

# A matter of Trust





# A matter of Trust

Durdans Hospitals has always inspired confidence, hope and trust in the generations of Sri Lankans we have faithfully served for over 70 years. Our commitment to our pledge of trust remains true to this day and shall be in the future.

Over the years, we have persevered in the constant transformation that leads to perfection in every detail of the serious responsibilities we undertake each day. Our promise to deliver positive outcomes is accomplished through the clinical and diagnostic expertise, advanced medical technologies and compassionate care we offer to every patient. Our reputation for excellence in every sphere is reinforced by the local and international awards we have won, becoming the first private Sri Lankan hospital to achieve the prestigious JCI accreditation.

Today we are proud to present this annual report to all our valued stakeholders. In it we describe an outstanding year of financial and operational success that would not have been possible without the loyal commitment of the Durdans team and the unshakeable trust of the thousands of people we serve every day.

**Durdans Hospitals**  
*A matter of trust*



**DURDANS HOSPITAL**  
A Heritage Built On Values And Expertise

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## Our Vision

To be acknowledged regionally as the leading healthcare partner to the community at large.

## Our Mission

To deliver globally compatible patient care services in a trusted and safe environment through a professionally trained staff supported by cutting edge technology.

## Core Values

### Compassion

Empathy for all the lives we touch and the desire to help which is abundantly expressed to the patients, their families, staff and society.

### Innovation

Moving forward with innovation, questioning status quo and offering solutions which provide dynamism to what we do every day.

### Excellence

Constantly upgrade our offerings to deliver excellence in everything we do.

### Transparency and integrity

To deliver high professional standards whilst ensuring transparency in all our commitments through moral uprightness, ethical values and strong principles.

### Team spirit

Delivering the best possible outcomes in a synergetic environment with a powerful group of people working cohesively.

### Collective awareness

Be responsible to patients, their family members, staff and society to create awareness on health and wellness.

# Financial Highlights

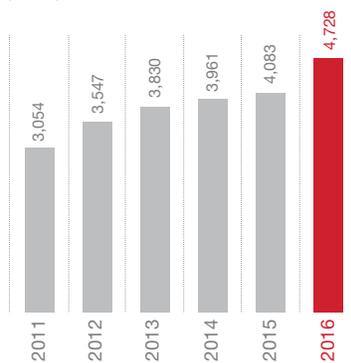
Group	2012	2013	2014	2015	2016
Turnover (Rs. m)	3,547	3,830	3,961	4,083	4,728
Profit Before Tax (Rs. m)	512	513	261	266	557
Profit After Interest and Tax (Rs. m)	286	300	229	224	500
Fixed Assets - NBV (Rs. m)	4,310	4,239	4,158	4,107	4,286
Net Assets (Rs. m)	2,917	3,050	3,002	3,140	3,496
Earnings Per Share (EPS) Rs.	7.35	7.81	5.66	5.91	12.67
Dividend Per Share (DPS) Rs.	2.00	2.00	2.00	2.70	3.60
Annual Income Growth (%)	16.14	8.00	3.00	3.00	15.70
Interest Cover (times)	2.73	2.64	2.20	3.10	7.44
Net Assets Per Share (Rs.)	71.70	75.46	75.92	78.24	81.15

Rs. **4,728**m

Turnover

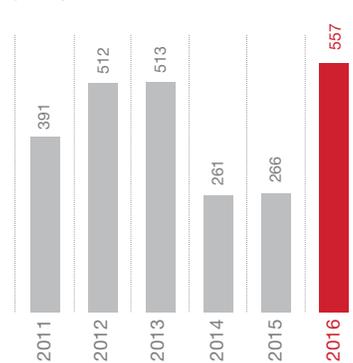
Turnover

(Rs. m)



Profit Before Interest and Tax

(Rs. m)

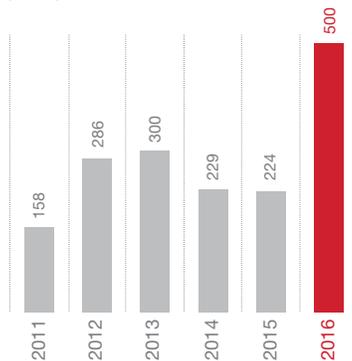


**15.7%**

Growth in income

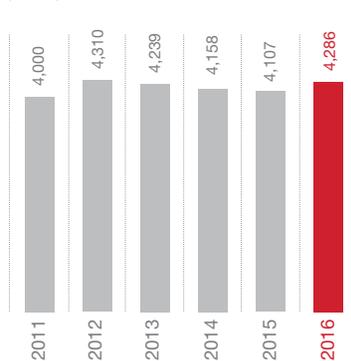
Profit After Interest and Tax

(Rs. m)



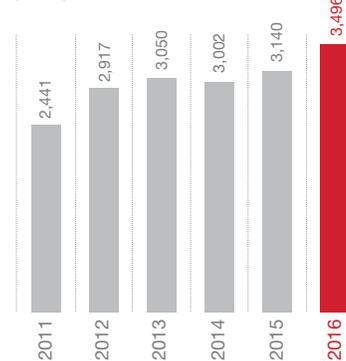
Fixed Assets - NBV

(Rs. m)



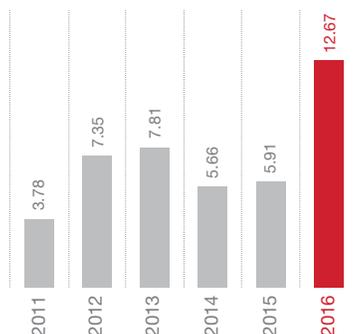
Net Assets

(Rs. m)



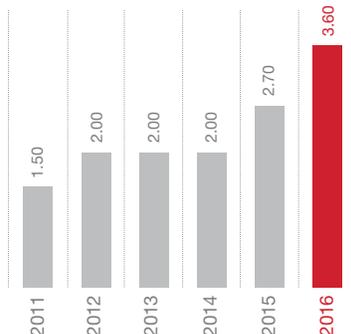
### Earnings Per Share (EPS)

(Rs.)



### Dividend Per Share (DPS)

(Rs.)



Group was able to report a 16% growth in revenue and a 123% growth in net profit after tax during the year under review, as a result of financial and operational efficiencies brought into the system via new strategic initiatives.

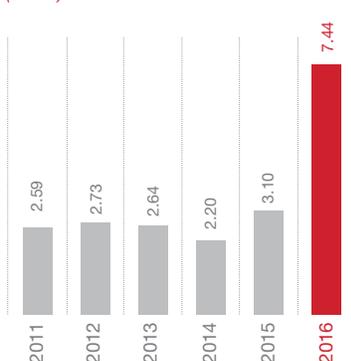
### Annual Income Growth

(%)



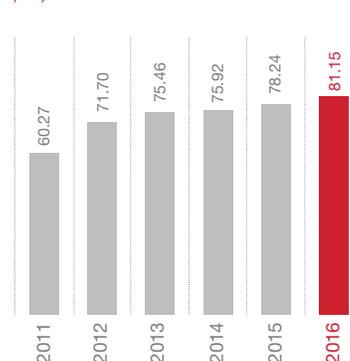
### Interest Cover

(Times)



### Net Assets Per Share

(Rs.)



**7.44**

Interest Cover (Times)

Rs. **557**m

Profit Before Tax

Rs. **81.15**

Net Assets Per Share

Rs. **500**m

Profit After Interest & Tax

**123%**

Growth in Profit After Tax

Rs. **12.67**

Earning Per Share

## Milestones



**1939**  
**A Military Hospital commences to serve British military personnel stationed in the colony of Ceylon, where “Durdans” now stands.**

**1945**

A group of enterprising medical doctors, fired with a vision to develop private healthcare in this country, take over the former Military Hospital and establish Ceylon Hospitals Ltd. Durdans begins its corporate voyage.

Durdans opens its doors to the Sri Lankan public with a special focus on maternity care.

**1968**

Maternity Ward and OPD opens with the purpose of providing highest quality service

**1982**

Paediatric Ward, Surgical Ward and the Operating Theatre Complex set up

**1984**

Radiology services introduced to the public

**1993**

Formal Intensive Care Unit opens

**1995**

Endoscopy Unit set up

**1996**

Pathological Laboratory and Blood Bank commences operation.

**1997**

Durdans establishes a strategic alliance with Escorts Heart Institute and Research Centre in New Delhi, a renowned institute in the cardiac field

**1998**

A five-year 'Remodelling and Modernisation Programme' for the hospital commences

**1999**

Heart Command Centre and Heart Station become operational.

**2000**

Cardiac Surgical Operations and invasive and interventional Cardiac Procedures commenced

**2001**

Formal Emergency Treatment Unit set up

**2002**

The five-year Modernisation Programme and Modernisation of the Theatre Complex is completed

**2003**

Company listed on the Colombo Stock Exchange

**2004**

Establishment of Neonatal Unit and Dialysis Unit. Commencement of phase I of the expansion project

**2005**

Durdans embarks on advanced Eye Surgery and pioneers cochlear Implant surgery in the country

Implements an ERP system for the Group

**2006**

Completes Phase I of the Expansion Project and establishment of the Audiology Unit

**2007**

Commences Phase II of the Expansion Project

**2008**

Incorporates new subsidiary Durdans Medical & Surgical Hospital (Pvt) Ltd. (Sixth Lane Wing) as a BOI approved entity and commences construction

## 2009

Commences the operation of Medical and Surgical Hospital (Pvt) Ltd. (Sixth Lane Wing)

The web-based ERP system is successfully implemented.

## 2010

Durdans Medical and Surgical Hospital (Pvt) Ltd is unveiled to the public and becomes fully operational

## 2011

Durdans embarks on a quality enhancement project leading to an internal accreditation

## 2012

Durdans commences the operations of a Diabetes & Endocrinology Centre and Dental Care Centre and launches a new technology for Cardiac Fractional Flow Reserve (FFR) measurement system which is used to evaluate the inner diameter of a blood vessel

A Medical Centre is launched in Negombo and a new Satellite Laboratory in Rathnapura

## 2013

The Neuro Centre is established

## 2014

Durdans becomes the first hospital in Sri Lanka to be accredited with the Gold Seal of approval by the Joint Commission International (JCI)

Two new Mini Satellite Laboratories were opened in Kalutara and Gampaha Districts and three new collecting centres in Chilaw, Kahatagasdigiliya and Kebethigollewa

## 2015

Durdans launches the “Women’s Wellness Centre”

The Phillips Allura Clarity Cardiac and Angiography system with advanced Ultrasound Phillips Epiq 7 is installed

The Sleep Lab Test services and Autologous Platelet Rich Plasma Liquid Procedure ( A-PRP) as new services during the year is introduced

## 2016

Durdans introduces minimally invasive instruments for both CABG and valve surgeries.

Embarks on the ‘Car Park’ project providing over 180 parking slots to the hospital.

Expands to the Eastern Region of Sri Lanka by opening up a new Satellite Laboratory in Trincomalee.

Refurbishes the Medical Intensive Care Unit and re-constructs the Renal Intensive Care Unit.

Establishes the Dietetic Centre, the ‘Enhance’ Cosmetic Care Centre and the Sports Medicine Unit as new service units to the hospital.

A dedicated and sophisticated ‘Call Centre’ is set up with state of the art equipment to support and enhance the Customer Care Services of the hospital.



## Who We Are



**Since 1945, generations of Sri Lankans have been cared for by Durdans Hospital, a trusted and recognised name for patient healing.**

Durdans Hospital is an established and respected tertiary healthcare provider in Sri Lanka, focusing on patient care above all for Sri Lankan and overseas patients. It is a modern multi-speciality private hospital with state-of-the-art medical facilities conveniently located in the heart of Colombo.

Since 1945, generations of Sri Lankans have been cared for by Durdans Hospital, a trusted and recognised name for patient healing. Today, it is synonymous with the medical expertise, trusted nursing care and modern facilities that has become our tradition: it's all about caring.

Durdans continues to embody tradition with a higher level of dedicated service, care and attention in a pleasant environment. We offer our patrons a selection of rooms with improved service areas, specialised consultation rooms, new theatres and additional critical care.

The Sixth Lane Wing theatre complex comprises of five new specialised theatres equipped with cutting edge technology for all types of surgeries.



## What Our Patients Say...

The service at Durdans Hospital is very good in all respects. The staff at the reception and admission was very courteous and quick.



Bradman Weerakoon

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The health screening sessions were organised across very convenient schedules, much to the delight of our Corporate Management. The sort of care and service your dedicated staff rendered to them were highly appreciated. Moreover, due to the fact that the corporate services are quite thoughtfully designed to best suit the busy daily routines and desires of corporate clients, the services would definitely give your hospital a competitive edge when reaching out to discerning corporate clientele.



Manoja Polwatte

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I am so thankful to the staff at the Durdans ETU because they were able to check my son, identify his condition and inform the pediatrician immediately. The staff there were so pleasant and helpful.



Master Shevon Thahash

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“Over the last six years since my operation, I’m glad to report that I now lead a very normal and happy life pursuing my hobbies and I’ve had no reason whatsoever to consult a specialist or see another Doctor with regard to any heart issue apart from the usual visits to see my Cardiologist every six months or so, for routine checks and obtain new prescriptions.”



M. Samarajeewa

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“Just want to take this opportunity to thank Dr Rukshan and Prof Senaka for everything they did and for the humane way they take care of patients, which unfortunately is not common among doctors in this country today. Durdans is indeed blessed to have such great physicians and staff with them to ensure that patients and their families are always well taken care of.”



Ms. Nishika Hassim

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## What Our Patients Say...



### **BRADMAN WEERAKOON**

Deshamanya Bradman Weerakoon is a renowned senior bureaucrat of the Sri Lankan Government who served nine Sri Lankan heads of state in a career spanning half a century. Having been an integral part in many governments that have driven this nation to becoming what it is today, Mr. Weerakoon has spent the last several years in retirement. It was during this time that he developed a condition called postural hypertension.

Postural hypertension is a medical condition causing a sudden increase in blood pressure when a person stands up. It may cause patients to feel disoriented and off-balance when walking. Mr Weerakoon first saw his family physician Dr M Sivakumaran, who later referred him to Dr Aruna Kulathunga at Durdans Hospital. After the initial consultation with Dr Kulathunga, Mr Weerakoon was advised to admit himself for further investigation.

“The service at Durdans Hospital is very good in all respects. The staff at the reception and admission was very courteous and quick”, he notes.

Mr Weerakoon spent two weeks under the care of Dr Kulathunga and the staff at Durdans Hospital. “Dr Kulathunga was excellent throughout my two weeks’ stay. He has a very collaborative attitude and was open to discussing my frequent questions. He also assembled an expert team of Consultants who helped diagnose the issues and treat them accurately” Mr Weerakoon adds.

Now completely well and resting at home, Mr Weerakoon continues to be monitored by the different consultants periodically. “The only thing I can think of as a negative during my stay was that there were a few too many entries by staff at times, which could disturb the patient. Other than this, I would highly recommend the services provided by Durdans Hospital”, he concludes.

### **MANOJA POLWATTE**

BAM Holdings (Pvt) Ltd as a part of their internal HR policy that provides periodical comprehensive medical check-ups for senior management, chose Durdans Hospital to provide this service.

Primarily, the company was in search of a reliable and a highly assured healthcare provider to facilitate its Corporate Management with a comprehensive medical diagnostic service. In researching

and comparing available facilities, the company found that the health screening services of Durdans Hospitals are tailor-made to suit the distinct requirements of BAM Holdings (Pvt) Ltd. One of the company's main concerns was finding a healthcare service provider who would provide the required service, within the annual employee welfare budget allocation. Due to the fact that corporate clients engaged with Durdans Hospital are always provided with the option of selecting the service from a range of available health screening packages on request, the above objective was easily fulfilled.

Health screening services were obtained by several members of the Board, along with the Heads of Departments at the station of centralised operations at Homagama, and 5 main manufacturing plants. A total of 37 participants were selected, virtually across the entire group of BAM Holdings, to obtain the health diagnostic facilities.

Many, if not all, of those who obtained the health screening services from the company commented on the ease of working with the staff at Durdans Hospital. "The health screening sessions were organised across very convenient schedules, much to the delight of our Corporate Management. The sort of care and service your dedicated staff rendered to them were highly appreciated. Moreover, due to the fact that the corporate services are quite thoughtfully designed to best suit the busy daily routines and desires of corporate clients, the services would definitely give your hospital a competitive edge when reaching out to discerning corporate clientele."

"A fair majority of Corporate Management have already started to bring in some positive comments about the unparalleled service levels they have received and the courtesy of your warm-hearted staff members. Also, since the patients were provided with the option of selecting from a range of health screening packages with different combinations of tests, they were quite pleased with the outcome. Many have also gone-on to indicate that they would definitely recommend the corporate health screening service to their friends, family and clients. As it is said "there is no second chance to make a first impression", it has to be admitted that Durdans Hospitals has provided us a service of reliability and good quality having permitted us to mark that first impression as a very satisfying one."

### **MASTER SHEVON THAHASH**

Nothing can be more heart wrenching for a parent than when their precious child falls ill. Parents will do anything and everything within their power to ensure that the sick child is given the best possible care. This is why many parents choose a hospital with not just the most advanced medical care and skilled physicians, but also a child-friendly environment. Personalised paediatric attention helps not just the patients but also their parents and families to ease the worry.

Highly qualified and well experienced paediatricians are available on consultancy basis at dedicated consultation chambers. The paediatricians are amply supported by experienced teams of paediatric nurses, dieticians, physiotherapists and diagnostic professionals. The hospital also ensures that nursing staff are specially trained to handle children and their conditions.

This is why most patients trust Durdans Hospital to take care of their children when ill. The same could be said of Mrs Rochelle Melanie Peiris who like all parents searched for the best care a hospital could offer for her son Shevon. Mrs Peiris first brought her son in to the ETU for a routine check-up where the efficient ETU staff was quick to diagnose and inform a paediatrician that his condition was worse than they expected.

"I am so thankful to the staff at the Durdans ETU because they were able to check my son, identify his condition and inform the paediatrician immediately. The staff there were so pleasant and helpful", she notes.

After Shevon was moved to the specialised paediatric ward, his mother also talks of how flexible and accommodative the ward doctors and nurses were. "The best thing about the ward staff is that they do not bother the patient or the child's parents with a string of questions. They are not only professional but also very understanding and know how to deal with children. The nurses are willing to help at any time and take care of each child like their own".

The Paediatric Consultation Chambers on the 1st floor of the Sixth Lane Wing and the Paediatric Ward, all carry a calm and quiet atmosphere with cleanliness being a prerequisite.

## What Our Patients Say...



“The only area with room for improvement that we saw as parents is probably the paediatric menu, which should be a bit more colourful and include things that children would generally love to eat. When children fall ill and lose their appetite, they need motivation. Vibrant food is a good way to ensure nourishment. Except for this, any child’s stay at the Ward will not be a scary experience”, explains Mrs Peiris.

Commenting on the overall service at Durdans Hospital, Mrs Peiris also notes, “I sincerely hope that Durdans will strive to better their standards every day and provide more and more care options to patients. I would also like to take this opportunity to tell everyone about who took such good care of our son.”

### **M. SAMARAJEWA**

I considered it an honour and a privilege when Durdans Hospital Authorities requested me to write a resume for their Annual-Report, as I was one of their many patients who have undergone heart bypass surgery within the last few years. As a matter of fact, it was over six years ago, in May 2009, when I had my quadruple bypass operation carried out by none other than the most compassionate and humble human being I have ever come across, the leading Consultant Cardiac Surgeon at Durdans, Dr Kesava Dev.

I hope these few words would be music to the ears of those who have undergone heart surgery recently or for those who are lined up to have similar surgery in the near future. If you are unfortunate enough to belong to one of these two groups, but fortunate enough to have Dr Dev perform the operation on you, you should consider yourself very lucky as a very competent and a professional surgeon such as Dr Dev and his wonderful team, will be standing by you to make sure you would get the best possible care to see you through this traumatic period. As far as I’ve heard, you can be rest assured that no other hospital in Sri Lanka will be able to match or even come close to the type of service you could receive as a heart patient, either during or post-surgery, as you would at Durdans.

