

The Art of Precision



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The Art of Precision

When it comes to surgery, precision, technology and expertise are key factors in determining who is best suited to carry out the procedure. We at Asiri Surgical, have made this a fine art, in which we not only offer professional service but also the consideration and empathy that is patient-focused and adaptable. We are ever focused on the minute details that make our service, not only comprehensive and in pace with the rapid growth of medical science, but also in the overall experience in which we aim for perfection in making lives healthier and more productive.



[Read the Asiri Surgical Hospital PLC Annual Report online.](https://www.asirihealth.com)

As you'd expect from such a customer-focused business, we've created an online reporting suite which works for your specific needs:

www.asirihealth.com

Vision, Mission & Values

Vision

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

Mission

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



Values

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

About Asiri Surgical

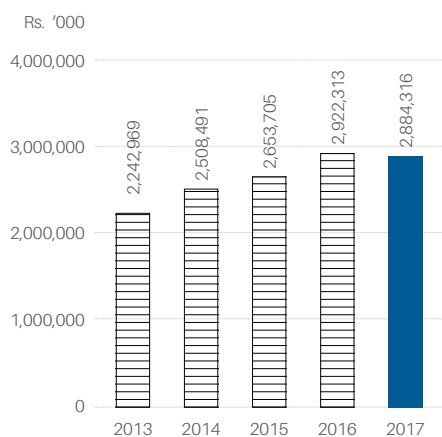
At Asiri Surgical Hospital we are committed to being efficient and dynamic in specialised surgical services. Our patients receive the best care thanks to our dedicated and experienced staff. Highly driven by technology, Asiri Surgical hospital stands out for its best practices in introducing the latest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

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

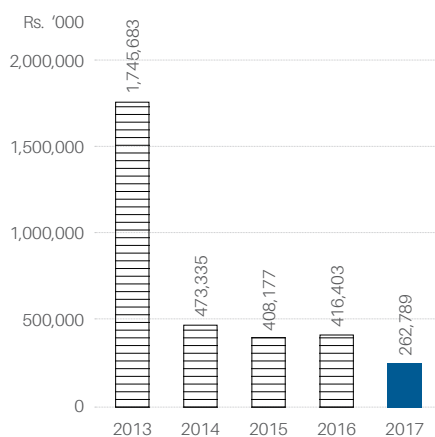
Highlights of Our Performance in 2016/17

| Year Ended 31st March | | 2017 | 2016 |
|---------------------------------|---------|-----------|-----------|
| Operating Results | | | |
| Revenue | Rs. 000 | 2,884,316 | 2,922,313 |
| Profit before Interest and Tax | Rs. 000 | 382,787 | 568,250 |
| Profit after Tax | Rs. 000 | 262,789 | 416,403 |
| Return on Equity | | 7.21% | 11.35% |
| Balance Sheet Highlights | | | |
| Total Assets | Rs. 000 | 4,649,555 | 4,662,706 |
| Total Equity | Rs. 000 | 3,647,019 | 3,669,544 |
| Shareholder Information | | | |
| Earnings per Share | Rs. | 0.50 | 0.79 |
| Net Assets per Share | Rs. | 6.90 | 6.94 |
| Dividend per Share | Rs. | 0.75 | - |
| Share Price (31st March) | Rs. | 9.20 | 11.00 |

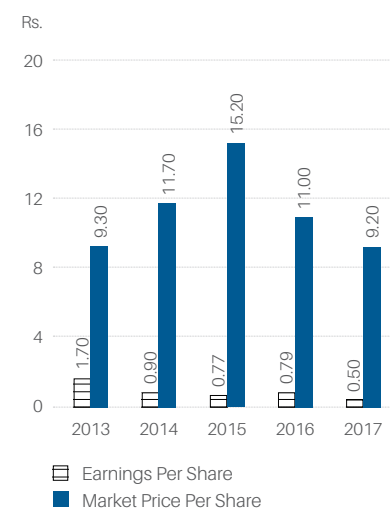
Revenue



Profit After Tax



Earnings & Market Value



We have made precision a fine art.



Chairman's Statement



Ashok Pathirage

Chairman/ Managing Director



“In spite of being confronted by aggressive competition in all areas of our business ASH comfortably retained its leadership position amongst the specialised hospitals in the country”

Given what we do, every moment is crucial, which means rest and reflection is a luxury that we cannot afford. Nonetheless, taking a few moments to summarise our performance and enlighten you on the progress made by Asiri Surgical Hospital PLC (ASH) for the year under review, is indeed a pleasant task that I take pride in. It was another good year, where despite being confronted by aggressive competition in all areas of our business ASH comfortably retained its leadership position amongst the specialised hospitals in the country. To fully appreciate our journey, it is necessary to first understand our operating context.

INDUSTRY OVERVIEW

Private healthcare today is one of the most competitive and fastest growing industries in Sri Lanka. Higher income levels have made private healthcare more affordable, while changing lifestyles and greater preference to receive health services in a more comfortable environment has heightened the demand for private health services in recent times. Convenient access to medical consultants and the use of latest technologies with state-of-the-art facilities and equipment are also partly responsible for the increasing popularity of private health services.

Cognisant to the growth in demand for healthcare services, the number of private sector hospitals too has grown considerably in the recent past. What is more significant though is the sharp increase in private sector bed capacity, which according to CBSL statistics, stood at 6,330 by end 2016, up 7% from 2015 and a staggering 29% since 2012.

Moreover, competition for doctors as well as patients have catalysed leading private hospitals into action, driving them to address gaps in service quality and improve their overall value proposition through investments in capacity expansion and the latest medical technologies. All of this has undoubtedly had a positive impact and has elevated the country's healthcare standards on par with the region.

STRATEGIC PROGRESS

We have realised that moving in tandem with these trends and more importantly, anticipating the next turns in the road ahead is crucial in order to secure an edge in today's fast paced healthcare industry. For our part, the goal is to swiftly reorient with changing market dynamics ahead of peers. Moreover, as a service provider, we recognise the need to continuously improve our service. Essentially our goal is to transform the care we provide today, in preparation for the

Chairman's Statement

future. In doing so, our core strategies have stayed firmly anchored to the ASH mission; to care for and improve the quality of human life, through the provision of ethical healthcare solutions together with cutting-edge technology.

And if our consistently high customer satisfaction score is anything to go by, I believe we have done just that.

Being a surgical hospital, our reputation is built on quality across all operations. Our investments to improve quality outcomes are driven by the need to ensure the best possible patient experience. Symbolic of this commitment, in 2016 we began the process of obtaining the Australian Council Healthcare Standards (ACHS) accreditation programme. Widely regarded as the Gold standard for the assurance of safety and quality of healthcare, the ACHS accreditation would elevate ASH on par with highly respected hospitals across Asia.

Throughout the year we also continued to upgrade and enhance our infrastructure and facilities to meet the continually evolving requirements of modern health care. In this regard we invested Rs. 250 Mn in a new super-silent 3.0T MRI scanner for the Radiology unit and invested in the latest Gamma Camera technology to boost our imaging capabilities. To further support our capacity expansion drive for 2016, we pursued a number of value-adding partnerships through which we expect to benefit from knowledge transfer and increased regional opportunities. In a landmark deal, ASH has partnered with the American Institute of Oncology (AIO) to set up a fully-fledged Radio Therapy Unit equipped with a linear accelerator and a Bachytherapy machine. ASH is in a technical collaboration with Manipal Hospital, Bangalore to set up a fully equipped Liver Transplant clinic. Alongside these efforts, we pushed for growth in other segments of the business, such as wound care, emergency services and the Wellness Centre.

Meanwhile, leveraging on the strength of the Asiri brand, we were able attract a number of new consultants to the ASH medical team in 2016. By increasing our panel of specialists, we not only expanded our leverage on existing specialties, but also enhanced our ability to offer services in a number of new disciplines including: Urology, Vascular Surgery, Orthopedics, Clinical Psychology and Geriatric Care.

Pursuing new avenues to expand our captive patient base, ASH signed up with the National Insurance Trust Fund (NITF), the primary medical funding plan offered to state sector employees. The tie up gives ASH direct access to NITF's current membership of over 2 million state sector employees, signaling the next step in our journey to bring affordable healthcare to a broader spectrum of the population.

With the anticipated increase in patient flow, we took steps to review our current pricing strategy mainly to improve the elasticity of our pricing structure for key surgical procedures. Furthermore delivering on our promise to enhance the overall customer experience, we invested in Doc 990,

a digital health portal that allows patients to book their channeling appointments from anywhere at anytime through their mobile device or any web-enabled computer.

FINANCIAL HIGHLIGHTS

In the year under review, ASH recorded Revenue of Rs. 2,884 Mn translating into a net profit of Rs. 263 Mn.

INDUSTRY-LEADING INITIATIVES

Leveraging on our industry-leading position we continued to work towards improving the sustainability of the healthcare industry as whole. Underpinning our efforts is a proposed public-private partnership aimed at addressing the capacity limitations in state sector hospitals. To tackle the issue of long waiting lists in state sector hospitals, our proposal seeks to offer a subsidised rental model to assist the state sector to carry out critical surgical procedures like cardiac surgery, cataract surgery, etc.

We also began working closely with the Private Hospital Association and other industry stakeholders to make private healthcare more affordable to the wider public.

SUSTAINABILITY INTEGRATION

At ASH, integrated sustainability is one of our key themes and we have identified several factors that are material to our sustainability.

The industry-wide shortage of skilled nursing and other medical service personnel is the single-largest sustainability challenge that continues to impact our business. We have found the problem has become even more severe with each passing year, prompting

ASH to continuously review and update people development strategies in order to attract and retain the best caliber of staff.

Positioning ASH as a responsible corporate citizen regarding environmental issues is the key driver that underpins our commitment to comply with, and whenever possible, exceed all applicable national environmental, health and safety standards, as well as fire and regulations. To further improve our performance, in the year under review we established a formal Environmental Health and Safety Committee, Chaired by the Director - Operations.

At ASH, commitment to the community is an integral part of our operations a hospital, for we believe our mission is best served by using our capabilities to work for the betterment of the community. Hence, we have tailored our community outreach programmes to focus on what we do best and our efforts for the year were led by a series of health clinics aimed at building awareness on the rising incidence of non-communicable diseases.

FUTURE PLANS

While it is understandably difficult to foresee the challenges that may lie ahead, I firmly believe it is more important to move forward to strengthen our core capacities and maintain our track record of excellence. Being in the business for the last 30 years, we have forged a name as industry leader, a position we wish to maintain in the future as well. Doing so however would require us to use our expertise and constantly review our current standing against our competitors and the market. In this context, strategies will need

to be regularly enhanced and updated to ensure their relevance in maintaining our competitive position.

We will also need to roll out plans to add to capacity and capabilities for the next five years, with innovation and technology being critical towards the improvement and betterment of our performance. Improving the patient experience and also strengthening our identity, as a specialised surgical hospital will also be a key focus area in the years ahead.

While there is more work to be done, I believe we are on the right path to realise our aspirations. The fundamentals of our business remain strong and our strategy of focusing on growth, efficiency, quality and sustainability will no doubt stand us in good stead and enable ASH to improve the quality of care offered to our patients and thereby deliver on our stakeholder expectations in the long term.

APPRECIATIONS

My sincerest appreciation to my colleagues on the Board for their foresight and strategic leadership that has made ASH what it is today.

I wish to thank all the staff of the hospital for their continued commitment to delivering the highest quality care to our patients in the challenging environment in which we work. I would also like to express my utmost appreciation to our shareholders, business partners, customers and patients for your confidence and support. I seek your continued patronage in the years ahead as well.

(Sgd.)

Ashok Pathirage

Chairman/ Managing Director

Board of Directors



Left To Right

1. Mr. Harris Premaratne

Director

4. Dr. Sivakumar Selliah

Deputy Chairman

2. Dr. Manjula Karunaratne

Group Chief Executive Officer

5. Mr. Samantha Rajapaksa

Director

3. Mr. Ashok Pathirage

Chairman/Managing Director

Mr. Ashok Pathirage*Chairman/Managing Director*

Mr. Pathirage is one of the country's leading entrepreneurs and business leaders. He is the founder and Chairman/Managing Director of Softlogic Group. Mr. Pathirage is also Chairman/Managing Director of the Asiri hospital chain and the Chairman Softlogic Capital PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC and Odel PLC which are listed public companies on the Colombo Stock Exchange, in addition to the other companies of the Group operating in Leisure and Restaurants, Retail, Automobile and ICT industries. He is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

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, and Central Hospitals Private Ltd. He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantation PLC, ACL Cables PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Pvt Ltd.

Dr. Selliah is also the Chairman of JAT Holdings Pvt Ltd, Vydexa (Lanka) Power Corporation Pvt Ltd and Cleanco Lanka Pvt Ltd.

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

Dr. Manjula Karunaratne*MBBS, M.Sc (Trinity, Dublin), Dip. MS Med (UK)**MSOrth Med. (Eng)**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 Asiri Group. He also serves on the Boards of Central Hospital Ltd., Asiri Central Hospitals Ltd., Asiri Hospital Matara (Pvt) Ltd., Asiri Diagnostic Services (Pvt) Ltd. and Asiri Hospital Kandy (Pvt) Ltd., He previously held the positions of Medical Director, Asiri Hospital Holdings PLC and was Group Chief Operating Officer, Asiri Hospitals Group.

Dr. Karunaratne possesses over 30 years of professional medical experience both in Sri Lanka and overseas, and is responsible for the overall medical policy of the Group.

Mr. Harris Premaratne*Director*

Mr. Premaratne was appointed to the Board in March 2008 after 40 years of banking experience with Commercial Bank. Mr. Premaratne 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 is a Director at Softlogic Holdings PLC and Softlogic Capital Limited and also serves on the Board of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospital Limited. He functions as the Chairman of the Remuneration Committee and is also a member of the Audit Committee of all three Hospitals and Softlogic Holdings PLC.

Presently Mr. Premaratne is the Deputy Chairman of Softlogic Finance PLC.

Board of Directors

Mr. Samantha Rajapaksa

Director

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

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

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

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

Mr. Rajapaksa is currently the Group Managing Director of Associated Motorways (Pvt) Ltd., which is today a fully owned subsidiary of the Al-Futtaim Group of the United Arab Emirates.

He also currently holds Directorships on the Boards of AMW Capital Leasing and Finance PLC, Asiri Hospitals Holdings PLC, Asiri Surgical Hospital PLC and Bank of Ceylon.

Senior Management Team



Seated From Left To Right

- 1. Dr. Samanthi de Silva**
Director Operations
- 2. Mr. Neil Priyath John**
Director Laboratory Services
- 3. Ms. Mihiri Cabandugama**
Head of Strategic Planning and Business Development

Standing From Left To Right

- 4. Mrs. Thelani Weerasinghe**
Director Nursing
- 5. Mrs. Hasanthi De Saram Karandagaspitiya**
Group Head - Human Resources & Human Resource Development
- 6. Dr. Harsha Baranage**
Medical Director
- 7. Mrs. Rochelle de Silva**
Director Marketing
- 8. Mr. Nipuna Mediwake**
Chief Financial Officer

Group Consultant Medical Team



Left To Right

- | | | |
|---|---|---|
| <p>01. Dr. Anil Perera <i>Consultant / Head Dept. of Anaesthesiology - Asiri Medical & Asiri Surgical Hospital</i></p> <p>02. Dr. Menik Goonewardhene <i>Consultant Neonatologist</i></p> <p>03. Prof. L R Amarasekara <i>Consultant Histopathologist</i></p> <p>04. Dr. Gamini Jayaweera <i>Consultant /Head Dept. of Transfusion Medicine - Asiri Group</i></p> <p>05. Dr. Hiranthi Abeysinghe <i>Consultant Anaesthesiologist</i></p> <p>06. Dr. Y K M Lahie <i>Consultant Cardiothoracic Surgeon</i></p> <p>07. Dr. Gulpa Subasinghe <i>Consultant Radiologist</i></p> | <p>08. Dr. S D Athukorala <i>Consultant Clinical Bacteriologist</i></p> <p>09. Dr. Gitanjali Jayathilaka <i>Consultant Anaesthesiologist</i></p> <p>10. Dr. Rajeeva Pieris <i>Consultant Cardiothoracic Surgeon</i></p> <p>11. Dr. Rohini Ranwala <i>Clinical Director - Dept. of Neuro Science, Asiri Central Hospital</i></p> <p>12. Dr. Sumedha Amarasekara <i>Consultant Orthopaedic Surgeon</i></p> <p>13. Dr. Stella Fernando <i>Consultant Aesthesiologist</i></p> <p>14. Dr. Philomena Chandrasiri <i>Consultant Microbiologist/ Head of Infection Control</i></p> | <p>15. Dr. Thushara Fernando <i>Consultant Anaesthesiologist</i></p> <p>16. Dr. Kalyani Miranda <i>Consultant Radiologist</i></p> <p>17. Dr. Lallindra Gooneratne <i>Director- Bone Marrow Transplant & Clinical Haematology Unit - Asiri Central Hospital</i></p> |
|---|---|---|



Left To Right

- | | | |
|--|---|--|
| <p>01. Prof. Vajira Dissanayake <i>Consultant Medical Geneticist</i></p> <p>02. Dr. Nihal Wijewardhana <i>Consultant Interventional Radiologist</i></p> <p>03. Dr. Darshani Amarasinghe <i>Consultant Anaesthesiologist</i></p> <p>04. Dr. Saman Perera <i>Consultant Radiologist</i></p> <p>05. Dr. Kantha Samarawickrema <i>Consultant /Head – Dept. of Nuclear Medicine</i></p> <p>06. Dr. Aruna Nandasena <i>Consultant Genito- Urinary Surgeon</i></p> <p>07. Dr. Gayani Senanayake <i>Consultant Anaesthesiologist</i></p> <p>08. Dr. Vivek Guptha <i>Senior Consultant Cardiothoracic Surgeon</i></p> | <p>09. Dr. Natasha Peiris <i>Consultant Resident Physician</i></p> <p>10. Dr. Samantha De Silva <i>Consultant Neonatologist</i></p> <p>11. Dr. Rangika Goonaratne <i>Consultant Eye Surgeon</i></p> <p>12. Dr. Shantha Hettiarachchi <i>Consultant/ Head Dept. of Radiology - Asiri Medical and Asiri Surgical Hospital</i></p> <p>13. Dr. Thurul Attygalle <i>Resident Physician Stroke Unit</i></p> <p>14. Dr. Chrishantha Mendis <i>Consultant / Head Dept. of Anaesthesiology - Asiri Central Hospital</i></p> <p>15. Dr. Sunil Perera <i>Consultant/Head - Dept. of Neuro Science, Asiri Central Hospital</i></p> | <p>16. Dr. Dinesh De Silva <i>Consultant Eye Surgeon</i></p> <p>17. Dr. Lakmali Paranehewa <i>Consultant / Head Dept. of Radiology - Asiri Central Hospital</i></p> <p>18. Dr. Ajith Karunaratne <i>Consultant Cardiothoracic Surgeon</i></p> |
|--|---|--|

Absent

- 19. Dr. Dishna De Silva**
Consultant Paediatrician
- 20. Dr. Charitha Weerasinghe**
Consultant Vascular Surgeon



Our team is grounded by years of expertise that helps them make the best decisions for their patients.

