as the final dividend for the year ended 31 March 2019.

## STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the Statement of Financial Position have been paid or, where relevant provided for, except as specified in Note 24 to the Financial Statements, covering contingent liabilities.

## MATERIAL ISSUES PERTAINING TO THE EMPLOYEES AND INDUSTRIAL RELATIONS

There have been no material issues pertaining to the employees and industrial relations of the Company.

## 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 25 to the Financial Statements.

## INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control and review its effectiveness. The internal control system has been designed to meet the particular needs of the organisation concerned and the risk to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material 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 (Group Chief Executive Officer)

Mr G L H Premaratne

Mr S A B Rajapaksa

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

The Directors have recommended the reappointment of Mr G L H Premaratne who is 71 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the reappointment of Mr G L H Premaratne.

#### DIRECTORS' SHAREHOLDING

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

Name of Director	Number of shares as at 31 March 2019	Number of shares as at 31 March 2018
Mr A K Pathirage	-	-
Dr S Selliah	17,000	17,000
Dr K M P Karunaratne	133	133
Mr G L H Premaratne	-	-
Mr S A B Rajapaksa	-	-

#### DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Company for the financial year 2018/19 are given in Note 5 to the Financial Statements on page 61.

#### INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have disclosed their interests pursuant to Section 192 (2) of the said Act.

#### DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS WITH THE COMPANY

Directors' interests in contracts with the Company, both direct and indirect are given in Note 26 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	-	LKR 1,323,789/-
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 31 March 2019 are given on page 83 together with an analysis of the shareholding. There were 3,283 registered shareholders as at 31 March 2019.

#### SHARE INFORMATION

Information on share trading is given on page 83 of the Annual Report.

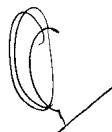
#### GOING CONCERN

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.

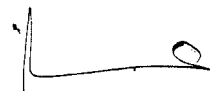
#### ANNUAL GENERAL MEETING

The Nineteenth Annual General Meeting of the Company will be held at Auditorium of Central Hospital Limited (4th Floor), No. 114, Norris Canal Road, Colombo 10 on Friday, 20 September 2019 at 3.00pm. The Notice of the 19th Annual General Meeting is on page 87 of the Annual Report.

For and on behalf of the Board,



**Ashok Pathirage**  
Chairman/Managing Director



**Dr Manjula Karunaratne**  
Group Chief Executive Officer



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

25 June 2019  
Colombo

# Risk Management

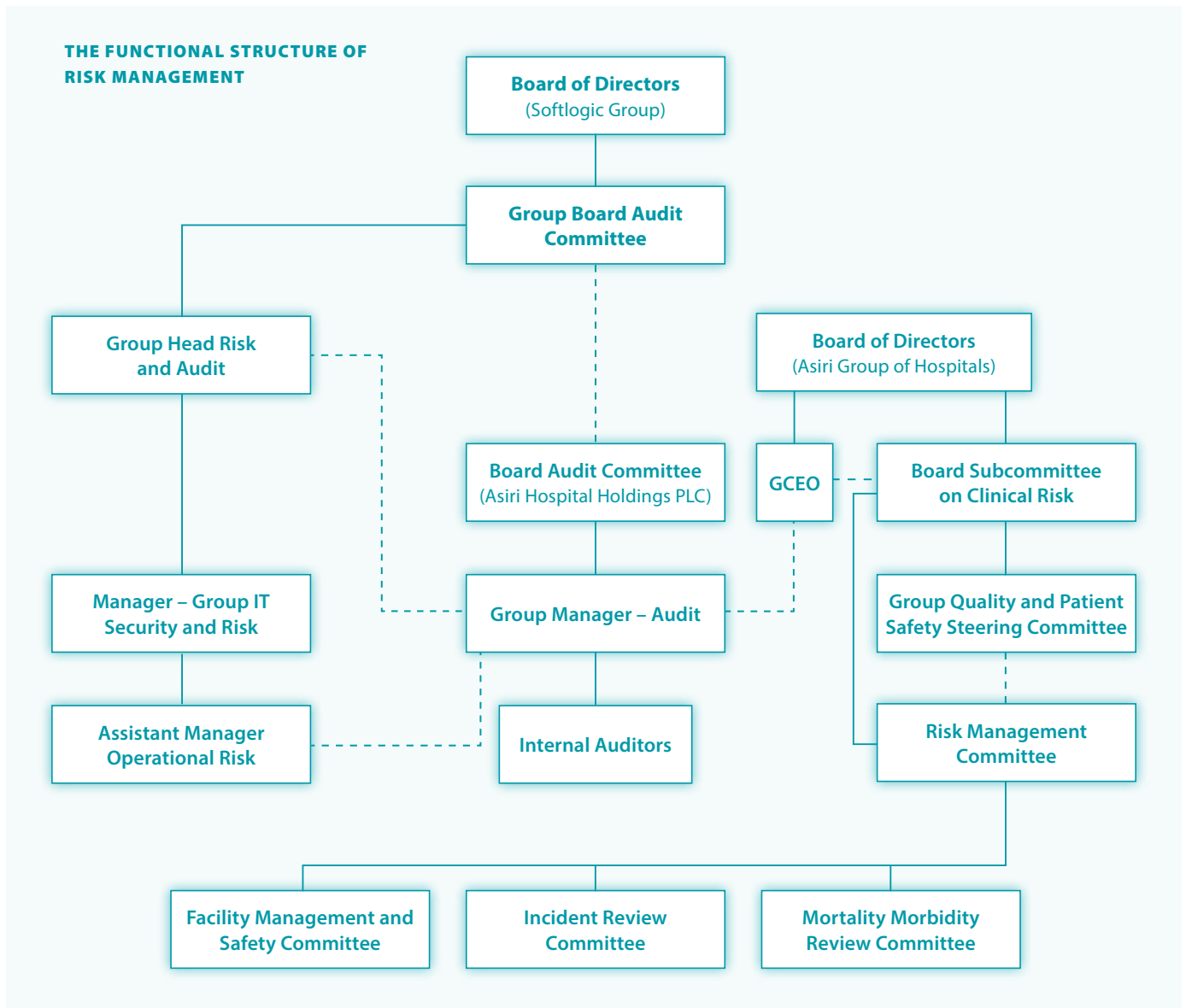
## INTEGRATED RISK MANAGEMENT

While recognising that risk management is a responsibility of the Board of Directors, we have empowered a broader avenue for all employees to engage in day-to-day risk management activities to optimise the risk and return spectrum within defined risk appetites. Being the key player in the private healthcare industry in Sri Lanka, our main focus is on health and safety of patients and employees. Asiri Group has implemented a robust risk management framework that is efficient, transparent and proactive. Knowing the repercussions of a minor error, the Management is dedicated to review the adequacy of controls and other risk management aspects on a regular basis.

Driving towards a zero error culture, risk assessments have provided greater insights on the areas of improvements while the risk scoring matrix has facilitated to recognise priorities. Asiri Group of Hospitals is keen on emerging risks that are inherent to the business and has

adopted a number of risk mitigation strategies to ascertain the resilience. Highest level of industry standards and best practices are followed to eliminate expensive lawsuits and undue damages to the reputation.

The Group has established an integrated and effective risk management framework where significant risks are identified, assessed, prioritised and managed by implementing appropriate risk mitigation actions. Heads of the business unit are acting as the First Line of Defence and Finance control, information security and risk and compliance functions are devoted as the Second Line of Defense. Being the Third Line of Defence, assurance of risk management and controls are rest with Internal and External Auditors. Adequacy and effectiveness of the risk management framework is been periodically reviewed by the Board Audit Committee and required changes are recommended to the Board of Directors.



## PERCEIVED RISKS

Below table presents the key risks identified by Asiri Group of Hospitals together with potential impact and measures taken to mitigate those risks.

Risk	Potential impact	Mitigation strategy
<p><b>Clinical risk</b></p> <p>Any event or incident that occurs in our daily operations will affect the quality of patient care, thus; we have prioritised most of the clinical risks and new additions are promptly identified through patient feedback and industry analysis.</p>	<p>As a hospital, risks associated with patient care are extremely important. Clinical risks can lead to other risks including reputation and legal risks while causing financial losses.</p> <p>Likelihood and consequences of clinical risks may vary from time to time and it has become the most significant and vulnerable area to Asiri Group of Hospitals in terms of risk.</p>	<p>We continuously provide fully fledged training programmes to all our employees and encourage them to maintain better communication all the time. Asiri Group of Hospitals has provided stringent guidelines for incident reporting, utilisation of informed consent documents and related defensible documentation.</p> <p>The Management is keen on maintaining and replacing Biomedical instruments which play a vital role in patient safety.</p> <p>The subcommittee on clinical risk management fully operates within its sphere to ensure that all clinical risks that are reported have been addressed adequately and controls are in place to prevent additional clinical risk events. Frequent monitoring and review of clinical risks are performed to ensure that the organisation's clinical risk management plan is adequate and effective.</p> <p>The Group has already obtained multiple accreditations including Joint Commission International (JCI) for all aspects of its operations, including patients care and health, food and safety, quality management, and laboratory management.</p> <p>The specialist doctors and medical officers who join Asiri Group are subjected to a credentialing and privileging process to ensure they possess the required skill and competence to deliver good clinical care to our patients. Similarly, nursing professionals as well as paramedical staff are recruited with careful evaluation of their skill and competencies and thereafter encouraged to pursue continuous professional development to keep up with evolving trends in technology.</p>
<p><b>Infections risk</b></p> <p>Healthcare-acquired infections (HAIs) would be critical to the healthcare industry and mostly medical staff of the hospitals, affecting the operational effectiveness in the long term.</p>	<p>The hospital-acquired infections due to cross contamination would lead to prolonged stay for some patients or undue complications with escalation of treatment costs. HAIs may affect smooth operation of the hospital if healthcare professionals get affected with infectious diseases.</p>	<p>Asiri Group of Hospitals has initiated comprehensive infection control strategies. Among many solutions, the Group ensures all sanitation systems are up to date, operational, and ensure staff understand how to use the systems properly to keep patients safe. These initiatives continue to remind staff and visitors about basic infection control techniques.</p>
<p><b>Strategic risk</b></p> <p>Strategic risk is inherent in business strategy, strategic objectives, and strategy execution. It is a possible source of loss that might arise from pursuing an unsuccessful business plan.</p> <p>Strategic risk might also arise from inadequate resource allocation or from a failure to respond well to changes in the business environment.</p>	<p>Strategic risk is often a major factor in determining a company's worth and may lead to a complete failure if not addressed accordingly.</p> <p>Incompetent strategic decisions will adversely affect shareholder objectives while failure to execute innovative decisions will hinder the expansion and opportunities in the emerging markets.</p>	<p>All strategic decisions are scrutinised by the Board of Directors who have expertise knowledge and vast experience in the industry. Recommended decisions are reviewed by the Softlogic Holdings Group Executive Board of Directors and thorough evaluations and assessments are carried out prior to execution.</p>
<p><b>Reputational risk</b></p> <p>Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on the reputation of Asiri Group of Hospitals, thereby affecting its revenue.</p>	<p>In the service industry, reputation is the most influential factor that distinguishes players in the same industry. Therefore it is difficult to quantify the reputational risk which has a severe impact on shareholders' value.</p>	<p>Nursing and other staff undergo extensive training on patient management and customer service on a continuous basis.</p> <p>Asiri Group of Hospitals maintain a constructive relationships with stakeholders by developing trust, confidence, and win-win relationships while conforming to international best practices.</p> <p>A well established complaint handling process is in place to address issues expeditiously. The Ethics Committee, comprising industry specialists, plays an advisory role on matters relating to research and clinical trials.</p>