Over the last six years since my surgery, I’m glad to report that I now lead a very normal and happy life pursuing my hobbies and I’ve had no reason whatsoever to consult a specialist or see another doctor with regard to any heart issues apart from the usual visits to see my Cardiologist every six months or so for routine checks and obtain new prescriptions, mainly to replace the tablets when they run out. I believe this alone will bear testimony to the success I’ve had after the surgery and I would like to take this opportunity to say a big ‘thank-you’ to Dr Dev, all members of his medical team and Durdans for adding some ‘quality-years’ to my life.

### **NISHIKA HASSIM**

My daughter Nishika was at a work function at JAIC Hilton when she had a fall outside the hotel. She was rushed to a private hospital nearby where the staff and doctors at the ETU did absolutely nothing to ease my daughter’s pain and kept her waiting in the ETU till 11 p.m. Even at that time a doctor arrived, spent less than 30 seconds with her and immediately ordered surgery the next day much to our discomfort. She was later transferred to a room, in quite a dilapidated condition.

The next morning, since the doctor was yet to speak to the family or inform us of anything that was happening or attend to my daughter we decided to move her to a different hospital. On recommendations made by family and my daughter’s employer, we decided to transfer her to Durdans. This was possibly the best decision we made for her.

Through a friend of my elder daughter who worked at the hospital, the ETU had already been informed that Nishika was being transferred and they were ready to take care of her upon arrival. The hospital suggested a surgeon and contacted him immediately. To make things better for us, the Director Medical Services of Durdans Hospital who was at the ETU attending to a different matter also took a personal interest in my daughter's case and assured us that Dr Rukshan Sooriyarachchi, whom he recommended was the best Orthopedic Surgeon available. After being well taken care of at the ETU my daughter was shifted to a room to await the surgeon's instructions. Although it was a Sunday, Dr Rukshan arrived at the hospital and advised us that my daughter did indeed need surgery. His reassurance was what gave me peace as well.

The surgery was a success and the hospital took good care of Nishika. She was able to go home two days later and only had to return for a weekly check-up. However, after her first visit to Dr Rukshan, she developed an allergic reaction to medicine that was prescribed. At first we thought it would pass, but by the third day morning, her condition had worsened and I had to rush her back to Durdans.

Again the staff at the ETU was efficient and helpful. They contacted Dr Rukshan immediately and also called in Prof Senaka Rajapakse to look at her condition as it was baffling even the ETU doctors. Both doctors came promptly and diagnosed that my daughter had a mild attack of Steven Johnson's Syndrome. They warded her immediately and for two days thereafter monitored her day and night. The specialists, ward doctors and nursing staff were constantly attentive and made sure that not just my daughter, but the family members too were reassured of the care given to her.

Just want to take this opportunity to thank Dr Rukshan and Prof Senaka for everything they did and for the humane way they take care of patients, which unfortunately is not common among doctors in this country today. Durdans is indeed blessed to have such great physicians and staff with them to ensure that patients and their families are always well taken care of.

# Durdans' Islandwide Reach

Durdans Hospital has a proud history of 20 years in laboratory diagnostics. With its laboratory network spread across the country, Durdans is providing convenience to its patrons scattered islandwide by offering its diagnostic services close proximity to their neighborhood

## Anuradhapura ●

- Kahatagasdigiliya ◆
- Kebathigollewa ◆
- Kekirawa ◆
- Thambuttegama ▲

## Galle ■

- Karapitiya ▲
- Matara ▲
- Udugama ◆

## Jaffna ■

## Kandy ●

- Akurana ◆
- Katugastota ▲
- Kegalla ▲
- Nawalapitiya ◆
- Wadugodapitiya ◆

## Kalubowila ■

- Homagama ▲
- Horana ▲
- Nagoda ▲
- Panadura ▲
- Wadduwa ◆

## Kurunegala ●

- Dambulla ▲
- Polgahawela ◆

## Negombo ●

- Chillaw ▲
- Wennappuwa ◆

## Colombo ■

- Colombo 8 ◆
- Jayawardanapura ▲

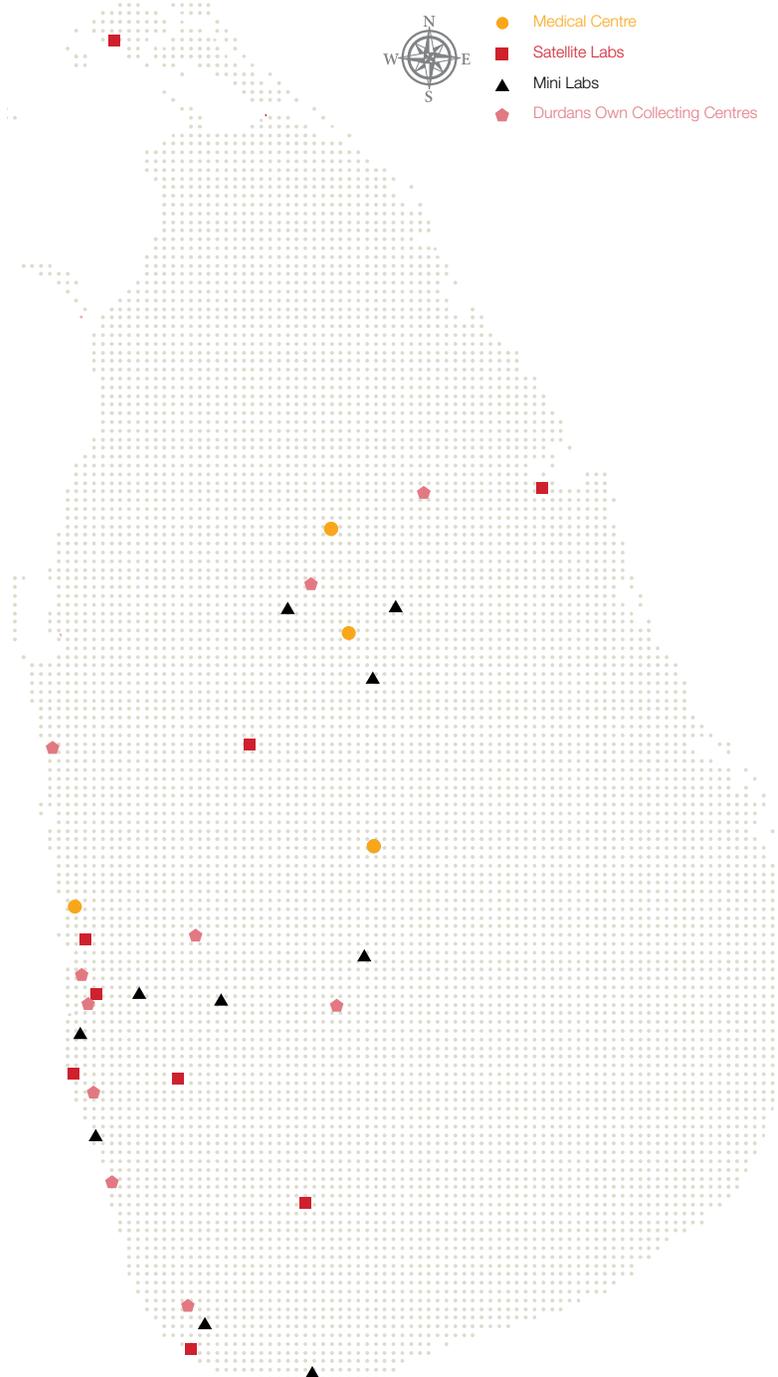
## Ratnapura ■

- Balanboda ◆
- Eheliyagoda ◆

## Ragama ■

- Gampaha ▲
- Kiribathgoda ◆
- Wathupitiwela ▲
- Wattala ◆

## Trinco ■





# A matter of Trust

Trusted by the generations of  
Sri Lankans we have served

**Executive Report**

## Chairman's Message

**What makes us different and helps us carve out a niche for ourselves is the fact that we are situated in the heart of the city, with.....**

*Dear Shareholder,*

We have been serving the people of Sri Lanka for the past 70 years, taking the leading role in the evolution of healthcare in Sri Lanka by becoming the nation's first JCI Accredited Hospital Service Provider. Today, we have upgraded our facility to a 260 bedded multi specialty tertiary hospital, providing a quality healthcare experience to all our customers. The paradigm of healthcare in our country has undergone a significant change in the past 20 years. Starting from humble origins, the healthcare industry has since moved from a curative to a preventive healthcare approach, with a single-minded focus on providing a comfortable experience to customers.

The same ethos runs through our organisation, with a vision to provide multi specialty healthcare services of international standard, built on expertise, cemented by trust and delivered with warmth and care. Today, we offer diagnostic/curative services, together with an array of services focused on wellness and preventive healthcare solutions for all segments of our customers.

What makes us different and helps us carve out a niche for ourselves is the fact that we are situated in the heart of the city, with renowned resident specialists and visiting consultants on our panel, supported by the best of technology in medical care and a team of highly trained and compassionate staff.

From the very start of my tenure at Durdans, we have succeeded because we have been dedicated to our core values, putting customers first, pursuing excellence, evolving with change, acting with integrity and serving our nation. Innovations in management thinking and technology also fuel our growth strategy, helping us to appeal to the next generation of customers while delighting our existing loyal customers with a positive experience of using our services.

Today we are happy to be a preferred healthcare service provider in Sri Lanka and we are delighted to tell you that Durdans has achieved a record breaking turnover and net profit after tax for the financial year 2015/2016.



**...we are delighted to tell you that Durdans has achieved a record breaking turnover and net profits after tax for the financial year 2015/2016.**

### **ECONOMIC OUTLOOK**

The healthcare sector is one of the largest contributors to the personal spending of an individual residing in Sri Lanka, where the demand for more healthcare facilities will increase in time to come.

However, a vast majority of the population is dependent on the public healthcare sector which is the biggest contributor in the healthcare industry. Limited access to specialist treatment, inconsistent service standards and the availability of complex surgical procedures being limited to the National Hospital Colombo and other large hospitals in major cities, have resulted in the public to demand more from the private healthcare sector of Sri Lanka.

Non-communicable diseases (NCD) have become a major concern due to the build-up of stress levels among the growing and aging population in Sri Lanka. Cardiovascular disease is

the leading global cause of death, accounting for more than 17.3 million deaths per year; a number that is expected to grow to more than 23.6 million by 2030, according to the American Heart Association. Urbanization, a rising aging population and the sedentary life style of the Sri Lankan population has led to a much higher rise in healthcare requirements related to NCD.

The average spending of the household sector on healthcare services shows a general growth trend of 8.84% from the years of 1980-2012 and the rise in the aging population of 65 and above has grown to 14% which will require a considerable change in the services offered by the healthcare sector.

After the end of the civil war, the steady rise in tourism has led to the promotion of medical tourism as a sub segment under healthcare, which however, is still in the infancy stage. This too is an opportunity that awaits healthcare service providers in years to come.

### **INDUSTRY OUTLOOK**

Sri Lanka's private hospitals are set for strong growth, with one of the world's fastest-growing ageing populations. Nearly 9% of the population was 65 years of age and over at the end of 2014. This is likely to double by 2030 and the public sector alone does not have the capacity to handle such growth. Rising per capita income also drives demand in the private healthcare sector, enabling more people to afford paid healthcare.

The private sector has a huge presence in 'out-patient care', catering to an estimated 50% share of total outpatient volumes. On the other hand, the private sector caters to a smaller 5% -10% share of the country's inpatients. Key factors such as rising health awareness and the limitations of the public healthcare system, the escalating incidence of non-communicable diseases and growth through medical tourism drive the growth of the private healthcare sector. However, intensifying competition among players and the need to provide an appropriate quality of care to preserve brand reputation, coupled with the capital intensive nature of the business may act to increase the level of risk in the industry over the longer term.

### **OUR PERFORMANCE**

Despite political and economic uncertainties and the resultant macro-economic conditions that prevailed in the year 2015, almost all business lines of the hospital group witnessed growth. The Group posted revenue of Rs. 4,728m and a net profit after tax

of Rs. 500m. Group revenue increased by 15.7% compared to the year before while the growth in net profit after tax was a record 123% compared to the previous year.

During the year 2015/2016, Ceylon Hospitals PLC achieved a turnover of Rs. 2,989m an increase of 9.2% compared to the previous year. With total overheads of the Company (net of finance income) amounting to Rs. 1,597m the net profit after tax recorded by Ceylon Hospitals PLC for the year 2015/16 amounted to Rs. 217m. The net profit margin of the Company for the year was 7%.

Taking into account the overall performance of the operations of your Group of Companies, I am pleased to inform you that the Board of Directors of the Company has decided to propose a first and final dividend of Rs. 3.60 per share, resulting in a dividend pay-out ratio of 56% at the Company level for the current financial year.

### **VALUE CREATION**

During the year, your company introduced two specialised units of services - namely the 'Cosmetic Care Centre' and the 'Renal Care Centre', focusing on providing value added services to the line of services offered by the Hospital, to improve overall profitability of the Company and return on investment to shareholders. The Cosmetic Care Centre was in operation for almost six months and has indicated steady growth in its performance. The Renal Care Centre which focuses mainly on kidney transplants is still in its infancy stage and is expected to add value and deliver positive results in the next financial year, along with many additional services lined up for introduction in the upcoming year.

Having identified the vehicle parking issue as one of the limiting factors affecting the performance of the Hospital Group, your Company embarked on the project of building a multi-storeyed car park adjacent to the hospital premises to bring convenience to its customers. The project is expected to be completed and ready for use by the last quarter of financial year 2016/17.

During the year the curriculum of the Nurses Training School was revised to meet internationally and locally accepted standards, ensuring the best care always for our valued customers.

### **OUTLOOK FOR 2016-17**

Working closely with the Senior Management Team, the Board has identified a series of key priorities for the ensuing financial year. We shall be committed to expand our talent pool by investing in employees' training and development and building leadership

## Chairman's Message



**... focuses on improvements in all aspects including cost reduction strategy and lean management and we believe that we can improve our productivity functions ...**

abilities among team members, for a more committed and professional service of care-giving at all levels.

We will continue to explore new markets outside Sri Lanka. As a result of successful partnerships, we have established contacts for the promotion of medical tourism to attract new segments of customers from Seychelles, Latvia, UAE and Oman. Opportunities are being explored in other countries as well, where medical tourism initiatives can be launched.

An initiative has been taken to improve the information technology platform of the Group by engaging a practicing firm of accountants to conduct an audit on application and security controls. It is the backbone of our operations and key to future growth in business. Transforming to a new commercially developed ERP system will enable us to realise new levels of cost efficiencies whilst improving our service delivery dramatically.

Several new value added services are already lined up for implementation during the year 2016/17 and we foresee improved business profitability in the year to come.

In a competitive industry, a competitive edge is achieved via cost management and cost controls. Our 'Key Result Area' (KRA) focuses on improvements in all aspects including cost reduction strategy and lean management and we believe that we can improve our productivity functions to gain that competitive advantage over the other players in the industry.

Durdans Hospital has realised the value of its intangible asset, the 'Durdans Brand.' It is paramount to determine a company's position immediately and proactively develop this into a personality. In a fast-growing and crowded marketplace, this will define the brand and allow it to stand out from its competitors, which is necessary for capturing market share in a modern world. However, this is viewing brand equity from a purely external standpoint. The importance such values can have on the internal workings and structures of a business are equally critical, as these will naturally affect the outward face of the brand. Durdans has entrusted an engagement to a world renowned branding firm to enhance its brand equity.

### **APPRECIATION**

I thank all members of the Board of Directors for their valued contributions to our progress. I also wish to convey on behalf of the Board, our sincere thanks to the entire Management Team and the staff who worked tirelessly to continue maintaining the quality standards achieved, thereby bringing in sustainability to the organisational operations while improving the overall performance of the Group. The results of their collective efforts are evident throughout this report and the countless appreciative notes of our patrons stand proof as we journey together to find new ways of delivering our promise of enduring value. If not for the commitment and the loyalty of our staff, your Company would not have been able to achieve all that it has, in its corporate history of seven decades.

Finally, my grateful appreciation goes out to all our stakeholders and our resident and visiting Consultants who have contributed equally to our success and been the pillars of our strength.

**Ajith E Tudawe**  
*Executive Chairman*



# A matter of Trust

Trusted for the principles  
of sustainable growth we  
pursue

**Operational Reviews**

## Business Portfolio

### **Durdans is not a random connection but a continuous relationship that delivers a service focused on health and wellbeing.**

Durdans has set the trend and has shaped the way private healthcare is delivered in Sri Lanka making it possible to provide the ultimate experience in clinical care for the people of the nation.

With a history spanning over 70 years, Durdans has constantly evolved and improved its offerings by delivering the best care in private sector with standards that can be easily benchmarked with international service providers. The healthcare facilities at Durdans are backed by a dedicated team of doctors, nursing staff, paramedics and support staff exceeding 2,000.

Patrons have access to over 275 visiting consultants covering almost all disciplines. These specialists, together with the dedicated and competent team in house are able to offer the best in clinical care to all who seek medical services. Hence for most people the association with Durdans is not a random connection but a continuous relationship that delivers a service focused on health and wellbeing.

For Durdans it is always a 'matter of building trust' with its stakeholders by providing quality service and patient care.



**... specialists, together with the dedicated and competent team in house, are able to offer the best in clinical care to all who seek medical services.**

**70** Years  
of Trusted Service

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**275**  
Visiting Consultants

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**2,000**  
Dedicated Employees

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**For Durdans it is always a 'matter of building trust' with its stakeholders by providing quality service and patient care.**

Durdans continues to embody tradition with a higher level of dedicated service, care and attention in a pleasant environment.



## Business Portfolio



**The establishment of a world class cardiac care centre under the trusted Durdans umbrella of services has delivered and established its value to all Sri Lankans.**

### **CARDIAC CARE**

Heart diseases are identified as the leading cause of morbidity and mortality in Sri Lanka. Durdans identified this many years ago and realised that the public cardiac care infrastructure would not be able to cope with this growing need. The establishment of a world class cardiac care centre under the trusted Durdans umbrella of services has delivered and established its value to all Sri Lankans.

The renowned Durdans cardiac centre has reached the population nationwide due to excellence in service standards and thus far has been able to maintain a premier position among such centres providing cardiac care countrywide.

The cardiac care portfolio; one of the Durdans 'Core Competencies' covers non invasive cardiac investigations, invasive and interventional cardiology and cardiac surgical procedures. In addition we also offer support for lifestyle changes, post procedure advice advocating a preventative platform with the intention of inculcating the importance of maintaining a healthy lifestyle.

Our world class facility is well equipped to support any cardiac complication and the dedicated team is competent to handle any emergency or planned intervention.

- A state-of-the-art Cardiac Operating Theatre fitted with ultra-modern ventilators, vein harvesting machine, heart-lung machines and intra-aortic balloon pumps, with round the clock support, by a dedicated residential team

## The renowned Durdans cardiac centre has reached the population nationwide due to excellence in service standards

- A Cardiac Surgical Intensive Care Unit (CSICU) with 15 beds, including facilities for pediatric cardiac surgical procedures
- Heart Command Centre - An additional 15 bed facility with CCU monitoring systems as well as all the modern technology available to handle any acute cardiac related issue supported by a professional team making the center that can be benchmarked with the most advanced cardiac centers in any developed country
- A state-of-the-art cardiac catheterisation laboratory with low radiation, equipped with interventional x-ray system, the ultra-clarity IQ technology to handle angioplasty, stent placement and valvuloplasty and pacemaker implantation
- A Heart Station equipped with ultra-modern facilities supported by renowned cardiologists and cardiac surgeons including dedicated consultation chambers

Durdans dedication to cardiac care is relentless. The hospital is committed to continuously explore new developments and innovations. Continuous professional development related to this specialty ensures the transfer of such know-how as fast as possible.



The fleet of ambulances support emergencies with constant connection to the base



Durdans stroke centre minimise the disability of patients after stroke symptoms by application of the clot-busting medications



Accident and Emergency unit is geared to handle medical or surgical emergencies round the clock

**A Heart Station equipped with ultra-modern facilities supported by renowned cardiologists and cardiac surgeons including dedicated consultation chambers**

## Business Portfolio



### **Durdans strength in paediatric care has evolved over generations and our in house capabilities have developed over time.**

#### **PAEDIATRIC CARE**

Paediatric care is yet another core discipline under the Durdans wing. Durdans strength in paediatric care has evolved over generations and our in house capabilities have developed over time. Investments made in advanced technology were also developed over a period of time. This focus bound families with Durdans resulting in long term relationships that nurture the wellbeing of children.