Operational Review

Revenue

2,884 Mn

Profit for year

263 Mn

Net Assets

3,647 Mn

PRIVATE HEALTH CARE INDUSTRY

Capacity limitations in the public sector free health care system, which accounts for bulk of the health care infrastructure in the country, together with a multitude of other factors have heightened the demand for private health care in recent years, key among them being; the shifts in disease patterns, changing lifestyle trends and changes in population demographics. Specifically, the rise in non-communicable diseases (NCDs), an ageing population and dietary and lifestyle changes caused by rapid urbanisation continue to underpin the demand for high quality curative as well as preventive health care.

The private health care industry has become a thriving industry in recent years through the provision of high-quality health care services. Testifying to this fact is the exponential demand for private sector inpatient and outpatient care as well as the number of consultation visits seen in the past five years.

Cascading from the strong demand, the competition in the private health care sector remains stiff. However the larger hospital chains enjoy a distinct advantage over smaller players, given their superior infrastructure facilities, which gives them the ability to attract reputed doctors and specialists. In recent years, the industry has also been plagued by the shortage of skilled nursing staff, an issue that raises serious concerns for the long-term stability of the private healthcare industry.

Operational Review

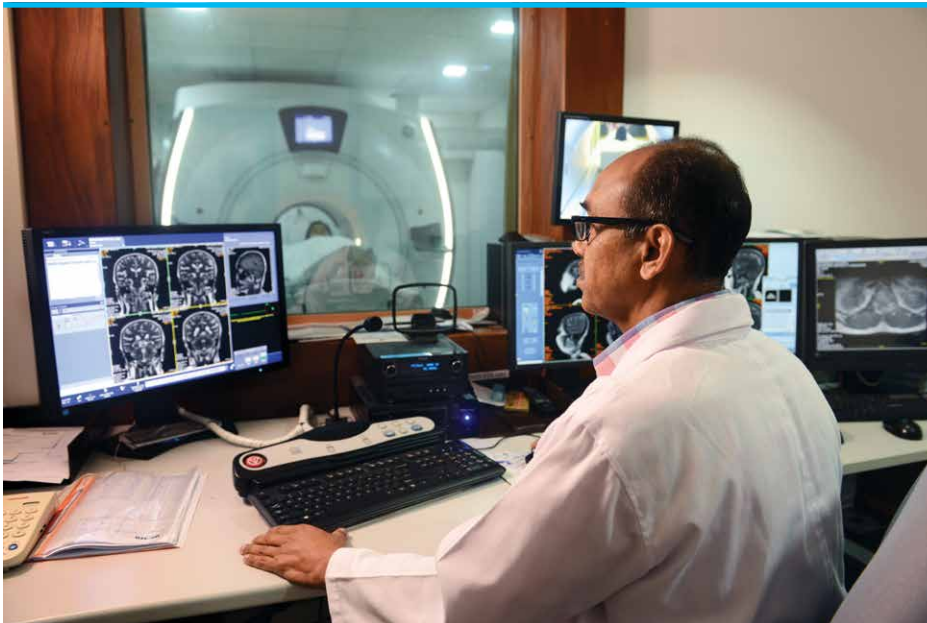
In 2016 fresh challenges in the form of the new VAT bill, where a 15% Value-added-tax was imposed on all medical services (doctors fees, room charges, surgical procedures, etc.) with the exception of outpatient diagnostic tests. For some patient segments, the jump 0 -15% in price became a deterrent in seeking private healthcare services.

From the patient's perspective, the high cost of private healthcare could be mitigated to a large extent through medical insurance coverage. Nonetheless, penetration in medical insurance remains low, with only a small percentage of the overall private healthcare spend attributable to insurance. A meaningful increase in medical insurance coverage would therefore encourage more patients to opt for paid healthcare, which would certainly boost the growth prospects of the private sector health care industry in the long-term.

STRATEGY AND FOCUS

Given the ever-increasing competition in the market, the main thrust for Asiri Surgical Hospital (ASH) in the year under review was to work towards reinforcing its position as the only fully-fledged surgical hospital in the country.

Working towards this goal, strategies for the year were driven by three key pivots; attracting more specialist consultants, investing in capacity expansion, and realigning the pricing structure, all of which will ultimately go on to augment the ASH value proposition in the market.



Being anchored to the Asiri Hospital Holdings Group gives ASH a distinct advantage over peers, as the Asiri brand equity alone is responsible for attracting and retaining specialist consultants to the hospital. In testimony to the fact, a number of esteemed specialist consultants in the disciplines of Urology, Vascular Surgery, Orthopaedics, Clinical Psychology, Anaesthesiology and Geriatric Care joined the ASH medical team year, bringing the total number of specialists to 250 as at 31st March 2017.

To further increase its leverage as the only specialised surgical hospital in the country ASH continued with its ongoing capacity expansion agenda, which in the year under review included;

- Setting up of a fully-fledged Radio Therapy Unit in partnership with the American Oncology Institute (AOI), in order to facilitate the growing demand for Oncological services. As part of the support infrastructure for the unit, ASH is investing in a linear accelerator and a Brachytherapy machine for advanced treatment of specific forms of cancer.
- Setting up of a fully equipped Liver Transplant Unit in collaboration with Manipal Hospital, Bangalore. Equipped with the latest technology including pressure-controlled rooms for immune-compromised post-surgery patients; the new Liver Transplant Unit provides comprehensive and innovative treatment for people with end-stage liver disease due to chronic liver disease and acute liver failure. To ensure patients benefit from the highest standards of clinical care, an initial batch of 7 healthcare

workers were sent to Manipal Hospital in India for specialised training. In addition, a mass media campaign and free Liver clinics were conducted to increase public awareness regarding the new initiative.

- Investment in a new 3.0T MRI scanner. The new super-silent unit with its increased image clarity is particularly beneficial for pathological conditions involving the brain, spine, and musculoskeletal system.
- Investment in a Gamma camera unit to carry out functional scans of the brain, thyroid, lungs, liver, gallbladder, kidneys and skeleton.
- Investment in the Doc 990 platform. A service operated by Digital Health Ltd, an associate company of the Dialog Group, Doc 990 is a digital health portal, which provides medical appointment booking facilities and is accessible via a mobile app (downloadable from the Google Play Store), and via web on www.doc.lk or by dialing the short code 990 on mobile network.
- Expansion of the existing wound management unit saw a new six-station specialised wound management centre being set up during the year. In addition to handling general wounds, the new wound management unit, under the guidance of a Vascular Surgeon, is also geared to treat patients with wounds resulting from diabetes, infection, trauma, surgery and other conditions that can cause difficulty in wound healing. As part of the new set up a special orthotics unit was also established for the supply of orthotics appliances and handle customised footwear for specific podiatric conditions. A specialised Wound Care centre of this nature would differentiate ASH from most hospitals.



- Investments to upgrade the point of care equipment and ambulatory services forms part of the strategy to promote ASH as the trusted partner for accident and emergency services. This was coupled with the launch of a special sports injury clinic, a joint initiative with Central Hospital. The free clinics, conducted on alternate Saturdays either at Central or at ASH offer patients the opportunity to meet with renowned sports physicians and Orthopaedic Surgeons.

Operational Review



Meanwhile, to complement the hospital's profile as the premier surgical facility in the country, the standard package-based pricing structure was reviewed and a more variable market-driven pricing policy was adopted for all frequently used surgical procedures. The new pricing strategy, rolled out in the third quarter of 2016/17 seeks to provide greater clarity and enable the customer to make a more informed decision regarding key elements of the surgical process.

Moving ahead with improvements in other areas; the Wellness centre proposition was enhanced led by a series of health and wellness programmes targeting corporate sector employees. Taking cues from the needs identified through these programmes, ASH began offering structured health screening and wellness packages for corporates. At the same time, the resources at the centre were strengthened with the recruitment of a full time clinical psychologist who is to oversee the roll out of the Asiri Healthy Teen programme, a new initiative aimed at addressing the psychological wellbeing of adolescents.

A multi-disciplinary Elder Care centre was also set up during the year, resourced by a dedicated elder care physician and a geriatric specialist. The first phase of the initiative, launched in March 2017, saw the commencement of outpatient facilities and mobile home visits.

Increasing the number of patients covered under medical insurance schemes was yet another priority, prompting ASH to sign up with the National Insurance Trust Fund (NITF), the primary

medical funding plan offered to state sector employees. Forming part of the broader risk mitigation strategy, the tie up with NITF paves the way for ASH to tap into NITF's database of over 2 million members.

REVIEW OF OPERATIONS

Notwithstanding stiff competition in the market, ASH succeeded in maintaining average bed occupancy levels at 58%, on par with the previous year.

The Cardiac Surgery unit, registered an increase in numbers compared to the previous year, bolstered by aggressive efforts to broaden the referral base. This included building a chain of trust among regional cardiac specialists and smaller regional hospitals, which lack the capacity for specialised Cardiac procedures. Extending the concept further, a series of Cardiac awareness clinics were also conducted across the country to fuel public interest and feature ASH as the only Cardiac centre in Sri Lanka that uses minimum invasive micro incision surgery rather than the traditional bypass surgery, to treat acute and chronic cardiovascular disease.

In the General Surgery segment, the Urology Unit, which is renowned to be the only fully-fledged in the private sector, reported strong year-on-year growth, thanks to a two-pronged strategy to boost the profile of the ASH Urology Unit. On one hand, a mass media campaign was launched focused on symptom-based awareness and to stress the importance of early detection, symptom management and treatment. At the same time, the focus on strengthening the panel of specialist consultants saw a number of new consultants being added to the Urology portfolio.

The ASH Oncology department registered an overall increase in numbers in 2016/17, driven by its two main components; Medical oncology and Oncological Surgery.

The Radiology unit, which is a key strength for ASH, saw an initial drop in numbers mainly on account of the two-month downtime needed for installation of the new MRI scanner. However, immediately following the installation of the new MRI unit, a series of forums were conducted to build awareness among key stakeholders in the medical community, which led to a notable increase in demand from the second quarter onwards. Investment in the PET scanner also continued to yield good results. Being the only PET scanner in the country, usage volumes continue to register encouraging growth year-on-year.

A sizable increase in the number of day-surgeries was observed in the current financial year, with the 8-bed day-surgery facility reporting full capacity throughout the year.

PRODUCTIVITY IMPROVEMENTS

As always, productivity improvements and process efficiencies were deemed crucial in supporting ASH to maintain its leadership position in the market. Amidst stiff market competition and other ongoing challenges in the private healthcare industry, the focus for the current financial year centered on identifying and implementing quality improvement initiatives, ensuring efficient use of resources and compliance with specified quality parameters.



Operational Review

Signaling the commitment to benchmark international best practices for quality management, ASH commenced the groundwork to secure the Australian Council Healthcare Standards (ACHS) accreditation. Underscored by a balance scorecard technique that maps key quality parameters including; clinical outcomes, health and safety incident management for patient and employees, as well as environmental incidents, ACHS promotes continuous improvement vis-à-vis integrated quality management across all aspects of the healthcare process.

To further sharpen the alignment with the ACHS standards, a dedicated corporate relations team was set up in December 2016, tasked with strengthening relationships with all key stakeholders and inculcating the ASH value culture across all operations.

Activities aimed at enhancing the commitment to personalised care continued throughout 2016/17, with greater emphasis on elevating the patient experience and strengthening the partnership with patients. Spearheading efforts for the year was the roll out of the new tri-lingual patient feedback mechanism, which resulted in the development of a structured patient satisfaction index to measure satisfaction on qualitative aspects of the patient experience including; admission process, nursing care, meal service, etc. From an administrative perspective, the patient satisfaction index has enabled each respective department to be assigned an overall monthly ranking, thus reinforcing the importance of maintaining consistency in service standards.

Further, with paramedical staffing becoming a crucial issue across the healthcare industry, ASH accelerated its recruitment drive in a bid to hire qualified nursing staff to fill vacancies in a number of clinical areas, while monitoring of staffing levels and skill mix ensured the best use of available resources.

FUTURE OUTLOOK

Moving forward, the focus remains the same; to reinforce ASH as the only fully-fledged surgical hospital by adding competencies to enhance the patient experience. This calls for a differentiated value proposition underpinned by the best in-class surgical, medical and nursing teams in the country, coupled with path-breaking new technology on par with the international healthcare standards.

"I wish to thank all the staff of Asiri Surgical Hospital for their support during my stay in the hospital. They are a kind, active and talented team of people.

As special word of thanks to the staff in the paramedic unit, who helped me right from the time I entered the hospital. The CCU, the Cardiac IC, ward 6 and the Cardiac theatre staff all worked as a team to make sure that I get the best possible care. And the advice of the dietician was so helpful in those early days.

On behalf of my family and myself, I wish to thank the entire team for their dedication"

Mr. H.L.P. Fernando, Moratuwa

Sustainability Report

We believe that in order to continue as a trusted healthcare provider, it is important to manage our operations in an economically, socially and environmentally sustainable manner.

Our sustainability strategy is underpinned by a three-pronged policy namely, Quality, Environment and Occupational Health & Safety that cascades across all aspects of the business to generate value for stakeholders.

WORKFORCE MANAGEMENT

As the key drivers of growth, we continue to refine our Workforce Management Model in order to generate a positive impact for our employees and to make ASH a better place to work. Key pillars of our Workforce Management Models are;

Competitive Remuneration

We believe that our workforce must be compensated fairly for their contribution to the organisation. Our benefit structure remains competitive and reflects values that promote fair and consistent benefits for all employees, based on merit. We regularly review and realign our remuneration and benefits cognisant to the needs of our people and also to accommodate the changes to their job scope.

Communicative Culture

We encourage open communication at the workplace and give all employees the opportunity to regularly discuss their performance and career development. We have adopted a proactive approach to continuously refine our relationships with our 947 strength of workforce and have implemented a wide range of communication channels to connect with employees

Our communicative culture includes clear procedures for solving grievances.

Safety at the Workplace

Safety is paramount in our business. ASH has adopted the Group's Environment Health and Safety (EHS) standards to integrate safety management across all aspects of the business. As part of this effort, we regularly train our employees on the latest EHS practices and procedures.

In alignment with OHSAS 18001 Occupational Health and Safety standards, we have implemented strict policies and procedures on planned preventive maintenance, safe and proper disposal of sharp and hazardous materials, monitor exposure levels of employees who work in close proximity with radiation and diagnostic imaging services.

Diversity

ASH has succeeded in maintaining a diverse workforce. 65% of our employees are females. We have also been actively promoting women to take up senior management positions, whereby currently 43% of management level staff at ASH are female.

We have also been able to improve retention rates of females by emphasising work life balance. The current retention rate of female staff members with at least five years of service is 63%, a satisfactory number in a field that is challenging for employees with families. Our commitment



Sustainability Report

towards a diverse workforce is further reflected by our involvement in programmes that celebrate diversity such as religious and cultural festivals.