Risk	Potential impact	Mitigation strategy
<p><b>Operational risk</b></p> <p>These are the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.</p>	<p>Operational risk exists in the natural course of business activity. Failure to manage operational risks can expose the Group to significant losses.</p>	<p>The Group is promoting and enhancing the effectiveness of Operational Risk Management processes which includes identification, assessment, treatment, monitoring and controlling.</p> <p>Our risk management framework has been designed to promptly detect deficiencies in the policies, procedures and processes. However, some risks may be latent and we have crisis management processes designed to improve our resilience to unforeseen events.</p> <p>Business continuity arrangements are in place to address supply chain disruption, employee repatriation, natural disasters, cyberattacks, and technical mishaps, and can minimise their impact on our stakeholders, reputation, and performance.</p> <p>Further, robust policies for IT Security were implemented and frequent IT audits and reviews are performed to ensure the adequacy of controls and areas of improvements.</p>
<p><b>Internal processes</b></p> <p>Internal processes are predominant in achieving business objectives and ineffectiveness of which will lead to severe financial or business losses.</p>	<p>Inadequate internal controls may adversely affect the continuity or effectiveness of internal processes.</p> <p>The impact is specific to each process and its contribution to the continuity of the service. If several processes fail, the cumulative impact might be greater than what is expected.</p>	<p>Internal processes have been standardised in accordance with JCI and other accreditation requirements.</p> <p>Asiri Group of Hospitals maintains proper internal control systems and initiate prompt responses to evolving risks. All the processes are continually reviewed by the Internal Audit Department to ensure that all the risks are being attended to. Audit trails are checked in an appropriate manner and red flags (if any) are raised to draw the attention and ensure proper action is being taken and implemented in a timely manner.</p>
<p><b>Human resources (People)</b></p> <p>Service industry, in which the Group operates, is heavily dependent on human resources.</p> <p>Risks may arise from employee negligence, conflict of interest, fraud or misappropriation and due to poorly trained employees.</p> <p>The human capital may be affected through failure to attract, develop, and retain skilled workforce.</p>	<p>Failures in human resource could affect the continuity of business operations. The consequences could be serious, if key executives are lost without suitable replacements in place.</p> <p>Thus ability to recruit and retain qualified and skilled healthcare professionals are crucial for the success of the Organisation.</p>	<p>The Group has introduced a comprehensive recruitment and retention process. Qualified people are recruited after a proper screening. Employee requirements, and satisfaction levels are efficiently and effectively monitored through employee satisfaction surveys. The gaps, if any, are addressed promptly.</p> <p>While ensuring the safety and welfare of employees, our risk management approach is directed towards minimising human related concerns. A succession planning programme is in place which includes; regular training and development, promotions, KPIs, and supervision.</p>
<p><b>External events</b></p> <p>External events including natural disasters and other similar types of emergencies that confront organisations on a daily basis which affects the continuity of business.</p>	<p>Some extreme events can interrupt the entire service function whilst keeping the alternate options limited.</p> <p>Unlike other industries, due to the necessity of business continuity in a disaster situation, stretched disaster recovery time may incur more financial and business losses.</p>	<p>Events are identified by analysing historical data and conducting proper assessments based on real time information from external sources. Adequate business continuity measures have been taken to ensure that an uninterrupted service is provided. Additionally the revenue has been insured against uncontrollable events.</p> <p>Regular reviews are undertaken to ensure that adequate insurance covers are available to compensate for revenue loss.</p>

Risk	Potential impact	Mitigation strategy
<b>Cyber and information security risk</b>		
<p>The healthcare industry increasingly relies on technology that is connected to the Internet including patient records and lab results. This has raised new concerns with regard to privacy as these records are targeted by cybercriminals.</p> <p>Increasing use of technology has resulted in new levels of complexity and threats such as: security breaches, system failures, malicious attacks, IT fraud, and many other issues.</p>	<p>If systems are disrupted over the Internet by an adversary or an accident, this can have a profound impact on patient care. It would impact continuity of business for the hospital and both monetary and non-monetary losses could be incurred.</p> <p>These attacks are more complex in nature than ever before due to use of Artificial Intelligence (AI).</p> <p>Financial and business losses that could arise due to failure of IT systems are difficult to predict.</p>	<p>Our Information Security policies and procedures have been developed based on ISO:27000 and we have deployed numerous controls at both database and application levels. Information security incident reporting and monitoring have been given prominence while Independent third party reviews and vulnerability assessments are carried out frequently.</p> <p>Preventive maintenance of IT infrastructure, scheduled data backups, off-site storage and round-the-clock IT support by the parent Group are some of the strategies adopted to ensure zero losses of data during a system failure.</p> <p>Regular IT disaster recovery testing is carried out to ensure the resilience.</p>
<b>Technological risk</b>		
<p>Healthcare industry is exposed to frequent technological revolutions and failure to adopt latest technologies will drive the Group towards technological obsolescence.</p>	<p>Inability to adopt the latest pioneering technology could result in loss of customers, leading to fall in revenue and loss of market leadership.</p>	<p>Research and innovations in the healthcare industry are closely followed and we are prompt in adopting the most advanced and innovative technology available for both diagnostics and treatment.</p> <p>Our Group makes regular investments in pioneering technology and training of staff for optimal application of existing technology.</p>
<b>Credit risk</b>		
<p>The risk of default on receivables may arise from a patient failing to make required payments at the time of discharge.</p>	<p>Credit risk will cause disruption to cash flows and will increase collection costs which will ultimately affect the liquidity position.</p>	<p>We evaluate creditworthiness of corporates before granting extended credit facilities, educate customers of the services and associated costs and check validity of patients' insurance policies at the time of patient registration.</p> <p>Interim bills are issued for inpatients to facilitate periodic bill settlements.</p>
<b>Interest rate risk</b>		
<p>Interest rate risk exists in interest-bearing liabilities, such as loans and overdrafts where the financial expenses will increase due to increased interest rates.</p>	<p>The Group has obtained multiple facilities from various banks for working capital, capital expenditure and investments.</p> <p>Fluctuations of interest rates will adversely affect the business by increasing financial costs and affect the capital structure and strategic decisions adversely.</p>	<p>Close monitoring and supervision of macroeconomics trends are done to understand the market behaviour and to enable firm decision-making.</p> <p>To mitigate the impact of Interest rate risk, more consideration is given to maintain minimum interest spreads during when the rates are declining while fixed rates are encouraged during rising periods.</p>
<b>Legal and compliance risk</b>		
<p>In a highly regulated, high risk industry like healthcare, compliance is especially important.</p> <p>Compliance risk arises when the Group fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.</p>	<p>The Group will be exposed to legal penalties, financial forfeiture and material losses and the consequences of litigation are difficult to predict or quantify.</p> <p>In addition to complying with the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka and Companies Act disclosure requirements, the Group also complies with Sri Lanka Accounting Standards. Non-compliance would cause severe reputation damage as well.</p>	<p>Our team is committed to address the wide range of legal and compliance issues that must be considered in identifying, managing, minimising, and avoiding adverse legal risks, and to attain and maintain compliance with healthcare statutory and regulatory obligations.</p> <p>We are engaged in good corporate practices which ensure the transparency, compliance with laws, and regulations and ethical business in all affairs with stakeholders. Related Party Transaction Review Committee has been established to assure the highest level of integrity and transparency.</p>

# *Financial Reports*

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## **FINANCIAL CALENDAR**

FINANCIAL YEAR END 31 MARCH 2019

ANNOUNCEMENT OF QUARTERLY FINANCIAL PERFORMANCE

1st Quarter	13 August 2018
2nd Quarter	15 November 2018
3rd Quarter	15 February 2019
4th Quarter	29 May 2019
Notice of Annual General Meeting	25 June 2019
Annual General Meeting	20 September 2019

# Independent Auditor's Report



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

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TO THE SHAREHOLDERS OF ASIRI SURGICAL HOSPITAL PLC

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of the Asiri Surgical Hospital PLC, which comprise the statement of financial position as at 31 March 2019, and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

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

### Key audit matters

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

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

Partners: W R H Fernando 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 K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA 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 FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key audit matters	How our audit addressed the key audit matter
<p><b>Revaluation of freehold building of the Company</b></p> <p>As at 31 March 2019, freehold building carried at fair value, classified as property, plant and equipment amounted to LKR 2.3 Bn., which represents approximately 39% of the total assets of the Company.</p> <p>The fair value of such property was determined by external valuer engaged by the Company. The valuation of freehold building was significant to our audit due to the use of significant estimates such as value per square foot disclosed in note 9.5 to the financial statements.</p>	<p>Our audit procedures focused on the valuation performed by the external valuer engaged by the Company, and included the following;</p> <ul style="list-style-type: none"> <li>• We assessed the competency, capability and objectivity of the external valuer engaged by the Company.</li> <li>• We read the external valuer's report and understood the key estimates made and approach taken by the valuer in determining the valuation of the property.</li> <li>• We engaged our internal specialised resources to assist us in assessing the appropriateness of the valuation technique and reasonableness of value per square foot.</li> <li>• We also assessed the adequacy of the related disclosures made in note 9.5 to the financial statements relating to the valuation technique and estimates used by the external valuers.</li> </ul>
<p><b>Revenue recognition</b></p> <p>The Company adopted SLFRS 15 – Revenue from Contracts with Customers (New Revenue Standard) with effect from 01 April 2018 and management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard.</p> <p>Requirements of the new standard along with relevant clarifications and guidance specifically relating to agent vs principal relationships and disclosures requirements coupled with the fact that Company operates in multiple segments and enters in to varying contracts with its customers and consultant medical personnel, resulted us in considering Company's adoption of SLFRS 15 as a Key audit matter.</p>	<p>Our audit procedures focused on the Company's adoption of the New Revenue Standard and included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• We assessed the process followed by the Company to ensure all revenue streams are considered in its assessment and that the related contracts reviewed are representative of specified revenue streams and contractual terms.</li> <li>• We obtained management's impact assessment and examined a sample of contracts to assess whether method for recognition of revenue was relevant and consistent with SLFRS 15 and applied consistently.</li> <li>• We examined a sample of contractual arrangements where consultant medical personnel are involved, and tested the appropriateness of the recognition of revenue on a gross or net basis.</li> <li>• We assessed the adequacy of the disclosures made in Note 2.3.17 and Note 3 in the financial statements.</li> </ul>

### Other information included in the Company's 2019 annual report

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

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

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

### Responsibilities of management and those charged with governance for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit.

**We also:**

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

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

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

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

**Report on other legal and regulatory requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.



25 June 2019  
Colombo

## Statement of Profit or Loss

Year ended 31 March	Note	2019 LKR	2018 LKR
Revenue	3.1	3,475,046,720	3,275,348,652
Cost of services		(2,122,762,350)	(2,013,869,335)
<b>Gross profit</b>		<b>1,352,284,370</b>	<b>1,261,479,317</b>
Other income	3.3	68,431,389	232,248,956
Administrative expenses		(764,421,178)	(715,141,483)
Selling and distribution costs		(98,436,510)	(80,466,084)
Finance cost	4.1	(54,952,053)	(45,471,878)
Finance income	4.2	107,223,097	93,759,466
Share of joint venture profit (net of income tax)	11.2	92,734	5,902,066
<b>Profit before tax</b>	5	<b>610,221,849</b>	<b>752,310,360</b>
Income tax expense	6	(243,707,118)	(205,707,444)
<b>Profit for the year</b>		<b>366,514,731</b>	<b>546,602,916</b>
Earnings per share – basic	7	0.69	1.03
Earnings per share – diluted	7	0.69	1.03
Dividend per share – ordinary shares	8.1	0.50	0.85

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

# Statement of Comprehensive Income

Year ended 31 March	Note	2019 LKR	2018 LKR
<b>Profit for the year</b>		<b>366,514,731</b>	546,602,916
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>			
Revaluation surplus on building	18	51,163,310	84,994,507
Actuarial gain/(loss) on retirement benefit liability	21.1	(193,590)	5,030,598
Share of joint venture other comprehensive income (net of income tax)		(7,497)	-
Net loss on equity instrument designated at FVOCI	11.1	(106,121,634)	-
		(55,159,411)	90,025,105
Deferred tax charge on other comprehensive income	6.2	(14,271,522)	(242,033,246)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>		<b>(69,430,933)</b>	(152,008,141)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</b>			
Net loss on equity instrument designated at AFS	11.1	-	(15,912,674)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</b>		<b>-</b>	(15,912,674)
<b>Other comprehensive income for the year, net of tax</b>		<b>(69,430,933)</b>	(167,920,815)
<b>Total comprehensive income for the year, net of tax</b>		<b>297,083,798</b>	378,682,101

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	Note	2019 LKR	2018 LKR
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3,481,426,103	3,177,555,145
Leasehold property	12	83,127,513	84,164,446
Investment property	10	193,724,248	–
Loans granted to related parties	16.4	873,000,000	468,000,000
Other non-current financial assets	11.1	311,681,428	332,670,672
Investment in joint venture	11.2	32,987,303	32,902,066
		<b>4,975,946,595</b>	<b>4,095,292,329</b>
<b>Current assets</b>			
Inventories	15	116,332,105	167,901,404
Trade and other receivables	16	320,247,866	156,103,615
Advances and prepayments	16	182,572,298	96,064,359
Loans granted to related parties	16.4	209,100,000	–
Cash in hand and at bank	23.1	60,382,569	383,767,134
		<b>888,634,838</b>	<b>803,836,512</b>
<b>Total assets</b>		<b>5,864,581,433</b>	<b>4,899,128,841</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	17	1,393,327,565	1,393,327,565
Revaluation reserve	18	1,185,966,362	1,149,128,779
AFS reserves/FV reserves of financial assets at FVOCI		(125,025,106)	(18,903,472)
Retained earnings		1,142,167,890	1,044,199,365
<b>Total equity</b>		<b>3,596,436,711</b>	<b>3,567,752,237</b>
<b>Non-current liabilities</b>			
Amount due on leasehold property	19	17,984,666	22,056,667
Interest-bearing loans and borrowings	20	191,746,000	255,682,000
Post-employment benefit liability	21.1	126,826,884	116,104,526
Deferred tax liability	6.2	578,287,336	515,841,417
		<b>914,844,886</b>	<b>909,684,610</b>
<b>Current liabilities</b>			
Amount due on leasehold property	19	4,072,000	4,072,000
Interest-bearing loans and borrowings	20	408,897,890	64,407,152
Trade and other payables	22	496,166,906	261,106,722
Tax payable		171,023,018	85,061,513
Dividend payable		273,140,022	7,044,607
		<b>1,353,299,836</b>	<b>421,691,994</b>
<b>Total equity and liabilities</b>		<b>5,864,581,433</b>	<b>4,899,128,841</b>