Durdans ensures that the support systems available are the best the country can offer. Our teams work extensively to upgrade standards with evolving knowledge and technical discoveries. Having dedicated paediatric wards, Durdans is able to handle any paediatric need across age groups, effectively and efficiently. The

Durdans team will handle anything from a simple vaccination to a complex surgery with the same dedication and commitment. Hence patrons experience the same standard of quality care whether they visit Durdans as outpatients for diagnostics or as inpatients.

Our quality care is moulded by following strengths

- Our team includes senior paediatric specialists and a support team of specialists in paediatric healthcare nursing, dietitians, a physiotherapist as well as specially trained diagnostics staff
- Advanced infrastructure with a High Dependency Unit (HDU), dedicated beds and a treatment room including monitoring facilities
- A special Neonatal Intensive Care Unit (NICU) with ventilators and Triple Photo Therapy
- A child friendly, dedicated outpatient area for speedy consultation
- Ambulatory incubator facility for neonatal transfers

**The Durdans team has been part of their lives from conception to delivery and growing up in life.**



#### **OBSTETRICS AND GYNECOLOGY**

In the history of Durdans the primary focus has been on maternity. Even today after seven decades the reputation Durdans has for maternity care remains unblemished. Durdans have had several generations whose every new addition to the family has seen the world with us and has been nurtured by the dedicated team at Durdans. The Durdans team has been part of their lives from conception to delivery and growing up in life.

Durdans ensures that its service standards in this area of competence is up to date and that its capabilities match world class standards.

The maternity wards consist of facilities supported by state-of-the-art technological input enabling the delivery of services at a superior level. The dedicated labour rooms, perform Obstetrics and Gynaecology surgeries and the private labour rooms provide our discerning patrons the privacy and attention they require.

The comfort, security and care offered throughout a stay with Durdans creates a lasting impression for eternity.

## Business Portfolio



### **Clinicians and medical staff at the Durdans 'Women's Wellness Centre' are committed to women's wellbeing and keeping them healthy.**

#### **WOMEN'S WELLNESS**

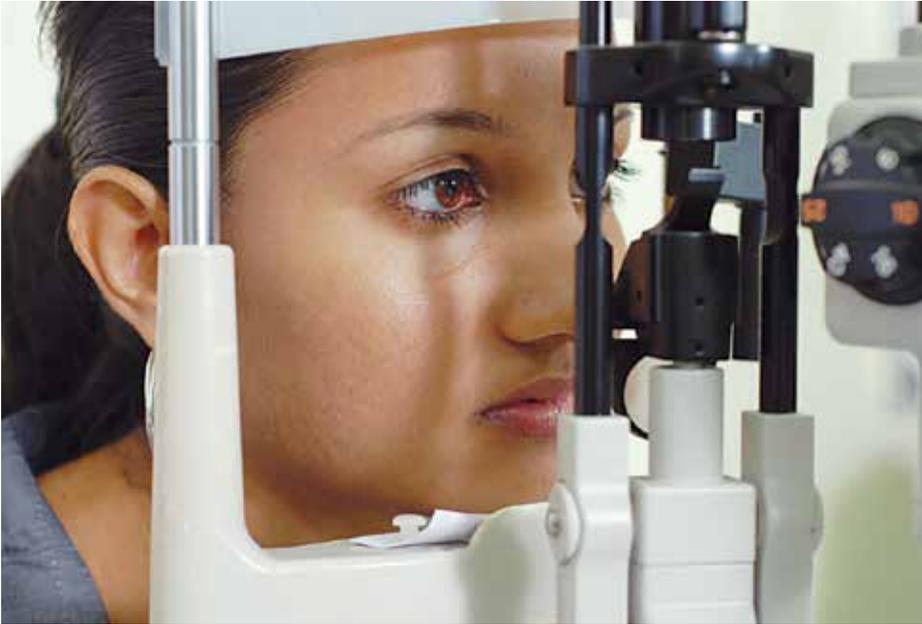
Women who often attend to the health and well-being of their families tend to neglect their own health, while multi-tasking in an increasingly fast-paced world. As the primary caregivers in a family, it makes sense for women to be responsible for maintaining their own good health in order to look after others well.

Neglecting one's health can often lead to serious and irrevocable consequences especially in the case of life threatening diseases. Regular check-ups are advised to identify common problems and avert fatal illnesses.

Clinicians and medical staff at the Durdans 'Women's Wellness Centre' are committed to women's wellbeing and keeping them healthy. In light of the above Durdans offers four women's wellness

packages giving special attention to all aspects of women's health. These packages are affordable and restore peace of mind with assured confidentiality.

Special attention is given to identifying pre-cancerous conditions such as breast lumps, vaginal discharge and infections, post-menopausal conditions such as high blood pressure, osteoporosis and high cholesterol. Additionally the expert Gynaecologists also address concerns regarding family planning, hormone replacement therapy or fertility issues.



**The specialist trained support team catering to the needs of the thousands who seek our expertise is guided by renowned eye surgeons.**

### **OPHTHALMOLOGY**

Ophthalmology at Durdans is a discipline sought after by a majority of Sri Lankans. With the growing aging population, vision related complications have become common to many. Durdans conducts the highest volume of cataract operations in the private healthcare sector which bears testimony to the reputation it has earned.

The specialist trained support team catering to the needs of the thousands who seek our expertise is guided by renowned eye surgeons. With the trust placed in the team and the high level of precision it is not surprising that Durdans is in the lead.

Our success is strengthened by the capabilities we possess

- A spacious eye clinic with customised architecture to improve efficiency
- A laser therapy unit to perform advanced ophthalmology procedures
- A Carl Zeiss Operating Microscope and accessories
- An Ocular CT machine with advanced technology
- Availability of an in house optometrist

## Business Portfolio



**Post-surgical recuperation is facilitated at dedicated surgical wards with the ideal ambiance for faster recovery.**

### **GENERAL SURGERY**

With the need to expand the General Surgical facilities Durdans has invested in a state-of-the-art surgical complex with multiple theatres managed by a team of competent surgeons, medical officers, nursing staff and technicians who are committed to deliver a superior service. The theatre complex has a dedicated pharmacy within the complex to provide drugs and surgical consumables. Post-surgical recuperation is facilitated at dedicated surgical wards with the ideal ambience for faster recovery.

Durdans surgical capabilities are supported by

- A resident consultant surgeon, available on call for any emergency
- The state-of-the-art theatre complex and the team of experts who deliver service with excellence
- Fully equipped laparoscopy theatre with advanced video system and high definition displays for accurate diagnosis and minimal interventions with the least amount of discomfort



**We make it our duty to be present in the most advantageous locations around the country and to provide the best service in diagnostics for a wide range portfolio of investigations.**

## **DIAGNOSTICS**

With the advances in medical science, diagnostics play an important role. Precision and accuracy of diagnostics have become a critical factor as clinicians depend on diagnostic results to proceed with the treatment. Service providers have the responsibility to ensure that the quality of the service offered lives up to our standard and in this regard technology is constantly upgraded at Durdans to ensure precision and meet world-class standards.

Durdans has earned the reputation for precision, speed and reliability of diagnostic results thanks to the dedicated team of professionals attending to all types of diagnostic services offered by the hospital. Durdans offers its services across the country making it possible for anyone to seek our Durdans expertise closer to home. The Durdans quality endorsement on clinical diagnostics is respected by clinicians in both the private and public sectors.

We make it our duty to be present in the most advantageous locations around the country and to provide the best service in diagnostics for a wide range portfolio of investigations.

Our strengths in Diagnostics is supported by

- Renowned consultant pathologists and competent technical staff
- The path lab with advanced clinical analysers, endorsed by two internationally recognised organisations in the USA for quality assurance
- A collection network across the country supported by strategically placed fully fledged laboratories
- A technologically advanced radiology department providing comprehensive interventional radiology through highly experienced and competent Radiologists
- State-of-the-art, high end ultrasound equipment and scanners supporting Endoscopy, Videoendoscopy Colonoscopy, Sigmoidoscopy and Bronocoscopy
- Diagnostic centres with ECG and Treadmill ECG services, in central locations
- Neurophysiology unit which performs EEG, EMG, NCS, Polysomnography and MSLT

## Business Portfolio

### **Durdans is known for its ENT surgical capabilities supported by the most sophisticated equipment in the country**



#### **ENT SURGERY**

Durdans is known for its ENT surgical capabilities supported by the most sophisticated equipment in the country, including an ultra modern opmi-sensera ENT microscope. Durdans also has the distinction of being the first hospital to successfully perform a cochlear implant by a Sri Lankan team.

- A state-of-the-art Carl Zeiss ENT Microscope is utilised to perform highly intricate ENT surgical procedures.



**Speech & language pathology unit performs complete evaluations for communication and swallowing disorders in children & adults.**

#### **AUDIOLOGY, SPEECH & LANGUAGE PATHOLOGY UNIT**

The Durdans Audiology, Speech & Language Pathology Unit performs complete Audiological evaluations which includes, Pure Tone Audiometry (PTA), Speech Audiometry, Impedance (Tympanometry & Reflexometry) Oto Acoustic Emission (OAE) & Auditory Brainstem Response (ABR) which are important in diagnosing hearing defects.

Durdans also conducts neonatal screening for babies with high risk factors such as low birth weight, premature births and post-deliver complications.

The speech and language pathology unit performs complete evaluations for communication and swallowing disorders in children and adults. Therapy is offered for individuals with speech disorders associated with stroke and neurological disorders, stammering, voice and resonance disorders, auditory, speech and language intervention for individuals with hearing impairments.

## Business Portfolio

**Our competent team of professionals are dedicated to ensure that a kidney patient continue to live a meaningful life.**



### **RENAL CARE**

Kidney related complications are becoming common islandwide. Whilst the debate continues as to the reason it is evident that today's fast paced lifestyle is not contributing positively to good health and wellbeing.

The Renal Care Unit at Durdans is equipped with dialysis facilities. Our competent team of professionals are dedicated to ensure that a kidney patient continue to live a meaningful life.

The recently revived Durdans Kidney Transplant Unit is equipped with a Renal Intensive Care Unit and is facilitated by the services of dedicated and experienced staff who specialise in renal care to ensure patients undergoing kidney transplant are well cared for.

Our aim in reviving the transplant unit is to provide patients seeking transplants a range of specialised care and assist them in every possible way not only during surgery, but also in pre-surgery and post-surgery stages.

**Durdans was the first private healthcare institution to introduce the modern stone laser machine for minimally invasive procedures for the removal of kidney stones in a fast and pain free manner.**



#### **GENITO - URINARY CENTRE**

Durdans specialises in providing the most advanced treatment at its fully fledged world-class stone management unit for any Genitourinary complication. Durdans was the first private healthcare institution to introduce the modern stone laser machine for minimally invasive procedures for the removal of kidney stones in a fast and pain free manner.

Our strengths in this discipline includes the following

- The Stone Laser machine together with high definition semi rigid Ureterescope and Cystoscope
- Renowned GU surgeons supported by trained and qualified nurses and technical staff
- A dedicated GU theatre with state-of-the-art equipment

## Business Portfolio



**Our centre specialises in early detection and provides remedies to prevent damage to vital organs before it is irreversible.**

### **DIABETES AND ENDOCRINOLOGY CENTRE**

Managing the life of a patient who has this disease requires a professional approach. Today with 25% of the population categorised at risk, early and regular interventions have become a necessity. Our centre specialises in early detection and provides remedies to prevent damage to vital organs before it is irreversible.

The complete process covers detailed diagnostics, understanding the individual need based on the status and support to manage the condition. Optimum foot care is considered an important component in the management of the condition. The procedures offered by Durdans in this regard include total foot checkup, complete foot tests, special footwear and foot treatment procedures under the supervision and guidance of a professional podiatrist.

Consultation and lifestyle management is conducted at Durdans by a team consisting of an Endocrinologist or physician and includes referrals to a Nephrologist, Ophthalmologist, Vascular Surgeon, Cardiologist, Neurologist or a Nutritionist where necessary this offering a holistic approach to managing and living with diabetes.

**Accident & Emergency Unit is geared to handle medical or surgical emergencies round the clock, providing the best clinical care required.**



#### **ACCIDENT & EMERGENCY CARE UNIT**

Accident & Emergency Care is an essential component of a fully fledged tertiary care facility. A hospital such as Durdans places a high level of importance on this unit to ensure the emergency care treatment facility and protocol lives up to the standards that Durdans is known for. The Durdans Accident & Emergency Unit is geared to handle medical or surgical emergencies round the clock, providing the best clinical care required. The facility is supported by advanced technology used in the best hospitals in the world including a fleet of ambulances capable of supporting emergencies with constant connection to the base with monitoring systems.

## Business Portfolio

**The team at Durdans is supported by renowned orthopaedic surgeons in the country and trained clinical staff to ensure the delivery of world-class treatment.**



### **ORTHOPAEDIC**

Orthopaedic procedures have become a necessity with the rapidly aging population and the sedentary high pressure lifestyle led by the majority of corporate workers. Attention is sought for chronic as well as acute complications by most and thus the Orthopaedic Centre at Durdans today has become the ultimate solution.

The dedicated Orthopaedic Surgical Theatre with the state-of-the-art technology and infrastructure enables the handling of procedures from minor to major complexity. These span from arthroscopy procedures to major orthopaedic surgeries such as knee and hip replacements. The team at Durdans is supported by

renowned orthopaedic surgeons in the country and trained clinical staff to ensure the delivery of world-class treatment.

Our strengths are based on our resources

- Orthopaedic care at Durdans is provided by renowned and skilled senior Orthopaedic Surgeons in Sri Lanka
- The dedicated orthopaedic theatre with state-of-the-art technology
- Experienced and dedicated nursing and technical staff
- The dedicated orthopaedic centre with ample facility for consultation and follow up



**The unit is equipped with modern investigative and treatment procedures and provides a friendly environment.**

#### **DENTAL CARE**

The oral health of Sri Lankans appears to be under severe stress. According to the latest statistics released by the Ministry of Health and Nutrition, Sri Lanka's 20 million population accounts for 1.2 million cavities. It is known that children and adults suffer from both tooth and gum diseases. Thus the need for professional dental care needs little justification. It is our belief that dental care should be a routine checkup process resulting in better oral health of patrons.

Our Dental Care unit is managed by a resident dental surgeon. The unit is equipped with modern investigative and treatment procedures and provides a friendly environment. The Unit also offers the specialist services of Oro-Maxillofacial surgeons for the prevention, diagnosis, treatment of diseases and irregularities in teeth, gums, nerves and tissues of the mouth. In addition injuries and defects, both functional and aesthetic of the oral and facial region are also treated with advanced treatment methods by the team of experts.

## Business Portfolio

**The Durdans  
Neurological centre  
has the latest  
equipment available  
in the world...**



### **NEUROLOGY**

The Durdans Neurological centre has the latest equipment available in the world and is supported by competent consultant Neurologists and Neuro Surgeons to treat patients with any neurological condition.

Durdans neurological services include a systematic approach in providing patient information, patient education, engagement and support through advanced surgical procedures and extensive caring and support through the whole rehabilitation process.

**The treatment becomes more effective when given early, thereby minimising disability.**



### **STROKE CENTRE**

Strokes are the number one preventable disability worldwide and Sri Lanka's fourth ranked cause of death. Durdans Advanced Stroke Treatment makes available cutting-edge stroke treatment, including Tissue Plasminogen Activator treatment (rtPA) available

for the people of Sri Lanka. This clot-busting medication is given to patients shortly after stroke symptoms have started. The treatment becomes more effective when given early, thereby minimising disability.

## Business Portfolio



**The Durdans oncology unit functions hygienically with modern facilities and has services of dedicated consultants, experienced nursing staff and other health care personnel.**

### **ONCOLOGY UNIT**

Statistics suggest a rise in the cancer patient population in Sri Lanka due to various factors. In light of the above Durdans has established an Oncology Unit to take care of cancer patients.

The Durdans Oncology Unit functions hygienically with modern facilities and has services of dedicated consultants, experienced nursing staff and other health care personnel. Durdans offers Chemotherapy treatment to patients with all types of cancers.

The aim of Durdans is to look after such patients safely with minimum discomfort throughout the treatment process.



## Financial Review

Despite the slowdown in economic growth and increasingly competitive industry environment the Group was able to report a 15.7% growth in revenue and a 123% growth in net profit after tax during the year under review, as a result of financial and operational efficiencies brought into the system via new strategic initiatives.

### SRI LANKA ECONOMY

Notwithstanding the political and economic uncertainties that prevailed in 2015 due to two major elections held in a space of eight months, Sri Lanka registered a real economic growth of 4.8% compared to a real economic growth of 4.9% recorded in the year before. The real growth reported was in spite of the budget deficit of 7.4% of GDP and the increase in Government debt to 76% of GDP by the end of year 2015. The 4.8% real GDP growth was accommodated by generally supportive fiscal and monetary policies amidst challenges from both domestic and external factors.

With the political transition ending in August 2015, post-election business sentiments appeared to support the continuation of market friendly economic policies showing signs of growth in many sectors despite the economic ups and downs that were visible in the first half of the year.

The service sector, being one of the major contributors to the economy, grew by 5.3% in value added terms in the year 2015 compared to 5.2% in previous year. Inflation remained at mid-single digit levels during 2015 reflecting the impact of subdued commodity prices, favourable supply conditions in both domestic and international markets, downward revision of administered prices and effectively contained inflation expectations. Market interest rates remained at a low level due to the relaxed monetary conditions.

The outlook of the country's economy is expected to return to a high growth path in the medium term, provided appropriate policies are implemented for sustainable development.

### REVENUE AND PROFITS

The Group recorded Rs. 4.7b in the year 2015/16; the highest revenue recorded in its history. Despite the severe competition in the industry and the excess room stock in the market, Group revenue increased by 15.7% compared to the Group revenue in the previous financial year.

The post-tax profits of the Group improved significantly and stood at Rs. 500m in year 2015/16 indicating a growth of 123% compared to the year before.

The revenue of the Company for the year 2015/16 was Rs. 3b compared to Rs. 2.7b in the year before. The growth in Company revenue was 9.2% compared to the revenue in the year before. The post-tax profit of the Company for the year was 217m compared to previous year's Rs. 153m.

### GROSS PROFIT MARGIN

The gross profit margin of the Group increased to 60% compared to the gross margin of 56% reported in the year before. Gross profit margin of the Company stood at 61% of revenue as against previous years gross margin of 58%.

### EARNINGS BEFORE INTEREST AND TAX

The revenue growth together with continued operational improvements, strategic business initiatives and focus on management of operational costs resulted in the Group posting an EBIT of Rs. 643m in the year under review (FY 2014/15: Rs. 391m). The combined administrative and other operating expenses were Rs. 2.26b as against Rs. 1.96b in the previous year resulting in an increase of 15%. The increase in administrative expenses was mainly attributable to the increase in staff salaries and other benefits to staff and increased establishment costs arising from year on year inflationary effects.

### FINANCE EXPENSES

During the year under review finance expenses declined by 31% compared to the year before resulting from settlement of term loans, lower rates negotiated for the new borrowings and overall reduction in market interest rates. The Group as a whole repaid term loans amounting to Rs. 443m during the year as against the previous year's loan settlements of Rs. 392m.

The interest cover of the Group while being at very comfortable levels in past years, further improved to 7.4 times (FY 2014/15 - 3.1 times) due to the decrease in finance expenses.

### TAXATION

Group tax expenses increased to Rs. 57m compared to Rs. 42m in the previous year. The effective tax rate on the Group profits was 10% compared to 16% in the previous year.

### **RETURN ON CAPITAL EMPLOYED**

The return on capital employed for the Group was 11.2% (FY 2014/15 - 3.9%).

### **CAPITAL EXPENDITURE**

During the year total capital expenditure incurred by the Group amounted to Rs. 501m. This included investments totalling to Rs. 232m and Rs.174m made on revenue generating medical equipment and the car park project respectively. The total project cost of the multi-storied car park under construction is estimated at Rs. 578m. The project is expected to be completed in the last quarter of the financial year 2016/17.

### **CASH FLOW**

Net cash flow from operating activities at the Group increased from Rs. 527m in FY 2014/15 to Rs. 849m in the FY 2015/16 indicating a 61% growth. The operating cash flows were utilised partly to fund the Group investments in Property, Plant and Equipment (PPE) and other financial instruments. The cash invested in PPE and other financial instruments amounted to Rs. 501m and 118m respectively. Impact of the above two transactions resulted in cash flows used in investing activities to record an increase in the year under review from Rs. 234m to Rs. 590m.