Work-life Balance

We believe in a healthy work-life balance and offer our employees flexible work arrangements to meet their family needs and this is a very challenging area as most of our staff are working on roster basis. The objective of our crèche facilities for childcare, in-house banking facilities and counselling services is to make life easier for our most valuable asset; 'People'. Further we continue to promote healthy living among our employees and conduct voluntary wellness and health initiatives to encourage employees to make lifestyle changes and relieve work stress.

MANAGING OUR ENVIRONMENTAL IMPACT

ASH is fully aware of the need to use resources responsibly. Accordingly, we remain committed to minimise our environmental impact by complying with all relevant regulations and best practices. Over and above the stipulations under the Environmental Protection License issued by the Central Environmental Authority of Sri Lanka, ASH has also implemented the ISO 14001: Environmental Management Systems to integrate key environmental concerns as part of the day-to-day operations of the business.



Given the nature of our business, our environmental efforts focus on the following key areas;

Waste Management

Waste is an inevitable by-product of our hospital activities and we are acutely aware that the waste produced in our operations must be disposed of in a responsible manner in order to avoid harming the environment and to secure the safety of our patients, staff and the community at large.

All waste management efforts are guided by the Group-wide Hazardous Materials and Waste Management Programme. Accordingly, waste is removed daily and the designated collection areas are kept clean. Our nursing professionals and other hospital staff are trained on proper disposal methods, while handling, labeling, storage, packaging, collection and disposal of waste is carried out in accordance with CEA specified regulations.

Over the past three years, the hazardous waste produced by ASH has kept on increasing. However by improving our awareness and improving waste handling processes in line with regulations, we aim to reduce the amount of hazardous waste produced by 5% year-on-year.

We adhere to strict guidelines and have appointed a CEA-approved waste contractor to handle the disposal of clinical waste such as needles, samples and fluids. Non-clinical waste, such as paper and other recyclable items are sent for recycling.



The recyclable items recovered from non-clinical waste are as follows.

| | 2016/17 | 2015/16 | Variance % |
|---|---------|---------|------------|
| Recyclable items recovered from non-clinical waste (kg) | 9,068 | 8,579 | 5.39 |

Water Conservation

Because we understand that reducing consumption not only lowers our costs but also provides environmental benefits by reducing the strain on municipal water supplies, at ASH, we encourage all our staff to work towards reducing water consumption, wherever possible and practical. Although the volume of water consumed has continued to rise each year, due to the business growth we have set a target to reduce water consumed by 5% year-on-year. In this regard, we continue to raise awareness among staff and have also implemented water saving initiatives including; monitoring and tracking of water leakages, as well as installation of water meters in high consumption areas etc.

| | 2016/17 | 2015/16 | Variance % |
|------------------------|---------|---------|------------|
| Water Consumption (m3) | 85,057 | 70,374 | 17.26 |

Energy Consumption

Although we are a service organisation, ASH is an energy-intensive operation, as we remain open 24 hours and support thousands of patients, employees and visitors every day, 365 days of the year. We also use energy-intensive medical equipment, ventilation and air-conditioning systems, and in-house facilities such as laundries, laboratories, refrigeration units and food preparation areas.

Grid electricity is our primary energy source, while back-up generators are in place as a failsafe mechanism. For the past three years, our electricity consumption has been increasing in tandem with our business growth. However, we remain committed to reduce our consumption by at least 5% year-on-year.

In order to manage our electricity consumption, we regularly run campaigns to increase staff awareness on energy efficiency and saving and also invite our staff to contribute new ideas or initiatives to conserve energy.

| | 2016/17 | 2015/16 | Variance % |
|-------------------------------|-----------|-----------|------------|
| Electricity Consumption (kWh) | 5,117,077 | 5,150,680 | (0.65) |

Sustainability Report

COMMUNITY OUTREACH

Our Community Outreach programmes are a reflection of who we are. Essentially our efforts aim to bring quality healthcare to the communities we operate in.

Our main thrust is pivoted on the free health clinics conducted for the benefit of the community. As part of this ongoing effort ASH conducted the following free health clinics in the year under review;

| Clinic | No. of Clinics for 2016/17 | Total Participants |
|----------------------|----------------------------|--------------------|
| Liver Clinic | 3 | 32 |
| Sports Injury Clinic | 2 | 10 |
| Cardiac Clinic | 3 | 50 |

Corporate Governance

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

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

BOARD OF DIRECTORS

The Board comprises of two Executive Directors and three Non-executive Directors. Their profiles appear on pages 11 & 12 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 sub-committee meetings and make decisions via circular resolutions.

APPOINTMENT TO THE BOARD

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

RE-ELECTION OF DIRECTORS

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

INDEPENDENCE OF THE DIRECTORS

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

Corporate Governance

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

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

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

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

REMUNERATION OF THE DIRECTORS

The remuneration of the Directors is determined by the Board and disclosed on page 65 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

Review the Group's annual and interim financial statements and compliance reports.

Review the performance of the internal audit function.

Review the effectiveness of the Group's internal controls.

Periodically approve and review the appointment and retirement of external auditors and their relationship with the Group.

Composition

Chairman

Mr. S A B Rajapaksa
Independent Non-executive Director

Committee members

Mr. G L H Premaratne
Independent Non-executive Director

Mr. J E Huxtable
Independent Non-executive Director

Frequency of meetings

Committee meets quarterly

Remuneration Committee

Duties and Responsibilities

Provide recommendations to the Board on the following;

- Remuneration policy for executive directors
- Remuneration policy and specific incentives for certain senior executives
- Employee benefits and long-term incentive schemes

Principles governing the Group's remuneration policy

- To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Group.
- To support the recruitment, motivation and retention of high quality senior executives
- To ensure that performance is the key factor in determining individual reward
- To communicate the reward structure clearly and effectively to executives and shareholders

Composition

Chairman

Mr. G L H Premaratne
Independent Non-executive Director

Committee members

Dr. S Selliah
Independent Non-executive Director

Frequency of meetings

Committee meets once a year

Corporate Governance

Related Party Transactions Review Committee

Duties and Responsibilities

- Review in advance all the related party transactions carried out by the Company and its listed companies in the group except related party transactions set out in Rule 9.5 of the Listing Rules of the Colombo Stock Exchange.
- Formulating policies and procedure to review related party transactions of the company and of the group and overseeing existing policies and procedures.
- Determining whether the relevant related party transactions are fair to, and in the best interest of the company and/or companies in the group and its stakeholders.
- Determining whether the related party transactions that are to be entered into by the company or companies of the group require the approval of the shareholders.
- Where necessary, the Committee may request the Board to approve related party transactions, which are under review by the Committee.
- Ensure that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made appropriately.

Composition

Chairman

Mr. J E Huxtable
Independent Non-executive Director

Committee members

Mr. G L H Premaratne
Independent Non-executive Director

Mr. S A B Rajapaksa
Independent Non-executive Director

Frequency of meetings

Committee meets at least once a quarter

RESPONSIBILITIES

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

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of board appointments
- Determine the Company's purpose, values and strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant laws, regulations and 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 5 directors 3 are non-executive directors. |
| 7.10.2 | Independent Directors | Complied with. All three non-executive directors are independent. Please refer pages 27 & 28 All non-executive directors have submitted the declaration with regard to their independence/non-independence. |
| 7.10.3 | Disclosures relating to directors | Dr. S Selliah, Mr. G L H Premaratne and Mr. S A B Rajapaksa meet all the criteria except one. Please refer to Page 28 |
| 7.10.5 | Remuneration Committee | Complied with. Comprises of two independent non-executive directors. The remuneration committee of Asiri Hospital Holdings PLC (parent company) acts as the remuneration committee of Asiri Surgical Hospital PLC. The names of the members of the committee are given in the page 29 of the Annual Report. |
| 7.10.6 | Audit Committee | Complied with. Comprises of three non-executive directors all of whom are independent directors. The audit committee of Asiri Hospital Holdings PLC (parent company) acts as the audit committee of Asiri Surgical Hospital PLC. The names of the members of the committee are given in the page 29 of the Annual Report. The Chief Financial Officer attends all the meetings. The report of the committee is given on page 39. |

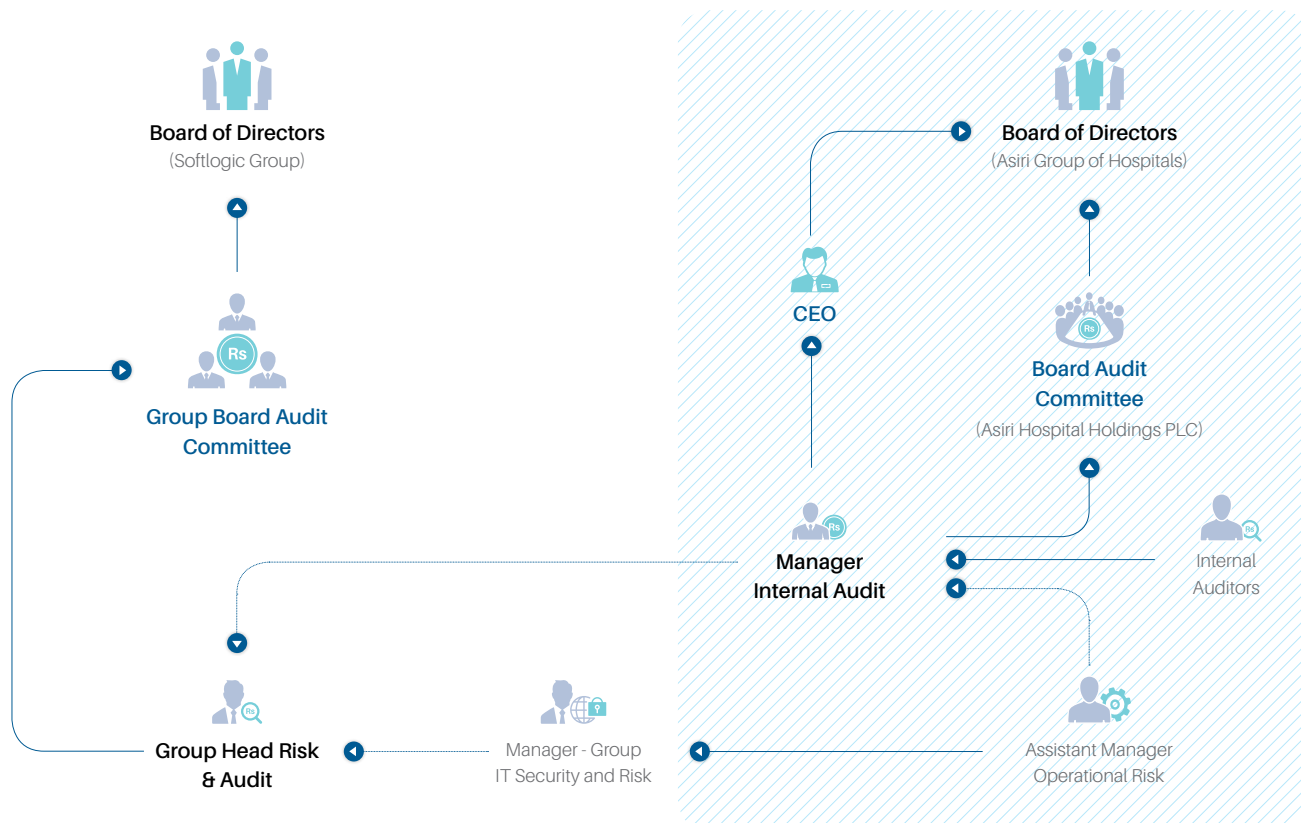
Risk Management Report

Asiri Group of Hospitals has recognised the vitality of effective Risk Management for achieving its business goals. Our risk management objectives are to proactively identify and communicate key risks on a timely manner and implement appropriate strategies to maximise business opportunities, manage uncertainties and minimise potential undesired outcomes. Our risk management framework itself is a comprehensive tollgate which includes standardised processes for risk identification, analysis, evaluation, treatment and monitoring & reporting. While Risk Management is an ultimate responsibility of the Board of Directors, each and every employee is responsible for Risk Management in their sphere of operations.

Safety of our people and the environment we operate in is our first priority and we have established an integrated and effective Risk Management framework where important risks are identified, quantified and managed. We centrally manage some risks by insuring where the amount of which is determined by assessing the level of risk retained or assumed with the cost of transferring risk to others.

The Group has in place a comprehensive system of internal controls, which is designed to ensure that risks are mitigated and Group's objectives are attained.

FUNCTIONAL STRUCTURE OF THE RISK MANAGEMENT FRAMEWORK



RISK PROFILE

The Asiri Group of Hospitals' priority risk items, together with potential impact and key measures taken to mitigate these risks, are discussed below.

| Risk | Potential Impact | Mitigation Strategy |
|--|---|--|
| <p>Clinical Risk</p> <p>Events or incidents occur in our daily practice that will potentially affect the quality of patient care. Knowing the criticality, the Asiri Group has identified most of the clinical risks and the new additions are promptly identified through patient feedbacks and industry analysis.</p> | <p>Risks associated with patient care are extremely important as a Healthcare service provider. Clinical Risks can mediate other risks including reputation and legal risk, as well as significant financial losses. Given that the factors affecting the likelihood and consequences of Clinical Risks may continually change, it has become the most significant and venerable area to Asiri Group of Hospitals in terms of Risk.</p> | <p>Clinical risk management is specifically concerned with improving the quality and safety of services provided by identifying the circumstances and opportunities that put patients at risk of harm and then acting to prevent or control those risks.</p> <p>Stringent guidelines been issued for preparing incident reports, utilisation of informed consent documents and related defensible documentation. The Management has taken measures to address the identified risk areas and in the event any risk is not eliminated, steps have been taken to mitigate such risks to an acceptable level. Also the Group has obtained multiple accreditations for all aspects of its operations, including food and safety, quality management and laboratory management.</p> <p>Fully-fledged trainings are provided to all healthcare staff that interact with patients, and a better understanding is given regarding the objectives and relevance of the Risk Management strategies.</p> <p>Ongoing monitoring and review of Clinical Risks are performed to ensure that the organisation's Clinical Risk Management plan is adequate and effective.</p> |
| <p>Operational Risk</p> <p>The risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.</p> | <p>Operational risk is different from other risks because it is usually not taken in exchange for an expected return; it exists in the natural course of business activity. Failure to appropriately manage operational risk can expose firms to significant losses.</p> | <p>The Group is promoting and enhancing the effectiveness of Operational Risk Management framework which has a continuous process of identification, assessment, treatment and monitoring & controlling.</p> |

Risk Management Report

| Risk | Potential Impact | Mitigation Strategy |
|--|--|---|
| <p>Internal Process</p> <p>Inadequacy of internal controls may adversely affect the continuity or effectiveness of internal processes.</p> | <p>Internal processes are predominant in achieving business objectives that in ineffectiveness of which will lead to severe financial or business losses.</p> <p>The impact is specific to each process and its contribution to the continuity of the service. When several processes failed, the cumulative impact might be greater than what is expected.</p> | <p>We ensure Risk Management in its operations by maintaining proper internal control systems initiating prompt response to evolving risks. Regular operational risk reviews are being carried out by the Internal Audit department to ensure that none of the risks been unattended.</p> <p>Audit trails are checked in an appropriate manner hence red flags (if any) are raised and proper action are taken and implemented on a timely manner.</p> |
| <p>People</p> <p>Risks may arise from employee negligence, conflict of interest, fraud or misappropriation and due to poorly trained employees. Service industry, in which our Group operates, is heavily depending on human resources.</p> | <p>Failures in human resource could affect the continuity of business operations and the consequences can be more serious. Thus ability to recruit and retain qualified and skilled healthcare professionals is crucial for the success of the organisation.</p> | <p>While ensuring the safety and welfare of the employees, our risk management approach is directed towards minimising the risks that may arise from employees. We have introduced a comprehensive recruitment and retention process and employee requirements and satisfaction levels are frequently monitored through surveys, and gaps are addressed appropriately. Also a succession planning programme in place which includes regular trainings, developments and promotions.</p> |
| <p>External events</p> <p>External events are synonymous with the natural disasters and other similar types of emergencies that confront organisations on a daily basis which affects the Continuity of Business.</p> | <p>All businesses are exposed to risks arising from external events which are beyond their control. 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 will incur more financial and reputational losses.</p> | <p>The events are identified by conducting proper assessments and from external sources. Adequate business continuity measures have been taken to ensure that an uninterrupted service is provided and the revenue has been insured against any uncontrollable events.</p> <p>Regular reviews are undertaken to ensure that adequate insurance covers are available to compensate financial losses.</p> |

| Risk | Potential Impact | Mitigation Strategy |
|---|---|---|
| <p>Information Security</p> <p>Increasing use of technology has hosted new levels of complexity and threats such as: security breaches, system failures, malicious attacks, IT fraud and many other issues.</p> | <p>Breaks in information security controls over confidential information related to patients and underlying systems will affect the smooth functioning of the entire business whilst incurring monetary and non-monetary damages.</p> <p>Failure to adopt robust information security controls could lead to potential risks of;</p> <ul style="list-style-type: none"> ➤ Unauthorised access to information and associated information systems. ➤ Unauthorised modifications and manipulations on information. ➤ Inability of timely access and use of required information and related systems | <p>We have identified the importance of Information Security and has deployed numerous technical controls. The Group has adopted ISO 27000 based Information Security policies & procedures and it has tied with regularly tested IT disaster recovery plan to deal with any contingencies.</p> <p>Regular maintenance of IT infrastructure, scheduled data backups, offsite storage and round-the-clock IT support by the parent Group are some of the strategies adopted to ensure zero losses of data during a system failure.</p> |
| <p>Strategic Risks</p> <p>Failure to anticipate essential market needs on a timely manner relates to Strategic Risk. It also relates and depends on future business plans and strategies including mergers & acquisitions, restructuring activities and innovations.</p> | <p>Incompetent strategic decisions will adversely affect shareholder objectives while failure to execute innovative decisions will reduce the expansion opportunities.</p> | <p>Strategic decisions are scrutinised by the Board of Directors who have expertise knowledge and vast experience in the industry. These decisions are reviewed by the Softlogic Holdings Group Executive Board of Directors and thorough evaluations and assessments are been carried out prior to execution.</p> |