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



**Mr Ajith Karunaratne**

Chief Financial Officer

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



**Mr Ashok Pathirage**

Director



**Dr Manjula Karunaratne**

Director

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

25 June 2019

Colombo

## Statement of Changes in Equity

Year ended 31 March		Stated capital	AFS reserves/ FV reserves of financial assets at FVOCI	Revaluation reserve	Retained earnings	Total
	Note	LKR	LKR	LKR	LKR	LKR
<b>Balance as at 1 April 2017</b>		1,393,327,565	(2,990,798)	1,304,758,951	951,923,028	3,647,018,746
Fair value adjustment – guarantees		–	–	–	(8,759,697)	(8,759,697)
Profit for the year		–	–	–	546,602,916	546,602,916
Other comprehensive income for the year		–	(15,912,674)	(155,630,172)	3,622,031	(167,920,815)
<b>Total comprehensive income for the year</b>		–	(15,912,674)	(155,630,172)	550,224,947	378,682,101
Dividend paid – ordinary shares	8	–	–	–	(449,188,913)	(449,188,913)
<b>Balance as at 31 March 2018</b>		1,393,327,565	(18,903,472)	1,149,128,779	1,044,199,365	3,567,752,237
Fair value adjustment – guarantees		–	–	–	(4,170,551)	(4,170,551)
Profit for the year		–	–	–	366,514,731	366,514,731
Other comprehensive income for the year		–	(106,121,634)	36,837,583	(146,882)	(69,430,933)
<b>Total comprehensive income for the year</b>		–	(106,121,634)	36,837,583	366,367,849	297,083,798
Dividend paid – ordinary shares	8	–	–	–	(264,228,773)	(264,228,773)
<b>Balance as at 31 March 2019</b>		1,393,327,565	(125,025,106)	1,185,966,362	1,142,167,890	3,596,436,711

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

# Statement of Cash Flow

Year ended 31 March	Note	2019 LKR	2018 LKR
<b>Cash flows from operating activities</b>			
Profit before income tax expense		610,221,849	752,310,360
<b>Adjustments for</b>			
Amortisation of leasehold land	12	1,036,933	1,036,933
Depreciation	9.2	231,214,780	232,528,747
Profit on disposal of property, plant and equipment	3.3	(4,805,590)	(267,169)
Share of joint venture profit	11.2	(92,734)	(5,902,066)
Finance income	4.2	(107,223,097)	(93,759,466)
Finance costs	4.1	54,952,053	45,471,878
Scrip dividends	11.1	(18,139,975)	(11,423,986)
Provision for gratuity	21.1	24,259,105	24,935,585
Provision for bad debt		4,111,058	3,561,265
<b>Operating profit before working capital changes</b>		<b>795,534,382</b>	<b>948,492,081</b>
Decrease in inventories		51,569,299	13,391,103
(Increase)/decrease in trade and other receivables		(254,763,249)	37,504,375
Increase/(decrease) in trade and other payables		236,533,636	(20,902,195)
<b>Cash generated from operations</b>		<b>828,874,068</b>	<b>978,485,364</b>
Income tax paid		(109,571,217)	(45,942,602)
Finance costs paid		(52,988,030)	(43,987,878)
Defined benefit plan costs paid	21.1	(13,337,146)	(4,423,321)
<b>Net cash from operating activities</b>		<b>652,977,675</b>	<b>884,131,563</b>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of property, plant and equipment	9.4	(678,287,885)	(361,443,324)
Proceeds from sale of property, plant and equipment		5,446,800	53,876,263
Investment in joint venture		–	(27,000,000)
Investment in financial assets	11.1	(66,992,415)	(454,990)
Finance income received		101,088,522	83,515,770
Loans repayments from related parties		–	132,000,000
Loans granted to related parties		(614,100,000)	–
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,252,844,978)</b>	<b>(119,506,281)</b>
<b>Cash flows from/(used in) financing activities</b>			
Payment of amount due on leasehold property	20.1	(4,072,000)	(4,072,000)
Repayment of interest-bearing loans and borrowings	20.1	(63,936,000)	(63,936,000)
Dividend paid		–	(449,188,913)
<b>Net cash flows from/(used in) financing activities</b>		<b>(68,008,000)</b>	<b>(517,196,913)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(667,875,303)</b>	<b>247,428,369</b>
<b>Cash and cash equivalents at the beginning of the year</b>	23	<b>383,295,982</b>	<b>135,867,613</b>
<b>Cash and cash equivalents at the end of the year</b>	23	<b>(284,579,321)</b>	<b>383,295,982</b>

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

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 GENERAL

Asiri Surgical Hospital PLC ("Company") is a public limited liability company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business is located at No. 21, Kirimandala Mawatha, Colombo 5.

### 1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

### 1.3 PARENT ENTERPRISE AND ULTIMATE PARENT ENTERPRISE

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

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

### 1.4 DATE OF AUTHORISATION FOR ISSUE

The Financial Statements of Asiri Surgical Hospital PLC for year ended 31 March 2019 was authorised for issue in accordance with a resolution of the Board of Directors dated 25 June 2019.

## 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 (LKR), 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 OFFSETTING

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

#### 2.1.3 MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

### 2.1.4 COMPARATIVE INFORMATION

On 1 April 2018 Company has adopted SLFRS 15 and SLFRS 9. The Company has not restated comparative information for 2018 on financial instruments in the scope of SLFRS 9 and SLFRS 15. Therefore, the comparative information for 2018 is reported under LKAS 39 and LKAS 18 which is not comparable to the information presented for 2019. Information on the adoption of SLFRS 9 and SLFRS 15 are disclosed in Note 2.4.

## 2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Company require the Management to make judgements, 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 judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialist to assess fair value of such assets as at 31 March 2019. (Refer Note 9.5 to these Financial Statements).

### FAIR VALUE OF INVESTMENT PROPERTY

The Company measures building which are recognised as investment property at fair value amount with change in value being the open market approach in determining the fair value of the building. Further details on fair value of investment property are disclosed in Notes 10 and 14 to the Financial Statements.

### DEFERRED TAXES

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

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

### POST-EMPLOYMENT BENEFIT PLAN

The cost of the post-employment 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, and 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 21 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.

### TRANSFER PRICING REGULATION

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

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

### 2.3.1 FOREIGN CURRENCY TRANSLATION

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

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

Differences arising on settlement or translation of monetary items are recognised in Statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income (OCI) or Statement of profit or loss are also recognised in OCI or Statement of profit or loss, respectively).

### 2.3.2 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- It does not have a right at the reporting date to defer the settlement of the liability by the transfer of cash or other assets for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

### 2.3.3 FAIR VALUE MEASUREMENT

Fair value related disclosures for non-financial assets and financial instruments that are measured at fair value or where fair values are disclosed are summarised in Note 14 to the Financial Statements.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

### 2.3.4 TAXATION

#### CURRENT TAXES

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

The Company is liable to pay tax on other income earned at the prevailing tax rate and on business income from 1 January 2015 upon expiry of exemption period which is 10 years counted from the date on which the enterprise first commences commercial operations (1 January 2005).

#### DEFERRED TAXATION

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible

temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

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

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

### 2.3.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

### 2.3.6 INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in Statement of profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in Statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in SLFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 2.3.7 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 Statement of Profit or Loss.

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

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

### 2.3.8 BORROWING COSTS

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

### 2.3.9 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

#### POLICY APPLICABLE FROM 1 APRIL 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (I) FINANCIAL ASSETS

##### INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in Section 2.4.1 – Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### **SUBSEQUENT MEASUREMENT**

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
4. Financial assets at fair value through profit or loss.

However, the classification of the financial assets of the Company are limited to financial assets at amortised cost (debt instruments) and financial assets designated at FVOCI (equity instruments).

#### **FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in Statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, cash and bank and loans granted to related parties.

#### **FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OCI (EQUITY INSTRUMENTS)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

#### **DERECOGNITION**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **IMPAIRMENT OF FINANCIAL ASSETS**

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following Notes:

- Trade receivables Note 16.

## (II) FINANCIAL LIABILITIES

### INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

### SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification, as described below:

#### LOANS AND BORROWINGS

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of profit or loss when the liabilities are derecognised as well as through the 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. The EIR amortisation is included as finance costs in the Statement of Profit or Loss.

#### 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

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

## 2.3.10 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

### POLICY APPLICABLE UP TO 31 MARCH 2018

#### (I) FINANCIAL ASSETS

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

#### Initial recognition and measurement

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

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

#### Subsequent measurement

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

#### Available-for-sale financial investments

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

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

**Trade and other receivables**

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

**Derecognition****Financial assets**

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

**Impairment of financial assets**

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

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

**Financial assets carried at amortised cost**

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

**(II) FINANCIAL LIABILITIES**

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

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

**Initial recognition and measurement**

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

**Subsequent measurement**

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

**Interest-bearing loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the Effective Interest Rate (EIR) method 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 Statement of Profit or Loss.

### 2.3.11 EQUITY ACCOUNTED INVESTEEES (INVESTMENT IN ASSOCIATES AND JOINT VENTURES)

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

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

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

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

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

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

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

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

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

### 2.3.12 INVENTORIES

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

The cost incurred in bringing inventories to its present location and conditions are accounted for using the first-in first-out basis.

### 2.3.13 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.

### 2.3.14 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 Statement of Cash Flow, cash and cash equivalents consist of the above net of outstanding bank overdrafts. Investments with short maturities (i.e., three months or less from the date of acquisition) are also treated as cash equivalents.

### 2.3.15 PROVISIONS

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

### 2.3.16 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 EMPLOYEES’ TRUST FUND

Employees are eligible for Employees’ Provident Fund and Employees’ 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 Employees’ Trust Fund respectively.

### 2.3.17 REVENUE

The Company is in the business of providing healthcare services and sale of pharmaceuticals. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or goods.

The Company recognised the revenue based on SLFRS 15 with effect from 1 April 2018. It applies to all contracts with customers to provide goods and services in the ordinary course of business. The Company adopts principle-based five steps model for revenue recognition.

Accordingly, revenue is recognised only when all of the following criteria are met:

- The parties to the contract have approved the contract/s;
- The entity can identify each party’s rights regarding goods or services to be transferred;
- The entity can identify the payment term for the goods or services to be transferred;
- The contract has commercial substance;
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for goods or services that will be transferred to the customer.

Under SLFRS 15, the Company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Company recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

Revenue from sale of pharmaceutical items are recognised at a point in time when control of that Item is transferred to the customer.

Revenue from outpatients are recognised at a point in time when services are rendered.

Revenue from inpatients are recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

The Company assesses its revenue arrangements against specific criteria in order to determine if is acting as principle or agent. The Company has concluded that the service revenues are presented net of doctor fees in cases where the Company is not the primary obliger and does not have the pricing latitude.

#### 2.3.17.1 CONTRACT ASSETS

Contract assets are Company’s right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. Contract assets of the Company have been disclosed in trade and other receivables Note 16.

#### 2.3.17.2 CONTRACT LIABILITIES

Contract liabilities are Company’s obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services. Contract liabilities of the Company have been disclosed in trade and other payables Note 22.

#### 2.3.18 OTHER INCOME

Rental income is recognised in the Statement of Profit or Loss as it accrues.

#### 2.3.19 DIVIDEND INCOME

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

### 2.3.20 FINANCE INCOME

Finance income comprises of interest income from loans granted to related parties.

Interest income is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included under finance income in the Statement of Profit or Loss.

### 2.3.21 FINANCE EXPENSE

Finance costs comprise interest expense on borrowings and guarantee cost.

Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

### 2.3.22 EXPENDITURE

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company performance.

### 2.3.23 CASH DIVIDEND

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

### 2.3.24 EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

### 2.3.25 SEGMENT REPORTING

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

## 2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting standard SLFRS 15 and SLFRS 9 came in to effect from 1 January 2018 and consequently the Company has adopted these standards for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

#### 2.4.1 SLFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

SLFRS 15 supersedes LKAS 11 – Construction Contracts, LKAS 18 – Revenue and Related Interpretations. It applies with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Company concluded that SLFRS 15 does not have an impact on the Company's Financial Statements.