Cash flows used in financing activities amounted to Rs. 144m as against Rs. 242m reported in the year before. The decline in cash used for financing activities were despite the re-payment of interest bearing loans which amounted to Rs. 444m during the year under review (FY 2015/16 - Rs. 392m) and the dividend distribution to the shareholders which amounted to Rs. 114m (FY 2014/15 – Rs. 87m) in the current year.

### **SHARE PRICE, NET ASSETS AND TOTAL EQUITY**

Basic earnings per share of the Group increased by 114% to reach Rs. 12.67 from Rs. 5.91 in the previous year. The Company's earnings per share increased to Rs. 6.41 from Rs 4.52 in the year before.

The share price of the Durdans fluctuated from a low of Rs. 85.00 to a high of Rs. 124.90, during the year for voting shares and a low of Rs. 62.00 to a high of Rs. 87.50 for non-voting shares.

The net assets value of the Company is the amount by which total assets exceeds total liabilities. This measure is used to assess the profitability, creditworthiness and solvency of the Company for any given date. During the past few years the Company has shown a consistent growth in the net assets per share. The net assets per share reported for the financial year 2015/16 was Rs. 81.16 as against Rs. 78.24 last year. The net assets per share reflected an 3.73% growth as at end March 2016 compared to the year before.

The Group's total equity increased from Rs. 3,140m to Rs. 3,496m by end of FY 2015/16.

## Board of Directors – Main Board

### **AJITH ERANDAN TUDAWE**

#### **Chairman**

Ajith Tudawe holds a Bachelor's degree in Accounting from the United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Association of Chartered Certified Accountants in the UK, Fellow of the CPA Australia and Fellow of the Chartered Institute of Marketing in the UK. He is also a past president of ACCA Sri Lanka. He has participated in Executive Education Programs and Professional Development Programs from the Universities in Australia, Singapore and in the United Kingdom. Ajith Tudawe is a Group Director of Tudawe Brothers (Pvt) Ltd, including all its Subsidiaries and Associate Companies.

### **UPUL DULIP TUDAWE**

#### **Director/Executive Vice President**

Upul Tudawe holds a BSc in Microbiology from Texas Tech University as well as a BSc in Medical Technology from the University of Texas Health Science Centre Houston, Texas, USA. He is a Member of the American Society of Clinical Pathology (ASCP) and also of the Australian Institute of Medical Scientists (AIMS). Upul Tudawe acts as a Group Director of Tudawe Brothers (Pvt) Ltd, including all its Subsidiaries and Associate Companies.

### **DR A D PREETHIRAJ ASOKA WIJEGOONWARDENE**

#### **Director / Senior Vice President – Medical**

Dr Preethi Wijegoonewardene has a MBBS from India, with a Postgraduate Diploma in Family Medicine from the Postgraduate Institute of Medicine (PGIM) – Colombo. He is a Fellow of the College of General Practitioners of Sri Lanka. He functioned as the President of the College of General Practitioners of Sri Lanka (2004 – 2007) and was the Past President of Sri Lanka Medical Association (SLMA) in 2002. He was elected as the Regional President of WONCA – MESAR (World Organisation for Family Doctors – ME/SA region) in July 2007. He was re-elected as the Regional President of WONCA-South Asia from May 2010 to 2013. He was awarded the Honorary Fellowship of the Royal College of General Practitioners of the UK in November 2008. He is the Patron of the South Asia Primary Care Research Network. Recently he was elected Chairman to the South Asia Board of the RCGP- International - S.A.

### **SATHIS PRITHIVIRAJ TUDAWE**

#### **Director / Senior Vice President- Administration**

Sathis Tudawe in his capacity as the Senior Vice President – Administration supervises the Technical and Maintenance aspects of the business. He chairs the Technical and Maintenance committees including the Hospital Safety and Preparedness Meeting.

In addition he also advises and guides the security and transport related operations. He is a Group Director of Tudawe Brothers (Pvt) Ltd., its Subsidiaries and Associate Companies and has over 40 years experience in the Construction Industry.

### **Y NIMAL RANJITH PIYASENA**

#### **Director**

Nimal Piyasena is the Managing Partner of Y R Piyasena & Company. He is also the Vice-Chairman of Hotel Star Dust in Pottuvil.

### **ASOKA SIRIWICKRAMA ABEYWARDENE**

#### **Director**

Asoka Abeyewardene is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Fellow of the Certified Management Accountants of Sri Lanka and a Fellow of the Institute of Directors UK. He is an Executive Director of Continental Insurance Lanka Ltd, wholly owned Subsidiary of Distilleries Company of Sri Lanka PLC. He is a former partner of KPMG Ford Rhodes Thornton & Co., Chartered Accountants. He is an Independent Director of Ceylon Hospitals PLC and is the Chairman of the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee of the Company. He serves as an Independent Director of J L Morrison Son & Jones (Ceylon) PLC and is the Chairman of the Audit Committee of that company.

### **SU-AYID MOHOMED ISMAIL**

#### **Director**

Su-Ayid M Ismail is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Chartered Management Accountants of UK and a Member of the Institute of Internal Auditors. He is a former Partner of Ernst & Young Chartered Accountants, Sri Lanka and has been the Director of Risk Management for the Heraymila Investments Group Dubai. He is the Founder/CEO of BAS Consultants (Private) Limited and has more than 30 years' experience in the fields of financial management, risk management, auditing and consulting and business advisory services. He currently provides consulting advisory services for SMEs and Family Businesses. He also serves as a Member of the Board of Directors of Amana Holdings (Private) Limited and serves in the capacity of the Group Finance Director and Group Chairman of the Board of Directors of Aberdeen Holdings (Private) Limited.

### **ASITE DRUPATH BANDARA TALWATTE**

#### **Director (w.e.f. 03.05.2016)**

Asite Talwatte is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He has a Postgraduate Diploma in Business and Financial Administration awarded by ICASL and the University of Wageningen, Holland and also holds a MBA from the University of Sri Jayawardenepura, Sri Lanka. Having served his articles at M N Sambamurti & Co., he joined Ernst & Young where he worked in assurance, business risk and advisory services for 37 years prior to his retirement in March 2016. At Ernst & Young he served as the Country Managing Partner for over 10 years.

Asite Talwatte was President of the ICASL in the years 2002 & 2003 and the CIMA in the years 1995 & 1996. As the President of ICASL he chaired several technical committees such as the Accounting Standards committee, Auditing Standards Committee and the Urgent Issues Task Force Committee to name a few. He has also co-chaired a committee on Corporate Governance set up jointly by ICASL and the Securities Exchange Commission in 2012 and currently chairs the committees reviewing the applicability of

Integrated Reporting in Sri Lanka and the Corporate Governance Code. He has served as a Non-Executive Director on Boards of listed companies, public companies and state owned enterprises.

He is presently the Chairman of Management Systems (Pvt) Limited (MSL).

## Board of Directors – Subsidiary Company

### DURDANS MEDICAL AND SURGICAL HOSPITAL (PVT) LTD

#### **AJITH ERANDAN TUDAWÉ**

**Chairman**

Refer page 46 for the profile

#### **UPUL DULIP TUDAWÉ**

**Director/Executive Vice President**

Refer page 46 for the profile

#### **DR A D PREETHIRAJ ASOKA WIJEGOONWARDENE**

**Director / Senior Vice President – Medical**

Refer page 46 for the profile

#### **SATHIS PRITHIVIRAJ TUDAWÉ**

**Director / Senior Vice President- Administration**

Refer page 46 for the profile

#### **Y NIMAL RANJITH PIYASENA**

**Director**

Refer page 46 for the profile

#### **ASOKA SIRIWICKRAMA ABYEWARDENE**

**Director**

Refer page 46 for the profile

#### **SU-AYID MOHOMED ISMAIL**

**Director**

Refer page 47 for the profile

#### **MERRILL JOSEPH FERNANDO**

**Director**

Founder of Dilmah, Merrill J Fernando has been a member of the Board since 2008.

Merrill J Fernando launched his Dilmah branded Tea and has taken the brand to over 100 countries around the world. Having established the brand on the unique philosophy of making business a matter of human service, the Merrill J Fernando's 'MJF Charitable Foundation' and 'Dilmah Conservation' fulfill this pledge by diverting a minimum of 10% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.

In recognition of the commitment to his exemplary philosophy of making Business a matter of Human Service, Merrill J Fernando was bestowed with the prestigious Business for Peace Award in Oslo in 2015 by the Nobel Peace Laureates Committee.

#### **DILHAN FERNANDO**

**Director**

Dilhan Fernando; a MJF Group Director has been a director of the Durdans Medical and Surgical Hospital (Pvt) Ltd since 2014.

In addition to his responsibilities at Dilmah as a Director, Dilhan Fernando also manages the humanitarian and environmental outcomes of Dilmah. Dilhan Fernando currently chairs the Business and Biodiversity Platform which was pioneered by Dilmah Conservation together with the Ceylon Chamber of Commerce and International Union for Conservation of Nature (IUCN).

#### **PROF JANAKA DE SILVA**

**Director**

Prof Janaka de Silva MD, DPhil (Oxon.), FRCP, FCCP, FNAS (SL), Hon. FRACP, is Senior Professor and Chair of Medicine, University of Kelaniya and Consultant Physician, Colombo North Teaching Hospital. Prof. de Silva was educated at Royal College, Colombo and the Universities of Colombo and Oxford and is a recipient of the titular national honour 'Vidyajyothi' the highest award for scientific achievement in Sri Lanka. He is also currently the Director of the Postgraduate Institute of Medicine, University of Colombo and Chairman of the National Research Council of Sri Lanka.

#### **DR BANDULA WIJESIRIWARDENA**

**Director**

Dr Bandula Wijesiriwardena was appointed to the Board of Durdans Medical & Surgical Hospital (Pvt) Ltd in 2015.

A Consultant Physician by profession, Dr Wijesiriwardena is a holder of MBBS (Colombo), MD (Colombo) and MRCP (UK). He has served the Government Healthcare Services for more than 33 years before joining the private sector healthcare to work on full time basis. In his career as a Consultant Physician he has held several positions at the PGIM; chief examiner for MD (Medicine), Chairman, MCQ core group, member AAAED (Academic Affairs, Accreditation, Examinations and Discipline) Committee. He was also the President of the Ceylon College of Physicians in 2005.

Having an active academic career while practicing as a Consultant Physician, Dr Wijesiriwardena has many publications to his credit in both national and international peer reviewed journals. Dr Wijesiriwardena won the Presidential Award for his clinical research in 2000 and has also been recognised for his contribution to the field of medicine by being awarded with Honorary Fellowships by The Royal Australian College of Physicians and Colleges of Medicine of South Africa. He is also a Fellow of the American College of Physicians and the Ceylon College of Physicians. Dr Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College of Physicians the use of which became islandwide with the subsequent involvement of the Ministry of Health.

**ASITE DRUPATH BANDARA TALWATTE**

**Director**

Refer page 47 for the profile

## Board of Directors – Subsidiary Company

### DURDANS HEART CENTRE (PVT) LTD

#### **AJITH ERANDAN TUDAWE**

##### **Chairman**

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#### **UPUL DULIP TUDAWE**

##### **Director/Executive Vice President**

Refer page 46 for the profile

#### **DR A D PREETHIRAJ ASOKA WIJEGOONEWARDENE**

##### **Director / Senior Vice President – Medical**

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#### **SATHIS PRITHIVIRAJ TUDAWE**

##### **Director / Senior Vice President- Administration**

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#### **Y NIMAL RANJITH PIYASENA**

##### **Director**

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#### **DR R CHANDRAWANSE RAJAPAKSE**

##### **Director**

Dr R C Rajapakse is an experienced Senior Medical Administrator who has managed tertiary care hospitals both in the government and private sector. He was once the Director Government Hospital Kurunegala and the Director Teaching Hospital Kandy. While at Kandy he was requested to take over the new Sri Jayawardenepura Teaching Hospital (SJTH) as its first Director. After 6 years of service at SJTH, The Republic of Seychelles offered Dr Rajapakse the post of Director General, Hospital Services where he worked for 2 years. On his return to Sri Lanka he joined Durdans Hospital Group as the Medical Administrator and was later promoted to the post of Director Medical Administrator.

Dr Rajapakse was an officer of the Sri Lanka Army Medical Corps {Vol} and was its Commanding Officer from 1989-91.

#### **DR A NEVILLE DHARMAWANSA**

##### **Director**

Dr A N Dharmawansa is a MBBS holder from the University of Ceylon, and also holds a Postgraduate Qualification from the UK. He is a Fellow of the Royal College of Physicians England. Presently he is a practicing Physician in the private healthcare sector in Sri Lanka.

#### **SUMITH ARANGALA**

##### **Director**

Sumith Arangala is the Chief Executive Officer of Lanka Ventures PLC (LVL) and had held this position since 2002. LVL is a leading venture capital company in Sri Lanka and is a listed company on the Colombo Stock Exchange. He represents LVL, on the boards of all of its investee companies. Prior to joining LVL he worked at the Capital Development and Investment Company, the pioneer venture capital company in Sri Lanka for over 14 years and at the time of leaving the company held the position of Assistant General Manager. He commands considerable knowledge and experience in investing in private equity, venture capital and capital markets being associated with the industry for 30 years.

He is a Bachelor of Engineering of the Royal Melbourne Institute of Technology (RMIT), Melbourne, Australia and holds a Graduate Diploma in Quality Technology from the same institute. He is also a Graduate member of the Institute of Engineers, Australia.

# Senior Management Team

## **DR WIMAL KARANDAGODA**

### **Chief Operating Officer/Director Medical Services**

Dr Wimal Karandagoda joined Durdans Group of Hospitals in January 2016.

Having obtained his MBBS in 1981 from the Medical School of the University of Peradeniya and Master of Medical Administration in 1996 from The Post Graduate Institute of Medicine University of Colombo, he counts over thirty years of experience as a Medical Officer and a Senior Medical Administrator in the Ministry of Health Sri Lanka working as Directors of Teaching Hospitals, Regional & Provincial Director of Health Services and Director (Policy Analysis & Development) Ministry of Health. Prior to joining Durdans Dr Karandagoda worked as the Director Medical Services of Lanka Hospitals PLC.

Dr Karandagoda is a scholar of the Health Services Management Centre of the University of Birmingham United Kingdom and is also trained as a Productivity Specialist by the Asian Productivity Organization in Manila, Philippines and Malaysia. Implementing the Japanese Management Practices and Kaizen Approach in the Castle Street Hospital for Women (Teaching) in Sri Lanka, Dr Karandagoda is known to the world for the systems approach for Total Quality Management. His pioneering efforts resulted in Castle Street Hospital for Women receiving the Best 5S implementation award in 2001 and the National Productivity Gold Award in 2003.

With the knowledge, experience and accolades earned over the years by successfully implementing the TQM approach to organisations especially to the Health Sector, Dr Karandagoda imparts his knowledge on Quality Management practices as a visiting lecture to some of the Medical Schools of Universities of Sri Lanka, National Productivity Secretariat and to the Directorate of Quality & Safety of the Ministry of Health.

## **JAYANTHA PATHIRATNE**

### **Senior Manager – Risk, Safety & Security**

Jayantha Pathiratne joined Durdans Hospital in 2004 as the Human Resources Manager. He is a Fellow Member of the Institute of Personnel Management, Sri Lanka and also was a Council Member of the Institute. He has been functioning as a member of the Wages Board for the Nursing Homes Trade since 2006. He is an alumni of INSEAD and the recipient of the HR Leadership Award for 2010-11 at the Global HR Excellence Awards held in Mumbai. He holds a Bachelor's Degree in Management Studies (HRM) with 2nd Class Upper from the Open University of Sri Lanka, M.Sc in Defence and Strategic Studies with 2nd Class Upper from the University of Madras and a MBA from the Indira Gandhi National Open University in India. He received his PhD from the University of Colombo in 2015. He relinquished the duties of Human Resources Manager on 31st December 2015 and continued to discharge duties as Senior Manager – Risk, Safety and Security addressing strategic aspects of risk, safety and security in the hospital group.

## **MAHANIL PERERA**

### **Head of Laboratory Operations**

Mahanil Perera joined Durdans Hospital Group in 2011 as an Assistant Marketing Manager and was promoted to the Senior Management team. He has over 25 years of hands - on experience in management. He holds a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing and is a Life Member of the Institute. He is the Senior Manager responsible for the Durdans laboratory services.

## **AMINDA TUDAWÉ**

### **Head of Supply Chain**

Aminda Tudawe joined Durdans Hospital in 2011 as a Management Executive after completing his BSc (Hons) degree in Business Management from the University of Wales UK. He is presently serving as the Head of Supply Chain with the mandate to enhance the equity of the corporate brand whilst being responsible for creating a world-class customer service experience throughout the organisation. He is directly in charge of all the critical business functions covering the supply chain and has been responsible for driving efficiency and effectiveness whilst maintaining integrity and ethical practices.

## Senior Management Team

### **DR JITHENDRI PERERA**

#### **Manager Medical Services**

Dr Jithendri Perera took responsibility as the Deputy Manager Medical Services in November 2012. She is an MBBS Graduate from Rajiv Gandhi University in Bangalore, India. Post qualifying, experience was gained at two hospitals in India and subsequently in Sri Lanka as an Intern at the Negombo Base Hospital. She joined Durdans in November 2006 and has acquired knowledge on the operations across the group. Currently in her capacity as the Manager Medical Services her responsibilities support all the functions under the medical services. She was the Senior Manager in charge of the Quality Assurance Department that co-ordinated both clinical and non-clinical activities to achieve the Joint Commission International (JCI) accreditation for Durdans Hospital.

### **ANAGI KARUNASENA**

#### **Chief Financial Officer**

Anagi Karunasena is a graduate in Management Studies from the University of Sri Jayewardenepura, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a member of the Certified Public Accountants of Australia. She has over 15 years of post-qualifying experience in the fields of accounting, finance and banking. Her career spans numerous fields of businesses which includes audit and advisory services, manufacturing, construction, infrastructure development, hotel and hospitality, printing, venture capital financing, development and commercial banking to name a few.

She also holds a Master's Degree in Business Administration from the Post Graduate Institute of Management of Sri Lanka and is also an Associate Member of the Institute of Bankers of Sri Lanka.

### **OMAL R KALUARACHCHI**

#### **Head of Human Resources**

Omal Kaluarachchi joined Durdans in January 2016 as the Head of Human Resources. Prior to joining Durdans Mr Kaluarachchi served as the Manager Human Resources at Lanka Hospitals PLC. Mr Kaluarachchi has also served as the Business Excellence Champion at Taj Lanka Hotels, attached to Taj Samudra Hotel overlooking Business Excellence of the Hotel. He also possess experience heading Human Resources in numerous industries and in different markets. Mr Kaluarachchi is a professional in the Hospitality and Service Sector with a Master's Degree in Business Administration from Sikkim Manipal University of India. At Durdans, apart from Human Resource Management his responsibilities spans to areas such as Customer Care & Service Quality Assurance, Security and Fire Safety.



# A matter of Trust

Trusted by communities  
whose lives we have changed

**Sustainability &  
Governance Reports**

# Sustainability Report



At Durdans, we recognise a profound sense of responsibility to contribute in every possible way to the health and well-being of the customers we serve, not only through providing the best quality healthcare, but also by engaging in sound environmental business practices and programs.



**... we have embarked on a journey to weave sustainability and social responsibility further into the fabric of the healthcare sector.**

## OUR MISSION

At Durdans, we recognise a profound sense of responsibility to contribute in every possible way to the health and well-being of the customers we serve, not only through providing the best quality healthcare, but also by engaging in sound environmental business practices and programs.

As an integral part of our mission, we have embarked on a journey to weave sustainability and social responsibility further into the fabric of the healthcare sector. For us, the essence of tertiary healthcare is underpinned by commitment to a strong environmental stewardship and social agenda, because it is the right thing to do and promotes good health and well-being of the public.

As a company, we always avoid contributing to the environmental hazards that are causing health problems in our communities we work to increase good health, economic and social equality to help people live healthy lives. To steer this activity within the healthcare industry, a Sustainability



Purchasing more environmentally sustainable foods and strives to serve healthier meals and beverages to patients, employees and visitors.



we create a safer healing environment for patients, employees and visitors



and Social Responsibility Team has been established. Made up of the Senior Management and a cross section of identified leaders within the company, the Team has begun to create comprehensive, holistic goals and practices that reach across the healthcare industry and help to shape the way we do business.