Risk Management Report

| Risk | Potential Impact | Mitigation Strategy |
|--|---|---|
| <p>Reputational Risk</p> <p>A threat or danger to the good name or standing of the Asiri Group of Hospitals. Reputational risk can occur;</p> <ul style="list-style-type: none"> ➤ as a result of the actions of the Asiri Group Hospitals itself, ➤ due to the actions of employees or ➤ through other peripheral parties, like suppliers | <p>This type of risk can be informational in nature that may be difficult to realise financially. It is a matter of corporate trust, which has a great influence on damaging the reputation and a severe impact on shareholder value.</p> | <p>In addition to having good governance practices and transparency, we are also socially responsible and environmentally conscious.</p> <p>We maintain strong relationships with stakeholders by developing trust and confidence while conforming international best practices.</p> <p>The Ethics Committee, comprising of industry specialists, provides an advisory role on matters relating to research and clinical trials. Meanwhile, our nursing and other staffs undergo extensive training on patient management and customer service on a continuous basis.</p> |
| <p>Technological Risk</p> <p>The industry in which our group operates is exposed to frequent technological innovations.</p> <p>Failure to adopt latest technologies will drive towards technological obsolescence.</p> | <p>Inability to adopt the latest pioneering technology could result in loss of customers, leading to fall in revenue and erosion of profits.</p> | <p>We constantly pursue adoption of most innovative & advance methods for diagnostics and treatments. Research and innovations in Healthcare industry are regularly monitored.</p> <p>The Group makes regular investments in cutting-edge technology and training of staff for optional application of existing technology.</p> |
| <p>Rivalry</p> <p>Asiri Group of Hospitals faces competitive pressure from government and private hospitals, outpatient centers, stand-alone clinics and diagnostic centers.</p> | <p>Competitive pressure can make an impact on our revenues, market share and profitability.</p> | <p>We are offering the most clinically advanced, cutting-edge medical procedures and excel in nursing and patient care. We also monitor industry dynamics and respond accordingly. Growth is one of our key strategic priorities, and we seek to expand our reach outside the capital in order to geographically diversify our revenue sources.</p> |

| Risk | Potential Impact | Mitigation Strategy |
|---|---|---|
| <p>Credit Risk</p> <p>There is a risk of a patient not having adequate funds to settle his / her bills at the time of discharge.</p> | <p>Credit Risk will lead the Group to financial concerns such as liquidity and profitability. Cash flow issues will make a direct impact on its service quality.</p> | <p>We evaluate credit worthiness of corporates before granting credit facilities. Regular reviews are done to ensure that the introduced systems are functioning effectively and any impact on the performance of the assets of the Group. Interim bills are issued for in-patients for periodic bill settlements.</p> |
| <p>Compliance Risk</p> <p>Compliance risk will arise 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 is difficult to predict or quantify. Most of the Compliance and Legal Risks are causing unexpected financial losses and severe reputation damages.</p> | <p>In addition to complying with the Colombo Stock Exchange, Securities and Exchange Commission and Companies Act disclosure requirements, the Group also complies with Sri Lanka Accounting Standards.</p> <p>Related Party Transaction Review committee has been established to assure the highest level of integrity and transparency.</p> |

Ethics Committee Report

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

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

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

The committee has so far reviewed experimental therapy and clinical trial protocols submitted to it by clinicians at Asiri. These include protocols in experimental stem cell therapy for Parkinson Disease and spinal cord transection and a phase II trial for rheumatoid arthritis using an anti TNF alpha antibody. Also, the committee has reviewed the proposal for "Dialog m Health Trial with Asiri - (Evaluation of ambulant remote monitoring technology for investigating cardiac arrhythmias)".

On the aspects of training staff on the concepts and applications of ethics in a hospital setting, the Committee has conducted workshops for groups of both medical and paramedical personnel, and plans to extend this programme to all categories of staff.

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. Aritha Wickramanayake

(Attorney at Law /Precedent Partner, Nithya Partners)

Dr. Sivakumar Selliah

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

Prof. Kemal I Deen

(Consultant General Surgeon -Intestinal)

Dr. Indrani Amarasinghe

(Consultant Oncologist)

Prof. Chandani Wanigatunga

(Professor in Pharmacology and Consultant Physician)

Dr. Kamal Weerapperuma

(Company Director)

Prof. Shalini Sri Ranganathan

(Professor in Pharmacology and Specialist Paediatrician)

(Sgd.)

Prof. Rohan Jayasekara

Chairman - Ethics Committee

19 June 2017

Audit Committee Report

The Audit Committee is appointed by the Board of Directors and comprises of three independent Non-Executive Directors. The Names of the Committee members are stated in the Corporate Governance Report on Page 29.

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

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

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

The Audit Committee recommended to the Board of Directors that M/s Ernst & Young be re-appointed as the auditors of the Company for the financial year ending 31st March 2018, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

Samantha Rajapaksa

Chairman - Audit Committee

19 June 2017

Remuneration Committee Report

The Remuneration Committee is a sub-committee of the Board constituted under the Company's Corporate Governance policies for the purpose of recommending the remuneration of Senior Management. The members, of the Committee comprise of two Independent Non-Executive Directors. The names of the Committee members are stated in the Corporate Governance Report on page 29.

The Directors' emoluments are disclosed on page 65.

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

(Sgd.)

G.L.H. Premaratne

Chairman – Remuneration Committee

19 June 2017

Report of the Related Party Transactions Review Committee

PURPOSE

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 Codes 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").

Related Party Transactions Review Committee of Asiri Hospital Holdings PLC, parent company, act as the Related Party Transactions Review Committee of the Company as provided by the Listing 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 Codes of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka.

COMPOSITION

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company and the following directors were served on the Committee as at 31st March 2017.

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

The Chief Finance Officer attends all meetings by invitation.

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

ROLES AND RESPONSIBILITIES

1. Reviewing in advance all proposed related party transactions of the Company in compliance with the Code
 2. Adopting policies and procedures to review related party transactions of the and reviewing and overseeing existing policies and procedures
 3. Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
 4. If related party transactions are ongoing (recurrent related party transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party.
 5. Ensuring that no director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee
 6. If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approved the proposed related party transaction.
 7. Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.
- The related party transactions of the Company for the financial year ended 31st March 2017 have been reviewed by the Committee and the activities and comments of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

J E Huxtable

Chairman

Related Party Transactions Review Committee

19 June 2017

Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the financial statements of the Company differs from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 49.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on pages 50 to 55 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act No. 07 of 2007.

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

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

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

COMPLIANCE REPORT

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

COMPLIANCE WITH RELATED PARTY TRANSACTIONS RULES

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

For and on behalf of the Board

(Sgd.)

Softlogic Corporate Services (Pvt) Ltd
Secretaries

Colombo
19 June 2017

Annual Report of the Board of Directors

The Directors of Asiri Surgical Hospital PLC have pleasure in presenting to the members their report together with the audited financial statements of the Company for the year ended 31st March 2017.

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 7 to 9 of the Annual Report. This review together with the Financial Statements reflects the state of affairs of the Company. These reports form an integral part of the Directors' Report.

FINANCIAL STATEMENTS

The financial statements of the Company which include the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements are given on pages 56 to 87.

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 42.

AUDITOR'S REPORT

The Auditor's Report on the financial statements is given on page 49.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 56 to 63 There was no change in the accounting policies adopted.

PROPERTY, PLANT & EQUIPMENT

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

CAPITAL EXPENDITURE

The capital expenditure of the Company during the year amounted to Rs. 355,323,900/- (2015/2016 - Rs. 130,907,488/-) details of which are given in note 9 to the financial statements.

RESERVES

The total reserves of the Company as at 31st March 2017 amounted to Rs. 2,253,691,181/- The composition of reserves is shown in the Statement of Changes in Equity in the financial statements.

DONATIONS

No donations were made by the Company during the year (2015/2016 Rs. 50,000/-).

STATED CAPITAL

The stated capital of the Company as at 31st March 2017 was Rs. 1,393,327,565/-. There was no change in the stated capital of the Company during the year under review.

DIVIDENDS

The Directors recommend to the shareholders that the Interim Dividend of Rs. 0.35 per share paid on 30th March 2017 be considered as the Final Dividend for the year ended 31st March 2017.

Annual Report of the Board of Directors

STATUTORY PAYMENTS

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

ASIRI AOI CANCER CENTRE (PRIVATE) LIMITED (JOINT VENTURE COMPANY)

Asiri Surgical Hospital PLC entered into a Joint Venture Agreement with Cancer Treatment Services Hyderabad Private Limited ("CTSH") having its office at Door No. 1-100/1/CCH, Nallagandla Village, Serilingampally Mandal, Ranga Reddy District, Hyderabad - 500019, Telangana, India, on 20th December 2016, to incorporate a joint venture company for providing comprehensive state of the art oncology services.

This company will establish, own, operate and manage cancer treatment centres in Sri Lanka, which provide radiation oncology, medical oncology, surgical oncology and radiology services for the prevention, diagnosis and treatment of cancer. The first cancer treatment centre will be set up at the premises of Asiri Surgical Hospital PLC.

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.

INTERNAL CONTROL

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

DIRECTORATE

The following Directors held Office during the year under review.

Mr. A K Pathirage (Chairman/Managing Director)
Dr. S Selliah (Deputy Chairman)
Dr. K M P Karunaratne (Group Chief Executive Officer)
Mr. G L H Premaratne
Mr. S A B Rajapaksa

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

DIRECTORS' SHAREHOLDING

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

| Name of Director | No. of shares as at 31st March 2017 | No. of shares as at 31st March 2016 |
|-----------------------|--|--|
| 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 2016/2017 are given in note 5 to the Financial Statements on page 65.

INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS WITH THE COMPANY

Directors' interests in contracts with the Company, both direct and indirect are given in note 24 to the Financial Statements. These interests have been declared at the Board Meetings. The Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company.

AUDITORS

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

The following payments were made to them during the year.

| | |
|-------------------------|-------------------|
| Audit fees | - Rs. 1,094,473/- |
| Fees for other services | - Rs. Nil |

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

Annual Report of the Board of Directors

SHAREHOLDERS' INFORMATION

The twenty largest shareholders of the Company as at 31st March 2017 are given on page 92 together with an analysis of the shareholding. There were 3,206 registered shareholders as at 31st March 2017.

Share Information

Information on share trading is given on page 92 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 Seventeenth Annual general Meeting of the Company will be held at Hotel Janaki, Fife Road, Colombo 05 on Tuesday the 19th day of September 2017 at 11.30 a.m. The Notice of the 17th Annual General Meeting is on page 94 of the Annual Report.

For and on behalf of the Board

(Sgd.)
Director

(Sgd.)
Director

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

19 June 2017
Colombo

Every outcome is a way in which
we measure success and we aim
to go further than ever before.



Financial Reports

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Financial Calendar

Financial Year End 31 March 2017

Announcement of Quarterly Financial Performance

| | |
|-------------|----------------------------------|
| 15-Aug-2016 | 1st Quarter |
| 15-Nov-2016 | 2nd Quarter |
| 15-Feb-2017 | 3rd Quarter |
| 31-May-2017 | 4th Quarter |
| 19-Jun-2017 | Notice of Annual General Meeting |
| 19-Sep-2017 | Annual General Meeting |

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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

Report on the Financial Statements

We have audited the accompanying financial statements of Asiri Surgical Hospital PLC ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the

year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

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

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion :
 - 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, and
 - the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

19 June 2017
Colombo

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 Sajewarali 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

Statement of Profit or Loss

Year ended 31 March 2017

| | Note | 2017 Rs. | 2016 Rs. |
|--------------------------------------|------|-----------------|-----------------|
| Revenue | 3.1 | 2,884,315,584 | 2,922,313,378 |
| Cost of Services | | (1,885,575,533) | (1,753,567,623) |
| Gross Profit | | 998,740,051 | 1,168,745,755 |
| Other Income | 3.2 | 30,006,092 | 14,121,935 |
| Administrative Expenses | | (693,216,926) | (643,356,352) |
| Selling and Distribution Costs | | (66,923,336) | (68,748,281) |
| Finance Cost | 4.1 | (52,337,478) | (68,554,222) |
| Finance Income | 4.2 | 114,180,752 | 97,487,216 |
| Profit Before Tax | 5 | 330,449,155 | 499,696,051 |
| Income Tax Expense | 6 | (67,659,897) | (83,292,899) |
| Profit for the Year | | 262,789,258 | 416,403,152 |
| Earnings Per Share - Basic | 7 | 0.50 | 0.79 |
| Dividend Per Share - Ordinary Shares | 8.1 | 0.75 | - |

The Accounting Policies and Notes on pages 56 through 87 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2017

| | Note | 2017 Rs. | 2016 Rs. |
|--|------|--------------|-------------|
| Profit for the Year | | 262,789,258 | 416,403,152 |
| Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Revaluation Surplus on Building | 16 | 151,266,080 | 73,107,825 |
| Actuarial Loss on Retirement Benefit Liability | 19 | (3,599,562) | (4,840,110) |
| | | 147,666,518 | 68,267,715 |
| Deferred Tax Charge on Other Comprehensive Income | 6.2 | (17,719,983) | (8,192,126) |
| Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax): | | 129,946,535 | 60,075,589 |
| Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Gain/(Loss) on Valuation of Financial Assets - Available for Sale | 10.1 | (3,018,089) | 27,291 |
| Net Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax): | | (3,018,089) | 27,291 |
| Other Comprehensive Income for the Year, Net of Tax | | 126,928,446 | 60,102,880 |
| Total Comprehensive Income for the Year, Net of Tax | | 389,717,704 | 476,506,032 |

The Accounting Policies and Notes on pages 56 through 87 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March 2017

| | Note | 2017 Rs. | 2016 Rs. |
|---------------------------------------|------|---------------|---------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, Plant and Equipment | 9 | 3,017,255,155 | 2,765,967,958 |
| Leasehold Property | 11 | 85,201,379 | 86,238,312 |
| Loans Granted to Related Parties | 14.4 | 600,000,000 | 885,922,345 |
| Financial Assets - Available for Sale | 10 | 336,704,370 | 1,373,357 |
| | | 4,039,160,904 | 3,739,501,972 |
| Current Assets | | | |
| Inventories | 13 | 181,292,507 | 170,852,144 |
| Trade and Other Receivables | 14 | 129,875,365 | 122,374,483 |
| Advances and Prepayments | 14 | 163,358,250 | 332,125,927 |
| Loans Granted to Related Parties | 14.4 | - | 164,996,991 |
| Cash and Cash Equivalents | 21 | 135,867,613 | 132,854,760 |
| | | 610,393,735 | 923,204,305 |
| Total Assets | | 4,649,554,639 | 4,662,706,277 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Stated Capital | 15 | 1,393,327,565 | 1,393,327,565 |
| Revaluation Reserve | 16 | 1,304,758,951 | 1,171,644,801 |
| Available for Sale Reserve | | (2,990,798) | 27,291 |
| Retained Earnings | | 951,923,028 | 1,104,543,954 |
| Total Equity | | 3,647,018,746 | 3,669,543,611 |

| | Note | 2017 Rs. | 2016 Rs. |
|---------------------------------------|------|---------------|---------------|
| Non-current Liabilities | | | |
| Amount Due on Leasehold Property | 17 | 26,128,667 | 30,200,667 |
| Interest Bearing Loans and Borrowings | 18 | 319,618,000 | 383,554,000 |
| Post Employment Benefit Liability | 19 | 100,622,860 | 81,805,833 |
| Deferred Tax Liability | 6.2 | 192,535,063 | 156,536,269 |
| | | 638,904,590 | 652,096,769 |
| Current Liabilities | | | |
| Amount Due on Leasehold Property | 17 | 4,072,000 | 4,072,000 |
| Interest Bearing Loans and Borrowings | 18 | 63,936,000 | 67,616,658 |
| Trade and Other Payables | 20 | 282,710,870 | 235,083,461 |
| Tax Payable | | 6,569,778 | 28,359,125 |
| Dividend Payable | | 6,342,655 | 5,934,653 |
| | | 363,631,303 | 341,065,897 |
| Total Equity and Liabilities | | 4,649,554,639 | 4,662,706,277 |

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

(Sgd.)