#### 2.4.2 SLFRS 9 FINANCIAL INSTRUMENTS

SLFRS 9 – Financial Instruments replaces LKAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied SLFRS 9 modified retrospectively, with the initial application date of 1 April 2018. The nature of these adjustments is described below:

##### 2.4.2.1 CLASSIFICATION AND MEASUREMENT

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied modified retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Company. The following are the changes in the classification of the Company's financial assets:

- Trade receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Equity investments in listed companies previously classified as AFS financial assets are now classified and measured as equity instruments designated at fair value through OCI and the AFS reserve have been redesignated as fair value reserve of financial assets designated at FVOCI. The Company elected to classify irrevocably its listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

#### 2.4.2.2 IMPAIRMENT

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The effect of adopting SLFRS 9 does not have a material impact on Company's Financial Statements.

## 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

### SLFRS 16 – LEASES

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("Lessee") and the supplier ("Lessor"). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the Income Statement.

SLFRS 16 substantially carries forward the lessor accounting requirement in LKAS 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS 16 will become effective on 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

### IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

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

The Interpretation specifically addresses the following:

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

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

### 3. REVENUE AND OTHER INCOME

#### 3.1 REVENUE

	2019 LKR	2018 LKR
Healthcare services	3,347,400,653	3,161,118,288
Sales of goods	127,646,067	114,230,364
	<b>3,475,046,720</b>	<b>3,275,348,652</b>

#### 3.1.A SEGMENT INFORMATION

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

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

- pre-care which include OPD revenue, channelling revenue and OPD lab investigation services
- post-care which include all IPD revenue including inpatient drugs and lab investigation
- pharmaceutical which includes OPD pharmacy revenue

The following table presents the revenue generated by the Company's segments for the year ended 31 March 2019 and comparative figures for the year ended 31 March 2018.

	2019 LKR	2018 LKR
Pre-care	1,014,561,943	976,623,900
Post-care	2,332,838,710	2,184,494,388
Pharmaceutical	127,646,067	114,230,364
	<b>3,475,046,720</b>	<b>3,275,348,652</b>

#### 3.2 TIMING OF REVENUE RECOGNITION

	2019 LKR	2018 LKR
Services and goods transferred at a point in time	1,142,208,010	1,090,854,264
Services transferred over time	2,332,838,710	2,184,494,388
	<b>3,475,046,720</b>	<b>3,275,348,652</b>

**3.3 OTHER INCOME**

	2019 LKR	2018 LKR
Rental income	38,816,320	23,054,200
Sundry income	1,980,684	2,460,771
Profit on disposal of property, plant and equipment	4,805,590	267,169
Exchange loss	(17,321)	(118,046)
Dividend income – external	22,846,116	21,084,862
Realised capital gain on sale of shares	-	185,500,000
	<b>68,431,389</b>	<b>232,248,956</b>

**4. FINANCE COST AND INCOME****4.1 FINANCE COST**

	2019 LKR	2018 LKR
Interest expense on overdrafts	13,303,348	2,226
Interest expense on loans and borrowings	35,158,994	43,274,606
Interest on guarantees	1,964,022	1,484,000
Bank charges on interest-bearing loans	4,525,689	711,046
	<b>54,952,053</b>	<b>45,471,878</b>

**4.2 FINANCE INCOME**

	2019 LKR	2018 LKR
Interest income	101,088,524	83,515,770
Guarantee income	6,134,573	10,243,696
	<b>107,223,097</b>	<b>93,759,466</b>



**5. PROFIT BEFORE TAX**

	2019 LKR	2018 LKR
<b>Stated after charging</b>		
<b>Included in cost of sales</b>		
Depreciation	137,721,533	140,312,959
Employee benefits including the following:	733,896,639	673,214,940
– Defined contribution plan costs – EPF and ETF	53,853,063	48,529,815
<b>Included in administrative expenses</b>		
Depreciation	93,493,247	92,215,787
Employee benefits including the following:	280,922,076	258,606,362
– Defined benefit plan costs – gratuity	24,259,105	24,935,585
– Defined contribution plan costs – EPF and ETF	21,130,451	18,576,419
Directors' fees and remuneration	11,318,904	10,494,458
Amortisation of leasehold property	1,036,933	1,036,933
Donations	116,000	635,452
Legal fees	5,576,864	2,883,564
Audit fees and reimbursable expenses	1,323,789	1,182,031
<b>Included in selling and distribution costs</b>		
Advertising costs	17,821,889	16,672,116
Provision for bad debts	4,111,058	3,561,265

**6. INCOME TAX EXPENSE**

	Note	2019 LKR	2018 LKR
<b>Current income tax</b>			
Current income tax charge	6.1	195,532,721	88,631,850
Under/(over) provision in respect of previous years		–	35,802,487
		195,532,721	124,434,337
<b>Deferred income tax</b>			
Deferred taxation expense	6.2	48,174,397	81,273,107
Income tax expenses reported in the statement of profit or loss		243,707,118	205,707,444
<b>Deferred income tax</b>			
Deferred tax expenses reported in the other comprehensive income	6.2	14,271,522	242,033,246
<b>Income tax expenses reported in the statement of total comprehensive income</b>		257,978,640	447,740,690

**6.1 RECONCILIATION BETWEEN CURRENT TAX EXPENSE AND ACCOUNTING PROFIT**

	2019 LKR	2018 LKR
Accounting profit before income tax	610,221,849	752,310,360
Disallowable expenses	385,472,471	293,009,097
Allowable expenses	(268,741,472)	(325,032,544)
Profit exempt from income tax	(28,621,703)	(169,141,304)
Assessable income	698,331,145	551,145,609
Less: qualifying payments	-	(11,335,203)
Taxable income	698,331,145	539,810,406
Income tax expenses – 12%	-	46,886,298
Income tax expenses – 28%	195,532,721	41,745,552
	195,532,721	88,631,850

**6.2 DEFERRED TAX ASSETS AND LIABILITIES**

	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Deferred tax liability</b>						
– Revaluation of building	409,182,875	403,296,800	(8,439,652)	(5,405,516)	14,325,727	240,624,679
– Accelerated depreciation for tax purposes	204,615,988	145,053,884	59,562,104	108,521,715	-	-
	613,798,863	548,350,684	51,122,452	103,116,199	14,325,727	240,624,679
<b>Deferred tax assets</b>						
– Defined benefit obligation	(35,511,527)	(32,509,267)	(2,948,055)	(21,843,092)	(54,205)	1,408,567
	(35,511,527)	(32,509,267)	(2,948,055)	(21,843,092)	(54,205)	1,408,567
Deferred tax expense	-	-	48,174,397	81,273,107	14,271,522	242,033,246
<b>Net deferred tax liability</b>	578,287,336	515,841,417	-	-	-	-

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

**7. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

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

The following reflects the income and share data used in the basic/diluted earnings per share computations:

	2019 LKR	2018 LKR
Profit for the year	366,514,731	546,602,916
Profit attributable to ordinary shareholders	366,514,731	546,602,916

	2019 Number	2018 Number
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares in issue applicable to basic/diluted earnings per share	528,457,545	528,457,545

## 8. DIVIDENDS PAID AND PROPOSED

### 8.1 EQUITY DIVIDENDS ON ORDINARY SHARES:

	2019 LKR	2018 LKR
<b>Declared and paid during the year</b>		
Interim dividend for 2017/18: 0.85 per share	–	449,188,913
Interim dividend for 2018/19: 0.50 per share	264,228,773	–
	264,228,773	449,188,913

## 9. PROPERTY, PLANT AND EQUIPMENT

### 9.1 GROSS CARRYING AMOUNTS

	Balance as at 1 April 2018 LKR	Additions LKR	Valuation LKR	Disposals LKR	Transfers LKR	Balance as at 31 March 2019 LKR
<b>At valuation</b>						
Building on leasehold land	2,213,250,500	47,616,527	3,628,973	–	–	2,264,496,000
	2,213,250,500	47,616,527	3,628,973	–	–	2,264,496,000
<b>At cost</b>						
Medical equipment	1,818,491,657	302,589,368	–	(210,874,252)	–	1,910,206,773
Furniture and fittings	135,121,306	7,633,498	–	–	–	142,754,804
Motor vehicles	38,803,180	9,850,000	–	–	–	48,653,180
Sundry equipment	473,913,212	92,551,451	–	(724,288)	–	565,740,375
	2,466,329,355	412,624,317	–	(211,598,540)	–	2,667,355,132
<b>Capital work-in-progress</b>						
Work-in-progress	61,851,396	218,047,041	–	–	(193,724,248)	86,174,189
	61,851,396	218,047,041	–	–	(193,724,248)	86,174,189
<b>Total value of depreciable assets</b>	4,741,431,251	678,287,885	3,628,973	(211,598,540)	(193,724,248)	5,018,025,321

**9.2 ACCUMULATED DEPRECIATION**

	Balance as at 1 April 2018 LKR	Charge for the Year LKR	Valuation LKR	Disposals LKR	Transfers LKR	Balance as at 31 March 2019 LKR
<b>At valuation</b>						
Building on leasehold land	–	47,534,337	(47,534,337)	–	–	–
	–	47,534,337	(47,534,337)	–	–	–
<b>At cost</b>						
Medical equipment	1,075,609,286	137,721,533	–	(210,365,813)	–	1,002,965,006
Furniture and fittings	85,458,543	7,979,913	–	–	–	93,438,456
Motor vehicles	16,314,453	5,846,956	–	–	–	22,161,409
Sundry equipment	386,493,824	32,132,041	–	(591,518)	–	418,034,347
	1,563,876,106	183,680,443	–	(210,957,331)	–	1,536,599,218
<b>Total accumulated depreciation</b>	1,563,876,106	231,214,780	(47,534,337)	(210,957,331)	–	1,536,599,218

**9.3 NET BOOK VALUES**

	2019 LKR	2018 LKR
<b>At valuation</b>		
Building on leasehold land	2,264,496,000	2,213,250,500
<b>At cost</b>		
Medical equipment	907,241,767	742,882,371
Furniture and fittings	49,316,348	49,662,763
Motor vehicles	26,491,771	22,488,727
Sundry equipment	147,706,028	87,419,388
	1,130,755,914	902,453,249
<b>Capital work-in-progress</b>		
Work-in-progress	86,174,189	61,851,396
<b>Total carrying amount of property, plant and equipment</b>	<b>3,481,426,103</b>	3,177,555,145

**9.4** During the year, the Company acquired property, plant and equipment to the aggregate value of LKR 678,287,885/- (2018 – LKR 361,443,324/-). Cash payments amounting to LKR 678,287,885/- (2018 – LKR 361,443,324/-) were made during the year for purchase of property, plant and equipment.

9.5 The following properties are fair valued and recorded under buildings. Fair value measurement disclosure for revalued building based on unobservable inputs are as follows:

Location	Extent	Independent valuer	Effective date of valuation	Valuation details	Significant unobservable input (level 3)	Range	Fair value measurement LKR
No. 21, Kirimandala Mawatha, Narahenpita	368,123 square feet	P B Kalugalagedara and Associates	31 March 2019	Direct Capital Comparison Method using Depreciated Replacement Cost	Building value per square feet	LKR 3,000/- to LKR 8,400/-	2,264,496,000

The surplus arising from the revaluation net of deferred tax is recognised in the Other Comprehensive Income and transferred to revaluation reserve in equity.

Significant increases (decreases) in estimated building value per square meter in isolation would result in a significantly higher (lower) fair value.

## 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.

	2018/19
Buildings on leasehold land	Over 60 years
Medical equipment	Over 10 years
Furniture and fittings	Over 10 years
Motor vehicles	Over 5-8 years
Sundry equipment	Over 2-10 years

9.7 Company's property, plant and equipment include fully-depreciated assets, the cost of which at the reporting date amounted to LKR 911 Mn. (2018 – LKR 933 Mn.).

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

Class of asset	Cost LKR	Cumulative depreciation if assets were carried at cost LKR	Net carrying amount 2019 LKR	Net carrying amount 2018 LKR
Building on leasehold land	1,054,037,971	238,368,499	815,669,472	785,041,047
	1,054,037,971	238,368,499	815,669,472	785,041,047

## 10. INVESTMENT PROPERTY

	Note	2019 LKR	2018 LKR
Opening balance as at 1 April		–	–
Transferred from capital work-in-progress	9.1	193,724,248	–
Net gain/(loss) from fair value remeasurement		–	–
Closing balance as at 31 March		193,724,248	–

The Company's investment property consists of a building situated at No. 21, Kirimandala Mawatha, Narahenpita.