### **OUR SERVICES**

Being a socially responsible corporate citizen, we conduct our business on the “triple bottom line” method of taking into consideration “the totality of an organisation’s financial, social, and environmental performance”. It is also referred to as “corporate citizenship” which essentially means that a company should be a “good neighbour” within its host communities promoting stewardship of the environment and quality of life. As a leading privately owned tertiary healthcare institution, Durdans has the ability and responsibility to use its influence to further promote socially and environmentally conscious objectives.

According to various Environmental Protection Organisations, healthcare buildings account for a large percentage of all commercial energy consumption. Healthcare facilities rank as the second most energy intensive commercial users, following the Food service and Hospitality industry. Hospitals are also often the



**Durdans has also made significant donations to many not for profit healthcare institutions owned privately, to the Government and other related organisations.**

largest water consumers in a community. Hospitals in general that have more than 200 beds produce more than 5.9 million tons of waste annually around the world, according to a study by the UN.

### **GOALS**

Durdans has made noteworthy strides in its green practices - recycling materials and construction debris, reducing our energy and water use and investing in sustainable technologies in heating, cooling and lighting. However, we recognize that sustainability is more than just green practices - it involves sustaining the communities in which we work and live. For example, Durdans has also made significant donations to many not for profit healthcare institutions owned privately, to the Government and other related organisations.

## Sustainability Report



To guide our continued work in sustainability and social responsibility, we have created the following set of goals:

- Lessen the use of natural resources and protect and enhance the environment that we operate in.
- Reflect and support the diversity of the communities in which we live and work.
- Uphold the rights of all people to live healthy lives by increasing health, economic and social equality.
- Harness the energy and commitment of the Durdans employees by engaging them in various related initiatives to help build a culture of sustainability and social responsibility.
- Reduce our carbon footprint.

### SETTING THE STANDARD FOR SUSTAINABILITY IN HEALTHCARE

Durdans is dedicated to achieving healthier operations and reducing its carbon footprint. We achieve our carbon-reduction goals through:

- Focusing on “green” facilities
- Reducing the use of natural resources
- Seeking sustainable building materials and designs
- Reducing waste and encouraging recycling



## Durdans serves as a model of good behavior by protecting and enhancing the sustainability of our communities...

- Streamlining transportation and distribution channels to reduce motor vehicle pollution
- Purchasing environment friendly products
- Developing an efficient IT infrastructure
- Green energy and water usage

### GREEN CERTIFIED BUILDINGS

Durdans is committed to pursuing the Green Building concept in its new building constructions and major renovations, and seeks innovation in sustainable design, green building materials and energy efficient systems.

### WASTE MANAGEMENT: REDUCTION AND RECYCLING

As part of its sustainability and social responsibility in healthcare initiative, Durdans has installed waste separation and recycling bins in all areas of the hospital and plans to advance the work done with staff at each facility on major waste reduction and recycling initiatives. The proper sorting of waste, recycling and



**We engage with various community partners in coalitions to help reduce the underlying environmental and social causes**

hazardous materials is paramount to our efforts to reduce our overall consumption, particularly of single-use items.

**RECYCLING**

Durdans has instituted a major recycling program across the Hospital. Recycling containers are to be placed in strategic locations at the hospital and off-site locations. Durdans is also currently diverting a large percent of the construction and demolition debris from its new construction sites to landfills.

**SUSTAINABILITY IN TRANSPORTATION AND DISTRIBUTION**

A key contributor to the Health Sector’s carbon footprint is motor vehicle pollution - trips to and from our facilities by our patients, employees and visitors, transportation and distribution of goods and operation of our ambulance fleet. Given the serious effects of direct and indirect vehicle use on air quality, the environment, energy consumption and travel safety in our communities,

Durdans is committed to finding an effective path to reduce both vehicle miles travelled and the resulting pollution.

**A STREAMLINED DISTRIBUTION CENTRE**

Durdans has a central point to streamline medical / surgical / non - medical supply distribution. The manufacturers deliver most of the products used by the hospital. Reusable totes of supplies are then distributed to each nursing unit or other relevant area. With this facility, manufacturers have one delivery point, which reduces energy consumption and vehicle miles travelled. It also allows the Company to have direct control of recycling of the corrugated cardboard resulting from the deliveries, to ensure higher recycling and waste management rates.

**SAFER HEALING ENVIRONMENT**

As a responsible Hospital, we seek to create a safer healing environment for patients, employees and visitors, which is free from hazards posed by chemicals that are toxic, irritating or

## Sustainability Report



**We want to help build commitment to the values of environmental stewardship, inclusion and volunteerism so that our employees can become advocates for change in their own families and communities.**

noxious. Durdans intends to reduce or discontinue the purchase of environmentally hazardous or otherwise undesirable chemicals through the purchasing of environmentally friendly products.

The Hospital's Environmental Services Department (House Keeping) has switched to "Green certified" cleaning products. Green certification is given to products and services that comply with "a rigorous set of criteria designed to achieve leadership levels in sustainability." When a stronger cleaning agent is required to kill specific bacteria and germs, House Keeping has implemented a safety program to ensure minimal impact on people and the environment, monitored through the Infection Control and Quality Assurance Divisions. Solvents used in Durdans laboratories are also properly disposed of in compliance with Waste Disposal Standards.

### **EFFICIENT IT INFRASTRUCTURE**

The smooth operation of our Hospital and the delivery of quality care rely on a vast and efficient IT infrastructure. Running this network requires a significant amount of energy and materials, and Durdans is committed to reducing its impact from these activities. Our IT Team is also committed to bringing technological solutions to the challenges faced across the Hospital in implementing its comprehensive sustainability efforts.

### **HEALTHIER FOOD CHOICES**

The food we eat is critical to our collective health. The Sri Lankan Food Safety Regulatory Authority's current methods specified on food production, processing, packaging and distribution has had significantly positive effects on public health, chronic disease prevention and the environment. Durdans is committed to helping the Sri Lankan Government move towards a more equitable and sustainable food safety standard. The hospital has begun purchasing more environmentally sustainable foods and strives to serve healthier meals and beverages to patients, employees and visitors.

### **HELPING THE COMMUNITY**

As a responsible institution, Durdans serves as a model of good behaviour by protecting and enhancing the sustainability of our communities, locally, regionally and globally. We engage with various community partners in coalitions to help reduce the underlying environmental and social causes of unemployment and leverage our resources to address these issues to create systemic change.

### **DISASTER PREPAREDNESS**

Durdans employees and clinicians are continuously trained to display extraordinary teamwork and emergency preparedness. They continue to care for patients whether it is a natural disaster, terrorist attack or pandemic. Durdans consistently drills its employees through multiple emergency scenarios so that it can partner with the community when help is needed most.



### **ADVOCACY**

At Durdans, we recognise the unique position we are in as one of the largest providers of healthcare in the country that allows us to partner with local legislators, policy makers and community groups to influence the ever-changing landscape of healthcare. Our work in the advocacy/policy arena ranges from healthcare reform at national level to community and economic revitalisation and policy development at a local level. To pursue these goals, Durdans is represented at various levels of numerous local organisations including Government regulatory bodies and The Private Hospital Association, among others.

### **SUSTAINABILITY IN THE WORKPLACE**

We want to help build commitment to the values of environmental stewardship, inclusion and volunteerism so that our employees can become advocates for change in their own families and communities. It will help us retain the best staff and provide the best care for our patients.

### **DIVERSITY AND INCLUSION**

Recognizing the importance of being sensitive to the different needs and expectations of the communities it serves, Durdans is enhancing its diversity awareness, inclusion and health literacy



efforts to ensure that ethnicity, religion and language are not deterring patrons from accessing healthcare services eg: Parent Crafting Programs in all 03 languages.

### **HUMAN RESOURCES GOING PAPERLESS**

The commitment of Durdans to enhancing technology and productivity has spread to Human Resources with the introduction of employee self-service (Kiosk), a new technology that has helped shift Durdans away from relying on paper processes to serve employees' needs better. It eliminated considerable amount of paper files including printed leave applications. Additional Human Resource processes will also go paperless over the next few years, not only saving trees, but also improving customer service and operating efficiencies. Our paperless approach will make things much easier for employees and dramatically change the way we do business internally.

## Corporate Governance

At Durdans we believe in building an exemplary Corporate Governance model which enables us to create value, provide accountability and control systems commensurate with the risk involved. Corporate Governance is the key element in improving organisational performance and sustainability as well as enhancing stakeholder confidence.

### THE COMPOSITION OF THE BOARD

There are 8 Directors on the Board. Two out of eight are Executive Directors. Therefore the number of Executive Directors does not exceed one third of the total number of Directors on the Board.

The profiles of all Directors including Non-Executive Directors are found on pages 46 and 47.

### THE CHAIRMAN

The Chairman is primarily responsible for drawing up and approving the agenda for each Board Meeting while taking into account where appropriate any matters proposed by the other Directors. The Chairman ensures that Directors are properly briefed on issues arising at Board Meetings and he also ensures that Directors receive adequate information in a timely manner. The Chairman encourages all Directors to actively contribute to Board affairs and take the lead to ensure that the Board acts in the best interest of the Company.

### RESPONSIBILITIES OF THE BOARD

The Board strengthen the safety and soundness of the Company by approving, overseeing and monitoring the execution of the overall business strategy, strategic objectives, corporate values and policies. Board Meetings are held quarterly to review the performance of the Company and its subsidiaries and other relevant matters reported to the Board by the Heads of the respective divisions. Directors do not participate in making decisions on matters in which they have a conflict of interest with the Company.

### EFFECTIVENESS OF THE BOARD

The Board safeguards the effectiveness of the business and comprises of members representing the key management disciplines - Medical Services, Finance, Human Resources, Marketing and Supply Chain thereby effectively and efficiently contributing to the betterment of the organisation and maintaining a macro perspective of the ongoing operations.

The Board has introduced systems and controls to facilitate the effective discharge of Board functions. Pre-set agenda of meetings ensure the direction and control of the Company is firmly under Board's control and authority.

### COMMITTEES UNDER THE PURVIEW OF THE BOARD

#### (a) Remuneration Committee

This Committee consists of two independent Non-Executive Directors. Mr A S Abeyewardene acts as the Chairman of the Committee while Mr Y N R Piyasena occupies the other position of the Committee. The Chairman of the Company is an observer at the Committee.

The Finance Management Consultant joins the Committee by invitation when compensation packages are being reviewed. The Committee meets twice a year to review the policy framework related to the remuneration of the Senior Management Team, Executive Directors and the Chairman. The key focus of the Committee is to ensure that high performers are recognised and rewarded.

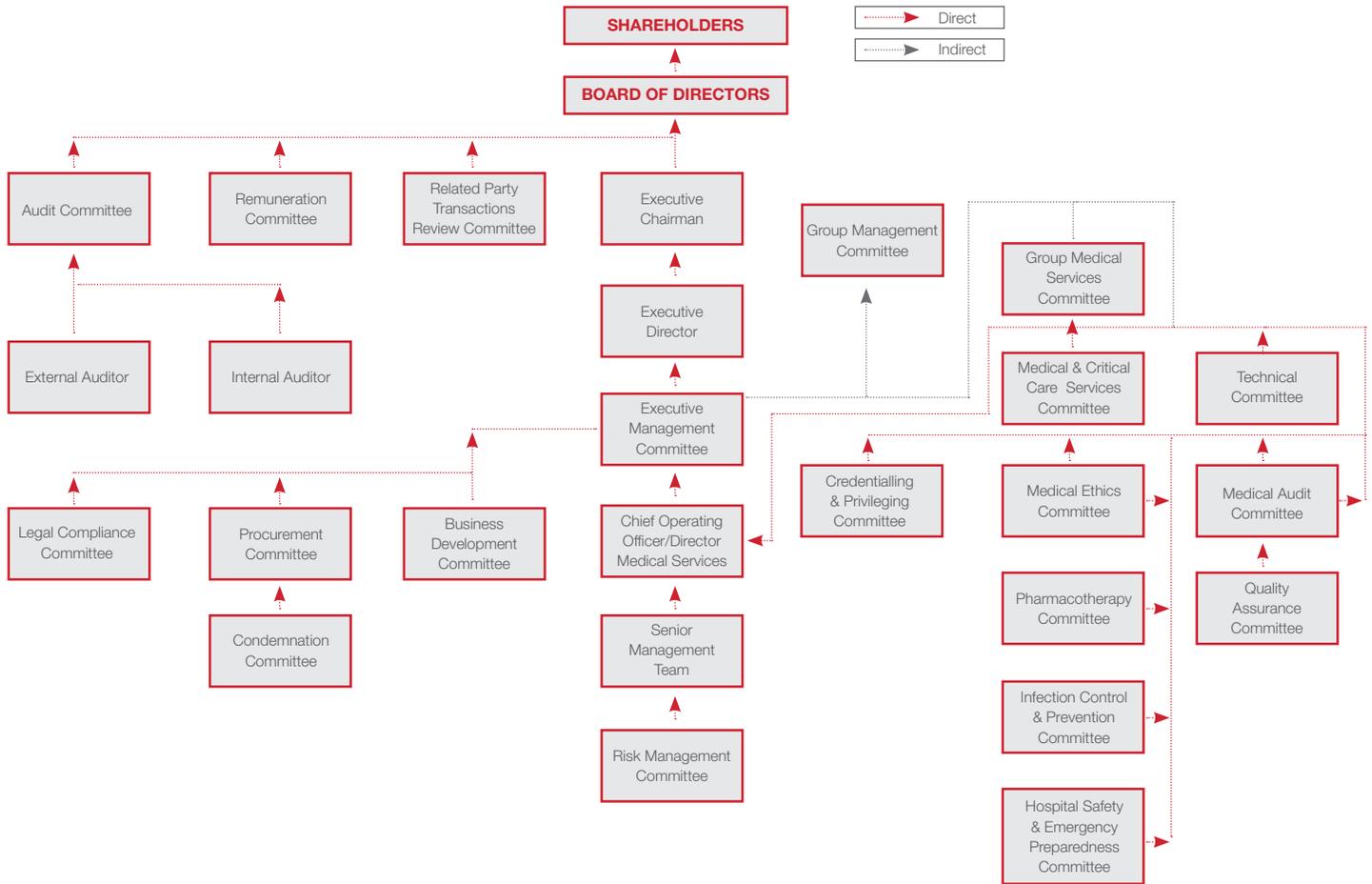
#### (b) Audit Committee

The Audit Committee assists the Board of Directors to effectively carry out its supervisory oversight responsibilities on accounting and financial reporting processes and the audit of the financial statements of the Company.

The Committee is empowered to examine any matter relating to financial and other related affairs of the Company, ensure that efficient and sound financial reporting systems are in place and well managed in order to provide accurate, appropriate and timely information to the Board of Directors, Regulatory Authorities, the Management and other stakeholders. The Committee is also responsible for evaluating and monitoring independently the performance of the External Audit and the Internal Audit function of the Company. It is also the responsibility of this committee to determine the appointment, evaluation, terms of engagement and fees of the Auditors.

The Audit Committee comprise of four Non-Executive Directors namely Mr A S Abeyewardene; Chartered Accountant (Chairman of the Committee), Mr A S M Ismail; Chartered Accountant, Mr Y N R Piyasena and Mr A Talwate; Chartered Accountant (appointed w.e.f. 03rd May 2016).

## ENTERPRISE GOVERNANCE FRAMEWORK AT DURDANS



### (c) Related Party Transaction Review Committee

This Board sub-committee was set up in February 2016 in conformance with the CSE circular no. 09/2015. The primary duty of this committee is to review all related party transactions entered into by the Company. The Committee meets once every quarter and consist of three Directors all of whom are Non-Executive, Independent Directors to the Board. The Committee is chaired by Mr A S Abeyewardene an Independent Non-Executive Director.

### (d) Group Management Committee (GMC)

The Group Management Committee assumes overall responsibility for all strategic and operational functions and is only preceded by the Board. The Committee comprises of the Chairman, Executive Vice President, Senior Vice President Administration, Senior Vice President Medical, Chief Operating Officer & Director Medical

Services, Manager Medical Services, Head of Human Resources, Head of Marketing, Head of Laboratory Services, Head of Supply Chain and Chief Financial Officer.

The GMC acts as the intermediary body to validate strategic decisions that need to be made by the Executive Management Committee. The GMC may seek Board approval where necessary on matters related to macro implications.

### (e) Executive Management Committee (EMC)

The Executive Management Committee comprises of the Chairman, Executive Vice President, Chief Operating Officer & Director Medical Services, Manager Medical Services, Head of Human Resources, Head of Marketing, Head of Laboratory Services, Head of Supply Chain and Chief Financial Officer.

## Corporate Governance

This Committee meets weekly and discusses matters requiring collective effort to streamline operational issues.

### (f) Medical Services Committee (MSC)

This Committee is chaired by the Chief Operating Officer & Director Medical Services. The other members of the Committee are Manager Medical Services, Chief Nursing Officer, Resident Consultants and the Senior Medical Officers. The Head of Human Resources attends the meeting on invitation when there are Human Resource specific issues to be sorted out.

The Committee meets once a month or as and when required to address the issues pertaining to the medical management of the entire hospital. The Committee also addresses the aspects of Continuous Professional Development (CPD) and Continuous Medical Education (CME) programs of doctors and nurses. With effect from January 2016 the Critical Care Committee (CCC) has been amalgamated with the MSC for operational efficiency. Under critical care all pertinent issues related to the Critical Care Units and issues related to Infection Control throughout the organisation is taken in for discussion. The MSC observations are reported to the GMC.

As an extension to the MSC, once in every two months a Group Medical Services Committee (GMSC) is convened which is chaired by Director/Senior Vice President Medical Services to address issues requiring attention.

### (g) Procurement Committee

The Committee meets monthly and is chaired by the Chairman and comprises of the Executive Vice President, Chief Operating Officer & Director Medical Services, Manager Medical Services, Head of Supply Chain, Head of Marketing, Head of Laboratory Services, Head of Human Resources and Chief Financial Officer.

This Committee is set up to ensure procurement controls and efficiencies of all purchases within the Healthcare Group. The team is required to deliver operational efficiencies and display transparency and best practices in the procurement procedures. With effect from January 2016, the Condemnation Committee operates as a sub-committee of the Procurement Committee. The Condemnation Committee is chaired by the Chief Operating Officer & Director Medical Services. The key function of this Committee is to streamline the condemnation process and to ensure that ethical

and safe measures are adopted by the Company in disposing of condemned items.

### (h) Credentialing and Privileging Committee (C & PC)

Having achieved recognition for quality care and patient safety from the Joint Commission International (JCI), the Company continues to improve and upgrade the quality standards of its operations. In doing so it is required that the Company match the skill set of the medical professionals involved in their respective disciplines to make the Company's business operations more meaningful. Thus the objective of this Committee is to screen all specialist consultants and medical officers, allied medical and nursing staff providing their services to the hospital to ensure their credentials are on par with the services undertaken.

This Committee comprises of the Consultant Microbiologist, Senior Vice President Medical Services, Chief Operating Officer & Director Medical Services, Manager Medical Services and other competent team members who are capable and experienced to carry out their duties in the Committee.

### (i) Quality Assurance Committee

The Committee which meets every fortnight is chaired by the Chief Operating Officer & Director Medical Services. This Committee has the mandate to ensure that all quality parameters identified in the Standard Operating Procedures (SOPs') is assessed against the established Key Performance Indicators (KPIs') and early attention is given to any deviations. The processes are aligned to the organisationwide quality drive that has been benchmarked against world class standards.

As a sub-committee to the above the Medical Audit Committee functions independently to monitor, review and report to the Chairman of the Company on clinical governance and where appropriate, to facilitate and support through its independence the attainment of effective processes and clinical care protocols. The Committee is chaired by the Chief Operating Officer & Director Medical Services.

### (j) Infection Control and Prevention Committee

This committee is chaired by the Consultant Microbiologist and comprises of the Executive Vice President, Director/Senior Vice President Medical, Chief Operating Officer & Director Medical Services, Manager Medical Services, Chief Nursing Officer, all

Resident Consultants. The Committee which meets once a month establishes the scope of the functional and critical measurements that needs tracking on a routine basis. The key objective of the Committee is to ensure that all parameters are kept within the acceptable norms required in accordance to international benchmarks.