Chief Financial Officer

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

(Sgd.)

Director

(Sgd.)

Director

The Accounting Policies and Notes on pages 56 through 87 form an integral part of these Financial Statements.

19 June 2017

Colombo

Statement of Changes in Equity

Year ended 31 March 2017

| | Note | Stated Capital Rs. | Available for Sale Reserve Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Rs. |
|--|------|--------------------------|--------------------------------------|-------------------------------|-----------------------------|---------------|
| Balance as at 01 April 2015 | | 1,393,327,565 | - | 1,104,364,942 | 705,829,933 | 3,203,522,440 |
| Fair Value Adjustment - Guarantees | | - | - | - | (13,429,834) | (13,429,834) |
| Profit for the Year | | - | - | - | 416,403,152 | 416,403,152 |
| Other Comprehensive Income for the Year | | - | 27,291 | 64,334,886 | (4,259,297) | 60,102,880 |
| Total Comprehensive Income for the Year | | - | 27,291 | 64,334,886 | 412,143,855 | 476,506,032 |
| Deferred Tax Reversal on Depreciation Impact | 16 | - | - | 2,944,973 | - | 2,944,973 |
| Balance as at 31 March 2016 | | 1,393,327,565 | 27,291 | 1,171,644,801 | 1,104,543,954 | 3,669,543,611 |
| Fair Value Adjustment - Guarantees | | - | - | - | (15,899,410) | (15,899,410) |
| Profit for the Year | | - | - | - | 262,789,258 | 262,789,258 |
| Other Comprehensive Income for the Year | | - | (3,018,089) | 133,114,150 | (3,167,615) | 126,928,446 |
| Total Comprehensive Income for the Year | | - | (3,018,089) | 133,114,150 | 259,621,643 | 389,717,704 |
| Dividend Paid - Ordinary Shares | 8 | - | - | - | (396,343,159) | (396,343,159) |
| Balance as at 31 March 2017 | | 1,393,327,565 | (2,990,798) | 1,304,758,951 | 951,923,028 | 3,647,018,746 |

The Accounting Policies and Notes on pages 56 through 87 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March 2017

| Year ended 31 March | Note | 2017 Rs. | 2016 Rs. |
|---|------|----------------------|----------------------|
| Cash Flows From Operating Activities | | | |
| Profit Before Income Tax Expense | | 330,449,155 | 499,696,051 |
| Adjustments for | | | |
| Amortisation of Leasehold Land | 11 | 1,036,933 | 1,036,933 |
| Depreciation | 9.2 | 207,152,558 | 207,696,967 |
| (Profit)/Loss on Disposal of Property, Plant and Equipment | | 4,404,424 | (16,392) |
| Finance Income | 4.2 | (114,180,752) | (97,487,216) |
| Finance Costs | | 52,337,478 | 68,554,222 |
| Foreign Currency Exchange Gain | | - | (3,538,543) |
| Provision for Gratuity | 19 | 20,078,081 | 16,164,020 |
| Provision for Bad Debt | | 2,182,239 | 5,130,715 |
| Operating Profit Before Working Capital Changes | | 503,460,116 | 697,236,757 |
| Increase in Inventories | | (10,440,363) | (12,370,660) |
| Decrease/(Increase) in Trade and Other Receivables | | 159,084,557 | (218,344,310) |
| Increase/(Decrease) in Trade and Other Payables | | 29,131,390 | (69,824,713) |
| Cash Generated From Operations | | 681,235,700 | 396,697,074 |
| Income Tax Paid | | (71,170,434) | (38,857,380) |
| Finance Costs Paid | 4.1 | (48,790,129) | (53,260,551) |
| Defined Benefit Plan Costs Paid | 19 | (4,860,616) | (3,613,607) |
| Net Cash From Operating Activities | | 556,414,521 | 300,965,536 |
| Cash Flows From/(Used in) Investing Activities | | | |
| Acquisition of Property, Plant and Equipment | 9.4 | (355,323,900) | (130,907,488) |
| Proceeds from Sale of Property, Plant and Equipment | | 43,745,799 | 33,481,181 |
| Investment in Financial Assets | 10.1 | (338,349,102) | (1,346,066) |
| Finance Income Received | | 94,733,993 | 79,262,802 |
| Loans repayments from Related Parties | | 450,919,336 | 41,256,573 |
| Net Cash Flows From/ (Used in) Investing Activities | | (104,273,874) | 21,747,002 |
| Cash Flows From/(Used in) Financing Activities | | | |
| Payment of Amount due on Leasehold Property | 17 | (4,072,000) | (4,072,000) |
| Repayment of Interest Bearing Loans and Borrowings | | (64,697,223) | (271,152,235) |
| Dividend Paid | | (377,439,138) | (1,359,448) |
| Net Cash Flows From/(Used in) Financing Activities | | (446,208,361) | (276,583,683) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 5,932,288 | 46,128,855 |
| Cash and Cash Equivalents at the beginning of the year | 21 | 129,935,325 | 83,806,470 |
| Cash and Cash Equivalents at the end of the year | 21 | 135,867,613 | 129,935,325 |

The Accounting Policies and Notes on pages 56 through 87 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2017

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 2017 was authorised for issue in accordance with a resolution of the Board of Directors dated 19 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.1.1 Statement of Compliance

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

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

2.1.2 Comparative Information

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

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

2.2 Significant Accounting Judgments, Estimates and Assumptions

Estimates and Assumptions

The preparation of the financial statements of the Company require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets and liabilities at the end of the reporting period. In the process of applying the Company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together

with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair Value of Property, Plant and Equipment

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company engaged an independent valuation specialist to assess fair value of such assets as at 31 March 2017. (Refer Note 9.5 to these financial statements).

Deferred Taxes

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

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

Defined Benefit Plans

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

Impairment of Non-Financial Assets

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

Impairment of Trade and Other Receivables

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

Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations.

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

2.3 Summary of Significant Accounting Policies Applied

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

2.3.1 Foreign Currency Translation

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

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

2.3.2 Fair Value Measurement

Fair value related disclosures for non-financial assets and financial instruments that are measured at fair value or where fair values are disclosed are summarised in Note 9.5, 10 and 18 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.

Notes to the Financial Statements

Year ended 31 March 2017

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.

2.3.3 Revenue Recognition

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

a. Rendering of Services

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

b. Finance Income

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

c. Dividend Income

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

d. Others

Other income is recognised on accrual basis.

2.3.4 Taxation

Current Taxes

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

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

Deferred Taxation

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

be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

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

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

2.3.5 Property, Plant and Equipment

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on

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

2.3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether 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.

Notes to the Financial Statements

Year ended 31 March 2017

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

2.3.7 Borrowing Costs

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

2.3.8 Financial Instruments - Initial Recognition and Subsequent Measurement

i) Financial Assets

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

Initial Recognition and Measurement

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

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are

recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

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

Available-for-sale Financial Investments

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

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

Trade and Other Receivables

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

Derecognition

Financial Assets

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

Impairment of Financial Assets

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

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

Financial Assets Carried at Amortised Cost

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in

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

ii) Financial Liabilities

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantees contracts, and other financial liabilities. Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

Initial Recognition and Measurement

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

Subsequent Measurement

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

Interest Bearing Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest

rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Financial Guarantee Contracts

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

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

Derecognition

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

2.3.9 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.

2.3.10 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.

2.3.11 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.

Notes to the Financial Statements

Year ended 31 March 2017

For the purpose of cash flow statement, cash and cash equivalents consist of the above net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from the date of acquisition) are also treated as Cash Equivalents.

2.3.12 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.

2.3.13 Post Employment Benefits

a. *Defined Benefit Plan - Gratuity*

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an independent professional actuary at the end of every financial year using the Projected Unit Credit Method (PUC) as recommended by LKAS 19 – “Employee benefits”. Accordingly, the employee benefit liability is based on the actuarial valuation carried out by Messrs Actuarial and Management Consultants (Pvt) Ltd., Actuaries. The actuarial valuation involves making assumptions about discount rate,

future salary increase rate and mortality rates etc. All assumptions are reviewed at each reporting date.

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

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

The Gratuity liability is not externally funded.

b. *Defined Contribution Plans*

Employees’ Provident Fund and Employee’ Trust Fund

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

2.4 Standards Issued But Not Yet Effective

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

SLFRS 9 – Financial Instruments

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

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

SLFRS 15 – Revenue from Contracts with Customers

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

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

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

SLFRS 16 - Leases

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

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

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

LKAS 7 Disclosure Initiative - Amendments to LKAS 7

The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's disclosure initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information

for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

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

Notes to the Financial Statements

Year ended 31 March 2017

3. REVENUE AND OTHER INCOME

3.1 Revenue

| | 2017 Rs. | 2016 Rs. |
|---------------------|----------------------|----------------------|
| Healthcare Services | 2,884,315,584 | 2,922,313,378 |
| | <u>2,884,315,584</u> | <u>2,922,313,378</u> |

3.2 Other Income

| | 2017 Rs. | 2016 Rs. |
|---|-------------------|-------------------|
| Rental Income | 17,660,075 | 10,567,000 |
| Sundry Income | 11,481,546 | - |
| Profit on Disposal of Property, Plant and Equipment | - | 16,392 |
| Exchange Gain | 800,815 | 3,538,543 |
| Dividend Income - External | 63,656 | - |
| | <u>30,006,092</u> | <u>14,121,935</u> |

4. FINANCE COST AND INCOME

4.1 Finance Cost

| | 2017 Rs. | 2016 Rs. |
|---|-------------------|-------------------|
| Interest Expense on Overdrafts | 242,430 | 106,366 |
| Interest Expense on Loans and Borrowings | 47,829,609 | 44,961,657 |
| Interest on Guarantees | 3,547,349 | 4,794,580 |
| Bank Charges on Interest Bearing Loans | 718,090 | 5,660,972 |
| Loss on Foreign Exchange Long Term Borrowings | - | 13,030,647 |
| | <u>52,337,478</u> | <u>68,554,222</u> |

4.2 Finance Income

| | 2017 Rs. | 2016 Rs. |
|------------------|--------------------|-------------------|
| Interest Income | 94,733,993 | 79,262,802 |
| Guarantee Income | 19,446,759 | 18,224,414 |
| | <u>114,180,752</u> | <u>97,487,216</u> |

5. PROFIT BEFORE TAX

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Stated after Charging | | |
| Included in Cost of Sales | | |
| Depreciation | 121,344,597 | 124,773,391 |
| Employee Benefits including the following: | 601,087,058 | 557,546,886 |
| - Defined Contribution Plan Costs - EPF and ETF | 43,700,990 | 40,378,729 |
| Included in Administrative Expenses | | |
| Depreciation | 85,807,962 | 82,923,577 |
| Employee Benefits Including the following: | 244,485,997 | 239,738,653 |
| - Defined Benefit Plan Costs - Gratuity | 20,078,081 | 16,164,020 |
| - Defined Contribution Plan Costs - EPF and ETF | 18,367,452 | 18,351,583 |
| Directors' Fees and Remuneration | 12,376,219 | 9,594,562 |
| Amortisation of Leasehold Property | 1,036,933 | 1,036,933 |
| Donations | - | 50,000 |
| Legal Fees | 6,010,773 | 956,722 |
| Audit Fees and Reimbursable Expenses | 1,094,473 | 1,064,239 |
| Included in Selling and Distribution Costs | | |
| Advertising Costs | 15,769,409 | 13,875,568 |
| Provision for/ Reversal of Bad Debts | 2,182,239 | 5,130,715 |

Notes to the Financial Statements

Year ended 31 March 2017

6. INCOME TAX EXPENSE

| | 2017 Rs. | 2016 Rs. |
|--|-------------------|-------------------|
| Current Income Tax | | |
| Current Income Tax Charge (Note 6.1) | 49,933,154 | 67,022,179 |
| Over Provision in Respect of Previous Years | (552,068) | (678,854) |
| | 49,381,086 | 66,343,325 |
| Deferred Income Tax | | |
| Deferred Taxation Expense (Note 6.2) | 18,278,811 | 16,949,574 |
| Income Tax Expenses Reported in the Statement of Profit or Loss | 67,659,897 | 83,292,899 |
| Deferred Income Tax | | |
| Deferred Tax Expenses Reported in the Other Comprehensive Income (Note 6.2) | 17,719,983 | 8,192,126 |
| Income Tax Expenses Reported in the Statement of Total Comprehensive Income | 85,379,880 | 91,485,025 |

6.1 Reconciliation between Current Tax Expense and Accounting Profit

| | 2017 Rs. | 2016 Rs. |
|-------------------------------------|---------------|---------------|
| Accounting Profit before Income Tax | 330,449,155 | 499,696,051 |
| Disallowable Expenses | 318,114,302 | 254,553,051 |
| Allowable Expenses | (293,698,139) | (204,522,004) |
| Profit Exempt from Income Tax | (19,510,415) | (19,934,556) |
| Assessable Income | 335,354,903 | 529,792,542 |
| Less: Qualifying Payments | (28,630,303) | (38,051,911) |
| Taxable Income | 306,724,600 | 491,740,631 |
| Income Tax Expense - 12% | 26,962,300 | 52,998,620 |
| Income Tax Expenses - 28% | 22,970,854 | 14,023,559 |
| | 49,933,154 | 67,022,179 |

6.2 Deferred Tax Assets and Liabilities

| | Statement of Financial Position | | Statement of Profit or Loss | | Statement of Other Comprehensive Income | |
|---|---------------------------------|-------------|-----------------------------|-------------|---|-------------|
| | 2017 Rs. | 2016 Rs. | 2017 Rs. | 2016 Rs. | 2017 Rs. | 2016 Rs. |
| <i>Deferred Tax Liability</i> | | | | | | |
| - Revaluation of Building | 168,077,637 | 153,076,625 | (3,150,918) | - | 18,151,930 | 8,772,939 |
| - Accelerated Depreciation for Tax Purposes | 36,532,169 | 13,276,344 | 23,255,825 | 18,455,624 | - | - |
| | 204,609,806 | 166,352,969 | 20,104,907 | 18,455,624 | 18,151,930 | 8,772,939 |
| <i>Deferred Tax Assets</i> | | | | | | |
| - Defined Benefit Obligation | (12,074,743) | (9,816,700) | (1,826,096) | (1,506,050) | (431,947) | (580,813) |
| | (12,074,743) | (9,816,700) | (1,826,096) | (1,506,050) | (431,947) | (580,813) |
| Deferred Tax Expense | | | 18,278,811 | 16,949,574 | 17,719,983 | 8,192,126 |
| Directly Charge to Equity | | | - | (2,944,973) | | |
| Net Deferred Tax Liability | 192,535,063 | 156,536,269 | | | | |

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

7. EARNINGS PER SHARE

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

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

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Profit for the Year | 262,789,258 | 416,403,152 |
| Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share | 262,789,258 | 416,403,152 |

Notes to the Financial Statements

Year ended 31 March 2017

7. EARNINGS PER SHARE (CONTD...)

| | 2017 Number | 2016 Number |
|--|----------------|----------------|
| Number of Ordinary Shares used as the Denominator | | |
| Weighted Average number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share | 528,457,545 | 528,457,545 |

8. DIVIDENDS PAID AND PROPOSED

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

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Gross Carrying Amounts

| | Balance as at 01.04.2016 Rs. | Additions Rs. | Valuation Rs. | Disposals Rs. | Balance as at 31.03.2017 Rs. |
|--|---------------------------------------|------------------|------------------|------------------|---------------------------------------|
| At Valuation | | | | | |
| Building on Leasehold Land | 2,048,000,000 | 2,077,293 | 110,922,707 | - | 2,161,000,000 |
| | 2,048,000,000 | 2,077,293 | 110,922,707 | - | 2,161,000,000 |
| At Cost | | | | | |
| Medical Equipment | 1,648,088,523 | 293,708,179 | - | (242,872,898) | 1,698,923,804 |
| Furniture and Fittings | 112,755,209 | 1,438,225 | - | (1,897,136) | 112,296,298 |
| Motor Vehicles | 28,697,616 | 14,478,000 | - | (4,372,436) | 38,803,180 |
| Sundry Equipment | 459,181,059 | 30,062,423 | - | (5,288,003) | 483,955,479 |
| | 2,248,722,407 | 339,686,827 | - | (254,430,471) | 2,333,978,761 |
| Capital Work in Progress | | | | | |
| Work-in-Progress | - | 13,559,780 | - | - | 13,559,780 |
| | - | 13,559,780 | - | - | 13,559,780 |
| Total Value of Depreciable Assets | 4,296,722,407 | 355,323,900 | 110,922,707 | (254,430,471) | 4,508,538,541 |

9.2 Accumulated Depreciation

| | Balance as at 01.04.2016 Rs. | Charge for the Year Rs. | Valuation Rs. | Disposals Rs. | Balance as at 31.03.2017 Rs. |
|---------------------------------------|---------------------------------------|-------------------------------|------------------|------------------|---------------------------------------|
| At Valuation | | | | | |
| Building on Leasehold Land | - | 40,343,373 | (40,343,373) | - | - |
| | - | 40,343,373 | (40,343,373) | - | - |
| At Cost | | | | | |
| Medical Equipment | 1,084,271,479 | 121,344,597 | - | (198,641,204) | 1,006,974,872 |
| Furniture and Fittings | 76,973,429 | 7,307,768 | - | (869,505) | 83,411,692 |
| Motor Vehicles | 7,832,840 | 5,475,162 | - | (2,563,960) | 10,744,042 |
| Sundry Equipment | 361,676,701 | 32,681,658 | - | (4,205,579) | 390,152,780 |
| | 1,530,754,449 | 166,809,185 | - | (206,280,248) | 1,491,283,386 |
| Total Accumulated Depreciation | 1,530,754,449 | 207,152,558 | (40,343,373) | (206,280,248) | 1,491,283,386 |

9.3 Net Book Values

| | 2017 Rs. | 2016 Rs. |
|---|----------------------|----------------------|
| At Valuation | | |
| Building on Leasehold Land | 2,161,000,000 | 2,048,000,000 |
| At Cost | | |
| Medical Equipment | 691,948,932 | 563,817,044 |
| Furniture and Fittings | 28,884,606 | 35,781,780 |
| Motor Vehicles | 28,059,138 | 20,864,776 |
| Sundry Equipment | 93,802,699 | 97,504,358 |
| | 842,695,376 | 717,967,958 |
| Capital Work in Progress | | |
| Work-in-Progress | 13,559,780 | - |
| Total Carrying Amount of Property, Plant and Equipment | 3,017,255,155 | 2,765,967,958 |

Notes to the Financial Statements

Year ended 31 March 2017

9. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

9.4 During the year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 355,323,900/- (2016 - Rs. 130,907,488/-). Cash payments amounting to Rs 355,323,901/- (2016 - Rs. 130,907,488/-) were made during the year for purchase of Property, Plant and Equipment.