As at 31 March 2019, the fair values of the properties are based on valuations performed by P B Kalugalagedara and Associates., an accredited independent valuer. P B Kalugalagedara and Associates is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

	2019 LKR	2018 LKR
Rental income derived from investment properties	12,000,000	-
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	-	-
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	-	-
Profit arising from investment properties carried at fair value	12,000,000	-

Fair value hierarchy disclosures for investment properties are in Note 14.

### 10.1 FAIR VALUE MEASUREMENT DISCLOSURE FOR REVALUED INVESTMENT PROPERTY

The independent valuer concluded that the fair value of the investment property is closely approximated by its cost.

## 11. OTHER NON-CURRENT FINANCIAL ASSETS

	Number of shares		Fair value	
	2019	2018	2019	2018
<b>Financial assets designated at fair value through OCI (equity instruments)</b>				
<b>Investment in quoted equity securities</b>				
National Development Bank PLC	3,308,720	2,499,404	311,681,428	332,670,672
Total investment in equity securities	3,308,720	2,499,404	311,681,428	332,670,672

### 11.1 INVESTMENT IN QUOTED EQUITY SECURITIES

	2019 LKR	2018 LKR
Balance at the beginning of the year	332,670,672	336,704,370
Investments made during the year	66,992,415	454,990
Loss on equity instrument designated at FVOCI/AFS	(106,121,634)	(15,912,674)
Share allotment as scrip dividends	18,139,975	11,423,986
Balance at the end of the year	311,681,428	332,670,672

\* Quoted equity securities have been reclassified from "financial assets – AFS" to "Financial assets designated at fair value through other comprehensive income" w.e.f. 1 April 2018.

### 11.2 INVESTMENT IN JOINT VENTURE

Asiri AOI Cancer Centre (Private) Limited started its operation on 1 September 2017 and as intended at the inception of the project, Asiri Surgical Hospital divested 50% stake of Asiri AOI Cancer Centre (Private) Limited to the joint venture partner "Cancer Treatment Services Hyderabad Private Limited" on 29 September 2017. Accordingly, 2,700,000 shares were disposed in 2018 for a consideration of LKR 212,500,000/- and the gain on sale of shares amounts to LKR 185,500,000/- recorded under other income in 2018 (Note 3.3).

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

**11.2.1 SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURE INVESTEEES**

	2019 LKR	2018 LKR
Non-current assets	389,776,815	48,835,719
Current assets	33,633,556	24,371,615
Non-current liabilities	(138,059,889)	(3,257,099)
Current liabilities	(219,375,875)	(4,146,102)
Net assets	65,974,607	65,804,133
Company's share of net assets (share in equity – 50%)	32,987,303	32,902,066
Carrying amount of interest in joint venture	32,987,303	32,902,066
Revenue	150,610,333	62,122,500
Cost of sales	(92,199,873)	(36,914,762)
Profit for the year	185,469	11,804,133
Total comprehensive income for the year	170,474	11,804,133
Company's share of total comprehensive income (50%)	85,237	5,902,066
Summarised statement of cash flow:		
Cash flows from operating activities	217,331,264	23,448,070
Cash flows from investing activities	(368,174,302)	(1,804,836)
Cash flows from financing activities	150,000,000	–

The joint venture had no contingent liability or capital commitments as at 31 March 2019 and 2018.

**12. LEASEHOLD PROPERTY/RIGHT-TO-USE OF LAND**

	2019 LKR	2018 LKR
Balance as at the beginning of the year	84,164,446	85,201,379
Amortisation for the year	(1,036,933)	(1,036,933)
Balance as at the end of the year	83,127,513	84,164,446

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

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

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



**13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES****13.1 FINANCIAL ASSETS**

	2019 LKR	2018 LKR
<b>Financial assets designated at fair value through OCI/AFS (equity instruments)</b>		
Investment in quoted equity securities	311,681,428	332,670,672
<b>Financial assets at amortised cost</b>		
Loans granted to related parties	1,082,100,000	-
Trade and other receivables	320,247,866	-
Cash in hand and at bank	60,382,569	-
<b>Loans and receivables</b>		
Loans granted to related parties	-	468,000,000
Trade and other receivables	-	156,103,615
Cash in hand and at bank	-	383,767,134
Carrying value of financial assets	1,774,411,863	1,340,541,421
Fair value of financial assets	1,774,411,863	1,340,541,421

**13.2 FINANCIAL LIABILITIES**

	2019 LKR	2018 LKR
<b>Financial liabilities at amortised cost</b>		
Amount due on leasehold property	4,072,000	4,072,000
Interest-bearing loans and borrowings	600,643,890	320,089,152
Trade and other payables	496,166,906	261,106,722
Dividend payable	273,140,022	7,044,607
Carrying value of financial liabilities	1,374,022,818	592,312,481
Fair value of financial liabilities	1,374,022,818	592,312,481

The Management assessed that, cash in hand and at bank, amounts due from related parties, trade and other receivables, trade and other payables, amount due to related parties and bank overdrafts approximate to their fair value largely due to the short-term maturities of these instruments. The fair value of financial assets at amortised cost and financial liabilities does not significantly vary from the value based on the amortised cost methodology for the Company.

### 13.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

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

	Carrying amount		Fair value	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
<b>Financial liabilities</b>				
Loans and borrowings – non-current	255,682,000	319,618,000	255,682,000	319,618,000

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

#### ASSETS FOR WHICH FAIR VALUE APPROXIMATES CARRYING VALUE

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

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

#### FIXED RATE FINANCIAL INSTRUMENTS

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

### 14. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

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

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

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

	31 March 2019 LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR
<b>Assets measured at fair value</b>				
Financial assets designated at fair value through OCI (equity instruments)	311,681,428	311,681,428	–	–
Building on leasehold land	2,264,496,000	–	–	2,264,496,000
Investment property	193,724,248	–	–	193,724,248
	31 March 2018 LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR
<b>Assets measured at fair value</b>				
Available-for-sale investments	332,670,672	332,670,672	–	–
Building on leasehold land	2,213,250,500	–	–	2,213,250,500

**15. INVENTORIES**

	2019 LKR	2018 LKR
<b>Finished goods (at lower of cost and net realisable value)</b>		
– Chemical and test materials	22,152,639	18,974,190
– Pharmaceuticals and surgical inventory	87,869,493	127,121,271
– Consumables	6,309,973	21,805,943
	<b>116,332,105</b>	167,901,404

During 2019, LKR 700,690,286/- (2018: LKR 717,503,101/-) was recognised as an expense for inventories carried at net realisable value and included in "cost of sales". In addition, inventories have been reduced by LKR 4,633,231/- (2018: LKR 3,471,563/-) as a result of the write-down to net realisable value. The write-down was recognised as an expense in 2019 and included in "cost of sales".

**16. TRADE AND OTHER RECEIVABLES**

	Note	2019 LKR	2018 LKR
Trade debtors		145,747,714	128,240,590
Less: impairment		(6,726,774)	(2,951,083)
		<b>139,020,940</b>	125,289,507
Trade debtors – related parties	16.2	179,626,878	29,214,060
Other debtors – related parties	16.3	1,600,048	1,600,048
Trade and other receivables		<b>320,247,866</b>	156,103,615
Advances and prepayments		<b>182,572,298</b>	96,064,359

**16.1** 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:

	Total LKR	Neither past due nor impaired LKR	Past due but not Impaired				Past due impaired
			31-60 days LKR	61-90 days LKR	91-180 days LKR	181-365 days LKR	Over 365 days LKR
<b>2019</b>							
Gross trade receivables	325,374,592	196,416,317	56,639,488	18,878,325	39,025,824	7,886,932	6,527,706
Less: impairment	(6,726,774)	–	–	–	–	(199,068)	(6,527,706)
	<b>318,647,818</b>	<b>196,416,317</b>	<b>56,639,488</b>	<b>18,878,325</b>	<b>39,025,824</b>	<b>7,687,864</b>	–
	Total LKR	Neither past due nor impaired LKR	31-60 days LKR	61-90 days LKR	91-180 days LKR	181-365 days LKR	Past due impaired Over 365 days LKR
<b>2018</b>							
Gross trade receivables	157,454,649	99,487,986	16,167,607	11,020,555	18,364,875	8,880,934	3,532,692
Less: impairment	(2,951,082)	–	–	–	–	–	(2,951,082)
	<b>154,503,567</b>	<b>99,487,986</b>	<b>16,167,607</b>	<b>11,020,555</b>	<b>18,364,875</b>	<b>8,880,934</b>	<b>581,610</b>

**16.2 TRADE DEBTORS – RELATED PARTIES**

	Relationship	2019 LKR	2018 LKR
Softlogic Holdings PLC	Ultimate Parent	9,092,713	–
Asiri Hospital Holdings PLC	Parent	107,353,808	14,069,661
Asiri AOI Cancer Centre (Private) Limited	Joint venture	40,854,937	–
Central Hospital Limited	Fellow Subsidiary	6,174,311	3,632,815
Asiri Diagnostic Services (Private) Limited	Fellow Subsidiary	212,088	171,328
Asiri Hospital Matara (Private) Limited	Fellow Subsidiary	226,939	100,381
Asiri Hospital Kandy (Private) Limited	Fellow Subsidiary	147,954	–
Asiri Hospital Galle (Private) Limited	Fellow Subsidiary	119,303	–
Digital Health (Private) Limited	Affiliate	7,664,783	5,388,505
Softlogic Life Insurance PLC	Affiliate	7,780,042	5,851,370
		179,626,878	29,214,060

**16.3 OTHER DEBTORS – RELATED PARTIES**

	Relationship	2019 LKR	2018 LKR
Asiri Hospital Kandy (Private) Limited	Fellow Subsidiary	1,600,048	1,600,048
		1,600,048	1,600,048

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

**16.4 LOANS GRANTED TO RELATED PARTIES**

	Relationship	Note	2019 LKR	2018 LKR
<b>Non-current assets</b>				
Asiri Hospital Holdings PLC	Parent	16.4.A	873,000,000	468,000,000
			873,000,000	468,000,000

	Relationship	2019 LKR	2018 LKR
<b>Current assets</b>			
Softlogic Holdings PLC	Ultimate Parent	209,100,000	–
		209,100,000	–

**16.4.A** The balance due from Asiri Hospital Holdings PLC amounting to LKR 911,631,415/- has been transferred to Loans due from Related Parties – Non-current Assets as at 31 March 2015 and the outstanding balance amounted to LKR 468,000,000/- as at 31 March 2019 (2018 – LKR 468,000,000/-). Further loans amounted to LKR 405,000,000/- was granted during the year ended 31 March 2019.

**16.4.B** The interest for inter-company loans is charged based on AWPLR% for loans granted to related entities.

**17. STATED CAPITAL**

	Note	2019		2018	
		Number	LKR	Number	LKR
Fully-paid ordinary shares	17.1	528,457,545	1,393,327,565	528,457,545	1,393,327,565
			1,393,327,565		1,393,327,565

**17.1 FULLY-PAID ORDINARY SHARES**

	2019		2018	
	Number	LKR	Number	LKR
Balance at beginning of the year	528,457,545	1,393,327,565	528,457,545	1,393,327,565
Balance at end of the year	528,457,545	1,393,327,565	528,457,545	1,393,327,565

**18. REVALUATION RESERVE**

	Note	2019 LKR	2018 LKR
<b>On buildings</b>			
As at 1 April		1,149,128,779	1,304,758,951
Revaluation surplus during the year		51,163,310	84,994,507
Deferred tax on revaluation	6.2	(14,325,727)	(240,624,679)
As at 31 March		1,185,966,362	1,149,128,779

**19. AMOUNT DUE ON LEASEHOLD PROPERTY**

	2019				2018
	Amount repayable within 1 year LKR	Amount repayable within 2-5 years LKR	Amount repayable after 5 years LKR	Total LKR	Total LKR
<b>Payable to the Board of Investment of Sri Lanka</b>					
Gross liability on leasehold land	4,275,600	17,102,400	1,781,499	23,159,499	27,435,100
Less: Finance charges allocated to future periods	(203,600)	(814,400)	(84,833)	(1,102,833)	(1,306,433)
Net liability on leasehold land	4,072,000	16,288,000	1,696,666	22,056,666	26,128,667

**19.1** Terms of repayment – Board of Investment of Sri Lanka (BOI)

**19.1.1** An annual sum equivalent to 4% of the total market value of leasehold land (LKR 101,800,000/-) as at the date of the lease agreement is payable, over a period of 25 years commencing from the financial year 2000/01.

**19.1.2** BOI reserves the right to revise the annual lease rent every five 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 LKR 203,600/- has been recognised as an expense each year from year 2010/11.