**(k) Hospital Safety and Emergency Preparedness Committee**

This Committee has the mandate to provide safe and secure environment to both patients and staff in the hospital. The Committee is headed by the Director/Senior Vice President Administration and meets quarterly. Other members to the committee are departmental heads who are involved in the functioning of the committee.

**(l) Medical Ethics Committee**

This Committee is responsible to facilitate good governance and ethical practices in the organisation by being an advisory body to the management. The Committee comprise of Director/Senior Vice President Medical, Chief Operating Officer & Director Medical Services, Manager Medical Services, Consultant Physician, Chief Nursing Officer and others representing the medical and nursing profession of the organisation along with external support from a member of the public. The Committee meets quarterly.

**(m) Pharmacotherapy Committee**

The Committee works with the objective of streamlining the systems and processes related to all pharmacotherapy issues across the organisation including setting up the best practices and regular audits to ensure adherence to set processes. The Committee is chaired by the Director/Senior Vice President Medical and is held quarterly.

**(n) Accountability and Audit**

The Board has taken necessary steps to ensure the integrity of the accounting and financial reporting systems of the Company by carrying out periodic review of internal control processes. In this regard the Board has employed a Senior Chartered Accountant to provide the required knowledge and guidance on finance matters to ensure the financial and operational controls, ethical conduct and compliance with legal and regulatory requirements at all times.

In light of the above, the Company wishes to inform you that it has complied with the mandatory disclosure requirements of Corporate Governance for Listed Companies in Sri Lanka issued by the Colombo Stock Exchange (CSE) as set out below.

## Corporate Governance

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	Two or one of the total number of Directors whichever is higher should be Non-Executive	Compliant	Six out of Eight Directors are Non-Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be independent	Compliant	Four of the Six Non-Executive Directors are independent
7.10.2(b)	Non-Executive Directors	Each Non-Executive Director should submit a declaration of independence / non-independence	Compliant	All Non-Executive Directors have submitted the declaration in the prescribed format
7.10.3(a)	Disclosures relating to Directors	The names of the Directors who determined to be independent will be set out in the Annual Report	Compliant	
7.10.3(b)	Disclosures relating to Directors	A determination has to be made by the Board as the independence or the non-independence of Non-Executive Directors	Compliant	
7.10.3(c)	Disclosures relating to Directors	Brief resume of each independent Director should be disclosed in the Annual Report	Compliant	Pages 46 to 47 to the Annual Report
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Page 60 to the Annual Report
7.10.5(a)	Remuneration Committee Composition	i) Remuneration Committee shall comprise of a minimum of two independent Non-Executive Directors or a majority of independent Non-Executive Directors whichever is higher	Compliant	The Remuneration Committee comprise of two independent Non-Executive Directors
		ii) Non-Executive Director shall be appointed as Chairman of the Committee by the Board	Compliant	Mr. A S Abeyewardene, Independent Non-Executive Director functions as the Chairman of the Committee
7.10.5(b)	Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Page 60 to this Annual Report
7.10.5(c)	Remuneration Committee	The Annual Report shall set out;	Compliant	Page 60 to the Annual Report
		i) Names of Directors comprising the Remuneration Committee		
		ii) Statement of Remuneration Policy	Compliant	Page 60 to the Annual Report under Remuneration Committee
		iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Page 60 to the Annual Report

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.6	Audit Committee	A Listed Company shall have an Audit Committee	Compliant	Refer Audit Committee Report on Page 77
7.10.6(a)	Audit Committee	i) The Audit Committee shall comprise of two independent Non-Executive Directors or a majority of independent Non-Executive Directors whichever is higher	Compliant	Audit Committee comprise of four independent Non-Executive Directors
		ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	The Chairman and the Chief Financial Officer of the Company attends on invitation
		iii) One Non-Executive Director who is a member of a professional accounting body shall be appointed as Chairman of the Audit Committee by the Board	Compliant	Mr A S Abeyewardene functions as the Chairman of the Audit Committee
7.10.6(b)	Audit Committee	Audit Committee shall have functions as set out in section 7.10.6 of the listing rules	Compliant	Refer Audit Committee report on Page 77
7.10.6(c)	Audit Committee	The Annual Report shall;		
		i) Set out the names of Directors that comprises the Audit Committee	Compliant	Refer Page 77 to this Annual Report
		ii) Make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer Page 77 to this Annual Report
		iii) Contain a Report of the Audit Committee setting out the manner of Compliance of the functions	Compliant	Refer Page 77 to this Annual Report

# Enterprise Risk Management

As a Group Durdans is committed to effective risk management as it believes that management of business risk is crucial to its continued growth and success. The risk management strategy of Durdans is therefore to enhance the organisation’s value and to achieve objectives through risk adjusted business decisions.

## RISK MANAGEMENT PROCESS AT DURDANS

The Company follows a risk treatment process of mitigation, minimisation, acceptance and/or transfer of risk and accordingly implements operational and management controls and establishes mitigation plans which are regularly verified through independent internal audit. Specific mitigation mechanisms such as business continuity plans, disaster recovery plans and insurance to cover residual non-systematic risks are also employed.

The management holds the full responsibility in applying an effective Risk Management Strategy in the Company. The identified risks and suggested methodologies to manage the risks are reported to the Group Management Committee and the Group Management

Committee reviews the effectiveness of action plans and monitors implementation thereafter.

As an integral part of risk management the Audit Committee overlooks the adequacy and the efficiency of internal controls across the Group through internal audit reports and compliance statements.

The impact of the event is estimated by ascertaining the possible loss that would be incurred by the Company in the event the risk occurs. A five point ranking is used to assess the gravity; very high, high, moderate, minor and insignificant.

The likelihood of occurrence is also categorised in a similar manner; rare, unlikely, possible, likely and almost certain. The probability of occurrence is assigned using the extensive experience the team has in the business. The risks are further classified on dual parameters of the likelihood of occurrence and the impact on the business using assessment of Very High Risk, High Risk, Moderate Risk, Minor Risk and Insignificant Risk.

### DURDANS RISK MATRIX

Impact	5	Very High					
	4	High					
	3	Moderate					
	2	Minor					
	1	Insignificant					
			Rare	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
			1	2	3	4	5
			Likelihood of Occurring				

Given below are the key risks identified in the corporate risk profile along with the status and the mitigating actions for each.

### **CLINICAL RISK**

Clinical Risk Management (CRM) plays a crucial role in enabling Durdans to identify, contain and manage risks related to patient care. Managing the unexpected is an essential everyday concern in high-risk organisations such as a hospital. Modern medicine has led to increasingly complex forms of treatment and processes of care. This results in a range of opportunities for improved care but also increases the risk of adverse events and patient harm. Risks associated with patient care can never be completely eliminated; therefore, clinical risk management plays a crucial role in enabling hospitals to enhance patient safety.

Durdans' fundamental business philosophy revolves around the excellent medical, clinical and aftercare services extended to its patients. Further to the above the CRM processes adopted by Durdans include:

- Credentialing medical staff
- Incident monitoring and tracking
- Complaints monitoring and tracking
- Infection control
- Medical record documentation

### **OPERATIONAL RISK**

In any organisation, people and processes will inherently incur errors and contribute to ineffective operations. In evaluating operational risk practical remedial steps are required to eliminate exposure and ensure successful responses. Poor operational risk management hurts an organisation's reputation and cause financial damage. How much loss an organisation is prepared to accept, combined with the cost of correcting those errors, determines the organisation's risk appetite.

In light of the above at Durdans, an annual review of operational risks is carried out by an external risk management organisation and outcomes are reported to the Board of Directors for information and where necessary for appropriate actions. Some operational risk mitigation actions carried out by Durdans are as follows:

- Backup arrangements for utility services and critical medical equipment
- A HRM framework with clear policies and procedures for selection, recruitment, training and development
- Periodic review and calibrations by Bio-Medical engineering team on medical equipment to ensure expected performance
- Backup arrangements for data and IT system security
- Effective supply chain management coupled with rigorous stock management procedures to avoid stock outs, eliminate wastage and pilferage and minimise the value of expired stocks

### **ECONOMIC RISK**

The Company operates in a dynamic environment where various factors of the economy can have an impact on the business.

With healthcare being an essential service, Durdans to a certain extent is insulated against economic shocks compared to some other industries. However, the Company has been agile in identifying potential risks that could impact its business plan and generate proactive steps to mitigate same. The Company follows a detailed management review process enabling the team to take prompt action to reverse any negative impact urgently. With the collective experience of the team at the helm, changes are anticipated the adverse impact always minimised.

### **REGULATORY RISKS**

The regulatory environment continues to pose a degree of uncertainty resulting in the hospital being challenged in its efforts to define medium and long-term strategies.

As a mitigatory measure Durdans has resorted to structures, which are robust and effective while being flexible and acceptable to changes in the legal framework and business needs. Further Durdans also participates in various industry associations as a means of creating greater awareness and enlisting the support of decision makers in obtaining greater clarity and achieving consistency in government policies and initiatives.

## Enterprise Risk Management

### FINANCIAL RISK

Durdans' continuous drive to invest in advanced technology invariably requires seeking finance for investments. Being mindful of the gearing level of the entity, the Company ensure that it manages its borrowings with due care. It ensures at all times that financial obligations are met on time. Further, the management places utmost importance of monitoring the fluctuations in the market pertaining to interest rates and use extensive negotiations to obtain the best return to the Company.

The liquidity position of the Company is monitored very closely and cash flows are managed on a daily basis with extreme care. Any investment opportunity is backed by a feasibility study so that Return on Investment (ROI) is guaranteed.

### CREDIT RISK

With corporate customers and insurance companies comprising a significant share of the business portfolio, receivables are closely monitored to reduce the risk arising from grant of credit. In order to strengthen the process of granting credit to corporates, the Company adopts a credit evaluation process where credit limits as well as credit periods are granted by the Executive Management Committee of the Company. As a control measure internal operating procedures have been developed to avoid any unauthorised credit limit being entered into the operating system without the knowledge and approval of the management of the Company.

### REPUTATION RISK

Damage to reputation causes irreparable loss to the brand and brand image. Hence, guarding the reputation by following guidelines to handle consumer grievance has been always a key area of concern to the Company. The Durdans team places a greater focus on making every experience a memorable one to each patron at every touch point of service. Constant improvements to an already well-established way of operations are undertaken by the management on a day to day basis taking into account the feedback received from all stakeholders for an improved service.

### PATIENT AND STAFF SAFETY

The risk arising from lack of safety measures for patients and staff is considered of high importance at Durdans. As such in depth evaluations of such risks are carried out on a routine basis to map out all potential areas of risks by clearly defining the actions that should be in place.

Exposure to environmental risk is a challenge in the present day context. Hence, the Company takes the responsibility to review and discuss such risk and implement preventive actions where necessary. In this regard vaccination against infections such as Hepatitis B are administered to staff members who are exposed to such diseases. Further, regular screening tests are conducted for staff of critical care units to minimise hospital borne infections. Awareness programs are also initiated for medical and clinical staff and healthcare professionals to mitigate some of the most challenging issues.

Patient safety is of paramount importance to the Company and the international accreditation bestowed on the 'Durdans Brand' and the connected measurable elements ensuring patient care is continuously monitored. Where necessary improvements and modifications are made to the existing processes to further enhance the safety of the patients.

### HUMAN RESOURCES

The Company continues to value its people as the most important asset of the organisation as it is the people who make the corporate vision a reality. Every employee epitomises the values of the Company while at work as well as outside their working hours.

However, unlike few years ago, the current dynamic private healthcare sector makes it necessary that we constantly enhance the people agenda in a manner beneficial to the employee as well as the Company. Hence, the Company addresses constantly the needs of its staff members and takes steps to constantly motivate employee engagement through a performance driven culture. In doing so every team member is made to understand how his/her functions will deliver value to the organisation performance, thereby enhancing their commitment to uphold the best service deliveries expected by the patrons.

In the past several years, the Company has taken steps to transform its organisational culture to create a cohesive team environment. Continuous efforts are made to improve communication between management and staff and team leaders and their units to disseminate information across the organisation in a more effective and an efficient manner. The results of the annual employee satisfaction survey carried out by Human Resources Department are collated carefully and corrective action taken to improve/address the concerns of employees where necessary.

### **INFORMATION SECURITY**

The day to day operations at the Hospital are run on a fully fledged in house developed ERP system. The security of the information and the uninterrupted service of the systems are of utmost importance for the continued operations of the Company. The loss of data due to technical failures, system down times, threat of viruses and data security are some of the key concerns the Company has identified and steps have been taken to minimise the risks arising from same.

The system currently runs on a high end VMware vSphere 4 server and system down time is zero due to the availability of a backup server. In a bid to improve the security of servers, accessibility is restricted to identified persons of the Company.

Patient data is handled confidentially ensuring security over same. The Company has taken measures to install firewalls to protect unauthorised access to sensitive information which are patient related and otherwise. Further, Spam controls and mail firewalls also protect the system which would otherwise be affected by regular communications between internal and external parties in their day to day operations. External labs are also connected to the main office system via a secure IP-VPN connection.





# A matter of Trust

Trusted by our diverse  
stakeholders for the value we  
deliver

**Financial Statements**

# Annual Report of the Board of Directors on the Affairs of the Company and the Group

## GENERAL

The Directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 31<sup>st</sup> March 2016 and the auditor's report on the Consolidated Financial Statements.

This report provides the information as required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This report was approved by the Board of Directors on 10<sup>th</sup> May 2016.

## 1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Ceylon Hospitals PLC is the holding company that directly owns the Durdans Heart Surgical Centre (Pvt) Ltd (w.e.f. April 2016, Durdans Heart Centre (Pvt) Ltd) and Durdans Medical and Surgical Hospital (Pvt) Ltd constituting the Durdans Hospitals Group.

The Chairman's Review and Financial Review sections are incorporated into this report by reference. They contain details of development and performance of the Group's businesses during the year, an indication of the key performance indicators and information regarding principal risks and uncertainties together with information equivalent to that required for a business review.

The measures taken by the Company to manage its risks are detailed in the report titled Enterprise Risk Management on Page 66 of this report.

## 2. FUTURE DEVELOPMENTS

The Group intends to continue to pursue a strategy of focusing on its core business activities. In order to achieve this, the Group will concentrate on enhancing the performance of its surgical care and outpatient services in addition to general medical and nursing care.

Further information on future developments is provided in the Chairman's Review of this report.

## 3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

The Financial Statements of both the Company and the Group duly certified by the Chief Financial Officer and approved by two directors in compliance with sections 152, 153 and 168 of the Companies Act No. 07 of 2007 are given from Pages 80 to 123 of the Annual Report.

## 4. AUDITORS REPORT

The Company's external auditors, Messrs. B R De Silva & Co, performed the audit on the Financial Statements for the year ended 31<sup>st</sup> March 2016. The Auditor's report on the Financial

Statements is given on Page 79 of the Annual Report as required by Section 168 (l) (c) of the Statutes.

## 5. ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of the Financial Statements is given on Pages 84 to 95 of the Annual Report as required by Section 168 (l) (d) of the Companies Act No. 07 of 2007. The policies adopted are consistent with those adopted in the previous financial year.

## 6. RESULTS AND DIVIDENDS

### 6.1 Gross Revenue

The total revenue of the Group for the year ended 31<sup>st</sup> March 2016 was Rs. 4.7b (31<sup>st</sup> March 2015 - Rs. 4.1b).

### 6.2 Profit and Appropriations

The profit before income tax of the Group for the year ended 31<sup>st</sup> March 2016 was Rs. 556.7m (31<sup>st</sup> March 2015 - Rs. 266m) and the profit after tax for the year ended 31<sup>st</sup> March 2016 was Rs. 500m (31<sup>st</sup> March 2015-Rs. 224m). The details of profit relating to the Group are given on Page 80 to this report

### 6.3 Dividend on Ordinary Shares

The Directors recommended an interim dividend of Rs. 3.60 per ordinary share for the year ended 31<sup>st</sup> March 2016 to be paid in the month of June 2016. No further dividends have been recommended.

Prior to recommending the dividend, in accordance with Section 56 (2) and (3) of the Companies Act No. 07 of 2007, the Board of Directors signed a certificate stating that, in their opinion, based on the available information, the Company will satisfy the solvency test immediately after the distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies Act.

### 6.4 Provision for Taxation

Income tax for 2016 has been provided on taxable income arising from the operations of the Group and has been disclosed in accordance with Sri Lanka Accounting Standards. The Group has also provided deferred tax on all known temporary differences using the liability method as permitted by the Sri Lanka Accounting Standard No. LKAS 12.

Information on Income Tax Expenses and Deferred Taxes is given in the Notes to the Financial Statements on Pages 98 and 113 of this Annual Report.

## 6.5 Reserves

The Group's total reserves as at 31<sup>st</sup> March 2016 amounted to Rs. 2.17b (2015 – Rs. 1.86b). The movement of the reserves are given on Page 82 under 'Statement of Changes in Equity' and in the Notes to the Financial Statements of this Annual Report.

## 6.6 Property Plant & Equipment, Investments Properties, Leasehold Properties and Intangible Assets

Details of capital expenditure incurred on property plant & equipment are given in the Notes to the Financial Statements from Pages 99 to 100.

## 7. CREDITOR PAYMENT

For all trade creditors, it is the Group policy to:

- Agree and confirm the terms of payment at the commencement of business with that supplier
- Pay in accordance with any contract agreed with the supplier or as required by law, and
- Continually review payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining good working relationships

## 8. DIRECTORS

### 8.1 List of Directors

The Board of Directors of the Company as at 31<sup>st</sup> March 2016 comprise of 07 having extensive medical, financial and commercial knowledge and expertise. The qualifications and experience of the directors are given in the 'Board of Directors' section from Pages 46 to 47 of this Annual Report.

Names of the persons who held office as Directors of the Company as at 31<sup>st</sup> March 2016 and the names of the persons who ceased to hold office as Directors of the Company at any time during the year 2015/16, as required by Section 168 (l) (h) of the Companies Act No. 07 of 2007 are given below.

**Mr A E Tudawe** - *Chairman – Executive Director*

**Mr U D Tudawe** - *Executive Director*

**Mr S P Tudawe** - *Non- Executive Director*

**Dr A D P A Wijegoonewardene** - *Non-Executive Director*

**Mr Y N R Piyasena** - *Independent, Non- Executive Director*

**Mr A S Abeyewardene** - *Independent, Non-Executive Director*

**Mr Su-Ayid M Ismail** - *Independent, Non-Executive Director*

### 8.2 Independence of Directors

The Board has made a determination as to the independence of each Non-Executive Director and confirms that three of the Non-Executive Directors meet the criteria of independence in terms of Rule 7.10.4 of Listing Rules.

Each of the Independent Directors has submitted a signed and dated declaration of his independence against the specified criteria

Mr Y N R Piyasena has served more than twelve years on the Board. The Board taking into account all the circumstances is of the opinion that Mr Y N R Piyasena is nevertheless independent.

Mr S P Tudawe and Dr A D P A Wijegoonewardene play a consultative role in the Group Management Committee.

### 8.3 Re-election of Directors

In Accordance with the Articles of Association of the Company and the Corporate Governance Code Mr U D Tudawe will retire by rotation at the Annual General Meeting in June 2016 and being eligible, will offer himself for re-election with the unanimous consent of the Directors.

### 8.4 Recommendation for re-election

Mr A S Abeyewardene shall vacate office as per the requirements of Section 210 of the Companies Act No. 07 of 2007 and a separate resolution will be tabled at the forthcoming Annual General Meeting to obtain the sanction of the shareholders to re-appoint him a Director of the Board as per Section 211 of the Companies Act.

### 8.5 Disclosure of Directors Dealings in Shares

Directors' Interest in Ordinary Shares of the Company

	2016		2015	
	Voting	Non-Voting	Voting	Non-Voting
Mr A E Tudawe	205,052		205,052	
Dr A D P A Wijegoonewardene	199,462		199,462	
Mr S P Tudawe	307,936		307,936	
Mr U D Tudawe	170,616		170,616	
Mr Y N R Piyasena	553,134		553,134	
Mr A S Abeyewardene	1,440	1200	1,440	1,200
Mr A S M Ismail	100		100	

### 8.6 Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31<sup>st</sup> March 2016 is given in Note 30.5 to the Financial Statements on Page 117 of this Annual report as required by Section 168 (l) (f) of the Companies Act No. 07 of 2007.