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

| Location | Extent | Independent Valuer | Effective Date of Valuation | Valuation Details | Significant Unobservable Input (Level 3) | Range | Fair Value Measurement Rs. |
|---|----------------|---------------------------------|-----------------------------|---|--|---------------------------|----------------------------|
| No 21, Kirimandala Mawatha, Narahenpita | 368,123 Sq. ft | P B Kalugalagedara & Associates | 31 March 2017 | Direct Capital Comparison Method using Depreciated Replacement Cost | Building value per square feet | Rs. 3,000/- to Rs.8,000/- | Rs.2,161,000,000/- |

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 installments.

| | 2016/2017 |
|-----------------------------|------------------|
| Buildings on Leasehold Land | Over 60 Years |
| Medical Equipment | Over 10 Years |
| Furniture and Fittings | Over 10 Years |
| Motor Vehicles | Over 5-8 Years |
| Sundry Equipment | Over 5- 10 Years |

9.7 Company's property, plant and equipment include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 596 Mn (2016 - Rs. 490 Mn).

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

| Class of Asset | Cost Rs. | Cumulative Depreciation If assets were carried at cost Rs. | Net Carrying Amount 2017 Rs. | Net Carrying Amount 2016 Rs. |
|----------------------------|-------------|--|---------------------------------------|---------------------------------------|
| Building on Leasehold Land | 993,929,943 | 204,594,586 | 789,335,357 | 803,821,278 |
| | 993,929,943 | 204,594,586 | 789,335,357 | 803,821,278 |

10. AVAILABLE-FOR-SALE INVESTMENT

| | Number of Shares | | Fair Value | |
|--|------------------|--------------|--------------------|------------------|
| | 2017 | 2016 | 2017 Rs. | 2016 Rs. |
| Investment in Equity Securities | | | | |
| Non-current | | | | |
| Quoted | | | | |
| National Development Bank PLC | 2,411,893 | 8,136 | 336,704,370 | 1,373,357 |
| Total Investment in Equity Securities | 2,411,893 | 8,136 | 336,704,370 | 1,373,357 |

10.1 Investment in Equity Securities

| | 2017 Rs. | 2016 Rs. |
|---|--------------------|------------------|
| Balance at the beginning of the Year | 1,373,357 | - |
| Investments Made During the year | 338,349,102 | 1,346,066 |
| Gain/(Loss) on Valuation of Financial Assets - Available for Sale | (3,018,089) | 27,291 |
| Balance at the end of the Year | 336,704,370 | 1,373,357 |

10.2 On 9 March 2017, Company purchased 2,403,447 shares of National Development Bank PLC from Asiri Central Hospitals Limited for a consideration amounting to Rs.338,305,827/- .

Notes to the Financial Statements

Year ended 31 March 2017

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

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Balance as at the Beginning of the Year | 86,238,312 | 87,275,245 |
| Amortisation for the Year | (1,036,933) | (1,036,933) |
| Balance as at the End of the Year | 85,201,379 | 86,238,312 |

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

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

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

12. FINANCIAL ASSETS AND LIABILITIES - FAIR VALUE HIERARCHY

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

| | 31 March 2016 Rs. | Level 1 Rs. | Level 2 Rs. | Level 3 Rs. |
|--------------------------------|-------------------------|----------------|----------------|----------------|
| Financial Assets | | | | |
| Available for Sale Investments | 1,373,357 | 1,373,357 | - | - |

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

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

| | Carrying Amount | | Fair Value (Level 2) | |
|----------------------------------|-----------------|-------------|----------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Financial Liabilities | | | | |
| Loans and Borrowings-Non Current | 319,618,000 | 383,554,000 | 319,618,000 | 383,554,000 |

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

Assets for which Fair Value Approximates Carrying Value

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

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

Fixed Rate Financial Instruments

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

13. INVENTORIES

| | 2017 Rs. | 2016 Rs. |
|--|-------------|-------------|
| Chemical and Test Materials | 33,804,219 | 12,967,491 |
| Pharmaceuticals and Surgical Inventory | 128,422,249 | 140,098,665 |
| Consumables | 19,066,039 | 17,785,988 |
| | 181,292,507 | 170,852,144 |

Notes to the Financial Statements

Year ended 31 March 2017

14. TRADE AND OTHER RECEIVABLES

| | 2017 Rs. | 2016 Rs. |
|--|--------------------|--------------------|
| Trade Debtors | 103,429,318 | 99,770,949 |
| Less: Provision for Bad Debts | (2,691,076) | (508,837) |
| | 100,738,242 | 99,262,112 |
| Trade Debtors - Related Parties (Note 14.2) | 27,399,728 | 20,536,755 |
| Other Debtors - Related Parties (Note 14.3) | 1,737,395 | 2,575,616 |
| Trade and Other Receivables | 129,875,365 | 122,374,483 |
| Advances and Prepayments | 163,358,250 | 332,125,927 |
| Loans Granted to Related Parties (Note 14.4) | - | 164,996,991 |

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

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

| | Total Rs. | Neither past due nor Impaired Rs. | Past due but not Impaired | | | | Past due Impaired |
|-------------------------|--------------|---|---------------------------|----------------------|-----------------------|------------------------|----------------------|
| | | | 30-60 Days Rs. | 61-90 Days Rs. | 91-180 Days Rs. | 181-365 Days Rs. | > 365 Days Rs. |
| 2017 | | | | | | | |
| Gross Trade Receivables | 130,829,046 | 78,279,291 | 23,446,524 | 10,810,201 | 10,346,528 | 3,985,132 | 3,961,370 |
| Less: Impairment | (2,691,076) | - | - | - | - | - | (2,691,076) |
| | 128,137,970 | 78,279,291 | 23,446,524 | 10,810,201 | 3,985,132 | 3,985,132 | 1,270,294 |
| 2016 | | | | | | | |
| Gross Trade Receivables | 120,307,704 | 71,246,920 | 23,421,356 | 12,432,782 | 8,212,659 | 4,485,150 | 508,837 |
| Less: Impairment | (508,837) | - | - | - | - | - | (508,837) |
| | 119,798,867 | 71,246,920 | 23,421,356 | 12,432,782 | 8,212,659 | 4,485,150 | - |

14.2 Trade Debtors - Related Parties

| | | 2017 Rs. | 2016 Rs. |
|--------------------------------------|-------------------|-------------------|-------------------|
| Softlogic Holdings PLC | Ultimate Parent | - | 1,848,389 |
| Asiri Hospital Holdings PLC | Parent Company | 17,460,909 | 13,922,516 |
| Softlogic Restaurants (Pvt) Ltd | Affiliate Company | 8,400 | - |
| Digital Health (Pvt) Ltd | Affiliate Company | 3,676,888 | - |
| Central Hospital Ltd | Fellow Subsidiary | 945,873 | 4,629,687 |
| Asiri Diagnostics Services (Pvt) Ltd | Fellow Subsidiary | 172,091 | 4,575 |
| Asiri Hospital Matara (Pvt) Ltd | Fellow Subsidiary | 90,216 | 131,589 |
| Softlogic Life Insurance PLC | Affiliate Company | 5,045,351 | - |
| | | 27,399,728 | 20,536,755 |

14.3 Other Debtors - Related Parties

| | | 2017 Rs. | 2016 Rs. |
|--------------------------------------|-------------------|------------------|------------------|
| Asiri Diagnostics Services (Pvt) Ltd | Fellow Subsidiary | - | 686,083 |
| Asiri Hospital Kandy (Pvt) Ltd | Fellow Subsidiary | 1,737,395 | 1,737,395 |
| Asiri Hospital Matara (Pvt) Ltd | Fellow Subsidiary | - | 152,138 |
| | | 1,737,395 | 2,575,616 |

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

14.4 Loans Granted to Related Parties

| | | 2017 Rs. | 2016 Rs. |
|--|-------------------|--------------------|--------------------|
| Non- Current Assets | | | |
| Asiri Hospital Holdings PLC (Note 14.4.a) | Parent Company | 600,000,000 | 885,922,345 |
| | | 600,000,000 | 885,922,345 |
| Current Assets | | | |
| Asiri Hospital Holdings PLC | Parent Company | - | 50,000,000 |
| Softlogic Retail (Pvt) Ltd | Affiliate Company | - | - |
| Softlogic Holdings PLC | Ultimate Parent | - | 114,996,991 |
| | | - | 164,996,991 |

Notes to the Financial Statements

Year ended 31 March 2017

14. TRADE AND OTHER RECEIVABLES (CONTD...)

14.4.a The balance due from Asiri Hospital Holdings PLC amounting to Rs. 911,631,415/- has been transferred to Loans due from Related Parties - Non - Current Assets as at 31 March 2015 and the outstanding balance amounted to Rs.600,000,000/- as at 31 March 2017 (2016 - Rs. 885,922,345/-).

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

15. STATED CAPITAL

| | 2017 | | 2016 | |
|--|-------------|---------------|-------------|---------------|
| | Number | Rs. | Number | Rs. |
| Fully Paid Ordinary Shares (Note 15.1) | 528,457,545 | 1,393,327,565 | 528,457,545 | 1,393,327,565 |
| | | 1,393,327,565 | | 1,393,327,565 |

15.1 Fully Paid Ordinary Shares

| | 2017 | | 2016 | |
|----------------------------------|-------------|---------------|-------------|---------------|
| | Number | Rs. | Number | Rs. |
| Balance at Beginning of the Year | 528,457,545 | 1,393,327,565 | 528,457,545 | 1,393,327,565 |
| Balance at End of the Year | 528,457,545 | 1,393,327,565 | 528,457,545 | 1,393,327,565 |

16. REVALUATION RESERVE

| | 2017 | 2016 |
|---|---------------|---------------|
| | Rs. | Rs. |
| On Buildings | | |
| As at 1 April | 1,171,644,801 | 1,104,364,942 |
| Revaluation Surplus during the Year | 151,266,080 | 73,107,825 |
| Deferred tax on Revaluation (Note 6.2) | (18,151,930) | (8,772,939) |
| Deferred Tax Reversal on Depreciation Impact (Note 6.2) | - | 2,944,973 |
| As at 31 March | 1,304,758,951 | 1,171,644,801 |

17. AMOUNT DUE ON LEASEHOLD PROPERTY

| | 2017 | | | 2017 Total | 2016 Total |
|--|---|--|---|---------------|---------------|
| | Amount Repayable Within 1 Year Rs. | Amount Repayable Within 2-5 Years Rs. | Amount Repayable After 5 Years Rs. | | |
| Payable to the Board of Investment of Sri Lanka | | | | | |
| Gross Liability on Leasehold Land | 4,275,600 | 17,102,400 | 10,332,700 | 31,710,700 | 35,986,300 |
| Less: Finance Charges | | | | | |
| Allocated to Future Periods | (203,600) | (814,400) | (492,033) | (1,510,033) | (1,713,633) |
| Net Liability on Leasehold Land | 4,072,000 | 16,288,000 | 9,840,667 | 30,200,666 | 34,272,667 |

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

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

17.1.2 BOI reserves the right to revise the annual lease rent every 05 years on the basis of an annual increase not greater than the Average Weighted Deposit Rate prevailing at the end of each year as determined by the Central Bank of Sri Lanka or 10%, per annum which ever is lower. Accordingly, BOI has increased the annual lease rent by 5% in the financial year 2009/10. Accordingly, the finance cost amounting to Rs.203,600/- has been recognised as an expense each year from year 2010/11.

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

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

Notes to the Financial Statements

Year ended 31 March 2017

18. INTEREST BEARING LOANS AND BORROWINGS

| | 2017 Amount Repayable Within 1 Year Rs. | 2017 Amount Repayable After 1 Year Rs. | 2017 Total Rs. | 2016 Amount Repayable Within 1 Year Rs. | 2016 Amount Repayable After 1 Year Rs. | 2016 Total Rs. |
|-----------------------------|---|--|----------------------|---|--|----------------------|
| Long Term Loans (Note 18.2) | 63,936,000 | 319,618,000 | 383,554,000 | 64,697,223 | 383,554,000 | 448,251,223 |
| Bank Overdraft (Note 21.2) | - | - | - | 2,919,435 | - | 2,919,435 |
| | 63,936,000 | 319,618,000 | 383,554,000 | 67,616,658 | 383,554,000 | 451,170,658 |

18.2 Bank Loans

| | As at 01.04.2016 Rs. | Loans Obtained Rs. | Interest Accrued Rs. | Repayments Rs. | Exchange Difference Rs. | As at 31.03.2017 Rs. |
|-------------------------------|----------------------------|--------------------------|----------------------------|-------------------|-------------------------------|----------------------------|
| Commercial Bank of Ceylon PLC | 448,251,223 | - | 47,829,609 | (112,526,832) | - | 383,554,000 |
| | 448,251,223 | - | 47,829,609 | (112,526,832) | - | 383,554,000 |

18.3 Details of the Long Term Loans

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

19. RETIREMENT BENEFIT LIABILITY**19.1 Retirement Benefit Obligations (Gratuity)**

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Defined Benefit Obligation at the Beginning of the Year | 81,805,833 | 64,415,310 |
| Interest Charge for the Year | 8,998,642 | 6,441,531 |
| Current Service Cost | 11,079,439 | 9,722,489 |
| Actuarial Loss | 3,599,562 | 4,840,110 |
| Benefit Paid During the Year | (4,860,616) | (3,613,607) |
| Defined Benefit Obligation at the End of the year | 100,622,860 | 81,805,833 |
| Interest Charge for the Year | 8,998,642 | 6,441,531 |
| Current Service Cost | 11,079,439 | 9,722,489 |
| Actuarial Loss | 3,599,562 | 4,840,110 |
| | 23,677,643 | 21,004,130 |

19.2 Messrs. Actuarial and Management Consultants (Pvt) Ltd 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:

| | 2017 | 2016 |
|----------------------|----------------------|----------------------|
| Discount Rate | 12.5%p.a | 11%p.a |
| Salary Increase Rate | 9%p.a | 7.5%p.a |
| Staff Turnover Rate | Up to 49 years - 22% | Up to 50 years - 18% |

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

Notes to the Financial Statements

Year ended 31 March 2017

19. RETIREMENT BENEFIT LIABILITY (CONTD...)

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

| Discount Rate as at 31 March | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Effect on Retirement Benefit Obligation due to 1% increase in discount rate | (3,030,680) | (2,962,950) |
| Effect on Retirement Benefit Obligation 1% decrease in discount rate | 3,237,582 | 3,198,002 |

| Salary Escalation Rate as at 31 March | Rs. | Rs. |
|---|-------------|-------------|
| Effect on Retirement Benefit Obligation 1% increase in Salary Escalation rate | 3,775,119 | 3,644,137 |
| Effect on Retirement Benefit Obligation 1% decrease in Salary Escalation rate | (3,587,542) | (3,426,756) |

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

| | 2017 Rs. | 2016 Rs. |
|---------------------------|-------------|-------------|
| within the next 12 months | 23,191,695 | 16,781,039 |
| between 1 to 2 years | 31,155,920 | 21,602,219 |
| between 3 to 5 years | 30,189,695 | 25,829,863 |
| between 6 to 10 years | 12,185,305 | 12,626,786 |
| beyond 10 years | 3,900,245 | 4,965,927 |
| | 100,622,860 | 81,805,833 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.47 years (2016 - 4.15 years).