## 20. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2019 Amount repayable within 1 year LKR	2019 Amount repayable after 1 year LKR	2019 Total LKR	2018 Amount repayable within 1 year LKR	2018 Amount repayable after 1 year LKR	2018 Total LKR
Long-term loans	20.2	63,936,000	191,746,000	255,682,000	63,936,000	255,682,000	319,618,000
Bank overdraft	23.2	344,961,890	–	344,961,890	471,152	–	471,152
		408,897,890	191,746,000	600,643,890	64,407,152	255,682,000	320,089,152

### 20.1 A RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES IS AS FOLLOWS

	As at 1 April 2018 LKR	Repayment of borrowings LKR	Other changes LKR	As at 31 March 2019 LKR
<b>Long-term loans</b>				
– current	63,936,000	(63,936,000)	63,936,000	63,936,000
– non-current	255,682,000	–	(63,936,000)	191,746,000
<b>Amount due on leasehold property</b>				
– current	4,072,000	(4,072,000)	4,072,000	4,072,000
– non-current	22,056,667	–	(4,072,000)	17,984,667
	345,746,667	(68,008,000)	–	277,738,667

### 20.2 DETAILS OF THE LONG-TERM LOANS

	Approved facility LKR Mn.	Repayment terms	Security	Security amount LKR Mn.
Commercial Bank of Ceylon PLC	511.4	95 equal monthly instalments of LKR 5,328,000/- each and a final instalment of LKR 5,266,000/- together with interest.	Concurrent Mortgage Bond No. 3329/4687 with Hatton National Bank PLC over hospital property at No. 181, Kirula Road, Narahenpita, owned by Asiri Hospital Holdings PLC. (Hatton National Bank PLC interest LKR 75 Mn. and Commercial Bank of Ceylon PLC's interest LKR 125 Mn.)	125
			Corporate Guarantee of Asiri Hospital Holdings PLC	148.4

**21. RETIREMENT BENEFIT LIABILITY****21.1 RETIREMENT BENEFIT OBLIGATIONS (GRATUITY)**

	2019 LKR	2018 LKR
Defined benefit obligation at the beginning of the year	116,104,526	100,622,860
Defined benefit obligation as at 31 March 2018 of employees transferred out	(393,191)	-
Interest charge for the year	11,571,134	12,597,982
Current service cost	12,687,971	12,337,603
Actuarial loss/(Gain)	193,590	(5,030,598)
Benefit paid during the year	(13,337,146)	(4,423,321)
<b>Defined benefit obligation at the end of the year</b>	<b>126,826,884</b>	<b>116,104,526</b>
Interest charge for the year	11,571,134	12,597,982
Current service cost	12,687,971	12,337,603
Actuarial loss/(Gain)	193,590	(5,030,598)
	<b>24,452,695</b>	<b>19,904,987</b>

**21.2** 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:

	2019	2018
Discount rate	11.03% pa	10% pa
Salary increase rate	7.5% pa	7.5% pa
Staff turnover rate	Up to 49 years – 25%	Up to 49 years – 25%

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

**21.3** 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:

	2019 LKR	2018 LKR
<b>Discount rate as at 31 March</b>		
Effect on retirement benefit obligation due to 1% increase in discount rate	(3,517,187)	(3,196,071)
Effect on retirement benefit obligation 1% decrease in discount rate	3,758,670	3,406,606
<b>Salary escalation rate as at 31 March</b>		
Effect on retirement benefit obligation 1% increase in salary escalation rate	4,430,494	3,988,222
Effect on retirement benefit obligation 1% decrease in salary escalation rate	(4,212,036)	(3,803,211)

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

	2019 LKR	2018 LKR
Within the next 12 months	36,309,716	32,174,685
Between 1 to 2 years	43,207,379	40,652,472
Between 3 to 5 years	28,022,420	26,579,651
Between 6 to 10 years	14,478,973	13,390,494
Beyond 10 years	4,808,396	3,307,224
	<b>126,826,884</b>	<b>116,104,526</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.51 years (2018 – 3.09 years).

## 22. TRADE AND OTHER PAYABLES

	Note	2019 LKR	2018 LKR
Trade payables		149,530,562	158,707,819
Trade payable – related party	22.1	112,902,907	42,050,624
Sundry creditors including accrued expenses		233,448,304	60,348,279
Contract liabilities	22.2	285,133	–
		<b>496,166,906</b>	<b>261,106,722</b>

### 22.1 TRADE PAYABLE – RELATED PARTY

	Relationship	2019 LKR	2018 LKR
Asiri Hospital Holdings PLC	Parent	66,630,113	31,557,401
Central Hospital Limited	Fellow Subsidiary	14,877,687	2,204,705
Asiri Hospital Matara (Private) Limited	Fellow Subsidiary	1,864,566	106,649
Asiri Hospital Galle (Private) Limited	Fellow Subsidiary	3,653	–
Asiri AOI Cancer Centre (Private) Limited	Joint Venture	9,910,966	2,281,861
Softlogic Automobiles (Private) Limited	Affiliate	109,288	109,288
Softlogic BPO Services (Private) Limited	Affiliate	66,260	2,285,865
Softlogic Communications (Private) Limited	Affiliate	–	2,993
Softlogic Computers (Private) Limited	Affiliate	9,780,000	1,037,262
Softlogic Corporate Services (Private) Limited	Affiliate	1,870	224,240
Softlogic Information Technologies (Private) Limited	Affiliate	684,222	720,612
Softlogic Retail (Private) Limited	Affiliate	8,973,664	1,087,770
Digital Health (Private) Limited	Affiliate	–	422,573
Nextage (Private) Limited	Affiliate	618	9,405
		<b>112,902,907</b>	<b>42,050,624</b>



**22.2 CONTRACT LIABILITIES**

	2019 LKR	2018 LKR
Advance received from patients	285,133	-
	285,133	-

**23. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT****COMPONENTS OF CASH AND CASH EQUIVALENTS**

	Note	2019 LKR	2018 LKR
<b>23.1 FAVOURABLE CASH AND CASH EQUIVALENTS BALANCE</b>			
Cash and Bank Balances		60,382,569	383,767,134
		60,382,569	383,767,134
<b>23.2 UNFAVOURABLE CASH AND CASH EQUIVALENTS BALANCE</b>			
Bank overdraft	20	(344,961,890)	(471,152)
<b>Total cash and cash equivalents for the purposes of the cash flow statement</b>		<b>(284,579,321)</b>	<b>383,295,982</b>

**24. COMMITMENTS AND CONTINGENCIES****24.1 CAPITAL EXPENDITURE AND OTHER COMMITMENTS**

The Company does not have significant capital and other commitments as at 31 March 2019 (2018 – Nil).

**24.2 CONTINGENT LIABILITIES****(A) LEGAL CLAIMS**

Pending litigations against the Company with a maximum liability of LKR 105 Mn. exist as at the reporting date. ( 2018 – LKR 100 Mn.)

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

**(B) GUARANTEES**

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

	2019 LKR Mn.	2018 LKR Mn.
Sampath Bank PLC	463	463
Hatton National Bank PLC	180	330
Commercial Bank of Ceylon PLC	550	550
	1,193	1,343

### 24.3 CONTINGENT INCOME TAXES

A dispute has arisen with the Department of Inland Revenue with regard to the applicability of the income tax exemption in terms of the agreement entered between Asiri Surgical Hospital PLC and the Board of Investment of Sri Lanka (BOI) in 2000. Since there is litigation in the Court of Appeal in CA (Writ) 386/2016 with regard to this matter, in accordance with Paragraph 92 of LKAS 37, we are unable to provide further information on this and associated risks, in order not to impair the outcome and/or prejudice the Company's position in this matter. The aforesaid matter is coming up for argument on 31 October 2019 at the Court of Appeal.

### 25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after 31 March 2019 that require adjustments to or disclosure in the Financial Statements.

### 26. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

#### 26.1 TRANSACTIONS WITH PARENT AND RELATED ENTITIES

##### 26.1.1

Nature of transaction	Softlogic Holdings PLC (Ultimate Parent Company)		Asiri Hospitals Holdings PLC (Parent Company)		Asiri AOI Cancer Centre (Pvt) Ltd. (Joint Venture Company)		Transactions with Group Companies*		Total	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
At the beginning	-	-	450,512,260	577,922,564	(2,281,861)	-	8,533,085	6,281,013	456,763,484	584,203,577
Repayment of temporary finance obtained and fund transfers	-	-	227,876,547	73,293,990	(62,756,848)	(45,171,363)	(160,463,406)	(90,795,972)	4,656,293	(62,673,345)
Temporary finance granted	209,100,000	-	405,000,000	-	-	-	-	-	614,100,000	-
Interest charged	9,092,713	-	86,888,295	54,127,314	-	-	-	-	95,981,008	54,127,314
Sale/(purchase) of goods/ services including staff-related items	-	-	(273,595,918)	(293,407,565)	11,768,191	24,049,363	162,645,556	107,833,081	(99,182,171)	(161,525,121)
Channelling fee collected by related party/ (company on behalf of the related party)	-	-	35,899,778	25,298,965	-	-	(263,865)	(1,859,597)	35,635,913	23,439,368
Expenses incurred by the Company on behalf of related party/(related party on behalf of the Company)	-	-	(18,857,267)	13,276,992	84,214,489	18,840,139	(22,887,730)	(12,925,440)	42,469,492	19,191,691
At the end	218,192,713	-	913,723,695	450,512,260	30,943,971	(2,281,861)	(12,436,360)	8,533,085	1,150,424,019	456,763,484
Included under trade and other receivables (Notes 16.2 and 16.3)	9,092,713	-	107,353,808	14,069,661	40,854,937	-	23,925,468	16,744,447	181,226,926	30,814,108
Included under loans granted to related parties (Note 16.4)	209,100,000	-	873,000,000	468,000,000	-	-	-	-	1,082,100,000	468,000,000
Included under trade and other payables (Note 22.1)	-	-	(66,630,113)	(31,557,401)	(9,910,966)	(2,281,861)	(36,361,828)	(8,211,362)	(112,902,907)	(42,050,624)
	218,192,713	-	913,723,695	450,512,260	30,943,971	(2,281,861)	(12,436,360)	8,533,085	1,150,424,019	456,763,484

\* Group companies include Central Hospital Limited, Asiri Hospital Matara (Pvt) Limited, Asiri Diagnostics Services (Pvt) Limited, Asiri Hospitals Kandy (Pvt) Limited, Softlogic Automobile (Pvt) Limited, Softlogic BPO Services (Pvt) Limited, Softlogic Communications (Pvt) Limited, Softlogic Computers (Pvt) Limited, Softlogic Corporate Services (Pvt) Limited, Softlogic Information Technologies (Pvt) Limited, Softlogic Mobile Distribution (Pvt) Limited, Softlogic Retail (Pvt) Limited, Future Auto Mobile (Pvt) Limited, Softlogic Life Insurance PLC, Digital Health (Pvt) Limited, Asiri Hospital Galle (Pvt) Limited and Nextage (Pvt) Limited.

Management fees paid to Softlogic Holdings PLC amounted to LKR 14,575,393/- in the current financial year. (2018 – LKR 13,491,989/-)

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

### 26.1.2 NON-RECURRENT RELATED PARTY TRANSACTIONS

Other than the transaction disclosed underneath, there were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2018 audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act.

Name of the related party	Relationship	Nature of the transactions	Value of related party transactions entered into during the financial year	Value of related party transactions as a percentage of equity and as a percentage of total assets	Terms and conditions of the related party transactions
Asiri Hospitals Holdings PLC	Parent Company	Long-term loan granted	405,000,000	11.35% of total equity 8.27% of total assets	Arm's length transaction for which the interest is charged based on AWPLR% .

### 26.1.3 RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31 March 2018 audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act.

### 26.2 OFF BALANCE SHEET ITEMS

- (A) Guarantees made on behalf of Asiri Hospital Holdings PLC, has been given in Note 24.2. (b) to these Financial Statements.
- (B) Asiri Hospital Holdings PLC has granted Corporate Guarantees to Commercial Bank of Ceylon PLC, Sampath Bank PLC and Hatton National Bank PLC to secure the banking facilities obtained by the Company, for the value of LKR 148 Mn., LKR 100 Mn., and LKR 100 Mn. respectively.

### 26.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE COMPANY

The Key Management Personnel of the Company are the members of its Board of Directors.

#### 26.3.1 KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 LKR	2018 LKR
Short-term employment benefits	11,318,904	10,494,458
Total compensation paid to key management personnel	11,318,904	10,494,458

#### 26.3.2 SHARE TRANSACTIONS

The Directors of the Company hold 17,133 shares of Asiri Surgical Hospital PLC as at 31 March 2019. (2018 – 17,133 shares).