## Annual Report of the Board of Directors on the Affairs of the Company and the Group

### 8.7 Directors' Interests in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended 31<sup>st</sup> March 2016 other than those disclosed on Pages 115 to 117 of this Annual Report.

The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. They have also disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

### 8.8 Related Party Transaction

In terms of the Code of Best Practice on related party disclosures the non-recurrent related party transaction entered into during the course of the financial year where the lower of the aggregate value exceeding 10% of the Equity or 5% of the assets was the construction contract entered into with Tudawe Brothers (Pvt) Ltd for the construction of the multi-storied car park.

No recurrent related party transactions, the aggregate value of which exceeds 10% of the Consolidated Revenue/Income, have been carried out during the financial year ended 31<sup>st</sup> March 2016. Details of all related party transactions carried out during the year are disclosed on Pages 115 to 117 to this Report. The Directors declare that they have complied with the provisions of the Code relating to full disclosure of related party transactions entered into during the financial year ended 31<sup>st</sup> March 2016.

### 9. ARTICLES OF ASSOCIATION

The Articles of Association of the Company may be amended by passing of a special resolution.

### 10. STATED CAPITAL

The stated capital of the Company as at 31<sup>st</sup> March 2016 was Rs. 916m comprising 33,872,726 voting and non-voting ordinary shares. (2015 – Rs. 916m comprising 25,527,272 voting shares and 8,345,454 non-voting shares). Details of the stated capital are given in Note 16 to the Financial Statements on Page 102 to the Annual Report. The rights and obligations attached to the ordinary shares are set out in the Articles of Association of the Company a copy of which can be obtained from the Secretaries upon request.

### 11. SHARE INFORMATION

Details of share-related information are given on page xx to this Annual Report and information relating to Earnings, Dividends and Net Assets per Share is given in the Financial Highlights on Page 5 of this Annual Report

### 12. PUBLIC HOLDING OF SHARES IN THE COMPANY

The public shareholding as at 31<sup>st</sup> March 2016 for Voting and Non-Voting shares were 23.20% and 95.22% respectively.

### 13. SUBSTANTIAL SHAREHOLDING

Substantial shareholders are required to notify their interests in accordance with Section 200 of the Companies Act and oblige shareholders to comply with the notification obligations to the Company contained in the Rules of the Colombo Stock Exchange.

The Twenty Largest Shareholders of the Company as at 31<sup>st</sup> March 2016 are indicated on Page 126 of this Annual Report.

### 14. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all Shareholders are treated equitably.

### 15. CORPORATE DONATIONS

During the year, the Company made donations to charity amounting to Rs. 1.0m (2015-Rs. 1.6m). The information given above on donations form an integral part of the Report of the Board of Directors as required by the Section 168 (l) (g) of the Companies Act No. 07 of 2007.

### 16. ENVIRONMENTAL PROTECTION

The Group and the Company have not, to the best of their knowledge engaged in any activity, which was detrimental to the environment.

### 17. STATUTORY PAYMENTS

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

### 18. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that would require adjustments to or disclosure in the Financial Statements other than disclosed in Note 28 to the Financial Statements on Page 114 to this Annual Report.

### 19. GOING CONCERN

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. After considering the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the Corporate Governance code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the Group of Companies continue to adopt the going concern basis in preparing the Financial Statements.

Details of the adoption by the Group and the Company of the going concern basis in preparing the Financial Statements are set out in the Financial Review within the business review section and are incorporated into this report by reference.

## **20. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROL**

### **20.1 Risk Management**

Specific steps that have been taken by the Company are detailed on Pages 120 to 122 to this Annual Report

### **20.2 System of Internal Control**

The Board of Directors has established an effective and comprehensive system of Internal Control to ensure that proper controls are in place to safeguard the assets of the Company to detect and prevent fraud and irregularities to ensure that proper records are maintained and Financial Statements presented are reliable. Monthly Management Accounts are prepared, giving the management relevant, reliable and up-to-date Financial Statements and key performance indicators.

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen on Pages 77 to 78 of this Annual Report.

The Board has conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith for the period up to the date of signing the Financial Statements.

### **20.3 Audit Committee**

The composition of the Audit Committee and their Report is given on Page 77 of this Annual Report.

## **21. CORPORATE GOVERNANCE**

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out from Pages 60 to 65 of this Annual Report. The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control.

## **22. OPERATIONAL EXCELLENCE**

To increase efficiency and reduce operating cost the Company has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.

## **23. APPOINTMENT OF EXTERNAL AUDITORS**

The Financial Statements for the year have been audited by Messrs. B R De Silva & Co, Chartered Accountants, who offer themselves for re-appointment. A resolution to re-appoint them as Auditors and authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## **24. AUDITOR'S REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY**

The Group audit fees paid for the year 2015/16 amounted to Rs. 1.4m. Apart from that, the Company has engaged Messrs. B R De Silva & Co; the External Auditors to advice on taxation and accounting matters for the year under consideration. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

## **25. ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of the Company will be held at the 'Auditorium' 11th Floor, Durdans Hospital, Colombo 03 at 9.0 a.m. on Tuesday 28<sup>th</sup> June 2016.

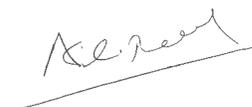
## **26. NOTICE OF MEETING**

Details of the Annual General Meeting are given in the Notice of Meeting.

## **27. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT**

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007 the Board of Directors hereby acknowledge the contents of this Report.

For and behalf of the Board,



**A E Tudawe**  
*Chairman*



**U D Tudawe**  
*Director*

10<sup>th</sup> May 2016

## Statement of Directors' Responsibility in Relation to Financial Statements

The following statement which should be read in conjunction with the Auditor's Statement of their responsibilities, as set out in their report is made with a view to distinguish the respective responsibilities of the Directors' and the Auditors, in relation to the financial statements.

The Companies Act No. 07 of 2007 requires that the Directors prepare the financial statements and circulate it among shareholders. These financial statements comprise a Statement of Comprehensive Income, which presents a true and fair view of the profit or loss of the Company for the financial year and a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

Since the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the 'going concern' basis.

The Directors consider that in preparing the financial statements disclosed from Pages 80 to 123 the Company and its subsidiaries have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have the responsibility for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy of the financial position of the Company and its subsidiaries and which enable them to ensure that the financial statements comply with the provisions of the Companies Act No. 07 of 2007.

The Directors have general responsibility for taking reasonable steps to safeguard the assets of the Company and its subsidiaries and in this regard to give proper consideration to the establishment of appropriate internal control systems, with a view to preventing and detecting frauds and other irregularities.

### COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and its subsidiaries and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant provided for.

By order of the Board,

*(Sgd)*

**Nexia Corporate Consultants (Pvt) Ltd**

*Secretaries to the Company*

# Audit Committee Report

## COMPOSITION OF THE AUDIT COMMITTEE

The Committee is appointed by the Board and as at the year end comprised of the following Non-Executive Directors of the Company.

### Mr A S Abeyewardene

*Chairman (Non-Executive/ Independent Director)*

### Mr Y N R Piyasena

*Member (Non-Executive / Independent Director)*

### Mr Su-Ayid M Ismail

*Member (Non-Executive/ Independent Director)*

The Chairman of the Committee Mr A S Abeyewardene is a former partner of KPMG, Chartered Accountants and possesses considerable experience in the field of Auditing and Finance. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Certified Management Accountants of Sri Lanka.

With effect from 03<sup>rd</sup> May 2016, Mr Asite Talwatte (Non-Executive/ Independent Director) has been appointed a member of the Committee.

Profiles of the Members are given on Pages 46 and 47 to this report.

## THE OBJECTIVE AND ROLE

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on accounting and financial reporting processes and the audit of the financial statements of the Company.

In that regard the Committee is empowered to:

- Examine any matter relating to the financial and other connected affairs of the Company
- Ensure that efficient and sound financial reporting systems are in place and are well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities the Management and Stakeholders
- Review the quality and the appropriateness of Accounting Policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards

- Ensure that the Company has adopted and adhered to policies which firmly commits the Company to achieve highest standards and good Corporate Governance practices so that its operations confirm to the highest ethical standards, good industry practices and in the best interest of all Stakeholders
- Identify, analyse and monitor the risks faced by the Company and examine the adequacy, efficiency and effectiveness of internal controls and procedures in place to avoid, mitigate or transfer such risks
- Monitor all internal and external audit and inspection assignments, review internal and external audit/inspection reports and follow up on their findings and recommendations
- Review the Interim Financial Statements and the Company's Annual Financial Statements in order to monitor the integrity of such Statements prepared for disclosure prior to submission to the Board

## CONDUCT OF MEETINGS

The Committee held five meetings during the financial year ended 31<sup>st</sup> March 2016. The proceedings of these meetings with adequate details of matters are regularly reported to the Board of Directors. The attendance of committee members at the meetings held is as given below.

Name of the Director	Attendance
Mr A S Abeyewardene - Chairman (Non-Executive/ Independent Director)	5/5
Mr Y N R Piyasena - Member (Executive Director)	3/5
Mr N Y Wijemanne - Member (Non-Executive/ Independent Director)	2/5 (retired w.e.f. May 2015)
Mr Su-Ayid M Ismail - Member (Non Executive/ Independent Director)	5/5

The Chairman together with Executive Vice President of the Company attends the Committee Meetings on invitation.

The External Auditors M/s B R De Silva & Company also participated in one of the meetings during the year by invitation.

The Committee also invited the members of the Senior Management of the Company to participate in the meetings from time to time based on necessity.

## Audit Committee Report

### **INTERNAL AUDIT AND INSPECTION**

M/s Ernst & Young Advisory Services (Pvt) Ltd and M/s Nexia Management Services (Pvt) Ltd., carries out inspection of Business Units, Departments and Outstation Lab Network in the Group of Companies with the concurrence of the Board. The Committee annually review the programme of inspection formulated for the purpose and its implementation and closely monitors the internal audit and the inspection functions.

The Committee invites the representatives of the above firms to make presentations on their observations and findings at the quarterly meetings.

The observations detailed in the Internal Audit Reports together with their recommendations, status of the implementation and subsequent actions taken by the management are discussed at the meetings with the Internal Auditors to ensure the operating effectiveness of the internal controls that have been designed and implemented throughout the financial year.

### **FINANCIAL REPORTING**

The Audit Committee reviews Quarterly Financial Statements submitted to Colombo Stock Exchange prior to these statements being submitted to the Board of Directors for their approval.

The Committee has reviewed and discussed in detail with the External Auditors and the Management, the Annual Audited Accounts for the year ended 31st March 2016 of the Company prior to publication.

The Committee is of the view that the Financial Statements of the Company have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the Accounting Policies have been adequately disclosed. The Committee also ensured that there is effective interaction between the Internal Auditors and the External Auditors.

### **OVERSIGHT ON REGULATORY COMPLIANCE**

The Committee closely scrutinises compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

### **APPLICATION OF SRI LANKA ACCOUNTING STANDARDS**

With the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRS) and the mandatory implementation, the Company has complied with the

requirement of new Sri Lanka Accounting Standards (SLFRS/LKAS). The Audit Committee continues to monitor the progress, the review process and keep the Board informed at regular intervals.

### **EXTERNAL AUDIT**

The Audit Committee has reviewed and discussed in detail with the External Auditors and the Management, the Annual Audited Financial Statements and the Management Letter of the Company at its meeting on 06<sup>th</sup> May 2016.

The Committee gathered independent observations of the External Auditors with regard to the implementation of the recommendations made by Internal Auditors after perusing the observations and findings highlighted in the periodic reports of the Internal Auditors on various units and divisions during the financial year.

The Committee met Messers B R De Silva & Company, Chartered Accountants, prior to commencement of the annual audit to discuss the audit scope, approach and methodology to be adopted. A special Audit Committee meeting was convened to discuss the Management Letter issues highlighted by the External Auditors for the financial year 2014/15 and management's responses given thereto.

### **RE-APPOINTMENT OF THE EXTERNAL AUDITORS**

The Committee having evaluated the independence and performance of the External Auditors has recommended to the Board that Messers B R De Silva & Company, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2017.

*(Sgd.)*

**A S Abeyewardene**

*Chairman - Audit Committee*

09th May 2016

# Independent Auditors Report

B.R.DE SILVA & CO.

Chartered Accountants



Private & Confidential

## 1. REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of Ceylon Hospitals PLC, the Consolidated Financial Statements of the Company and its subsidiaries as at that date, which comprise the Statement of Financial Position as at 31st March, 2016 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

## 2. 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 misstatements, whether due to fraud or error.

## 3. 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 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.

## 4. OPINION

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31st March, 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March, 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## 5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and 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.
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March, 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of section 151 and 153 of the Companies Act.

*B.R. de Silva*

B. R. DE SILVA & CO.  
Chartered Accountants

Colombo 05.

10th May 2016

Partners - N.S.C. De Silva FCA, FCMA(UK), L.C.Piyasena FCA, L.L.S. Wickremasinghe FCA,  
F.S.N. Marikkar FCA, S.M.S.S. Bandara MBA, FCA, D.S. De Silva LLB, Attorney-at-Law  
Partner (Kandy) W.L.L. Perera FCA, ACA, ACMA(UK)

22/4,  
Vijaya Kumaranatunga Mw.,  
Colombo 05.  
Telephone: 0112 513 420-22  
Fax: 0114 512 404

E-mail : brds@eureka.lk  
www.brdesilva.com

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March,	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue	3	4,728,334,594	4,083,366,708	2,988,760,106	2,736,867,797
Cost of Sales		(1,882,498,866)	(1,782,755,334)	(1,151,433,268)	(1,149,104,701)
Gross Profit		2,845,835,728	2,300,611,374	1,837,326,838	1,587,763,096
Other Operating Income	4	38,059,961	35,446,576	16,374,089	33,839,552
<b>Overheads</b>					
Administration Expenses		(1,897,893,154)	(1,640,322,338)	(1,353,227,680)	(1,173,688,255)
Other Operating Expenses		(360,721,346)	(321,072,566)	(272,240,824)	(256,353,460)
Finance Cost	5	(86,492,407)	(125,005,484)	(67,001,110)	(88,863,922)
Finance Income	5.1	17,601,264	15,800,707	95,549,796	59,296,956
		(2,327,505,643)	(2,070,599,681)	(1,596,919,818)	(1,459,608,681)
Share of Profit of an Equity Accounted Investee	6	350,521	641,709	-	-
Profit before Taxation	7	556,740,567	266,099,978	256,781,109	161,993,967
Taxation	8	(56,694,579)	(42,312,023)	(39,625,856)	(8,778,140)
Net Profit after Taxation		500,045,989	223,787,955	217,155,253	153,215,827
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified to Profit or Loss</b>					
Net Gain/(Loss) on Gratuity valuation		(28,623,715)	(10,003,382)	(26,408,952)	(6,921,632)
		(28,623,715)	(10,003,382)	(26,408,952)	(6,921,632)
<b>Items that will or may be reclassified to Profit or Loss</b>					
Net Gain/(Loss) on Available for Sale Financial Assets		(1,896,778)	1,215,945	(312,000)	72,000
		(1,896,778)	1,215,945	(312,000)	72,000
Other Comprehensive Income for the Year		(30,520,493)	(8,787,437)	(26,720,952)	(6,849,632)
Total Comprehensive Income for the Year		469,525,497	215,000,518	190,434,301	146,366,195
<b>Profit Attributable to:</b>					
Equity Holders of the Parent		429,132,953	200,087,605	217,155,253	153,215,827
Non Controlling Interest		70,913,036	23,700,350	-	-
		500,045,989	223,787,955	217,155,253	153,215,827
<b>Total Comprehensive Income Attributable to:</b>					
Equity Holders of the Parent		399,370,959	191,696,155	190,434,301	146,366,195
Non Controlling Interest		70,154,538	23,304,363	-	-
		469,525,497	215,000,518	190,434,301	146,366,195
Earnings Per Share - Basic	9	12.67	5.91	6.41	4.52

The Significant Accounting Policies and the notes from pages 84 to 123 form an integral part of these Financial Statements.

# Consolidated Statement of Financial Position

As at 31st March,	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	10	4,285,885,136	4,107,469,951	2,128,124,026	1,912,273,485
Investments in Subsidiaries	11	-	-	1,441,831,424	1,441,831,424
Investment in Equity Accounted Investee	6	3,029,988	2,679,467	229,960	229,960
Other Financial Assets	20.1	41,468,988	40,069,187	27,725,971	24,766,641
Prepaid Rent		460,000	600,000	-	-
		4,330,844,112	4,150,818,605	3,597,911,381	3,379,101,510
<b>Current Assets</b>					
Inventories	12	256,093,995	229,774,914	200,545,015	177,989,428
Trade and Other Receivables	13	147,008,310	131,498,930	88,876,642	87,035,212
Prepayments	13.1	125,214,591	109,066,982	104,873,780	86,393,257
Amounts due from Related Parties	14.1	2,930,884	3,645,726	88,038,229	94,223,729
Other Financial Assets	20.1	338,036,493	226,284,074	99,668,570	86,471,722
Cash and Cash Equivalents	15	165,675,305	80,807,002	94,185,582	66,520,514
		1,034,959,578	781,077,628	676,187,818	598,633,862
<b>Total Assets</b>		<b>5,365,803,690</b>	<b>4,931,896,232</b>	<b>4,274,099,199</b>	<b>3,977,735,372</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity Holders of the Parent</b>					
Stated Capital	16	916,366,104	916,366,104	916,366,104	916,366,104
Revaluation Reserve	17	532,338,890	532,338,890	532,338,890	532,338,890
Available for Sale Reserve		5,228,585	6,776,981	660,000	972,000
Revenue Reserves	18	1,633,458,629	1,322,190,986	1,299,682,779	1,200,392,838
		3,087,392,208	2,777,672,961	2,749,047,773	2,650,069,832
Non Controlling Interest	19	408,108,716	361,828,865	-	-
		3,495,500,924	3,139,501,826	2,749,047,773	2,650,069,832
<b>Non-Current Liabilities</b>					
Interest Bearing Loans & Borrowings	20.3	437,283,807	436,943,219	349,760,836	326,502,788
Other Financial Liabilities	20.2	8,562,550	53,562,550	8,562,550	53,562,550
Deferred Revenue	21	-	-	26,004,600	27,344,600
Retirement Benefit Obligations	22	159,870,988	118,870,297	136,505,745	100,569,734
Deferred Tax Liabilities	23	123,731,899	108,549,276	64,537,719	57,736,399
		729,449,243	717,925,342	585,371,450	565,716,071
<b>Current Liabilities</b>					
Bank Overdrafts		285,759,871	315,438,033	241,543,734	209,597,311
Interest Bearing Loans & Borrowings	20.3	401,714,527	403,590,276	298,317,346	275,062,023
Other Financial Liabilities	20.2	30,000,000	13,750,000	30,000,000	13,750,000
Trade and Other Payables	24	409,156,027	337,199,628	262,987,403	217,425,132
Taxation Payable	25	13,126,141	4,571,127	14,022,372	5,541,532
Amounts due to Related Parties	14.2	1,096,957	-	92,809,121	40,573,470
		1,140,853,523	1,074,469,064	939,679,976	761,949,468
<b>Total Equity and Liabilities</b>		<b>5,365,803,690</b>	<b>4,931,896,232</b>	<b>4,274,099,199</b>	<b>3,977,735,372</b>

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

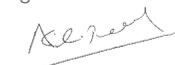


**Anagi Karunasena**

Chief Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by,



**A E Tudawe**

Chairman



**U D Tudawe**

Director

10th May 2016

## Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	General Reserve Rs.	Available for Sale Reserve Rs.	Accumulated Profits Rs.	Total Rs.	Non Controlling Interest Rs.	Total Rs.
<b>GROUP</b>								
<b>Balance as at 01st April 2014</b>	916,366,104	532,338,890	4,822,163	5,812,500	1,194,382,600	2,653,722,257	348,632,803	3,002,355,060
Net Profit for the Year	-	-	-	-	200,087,606	200,087,606	23,700,349	223,787,955
Right Issue	-	-	-	-	-	-	4,398,500	4,398,500
Other Comprehensive Income	-	-	-	964,481	(9,355,931)	(8,391,450)	(395,987)	(8,787,437)
Dividend Paid - Ordinary Shares	-	-	-	-	(67,745,452)	(67,745,452)	(14,506,800)	(82,252,252)
<b>Balance as at 31st March 2015</b>	916,366,104	532,338,890	4,822,163	6,776,981	1,317,368,823	2,777,672,961	361,828,865	3,139,501,826
Net Profit for the Year	-	-	-	-	429,132,953	429,132,953	70,913,036	500,045,989
Dividend Paid - Ordinary Shares	-	-	-	-	(91,456,360)	(91,456,360)	(22,070,038)	(113,526,398)
<b>Other Comprehensive Income</b>								
Net Gain/ (Loss) from Gratuity Valuation	-	-	-	-	(26,408,952)	(26,408,952)	(2,214,763)	(28,623,715)
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	(1,548,396)	-	(1,548,396)	(348,382)	(1,896,778)
<b>Balance as at 31st March 2016</b>	916,366,104	532,338,890	4,822,163	5,228,585	1,628,636,465	3,087,392,208	408,108,716	3,495,500,924