20. TRADE AND OTHER PAYABLES

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Trade Payables | 135,771,990 | 140,863,510 |
| Trade Payable - Related Party (Note 20.1) | 44,933,544 | 11,750,722 |
| Other Payable - Related Party (Note 20.2) | - | 22,808,613 |
| Sundry Creditors Including Accrued Expenses | 102,005,336 | 59,660,616 |
| | 282,710,870 | 235,083,461 |

20.1 Trade Payable - Related Party

| | Relationship | 2017 Rs. | 2016 Rs. |
|--|-------------------|-------------------|-------------------|
| Central Hospital Limited | Fellow Subsidiary | 2,016,522 | 439,108 |
| Asiri Hospital Holdings PLC | Parent Company | 39,538,345 | 10,256,752 |
| Softlogic Automobile (Pvt) Ltd | Affiliate Company | 109,288 | 112,063 |
| Softlogic BPO Services (Pvt) Ltd | Affiliate Company | 84,520 | 66,260 |
| Softlogic Communications (Pvt) Ltd | Affiliate Company | 15,980 | - |
| Softlogic Computers (Pvt) Ltd | Affiliate Company | 758,885 | - |
| Softlogic Corporate Services (Pvt) Ltd | Affiliate Company | 574,270 | - |
| Softlogic Information Technologies (Pvt) Ltd | Affiliate Company | 694,926 | 533,500 |
| Softlogic Mobile Distribution (Pvt) Ltd | Affiliate Company | 41,580 | 78,530 |
| Softlogic Retail (Pvt) Ltd | Affiliate Company | 859,426 | 264,509 |
| Future Auto Mobile (Pvt) Ltd | Affiliate Company | 239,802 | - |
| | | 44,933,544 | 11,750,722 |

20.2 Other Payable - Related Party

| | Relationship | 2017 Rs. | 2016 Rs. |
|-----------------------------|----------------|-------------|-------------|
| Asiri Hospital Holdings PLC | Parent Company | - | 22,808,613 |
| | | - | 22,808,613 |

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

Notes to the Financial Statements

Year ended 31 March 2017

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

| Components of Cash and Cash Equivalents | 2017 Rs. | 2016 Rs. |
|---|--------------------|--------------------|
| 21.1 Favourable Cash and Cash Equivalents Balance | | |
| Cash and Bank Balances | 135,867,613 | 132,854,760 |
| | <u>135,867,613</u> | <u>132,854,760</u> |
| 21.2 Unfavourable Cash and Cash Equivalents Balance | | |
| Bank Overdraft (Note 18) | - | (2,919,435) |
| Total Cash and Cash Equivalents for the Purposes of the Cash Flow Statement | <u>135,867,613</u> | <u>129,935,325</u> |

22. COMMITMENTS AND CONTINGENCIES

22.1 Capital Expenditure and Other Commitments

The Company does not have significant capital and other commitments as at 31 March 2017 (2016 - Nil)

22.2 Contingent Liabilities

a. Legal Claims

Pending litigations against the Company with a Maximum liability of Rs. 100 Mn exist as at the reporting date. (2016 - Rs. 100 Mn)

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

b. Guarantees

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

| | 2017 Rs. Mn | 2016 Rs. Mn |
|-------------------------------|----------------|----------------|
| Cargills Bank Limited | 250 | - |
| Sampath Bank PLC | 463 | 463 |
| Nations Trust Bank PLC | 200 | 200 |
| Hatton National Bank PLC | 330 | 330 |
| Commercial Bank of Ceylon PLC | 1,480 | 1,480 |
| | 2,723 | 2,473 |

22.3 Contingent Income Taxes

A dispute has arisen with the Department of Inland Revenue with regard to the applicability of the income tax exemption in terms of the agreement entered between Asiri Surgical Hospital PLC and the Board of Investment of Sri Lanka (BOI) in 2000. Since there is litigation in the Court of Appeal in CA (Writ) 386/ 2016 with regard to this matter, in accordance with Paragraph 92 of LKAS 37, we are unable to provide further information on this and associated risks, in order not to impair the outcome and/or prejudice the Company's position in this matter. The aforesaid matter is coming up for argument on 21st of June 2017 at the Court of Appeal.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after 31 March 2017 that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

Year ended 31 March 2017

24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

24.1 Transactions with Parent and Related Entities

24.1.1

| Nature of Transaction | Softlogic Holdings PLC Ultimate Parent Company | | Asiri Hospitals Holdings PLC Parent Company | | Transactions with Group Companies* | | Total | |
|--|---|-------------|--|--------------|---------------------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at 1 April | 116,845,380 | 112,121,755 | 916,779,496 | 902,551,669 | 5,847,496 | 41,007,144 | 1,039,472,372 | 1,055,680,568 |
| Repayment of Temporary Finance | | | | | | | | |
| Obtained and Fund Transfers | (126,195,523) | (1,848,389) | (444,346,580) | (70,675,053) | (14,462,638) | (106,741,901) | (585,004,741) | (179,265,343) |
| Temporary Finance Granted | - | - | 215,008,453 | 50,000,000 | - | - | 215,008,453 | 50,000,000 |
| Interest Charged | 9,350,143 | 6,572,014 | 76,910,288 | 63,473,139 | - | 1,591,877 | 86,260,431 | 71,637,030 |
| Sale/(Purchase) of Goods/ | | | | | | | | |
| Services including Staff Related Items | - | - | (184,113,154) | (38,842,073) | 26,045,993 | 70,174,929 | (158,067,161) | 31,332,856 |
| Channeling Fee Collected by Related Party/ (Company on behalf of the Related Party) | - | - | 20,094,262 | 9,644,350 | (1,212,240) | 555,865 | 18,882,022 | 10,200,215 |
| Expenses Incurred by the Company on behalf of Related Party | - | - | (22,410,201) | 627,464 | (9,937,599) | (740,418) | (32,347,800) | (112,954) |
| As at 31 March | - | 116,845,380 | 577,922,564 | 916,779,496 | 6,281,012 | 5,847,496 | 584,203,576 | 1,039,472,372 |
| Included under Trade and Other Receivables (Note 14.2 and 14.3) | - | 1,848,389 | 17,460,909 | 13,922,516 | 11,676,212 | 7,341,466 | 29,137,121 | 23,112,371 |
| Included Under Loans Granted to Related Parties (Note 14.4) | - | 114,996,991 | 600,000,000 | 935,922,345 | - | - | 600,000,000 | 1,050,919,336 |
| Included under Trade and Other Payables (Note 20) | - | - | (39,538,345) | (33,065,365) | (5,395,199) | (1,493,970) | (44,933,544) | (34,559,335) |
| | - | 116,845,380 | 577,922,564 | 916,779,496 | 6,281,013 | 5,847,496 | 584,203,577 | 1,039,472,372 |

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

Management fees paid to Softlogic Holdings PLC amounted to Rs. 11,641,319/- in the current financial year. (2016- Rs. 12,455,236)

During the year, Company purchased 2,403,447 shares of National Development Bank PLC from Asiri Central Hospitals Limited. Please refer Note 10.2 to the financial statements.

24.2 Off Balance Sheet Items

- a. Guarantees made on behalf of Asiri Hospital Holdings PLC, has been given in Note 22.2.(b) to these Financial Statements.
- b. Asiri Hospital Holdings PLC has granted Corporate Guarantees to Commercial Bank of Ceylon PLC, Sampath Bank PLC and Hatton National Bank PLC to secure the banking facilities obtained by the Company, for the value of Rs. 578Mn, Rs. 100Mn and Rs. 100Mn respectively.

24.3 Transactions with Key Management Personnel of the Company

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

24.3.1 Key Management Personnel Compensation

| | 2017 Rs. | 2016 Rs. |
|---|-------------|-------------|
| Short Term Employment Benefits | 12,376,219 | 9,594,562 |
| Total Compensation paid to Key Management Personnel | 12,376,219 | 9,594,562 |

24.3.2 Share Transactions

The directors of the company hold 17,133 shares of Asiri Surgical Hospital PLC as at 31 March 2017.(2016- 17,133 shares)

Notes to the Financial Statements

Year ended 31 March 2017

24. RELATED PARTY DISCLOSURES (CONTD...)

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

| Name of the Related Party | Details of Transactions | Services (Obtained)/ Rendered 2017 Rs. | Services (Obtained)/ Rendered 2016 Rs. |
|--|--|--|--|
| Asian Alliance Insurance PLC | Insurance | (14,392,429) | (11,240,002) |
| Softlogic BPO Services (Pvt) Ltd | Software Maintenance | (20,988,630) | (2,796,860) |
| Softlogic Computers (Pvt) Ltd | Purchase of Computers and Accessories | (2,205,156) | (4,926,872) |
| Softlogic Mobile Distribution (Pvt) Ltd | Purchase of Mobile Phones | (448,709) | - |
| Softlogic Communication (Pvt) Ltd | Purchase of Accessories | (93,680) | (31,220) |
| Softlogic Information Technologies (Pvt) Ltd | Purchase of Computers and Accessories | (24,029,372) | (7,113,204) |
| Softlogic Corporate Services (Pvt) Ltd | Secretarial Services | (2,097,072) | (1,350,300) |
| Softlogic Retail (Pvt) Ltd | Purchase of Computers and Software Accessories | (7,962,609) | 4,544,609 |
| Future Automobiles (Pvt) Ltd | Purchase of Motor Vehicles | (14,950,854) | (14,988,784) |
| Softlogic Finance PLC | Motor vehicles | - | 75,000 |
| Softlogic Automobiles (Pvt) Ltd | Services and Repairs | - | 335,151 |
| Digital Health (Pvt) Ltd | Maintenance and Data Connection Charges | (1,091,560) | - |

24.4 Other Transactions

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

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit Risk

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

Interest Rate Risk

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

Legal Risk

Legal risks are those risks resulting from legal consequences of transactions, with inadequate documentation, legal or regulatory issues and other factors that may result in contracts with counter parties becoming unenforceable causing unexpected financial losses. In addition to complying with the Colombo Stock Exchange, Securities and Exchange Commission and Companies Act disclosure requirements, the Company also complies with Sri Lanka Accounting Standards.

Foreign Exchange Risk

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

Investment Risk

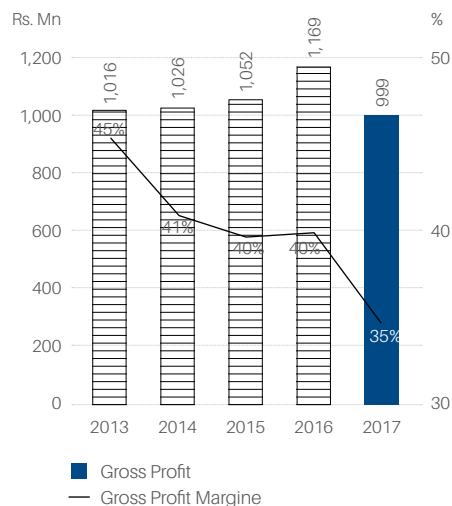
A common uncertainty associated with investments is that they may not provide the desired returns. The Company invests substantial sums in capital expenditure for expansion and new services. Returns on such investments are closely monitored and benefits are periodically evaluated.

Liquidity Risk

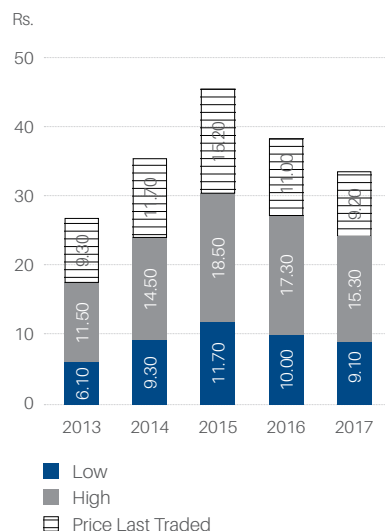
Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's covenant compliance and compliance with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