**26.3.3 TRANSACTIONS WITH ENTITIES THAT ARE CONTROLLED OR SIGNIFICANTLY INFLUENCED BY KEY MANAGEMENT PERSONNEL**

Name of the related party	Details of transactions	Services (Obtained)/ rendered 2019 LKR	Services (Obtained)/ rendered 2018 LKR
Softlogic BPO Services (Private) Limited	Software maintenance	(25,540,124)	(28,594,918)
Softlogic Computers (Private) Limited	Purchase of computers and accessories	(11,574,405)	(3,855,604)
Softlogic Communications (Private) Limited	Purchase of accessories	(1,099,240)	(300,600)
Softlogic Information Technologies (Private) Limited	Purchase of computers and accessories	(17,664,126)	(10,329,587)
Softlogic Corporate Services (Private) Limited	Secretarial services	(2,498,322)	(2,507,736)
Softlogic Retail (Private) Limited	Purchase of computers, software and accessories	(27,834,402)	(10,698,669)
Future Automobiles (Private) Limited	Purchase of motor vehicles and services	-	(1,839,355)
Softlogic Automobiles (Private) Limited	Purchase of motor vehicles and services	(11,199,075)	(4,775)
Digital Health (Private) Limited	Maintenance and data connection charges	(2,023,918)	(1,943,393)
Nextage (Private) Limited	Advertisement	(155,177)	(33,629)
Softlogic Holdings PLC	Technical and other consultation fee	(16,352,540)	(14,864,753)
Softlogic International (Private) Limited	Purchase of mobile phones	-	(178,562)
Softlogic Destination Management (Private) Limited	Air ticket expenses	(333,830)	(258,500)
Softlogic Life Insurance PLC	Life insurance cover	(6,004,923)	(5,700,146)
Softlogic Australia (Pty) Limited	Purchase of software	(2,377,958)	-

**26.4 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.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Risk is associated with any business. The type of risk and the degree to which it affects a particular business varies. Uncertainties provide both risk and opportunity with a potential to erode or enhance the enterprise value. The Board of Directors is mindful of these uncertainties and through the Management at various levels have put in place adequate systems to identify the probable occurrence of such risks in advance and to exercise mitigating measures to minimise the impact.

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

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

**CREDIT RISK**

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

**INTEREST RATE RISK**

Interest rate risk is the Company's exposure to adverse movement in interest rates. The Company has obtained multiple facilities from various banks for working capital, capital expenditure and investment at varying terms and conditions. The finance function negotiates with banks and finance institutions to get the best interest rates and favourable terms for both long and short-term borrowing facilities.

**LEGAL RISK**

Legal risks are those risks resulting from legal consequences of transactions, with inadequate documentation, legal or regulatory issues and other factors that may result in contracts with counter parties becoming unenforceable causing unexpected financial losses. In addition to complying with the Sri Lanka medical ordinance, cosmetics, devises and drugs authority (Act No. 28 of 1984), Colombo Stock Exchange, Securities and Exchange Commission and Companies Act disclosure requirements, the Company also complies with Sri Lanka Accounting Standards.

**FOREIGN EXCHANGE RISK**

Foreign exchange risk is the Company's exposure to adverse movement in foreign currency against the Sri Lankan Rupee.

**INVESTMENT RISK**

A common uncertainty associated with investments is that they may not provide the desired returns. The Company invests substantial sums in capital expenditure for expansion and new services. Returns on such investments are closely monitored and benefits are periodically evaluated.

**LIQUIDITY RISK**

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

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

	0-6 months LKR	6-12 months LKR	2-5 years LKR	>5 years LKR
<b>2019</b>				
Interest-bearing loans and borrowings	47,423,526	45,317,968	229,366,526	-
Trade and other payables	288,751,650	207,415,256	-	-
Amount due on leasehold property	-	4,275,600	17,102,400	1,781,499
	0-6 months LKR	6-12 months LKR	2-5 years LKR	>5 years LKR
<b>2018</b>				
Interest-bearing loans and borrowings	49,965,383	48,004,827	316,885,849	-
Trade and other payables	184,451,621	76,655,100	-	-
Amount due on leasehold property	-	4,275,600	17,102,400	6,057,100

**EQUITY PRICE RISK**

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

At the reporting date, the exposure to unlisted equity securities was LKR 32,987,303/- and analyses of these investments have been provided in Note 11.

At the reporting date, the exposure to listed equity securities at fair value listed on the CSE was LKR 311,681,428/-. The Company has determined that a decrease in market price by 10% on equity shares held by the Company could have a negative impact of LKR 31,168,143/- on OCI an equal change in the opposite direction could have a positive impact of LKR 31,168,143/- on OCI.

# ***Annexes***

## 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 31 March 2019 and copies of this Annual Report have been submitted to the Colombo Stock Exchange.

The float-adjusted market capitalisation as at 31 March 2019 is LKR 1,084,896,917/- and the Company is in compliance with option 5 of the Listing Rules 7.13.1 (a) which requires 20% minimum public holding percentage and 500 minimum public shareholders.

### DISTRIBUTION OF SHAREHOLDERS

Number of Shares held	31 March 2019			31 March 2018		
	Number of shareholders	Holding	Holding %	Number of shareholders	Holding	Holding %
1 – 1,000	1,894	467,253	0.09	1,827	460,647	0.09
1,001 – 10,000	811	3,367,055	0.64	844	3,471,716	0.66
10,001 – 100,000	469	14,332,026	2.71	478	14,444,554	2.73
100,001 – 1,000,000	97	28,320,498	5.36	100	29,348,040	5.55
Over 1,000,000	12	481,970,713	91.20	11	480,732,588	90.97
<b>Total</b>	<b>3,283</b>	<b>528,457,545</b>	<b>100.00</b>	<b>3,260</b>	<b>528,457,545</b>	<b>100.00</b>

### COMPOSITION OF SHAREHOLDERS

Category	31 March 2019			31 March 2018		
	Number of shareholders	Holding	Holding %	Number of shareholders	Holding	Holding %
Individual	3,199	109,739,408	20.77	3,174	109,698,793	20.76
Institutional	84	418,718,137	79.23	86	418,758,752	79.24
<b>Total</b>	<b>3,283</b>	<b>528,457,545</b>	<b>100.00</b>	<b>3,260</b>	<b>528,457,545</b>	<b>100.00</b>
Resident	3,267	527,604,663	99.84	3,242	527,524,963	99.82
Non-resident	16	852,882	0.16	18	932,582	0.18
<b>Total</b>	<b>3,283</b>	<b>528,457,545</b>	<b>100.00</b>	<b>3,260</b>	<b>528,457,545</b>	<b>100.00</b>

## Major Shareholdings

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

	31 March 2019		31 March 2018	
Asiri Hospital Holdings PLC	414,243,632	78.39	414,243,632	78.39
Mr D K Subasinghe/Mrs S N Subasinghe	40,014,806	7.57	40,014,793	7.57
Mr P P Subasinghe	7,955,542	1.51	7,955,542	1.51
Mrs Neetha Weerasinghe	7,500,015	1.42	7,500,015	1.42
Mr D M Rajapaksa/Dr M D B D Rajapaksa	3,080,250	0.58	3,080,250	0.58
Mr M D N Jayaratne/Mrs H C D Jayaratne	2,249,998	0.43	2,249,998	0.43
Mr M R Weerasinghe	2,000,000	0.38	2,000,000	0.38
Mrs Chandani Vishaka Ariyaratne	1,333,333	0.25	1,333,333	0.25
Mrs Menaka Priyadarsani Rajapakse	1,283,333	0.24	1,283,333	0.24
Mr D M Rajapaksa/Dr D S D Rajapaksha	1,207,075	0.23	803,627	0.15
Mr Uditha Harilal Palihakkara/Mrs D S Palihakkara/Mr K D H Palihakkara	1,102,742	0.21	1,071,692	0.20
Bank of Ceylon – NO2 A/C	1,000,000	0.19	1,000,000	0.19
Dr Dammearachchi Anuja Somaratne	862,499	0.16	862,499	0.16
Mr Chaminda Dilantha Weerasinghe (Deceased)	833,333	0.16	833,333	0.16
Dr Himali Rangika Jayasekera	802,322	0.15	749,999	0.14
Dr Kalutara Koralalage Don Gamini Jayaweera	800,000	0.15	743,395	0.14
Mr Mohamed Faizer Hashim	751,664	0.14	748,726	0.14
Mrs Sithy Jazeema Badurdeen	749,999	0.14	749,999	0.14
Dr W M Swarnamali Welagedara/MR M P J Senevirathne	749,999	0.14	749,999	0.14
Mr N D Kurukulasuriya	730,361	0.14	730,361	0.14
	489,250,903	92.58	488,704,526	92.48
Shares held by the other shareholdings	39,206,642	7.42	39,753,019	7.52
<b>Total Number of shares issued</b>	<b>528,457,545</b>	<b>100.00</b>	<b>528,457,545</b>	<b>100.00</b>
Public shareholdings	114,196,780	21.61	114,196,780	21.61

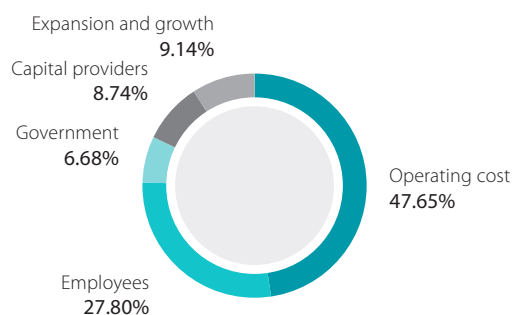
	2018/19		2017/18	
<b>Share trading</b>				
Market price (LKR)				
– Highest	10.80	(23/04/2018)	12.10	(13/10/2017)
– Lowest	8.90	(28/03/2019)	9.20	(04/04/2017)
As at year-end	9.50	(29/03/2019)	10.20	(29/03/2018)
Number of trades	1,381		2,703	
Number of shares traded	1,709,869		30,347,676	
Value of the shares traded (LKR)	17,076,689		330,751,778	
Earnings per share (LKR)	0.69		1.03	
Dividends per share (LKR)	0.50		0.85	
Net assets per ordinary share (LKR)	6.81		6.75	



# Economic Value Added Statement

	2018/19 LKR '000	2017/18 LKR '000
<b>Direct economic value generated</b>		
Revenue	3,475,047	3,275,349
Other income	68,431	232,249
Finance income	107,223	93,759
Share of profit of joint venture	93	5,902
	<b>3,650,794</b>	<b>3,607,259</b>

	2018/19 LKR '000	%	2017/18 LKR '000	%
<b>Economic value distributed</b>				
Operating cost	1,739,586	47.65	1,645,127	45.61
<b>Employees</b>				
Employee wages and benefits	1,014,819	27.80	931,821	25.83
<b>Government</b>				
All taxes	243,707	6.68	205,707	5.69
<b>Capital providers</b>				
Finance cost	54,952	1.51	45,472	1.26
Shareholders	264,229	7.24	449,189	12.45
<b>Expansion and growth</b>				
Depreciation	231,215	6.33	232,529	6.45
Retained profit	102,286	2.80	97,414	2.70
	<b>3,650,794</b>	<b>100.00</b>	<b>3,607,259</b>	<b>100.00</b>



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.

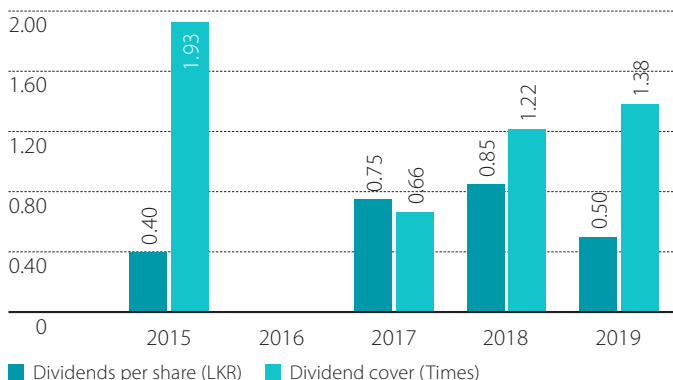
Through its operations during the financial year 2018/19, the Company created a total wealth of LKR 3.65 Bn., which was a 1% growth compared to previous year.

## Five Year Summary

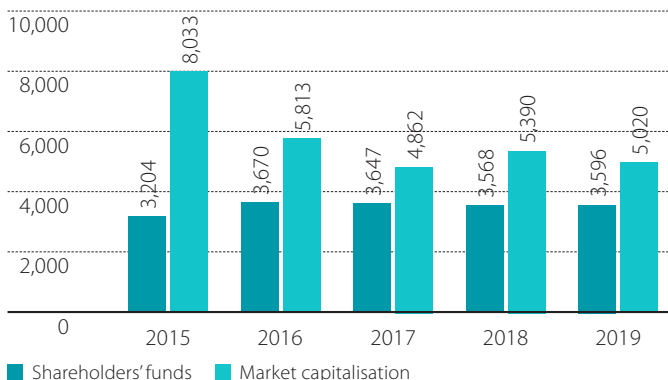
Year ended 31 March	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000
<b>Statement of Profit or Loss</b>					
Revenue	3,475,047	3,275,349	2,884,316	2,922,313	2,653,705
Cost of services	(2,122,762)	(2,013,869)	(1,885,576)	(1,753,568)	(1,601,496)
<b>Gross profit</b>	<b>1,352,285</b>	<b>1,261,479</b>	<b>998,740</b>	<b>1,168,745</b>	<b>1,052,209</b>
Other income and gains	68,431	232,249	30,006	14,122	9,817
Administration and distribution expenses	(862,858)	(795,608)	(760,140)	(712,104)	(669,977)
Finance cost	(54,952)	(45,472)	(52,337)	(68,554)	(58,946)
Finance income	107,223	93,759	114,181	97,487	73,382
Share of profit/(loss) of joint venture	93	5,902	0	0	0
Profit before tax	610,222	752,310	330,449	499,696	406,485
Income tax (expense)/reversal	(243,707)	(205,707)	(67,660)	(83,293)	1,693
Net profit for the year	366,515	546,603	262,789	416,403	408,177
<b>Statement of Financial Position</b>					
Property, plant and equipment	3,564,554	3,261,720	3,102,457	2,852,207	2,890,390
Investment property	193,724	0	0	0	0
Other non-current financial assets	311,681	332,671	336,704	1,373	0
Investment in joint venture	32,987	32,902	0	0	0
Inventories	116,332	167,901	181,293	170,852	158,481
Receivables	1,584,920	720,168	893,234	1,505,419	1,329,051
Cash and bank balance	60,383	383,767	135,868	132,855	83,808
<b>Total assets</b>	<b>5,864,581</b>	<b>4,899,129</b>	<b>4,649,555</b>	<b>4,662,706</b>	<b>4,461,730</b>
Stated capital	1,393,328	1,393,328	1,393,328	1,393,328	1,393,328
Reserve	1,060,941	1,130,225	1,301,768	1,171,672	1,104,365
Accumulated profits	1,142,168	1,044,199	951,923	1,104,544	705,830
<b>Shareholders' funds</b>	<b>3,596,437</b>	<b>3,567,752</b>	<b>3,647,019</b>	<b>3,669,544</b>	<b>3,203,522</b>
Non-interest bearing long-term liabilities	17,985	22,057	26,129	30,200	34,273
Interest bearing long term liabilities	191,746	255,682	319,618	383,554	612,545
Deferred tax liability	578,287	515,841	192,535	156,536	134,340
Post employment benefit liability	126,827	116,105	100,623	81,806	64,415
Trade creditors	496,167	261,107	282,711	235,083	304,908
Other payables	444,163	92,106	12,912	34,294	7,294
Non-interest bearing loans and borrowings	4,072	4,072	4,072	4,072	4,072
Interest-bearing short-term borrowings	408,898	64,407	63,936	67,617	96,361
<b>Total equity and liabilities</b>	<b>5,864,581</b>	<b>4,899,129</b>	<b>4,649,555</b>	<b>4,662,706</b>	<b>4,461,730</b>
<b>Cash flow</b>					
Net cash flow from operating activities	652,978	884,132	556,415	300,966	761,918
Net cash flow used in investing activities	(1,252,845)	(119,506)	(104,274)	21,747	(164,456)
PBIT/turnover (%)	19	24	13	19	18
GP margin (%)	39	39	35	40	40
Debts to equity	0.17	0.10	0.11	0.13	0.23
Quick asset ratio	0.57	1.51	1.18	2.21	1.14

# Graphical Review

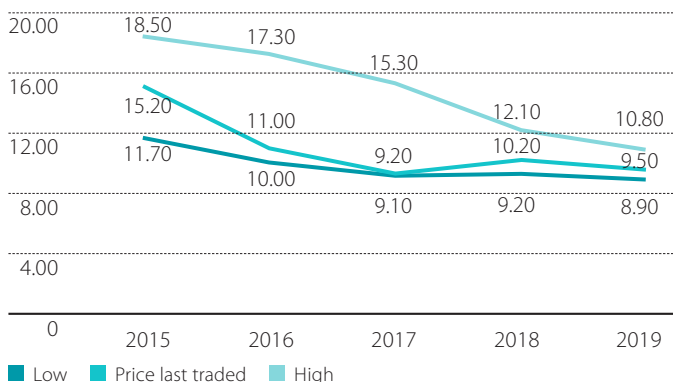
**DIVIDENDS PER SHARE AND DIVIDEND COVER (LKR, Times)**



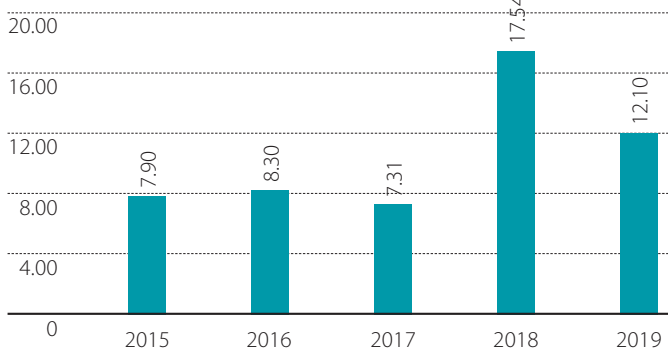
**TOTAL EQUITY VS MARKET CAPITALISATION (LKR Mn.)**



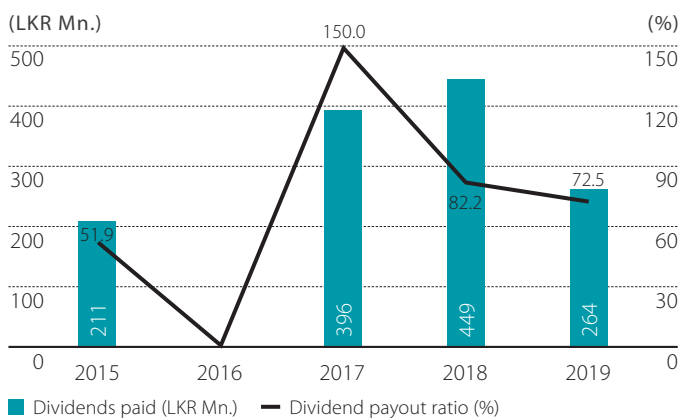
**SHARE PRICE (LKR)**



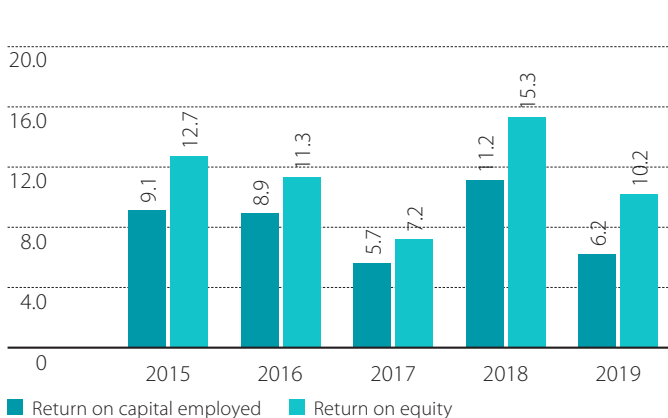
**INTEREST COVER (Times)**



**DIVIDENDS PAID AND DIVIDEND PAYOUT RATIO**



**PROFITABILITY (%)**



# Notice of Meeting

NOTICE IS HEREBY GIVEN that the 19<sup>th</sup> Annual General Meeting of Asiri Surgical Hospital PLC will be held at the Auditorium of Central Hospital Limited (4<sup>th</sup> Floor), No. 114, Norris Canal Road, Colombo 10 on Friday the 20 September 2019 at 3.00pm 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 31 March 2019 together with the Report of the Auditors thereon.
- (2) To ratify the interim dividend of LKR 0.50 per share paid on 18 April 2019 as the Final Dividend for the year ended 31 March 2019.
- (3) To re-elect Dr S Selliah who retires by rotation in terms of Article 24 (6) of the Articles of Association, as a Director of the Company.
- (4) To pass the ordinary resolution set out below to re-appoint Mr G L H Premaratne who is 71 years of age, as a Director of the Company.  
 "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr G L H Premaratne who is 71 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007".
- (5) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
- (6) To authorise the Directors to determine and make donations for the year ending 31 March 2020 and up to the date of the next Annual General Meeting.

By Order of the Board,  
SOFTLOGIC CORPORATE SERVICES (PVT) LTD.



Secretaries

Colombo  
25 June 2019

**Note:**

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

*A form of Proxy is enclosed in this Report.*

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



# Form of Proxy

\*I/We ..... of

being\* a member/members of ASIRI SURGICAL HOSPITAL PLC, do hereby appoint .....

..... of ..... or failing \*him/her

- |                      |                           |
|----------------------|---------------------------|
| Mr A K Pathirage     | of Colombo or failing him |
| Dr S Selliah         | of Colombo or failing him |
| Dr 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 19<sup>th</sup> Annual General Meeting of the Company to be held at the Auditorium of Central Hospital Limited (4<sup>th</sup> Floor), No. 114, Norris Canal Road, Colombo 10 at 3.00pm on Friday the 20 September 2019 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 31 March 2019 together with the Report of the Auditors thereon.   | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) To approve the interim dividend of LKR 0.50 per share paid on 18 April 2019 as the final dividend for the year ended 31 March 2019.  | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) To re-elect Dr S Selliah 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 pass the ordinary resolution set out below to re-appoint Mr G L H Premaratne who is 71 years of age, as a Director of the Company.<br><br>"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr G L H Premaratne who is 71 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007". | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) To re-appoint retiring Auditors Messrs Ernst & Young and to authorise the Directors to fix their remuneration.   | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) To authorise the Directors to determine and make donations for the year ending 31 March 2020 and up to the date of the next Annual General Meeting.  | <input type="checkbox"/> | <input type="checkbox"/> |

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

.....  
\*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 number	Shareholder's folio number	Number of shares held	Proxy Holder's N.I.C. number (if not a Director)







# Corporate Information

## NAME OF THE COMPANY

Asiri Surgical Hospital PLC

## REGISTERED OFFICE

No. 21, Kirimandala Mawatha, Colombo 05, Sri Lanka

Telephone: 011 4524400

Email: info@asiri.lk

Web: www.asirihealth.com

## LEGAL FORM

A quoted public company incorporated in Sri Lanka, under the Companies Act No. 17 of 1982 with limited liability.

The Company has re-registered under the Companies Act No. 07 of 2007. An undertaking approved by the Board of Investment of Sri Lanka (BOI) under the Board of Investment of Sri Lanka Law No. 04 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

2 March 2000

## DIRECTORS

Mr A K Pathirage – Chairman/Managing Director

Dr S Selliah – Deputy Chairman

Dr Manjula Karunaratne – Group Chief Executive Officer

Mr G L H Premaratne

Mr S A B Rajapaksa

## AUDITORS

Messrs Ernst & Young (Chartered Accountants),

No. 201, De Saram Place, Colombo 10

## SECRETARIES

Messrs Softlogic Corporate Services (Pvt) Ltd.,

No. 14, De Fonseka Place, Colombo 05

## STOCK CODE

AMSL.N0000

## BANKS

Commercial Bank PLC

Hatton National Bank PLC

Nations Trust Bank PLC

Sampath Bank PLC

Cargills Bank Limited

National Development Bank PLC

## JOINT VENTURE COMPANIES

Asiri AOI Cancer Centre (Private) Limited

No. 21, Kirimandala Mawatha, Colombo 05, Sri Lanka

## AUDIT COMMITTEE

Chairman

Mr R A Ebell

Independent Non-Executive Director,

(Asiri Hospital Holdings PLC)

## COMMITTEE MEMBERS

Mr G L H Premaratne

Independent Non-Executive Director

Mr S A B Rajapaksa

Independent Non-Executive Director

## FREQUENCY OF MEETINGS

Committee meets quarterly

## REMUNERATION COMMITTEE

Chairman

Mr G L H Premaratne

Independent Non-Executive Director

## COMMITTEE MEMBERS

Dr S Selliah

Independent Non-Executive Director

## FREQUENCY OF MEETINGS

Committee meets once a year

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Chairman

Mr S A B Rajapaksa

Independent Non-Executive Director

## COMMITTEE MEMBERS

Mr G L H Premaratne

Independent Non-Executive Director

Mr R A Ebell

Independent Non-Executive Director,

(Asiri Hospital Holdings PLC)

## FREQUENCY OF MEETINGS

Committee meets at least once a quarter

"As permitted by the Listing Rules of the Colombo Stock Exchange, the Audit Committee and Related Party Transactions Review Committee of the Company's parent company, Asiri Hospital Holdings PLC, serve as those committees for the Company."



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**Asiri Surgical Hospital PLC**

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Web: [www.asirihealth.com](http://www.asirihealth.com)