Graphical Review

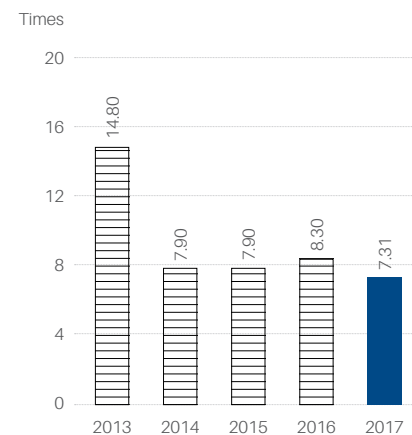
Gross Profit



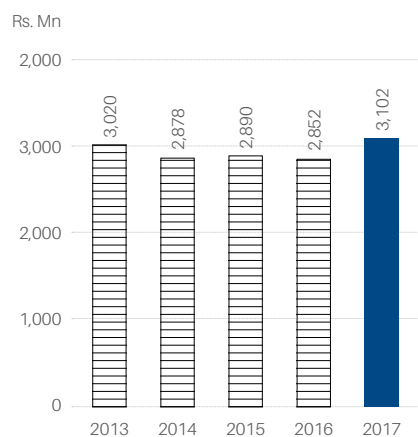
Share Price



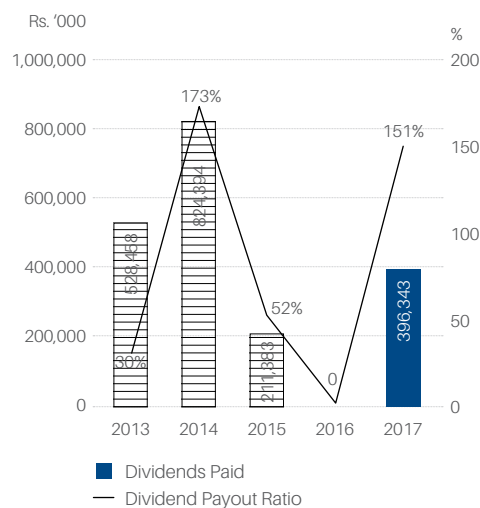
Interest Cover



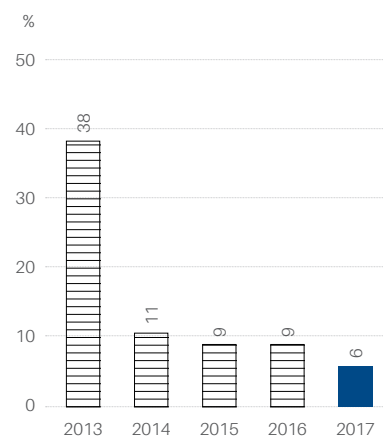
Property, Plant & Equipment



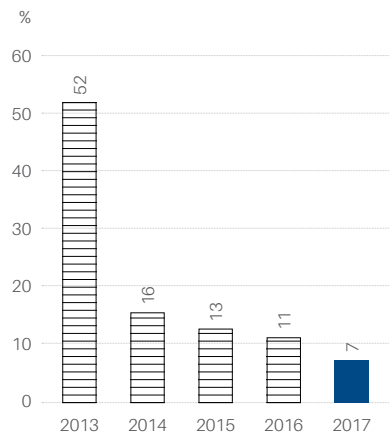
Dividends Paid



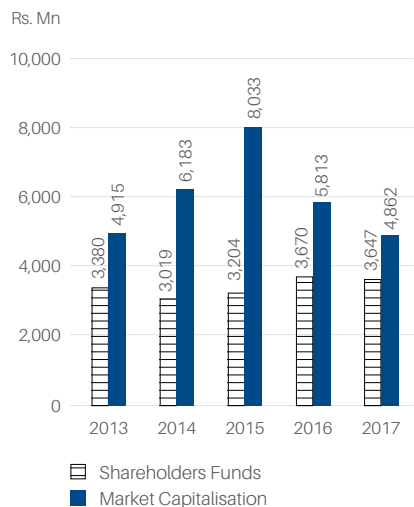
Return on Capital Employed



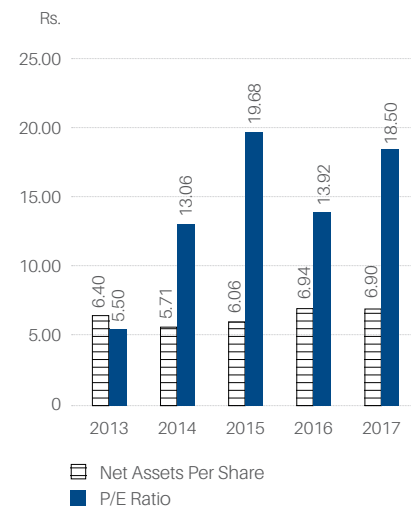
Return on Equity



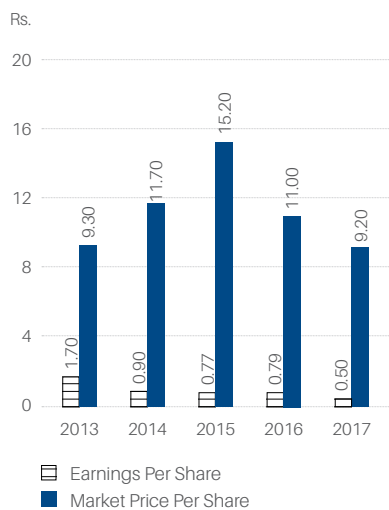
Total Equity Vs Market Capitalisation



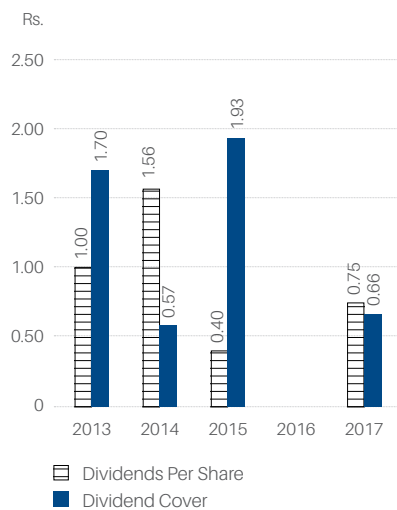
Share Value



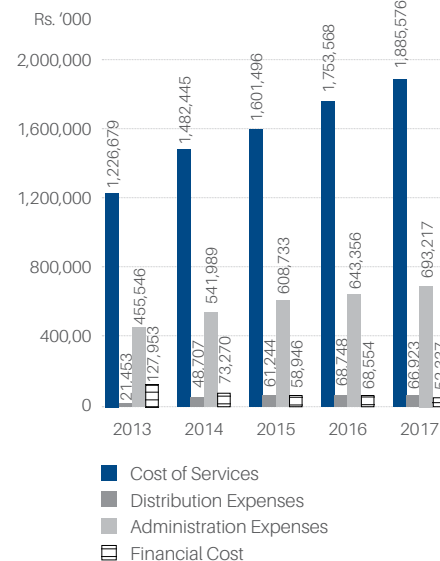
Earnings and Market Value



Dividends

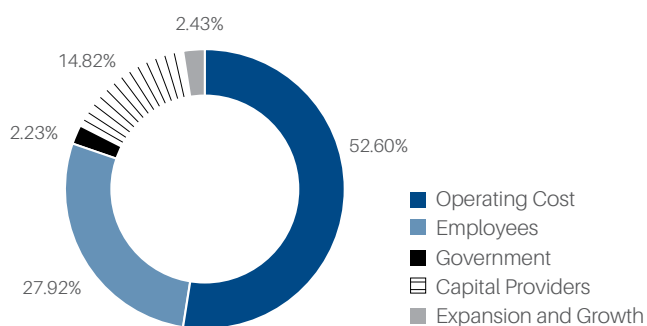


Expense Analysis



Economic Value Added Statement

| | | 2016/17 Rs.'000 | 2015/16 Rs.'000 | |
|--|--------|--------------------|--------------------|--------|
| Direct economic value generated | | | | |
| Revenue | | 2,884,316 | 2,922,313 | |
| Other Income | | 30,006 | 14,122 | |
| Finance Income | | 114,181 | 97,487 | |
| | | 3,028,502 | 3,033,922 | |
| | | | | |
| | % | | | % |
| Economic Value Distributed | | | | |
| Operating Cost | 52.60 | 1,592,991 | 1,460,689 | 48.15 |
| Employees | | | | |
| Employee Wages & Benefits | 27.92 | 845,573 | 797,286 | 26.28 |
| Government | | | | |
| All Taxes | 2.23 | 67,659 | 83,293 | 2.74 |
| Capital Providers | | | | |
| Finance Cost | 1.73 | 52,337 | 68,554 | 2.26 |
| Shareholders | 13.09 | 396,343 | - | - |
| Expansion and Growth | | | | |
| Depreciation | 6.84 | 207,153 | 207,697 | 6.85 |
| Retained Profit | (4.41) | (133,554) | 416,403 | 13.72 |
| | 100.00 | 3,028,502 | 3,033,922 | 100.00 |



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

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

Through its operations during the financial year 2016/17, the company created a total wealth of Rs. 3.02 Bn, which was almost same as previous year.

Shareholder Information

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

The Audited Financial Statements of the Company for the year ended March 31, 2017 and copies of this annual report have been submitted to the Colombo Stock Exchange.

DISTRIBUTION OF SHAREHOLDERS

| Shareholdings | No of | 3/31/2017 | | | 3/31/2016 | | |
|-----------------------------|--------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|
| | | No of Shareholders | Holding | Holding % | No of Shareholders | Holding | Holding % |
| 1 to 1000 | shares | 1,779 | 453,283 | 0.09 | 1,684 | 458,446 | 0.09 |
| 1001 to 10,000 | shares | 829 | 3,338,502 | 0.63 | 807 | 3,299,183 | 0.62 |
| 10001 to 100,000 | shares | 482 | 14,620,832 | 2.77 | 496 | 15,298,730 | 2.89 |
| 100001 to 1,000,000 | shares | 103 | 29,250,336 | 5.54 | 104 | 29,441,271 | 5.57 |
| Over 1,000,001 | shares | 13 | 480,794,592 | 90.98 | 12 | 479,959,915 | 90.82 |
| Total | | 3,206 | 528,457,545 | 100.00 | 3,103 | 528,457,545 | 100.00 |
| Composition of Shareholders | | | | | | | |
| Individual | | 3,121 | 134,529,305 | 25.46 | 3,022 | 134,093,551 | 25.37 |
| Institutional | | 85 | 393,928,240 | 74.54 | 81 | 394,363,994 | 74.63 |
| Total | | 3,206 | 528,457,545 | 100.00 | 3,103 | 528,457,545 | 100.00 |
| Resident | | 3,189 | 528,242,461 | 99.96 | 3,081 | 528,045,081 | 99.92 |
| Non-Resident | | 17 | 215,084 | 0.04 | 22 | 412,464 | 0.08 |
| Total | | 3,206 | 528,457,545 | 100.00 | 3,103 | 528,457,545 | 100.00 |

Major Shareholdings

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

| | 31st March 2017 | | 31st March 2016 | |
|---|-----------------|------------|-----------------|------------|
| Asiri Hospital Holdings PLC | 389,391,719 | 73.68 | 389,391,719 | 73.68 |
| Mr. D. K. Subasinghe/Mrs. S. N. Subasinghe | 49,514,806 | 9.37 | 49,514,793 | 9.37 |
| Mr. P. P. Subasinghe | 8,404,943 | 1.59 | 8,636,476 | 1.63 |
| Mrs. N. Weerasinghe | 7,500,015 | 1.42 | 7,500,015 | 1.42 |
| Mrs. N. Weerasinghe/Miss L. I. Weerasinghe | 7,499,999 | 1.42 | 7,499,999 | 1.42 |
| Mrs. N. Weerasinghe/Miss. T. T. Weerasinghe | 7,499,999 | 1.42 | 7,499,999 | 1.42 |
| Mr. D. M. Rajapaksa/Dr. M.D.B.D. Rajapaksa | 3,080,250 | 0.58 | 3,050,250 | 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 |
| Miss. Chandani Vishaka Ariyaratne | 1,333,333 | 0.25 | 1,333,333 | 0.25 |
| Mrs. Menaka Priyadarsani Rajapakse | 1,283,333 | 0.24 | 1,283,333 | 0.24 |
| Mr. Uditha Harilal Palihakkara/Mrs. D.S.Palihakkara | 1,036,197 | 0.20 | 827,687 | 0.16 |
| Bank of Ceylon | 1,000,000 | 0.19 | 1,000,000 | 0.19 |
| Dr. Dammearchchi Anuja Somaratne | 862,499 | 0.16 | 862,499 | 0.16 |
| Mr. Chaminda Dilantha Weerasinghe(Deceased) | 833,333 | 0.16 | 833,333 | 0.16 |
| Mr. Mohamed Faizer Hashim | 782,059 | 0.15 | 748,726 | 0.14 |
| Dr. Himali Rangika Jayasekara Gunawardena | 766,665 | 0.15 | 749,999 | 0.14 |
| Dr. W.M.Swarnamali Welagedara | 749,999 | 0.14 | 749,999 | 0.14 |
| Mrs. Sithy Jazeema Badurdeen | 749,999 | 0.14 | 749,999 | 0.14 |
| Mr. N. D. Kurukulasuriya | 730,361 | 0.14 | 730,361 | 0.14 |
| | 487,269,507 | 92.21 | 487,212,518 | 92.20 |
| Shares held by the other shareholdings | 41,188,038 | 7.79 | 41,245,027 | 7.80 |
| Total No. of Shares issued | 528,457,545 | 100.00 | 528,457,545 | 100.00 |
| Public Shareholding | 139,048,693 | 26.31 | 139,048,693 | 26.31 |
| Share Trading | 2016/17 | | 2015/16 | |
| Market Price (Rs.) | | | | |
| Highest | 15.30 | (13/05/16) | 17.30 | (10/07/15) |
| Lowest | 9.10 | (31/03/17) | 10.00 | (02/03/16) |
| As at year end | 9.20 | (31/03/17) | 11.00 | (31/03/16) |
| No of Trades | 2,960 | | 1,336 | |
| No of Shares Traded | 4,532,795 | | 1,774,741 | |
| Value of the Shares Traded (Rs.) | 59,053,940 | | 23,123,047 | |
| Earnings per Share (Rs.) | 0.50 | | 0.79 | |
| Dividends per Share (Rs.) | 0.75 | | - | |
| Net Assets per Ordinary Share (Rs.) | 6.90 | | 6.94 | |

Five Year Summary

| Year ended 31 March 2017 | 2017 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 | 2014 Rs.'000 | 2013 Rs.'000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income Statements | | | | | |
| Revenue | 2,884,316 | 2,922,313 | 2,653,705 | 2,508,491 | 2,242,969 |
| Cost of Services | (1,885,576) | (1,753,568) | (1,601,496) | (1,482,445) | (1,226,679) |
| Gross Profit | 998,740 | 1,168,745 | 1,052,209 | 1,026,046 | 1,016,290 |
| Other Income and Gains | 30,006 | 14,122 | 9,817 | 11,166 | 1,252,965 |
| Administration and Distribution Expenses | (760,140) | (712,104) | (669,977) | (590,696) | (476,999) |
| Finance Cost | (52,337) | (68,554) | (58,946) | (73,270) | (127,953) |
| Finance Income | 114,181 | 97,487 | 73,382 | 132,260 | 113,253 |
| Share of Profit/(Loss) of Associate | - | - | - | - | (12,324) |
| Net Exchange Gain/ (Loss) | - | - | - | - | 2,034 |
| Profit before Tax | 330,449 | 499,696 | 406,485 | 505,505 | 1,767,266 |
| Income Tax (Expense)/ Reversal | (67,660) | (83,293) | 1,693 | (32,170) | (21,584) |
| Net Profit for the year | 262,789 | 416,403 | 408,177 | 473,335 | 1,745,683 |
| Balance Sheet | | | | | |
| Property Plant & Equipment | 3,102,457 | 2,852,207 | 2,890,390 | 2,878,157 | 3,019,867 |
| Deferred Tax Asset | - | - | - | - | - |
| Financial Assets - Available for Sale | 336,704 | 1,373 | - | - | - |
| Inventories | 181,293 | 170,852 | 158,481 | 138,336 | 127,300 |
| Receivables | 893,234 | 1,505,419 | 1,329,051 | 1,431,466 | 1,389,701 |
| Cash and Bank balance | 135,868 | 132,855 | 83,808 | 29,013 | 44,929 |
| Total Assets | 4,649,555 | 4,662,706 | 4,461,730 | 4,476,972 | 4,581,797 |
| Stated Capital | 1,393,328 | 1,393,328 | 1,393,328 | 1,393,327 | 1,393,327 |
| Reserve | 1,301,768 | 1,171,672 | 1,104,365 | 1,101,420 | 1,101,420 |
| Accumulated Profits | 951,923 | 1,104,544 | 705,830 | 524,466 | 885,374 |
| Shareholders' Funds | 3,647,019 | 3,669,544 | 3,203,522 | 3,019,213 | 3,380,121 |
| Non Interest Bearing Long Term Liabilities | 26,129 | 30,200 | 34,273 | 38,345 | 42,417 |
| Interest Bearing Long Term Liabilities | 319,618 | 383,554 | 612,545 | 271,722 | 383,853 |
| Deferred Tax Liability | 192,535 | 156,536 | 134,340 | 132,660 | 137,288 |
| Deferred Retirements Obligations | 100,623 | 81,806 | 64,415 | 36,805 | 23,979 |
| Trade Creditors | 282,711 | 235,083 | 304,908 | 185,701 | 166,727 |
| Other Payables | 12,912 | 34,294 | 7,294 | 21,040 | 8,473 |
| Non Interest Bearing Loans and Borrowings | 4,072 | 4,072 | 4,072 | 4,072 | 4,072 |
| Interest Bearing Short Term Borrowings | 63,936 | 67,617 | 96,361 | 767,414 | 434,867 |
| Total Equity & Liabilities | 4,649,555 | 4,662,706 | 4,461,730 | 4,476,972 | 4,581,797 |
| Cash Flow | | | | | |
| Net Cash Flow from operating activities | 556,415 | 300,966 | 761,918 | 549,273 | 307,816 |
| Net Cash Flow used in Investing activities | (104,274) | 21,747 | (164,456) | 47,487 | 2,010,484 |
| PBIT/Turnover | 13% | 19% | 18% | 23% | 84% |
| GP Margin | 35% | 40% | 40% | 41% | 45% |
| Debts to Equity | 0.11 | 0.13 | 0.23 | 0.36 | 0.26 |
| Quick Asset ratio | 1.18 | 2.21 | 1.14 | 1.49 | 2.34 |

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Asiri Surgical Hospital PLC will be held at Hotel Janaki, Fife Road, Colombo 05 on Tuesday the 19th day of September 2017 at 11.30 a.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31st March 2017 together with the Report of the Auditors thereon.
- 2) To ratify the Interim Dividend of Rs. 0.35 per share paid on 30th March 2017 as the Final Dividend for the year ended 31st March 2017.
- 3) To re-elect Dr. K M P Karunaratne who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company.
- 4) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
- 5) To authorise the Directors to determine and make donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting.

By Order of the Board

SOFTLOGIC CORPORATE SERVICES (PVT) LTD

(Sgd.)

SECRETARIES

Colombo

19 June 2017

Note:

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

A Form of Proxy is enclosed in this Report.

The completed form of Proxy should be deposited at the Registered Office of the Company, 21, Kirimandala Mawatha, Colombo 05, not less than 48 hours before the time for holding the Meeting.

Form of Proxy

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

| | |
|-----------------------|---------------------------|
| Mr. A K Pathirage | of Colombo or failing him |
| Dr. S Selliah | of Colombo or failing him |
| Dr. K M P Karunaratne | of Colombo or failing him |
| Mr. G L H Premaratne | of Colombo or failing him |
| Mr. S A B Rajapaksa | of Colombo |

as *my/our Proxy to represent me/us and to speak and vote for *me/us on *my/our behalf at the 17th ANNUAL GENERAL MEETING OF THE COMPANY to be held at HOTEL JANAKI, Fife Road, Colombo 05 at 11.30 a.m. on Tuesday the 19th day of September 2017 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

| | FOR | AGAINST |
|---|--------------------------|--------------------------|
| 1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31st March 2017 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) To approve the interim dividend of Rs. 0.35 per share paid on 30th March 2017 as the final dividend for the year ended 31st March 2017. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) To re-elect Dr. K M P Karunaratne who retires by rotation in terms of Article 24(6) of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) To re-appoint retiring Auditors Messrs Ernst & Young and to authorise the Directors to fix their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) To authorise the Directors to determine and make donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed thisday ofTwo Thousand and Seventeen.

.....
 *Signature/s

Note:

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

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

Please provide the following details :

| Shareholder's N.I.C./ Passport/ Company Registration No. | Shareholder's Folio No. | Number of shares held | Proxy Holder's N.I.C. No. (if not a Director) |
|---|-------------------------|-----------------------|--|
| | | | |

Corporate Information

NAME OF THE COMPANY

Asiri Surgical Hospital PLC

REGISTERED OFFICE

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

LEGAL FORM

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

The Company has re-registered under the Companies Act No. 07 of 2007. An undertaking approved by the Board of Investment of Sri Lanka (BOI) under the Board of Investment of Sri Lanka Law No. 4 of 1978.

STOCK EXCHANGE LISTING

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

COMPANY REGISTRATION NUMBER

PQ 208

DATE OF INCORPORATION

2nd March 2000

DIRECTORS

Mr. A.K. Pathirage - Chairman/Managing Director
Dr. S. Selliah - Deputy Chairman
Dr. Manjula Karunaratne - Group Chief Executive Officer
Mr. G.L.H. Premaratne
Mr. S.A.B. Rajapaksa

AUDITORS

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

SECRETARIES

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

STOCK CODE

AMSL.N0000



www.asirihealth.com