	Stated Capital Rs.	Revaluation Reserve Rs.	General Reserve Rs.	Available for Sale Reserve Rs.	Accumulated Profits Rs.	Total Rs.
<b>COMPANY</b>						
<b>Balance as at 01st April 2014</b>	916,366,104	532,338,890	4,822,163	900,000	1,117,021,932	2,571,449,089
Net Profit for the Year	-	-	-	-	153,215,827	153,215,827
Dividend Paid - Ordinary Shares	-	-	-	-	(67,745,452)	(67,745,452)
<b>Other Comprehensive Income</b>						
Net Gain/ (Loss) from Gratuity Valuation	-	-	-	-	(6,921,632)	(6,921,632)
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	72,000	-	72,000
<b>Balance as at 31st March 2015</b>	916,366,104	532,338,890	4,822,163	972,000	1,195,570,675	2,650,069,832
Net Profit for the Year	-	-	-	-	217,155,253	217,155,253
Dividend Paid - Ordinary Shares	-	-	-	-	(91,456,360)	(91,456,360)
<b>Other Comprehensive Income</b>						
Net Gain/ (Loss) from Gratuity Valuation	-	-	-	-	(26,408,952)	(26,408,952)
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	(312,000)	-	(312,000)
<b>Balance as at 31st March 2016</b>	916,366,104	532,338,890	4,822,163	660,000	1,294,860,616	2,749,047,773

# Statement of Cash Flows

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash Flows from/(used in) Operating Activities</b>				
Net Profit before Income Tax Expenses	556,740,567	266,099,978	256,781,109	161,993,967
<b>Adjustments for</b>				
Inventory Write-off	7,045,052	9,527,371	4,085,801	2,684,088
Bad Debts Write-off	4,454,702	5,853,463	4,394,233	5,391,452
Depreciation Charge for the Year	311,233,112	282,397,411	158,822,326	144,664,848
Impairment of Investment	2,612,910	-	2,612,910	-
Finance Income	(17,601,264)	(15,800,707)	(95,549,796)	(59,296,956)
Finance Cost	86,492,407	125,005,484	67,001,110	88,863,922
Amortisation of Deferred Rent	100,000	-	(1,340,000)	(1,340,000)
Profit/ (Loss) on Disposal of PPE	(6,757,611)	(9,095,926)	(1,082,126)	(9,174,228)
(Increase)/Decrease in Financial Instruments	(152,451)	(1,540,422)	-	(1,441,564)
Share of Profit from Equity Accounted Investee	(350,521)	(641,709)	-	-
Provision for Defined Benefit Plans	28,899,411	25,616,778	23,716,909	21,090,189
Operating Profit/(Loss) before Working Capital Changes	972,716,314	687,421,722	419,442,476	353,435,718
(Increase)/ Decrease in Inventories	(26,319,081)	12,060,127	(22,555,587)	(3,681,795)
(Increase)/Decrease in Trade and Other Receivables	(47,587,328)	(53,268,204)	(28,629,728)	(36,772,055)
(Increase)/Decrease in Trade and Other Payables	72,036,398	53,260,495	45,562,271	38,457,075
Increase/(Decrease) in Related Party Dues	1,811,800	171,525	58,421,151	26,063,226
Cash Generated from Operations	972,658,103	699,645,666	472,240,583	377,502,169
Finance Cost Paid	(86,492,407)	(125,005,484)	(67,001,110)	(88,863,922)
Defined Benefit Plan Cost Paid	(16,522,435)	(14,917,990)	(14,189,850)	(11,966,065)
Tax Paid	(20,986,535)	(32,294,666)	(17,168,590)	(23,037,347)
Net Cash Flows from/(used in) Operating Activities	848,656,726	527,427,526	373,881,032	253,634,835
<b>Cash Flows from/(used in) Investing Activities</b>				
Acquisition of Property, Plant & Equipment	(500,599,690)	(255,042,208)	(379,489,407)	(128,385,404)
Proceeds from Sale of Property Plant & Equipment	17,536,739	32,738,588	5,726,400	32,732,288
Proceeds from issuance of Share Capital	-	4,398,500	-	-
(Acquisition) / Disposal of Other Investments	(117,661,909)	(21,760,772)	(19,081,088)	2,859,628
Income from Investments	10,426,169	5,743,394	88,374,700	44,167,590
Net Cash Flows from/(used in) Investing Activities	(590,298,691)	(233,922,498)	(304,469,396)	(48,625,898)
<b>Cash Flows from/(used in) Financing Activities</b>				
Receipts from Interest Bearing Loans & Borrowings	607,911,104	642,550,000	522,911,104	592,550,000
Re-payments of Interest Bearing Loans & Borrowings	(638,196,276)	(797,007,034)	(505,147,733)	(668,077,911)
Investment in Subsidiary	-	-	-	(15,601,500)
Dividends Paid	(113,526,398)	(87,324,305)	(91,456,360)	(67,745,452)
Net Cash Flows from/(used in) Financing Activities	(143,811,570)	(241,781,339)	(73,692,989)	(158,874,863)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	114,546,464	51,723,688	(4,281,354)	46,134,074
<b>Cash and Cash Equivalents at the beginning of the Year</b>	(234,631,031)	(286,354,720)	(143,076,798)	(189,210,872)
<b>Cash and Cash Equivalents at the end of the Year</b>	(120,084,566)	(234,631,031)	(147,358,152)	(143,076,798)
<b>Analysis of Cash &amp; Cash Equivalents</b>				
Cash at Bank - Overdrawn	(285,759,871)	(315,438,033)	(241,543,734)	(209,597,311)
Cash in Hand and at Bank	165,675,305	80,807,002	94,185,582	66,520,514
	(120,084,566)	(234,631,031)	(147,358,152)	(143,076,798)

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Ceylon Hospitals PLC is a Limited Liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office and the principal place of business are situated at No.3, Alfred Place, Colombo 3.

### 1.2 Parent Enterprise and Ultimate Parent Enterprise

The consolidated financial statements of the Company for the year ended 31st March 2016, comprise the Company and its subsidiaries. (together referred to as the 'Group'). The ultimate holding company is Durdans Management Services Limited.

### 1.3 Principal Activities and Nature of Operations

During the year the principal business activities of the group were as follows:

Name of the Company	Nature of the Business
Ceylon Hospitals PLC	Providing Healthcare Services
Durdans Heart Surgical Centre (Pvt) Ltd.	Providing Cardiac Surgical Operations and Interventional Procedures.
Durdans Medical and Surgical Hospital (Pvt) Ltd.	Providing Healthcare Services.
Ceygen Biotech (Pvt) Ltd.	Supplying of Molecular Biological, Biochemical, Biotechnological Reagents, Kits, Equipment & Accessories for Molecular diagnostics and research purpose.

### 1.4 Date of Authorisation for Issue

The financial statements for the year ended 31st March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 10th May 2016.

### 1.5 Companies in the Group

#### *Subsidiaries and Equity Accounted Investee*

The Group Financial Statements include the results of the Durdans Heart Surgical Centre (Pvt) Limited and Durdans Medical and Surgical Hospital (Pvt) Limited which are subsidiaries of the Company and the share of profit from the Equity Accounted Investee. The details of subsidiaries and Equity Accounted Investee are as follows:

Company Name	Year of Incorporation	Percentage of Ownership
Durdans Heart Surgical Centre (Pvt) Ltd.	1999/2000	78.02%
Durdans Medical and Surgical Hospital (Pvt) Ltd.	2007/2008	81.40%
<b>Equity Accounted Investee</b>		
Ceygen Biotech (Pvt) Ltd.	2009/2010	46%

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 General Accounting Policies

#### *2.1.1 Basis of Preparation of Financial Statements*

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

These financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis except for the revaluation of certain property, plant and equipment, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

#### *2.1.2 Statement of Compliance*

The Consolidated Financial Statement of Ceylon Hospitals PLC and its subsidiary companies have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

#### *2.1.3 Going Concern*

The Directors have made an assessment on the Company's ability to continue as a going concern and they certified that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, these financial statements are prepared on going concern basis.

### 2.1.4 Materiality and Aggregation

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

### 2.1.5 Consolidation Policy

#### (a) Basis of Consolidation

##### *Subsidiaries*

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The interest of the outside shareholders of the Group is disclosed separately under the heading of "Non Controlling Interest". Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A listing of the Group's significant subsidiaries is set out in Note 1.5 to the financial statements.

#### (b) Financial Year

All Companies in the Group have a common financial year, which ends on 31st March.

#### (c) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount

of the operation when determining the gain or loss on disposal of the operation.

#### (d) Intra-Group Balances and Transactions

Any unrealised gains/losses from the intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

#### (e) Investment in Equity Accounted Investee

The Group's investment in its equity accounted investee is accounted for using the equity method. Equity accounted investee is an entity in which the Group has a significant influence.

Under the equity method, the investment in the equity accounted investee is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Comprehensive Income reflects the share of the results of operations of the equity accounted investee. Where there has been a change recognised directly in the equity of the equity accounted investee, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the equity accounted investee.

The share of profit of an equity accounted investee is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable

## Notes to the Financial Statements

amount of the equity accounted investee and its carrying value and recognises the amount in the 'share of profit from equity accounted investee' in the income statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

### 2.1.6 Foreign Currency Transactions

The Group's consolidated financial statements are presented in Sri Lanka Rupees ("Rupees"), which is also the parent company's functional currency. Transactions in foreign currencies are translated into Sri Lanka Rupees ("Rupees") at the foreign exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated in to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translations are recognised in the Statement of Comprehensive Income.

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 is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

### 2.1.7 Comparative Information

Comparative Information has been reclassified, wherever necessary, to conform to the current year's presentation and classification.

### 2.1.8 Taxation

#### 2.1.8.1 Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

The profits of Durdans Medical and Surgical Hospitals (Pvt) Limited are exempt from Income Tax for a period of 6 years from the date on which the Company first commenced to make profit under the BOI Agreement No.2618 of 20th September 2007.

#### 2.1.8.2 Deferred Taxation

Deferred Tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

#### 2.1.9 Events after the Reporting Date

All material events after the reporting date have been considered and appropriate adjustments/ disclosures have been made, where necessary.

## 2.2 Valuation of Assets and their Measurement Bases

### 2.2.1 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The cost of inventories is based on Weighted Average Cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated price at which inventories can be sold in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.2.2 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand and deposits in banks net of outstanding bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Investment with short term maturities i.e. three months or less from the date of acquisitions is also treated as cash equivalents.

### 2.2.2.1 The Cash Flow Statements

The cash flow statements are prepared using the "Indirect Method" in accordance with the LKAS 7 Statement of Cash Flows, whereby gross cash receipts and gross cash payments on Operating Activities, Investing Activities and Financial Activities are recognised.

### 2.2.3 Property, Plant and Equipment

#### (a) Cost and Valuation

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. 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 income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

#### Cost and Valuation

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A

revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Any balance remaining in the revaluation surplus in respect of an asset is transferred directly to Accumulated Profits on retirement or disposal of the assets.

The Company policy is to revalue the Company Land and Building between 3-5 years.

#### (b) Depreciation

The provision for depreciation is calculated by using straight line basis on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the following estimated useful lives. The principal annual rates used are:

Buildings	@	2.5%
Plant & Machinery	@	10%
Electrical Equipment	@	10%
Furniture & Fittings	@	10%
Sundry Equipment	@	10%
Telephones	@	20%
Electrical Power Plant & Transformer	@	10%
Air Conditioners	@	10%
Motor Vehicles	@	10%
Linen	@	50%
Computer Equipment	@	10%
Durdans Heart Surgical Centre (Pvt) Ltd		
Cardiac Catheterisation Laboratory	@	10%
Theatre & SICU Equipment	@	10%
Furniture & Fittings	@	20%
Computer Equipment	@	25%
Electrical & Other Equipment	@	20%
Motor Vehicles	@	20%
Durdans Medical & Surgical Hospital (Pvt) Ltd		
Buildings	@	2.5%
Computer Equipment	@	10%
Medical Equipment	@	10%
Furniture & Fittings	@	5%
Curtaining & Linen	@	50%
Other Equipment	@	10%

## Notes to the Financial Statements

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

### (c) *Restoration Cost*

Expenditure incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

### (d) *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount. Gains or losses on derecognition are recognised in profit or loss and gains are not classified as revenue.

## 2.2.4 Leases

### *Finance Leases*

Finance leases which transfer to the Group substantially all 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.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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.

The corresponding principal amount payable to the lessor is shown as a liability, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the Statement of Comprehensive Income over the period of the lease.

Operating lease payments are recognised as an operating expense in the Income Statement on a straight line basis over the lease term.

### 2.2.5 *Capital Work-In-Progress*

The cost of Capital Work-In-Progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure Incurred on Capital Work-In-Progress of permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital Work-In-Progress is transferred to the respective asset accounts at the time of the first utilisation or at the time the asset is commissioned.

### 2.2.6 *Intangible Assets*

An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

### 2.2.7 *Financial instruments – initial recognition and subsequent measurement*

#### *i) Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

#### ***Subsequent Measurement***

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

#### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the Statement of Comprehensive Income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the

host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the income statement in finance costs.

#### ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs. The Group did not have any held-to-maturity investments during the year ended 31 March 2016.

#### ***Available-for-sale financial investments***

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

## Notes to the Financial Statements

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 income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

### *Available-for-sale financial investments*

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### *Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### *ii) Impairment of financial assets*

The Group 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 interest or principal 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*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for

impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. 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 future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

#### ***Available-for-sale financial investments***

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

#### ***iii) Financial liabilities***

##### ***Initial recognition and measurement***

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

##### ***Subsequent measurement***

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

##### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

## Notes to the Financial Statements

### *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 Comprehensive Income 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 cost that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group 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 when due 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 and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.4.

### *Impairment of non-financial assets*

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to Statement of Comprehensive Income. In this case, the impairment is also recognised in Statement of Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### **2.3 Liabilities and Provisions**

Liabilities classified as current liabilities on the reporting date are those, which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All known liabilities have been accounted for in preparing the financial statement.

### ***Estimates and Assumptions***

The preparation of the financial statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from those estimates and judgemental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 22 – Measurement of Employee Benefits
- Note 23 – Deferred Tax Asset/Liability
- Note 27 – Contingent Liabilities

#### ***2.3.1 Deferred Revenue***

Rental income received upfront for the rent of space to Durdans Heart Surgical Centre (Pvt) Limited is treated as deferred revenue as follows;

A rental fee of Rs.31,500,000/- which was paid in 2000/2001 is being amortised over such period commencing from financial year 2000/2001 to 2034/2035 by Rs.900,000/- per annum.

A rental fee of Rs.16,339,600/- which was paid in 2005/2006 is being amortised over such period commencing from financial year 2005/2006 to 2034/2035 by Rs. 540,000/- per annum.

#### ***2.3.2 Retirement Benefit Obligations***

##### ***(a) Defined Benefit Plan - Gratuity***

Employees are eligible to receive a gratuity payment of half month's salary per year of service at the end of service, provided the employee has provided 5 years of service. Defined benefit plan is a post employment benefit plan other than a defined contribution plan. The present value of the defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS 19 Employees

## Notes to the Financial Statements

benefits. The defined benefit liability is recognised in the Reporting Date.

The actuarial gains and losses are charged or credited to Statement of Comprehensive Income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined as at 31st March 2016, are given below. However, according to the Payment of Gratuities Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

- a. Average Rate of Interest - 10% (Per annum)
- b. Average Rate of Salary Increase – 9%
- c. Average Retirement Age – 55 years
- d. The company will continue in business as a going concern

The liability is not externally funded.

### **(b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in accordance with the respective Statutes and Regulations.

## **2.4 Income Statements**

### **Revenue Recognition**

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

#### **(a) Rendering of Services**

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

#### **(b) Interest**

Interest Income is recognized on an accrual basis.

#### **(c) Dividends**

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

#### **(d) Rental Income**

Rental income is recognised on an accrual basis.

#### **(e) Deferred Revenue**

The revenue to be recognised over 35 years, which is the agreed lease period.

#### **(f) Others**

Other Income is recognised on an Accrual Basis.

#### **(g) Gains or Losses on the disposal of Property, Plant and Equipment**

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments have been accounted for in the Statement of Comprehensive Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

### **Expenditure Recognition**

(a) Expenses are recognised in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

(b) For the purpose of presentation of the Statement of Comprehensive Income, the Directors are of the opinion that the function of expenses method, presents fairly the elements of the Company's performance and hence, such presentation method is adopted.

#### **2.4.1 Borrowing Costs**

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. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **2.4.2 Dividend on Ordinary Shares**

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer the discretion of the Company.

#### **2.4.3 Effect of Sri Lanka Accounting Standards issued but not yet effective**

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

##### **(a) SLFRS 9-Financial Instruments: Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Group will quantify the effect in due course.

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

## Notes to the Financial Statements

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>3. REVENUE</b>				
Revenue	4,728,334,594	4,083,366,708	2,988,760,106	2,736,867,797
<b>4. OTHER OPERATING INCOME</b>				
Adjustment for Impairment Allowance of Receivables	152,451	1,579,146	-	1,441,564
Deferred Income of Residential Fees	-	-	1,340,000	1,340,000
Sundry Income	31,149,899	24,771,504	13,951,963	21,883,760
Profit/(Loss) on Disposal of Property Plant & Equipment	6,757,611	9,095,926	1,082,126	9,174,228
	<b>38,059,961</b>	<b>35,446,576</b>	<b>16,374,089</b>	<b>33,839,552</b>
<b>5. FINANCE COST</b>				
Loan Interest	63,727,046	91,891,414	47,106,677	63,403,691
Debenture Interest	6,562,500	9,112,500	6,562,500	9,112,500
Interest Expenses on Overdrafts	15,760,318	22,434,296	12,921,892	14,865,537
Other Interest	320,393	646,182	317,891	561,102
Loan Processing Expenses	122,150	921,092	92,150	921,092
	<b>86,492,407</b>	<b>125,005,484</b>	<b>67,001,110</b>	<b>88,863,922</b>
<b>5.1 Finance Income</b>				
Interest Income	17,012,663	14,935,991	7,396,592	7,531,803
Dividend Income	588,601	664,763	88,153,204	51,565,200
Foreign Exchange Gain/ (Loss)	-	199,952	-	199,952
	<b>17,601,264</b>	<b>15,800,707</b>	<b>95,549,796</b>	<b>59,296,956</b>

## 6. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

The Company has a 46% interest in Ceygen Biotech (Pvt) Ltd, which is involved in the production and supply of Molecular Biological, Biochemical and Biotechnological reagents for Molecular Diagnostic and research purposes.

Ceygen Biotech (Pvt) Ltd is a private limited liability company. The following table illustrates summarised financial information of the Ceygen Biotech (Pvt) Ltd :

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Current Assets	4,229,613	7,095,202	-	-
Non-Current Assets	7,095,013	4,532,652	-	-
Current Liabilities	(4,609,134)	(5,802,926)	-	-
Non-Current Liabilities	-	-	-	-
Equity	6,715,492	5,824,928	-	-
Profit for the Year	858,359	1,395,020	-	-
Share of the Profit from Equity Accounted Investee	350,521	641,709	-	-
Carrying Amount of the Investment (Note 6.1)	3,029,988	2,679,467	-	-
<b>6.1 Balance as at 01st April</b>	2,679,467	2,037,757	-	-
Share of Profit from Equity Accounted Investee	394,855	641,709	-	-
Dividend Income	(44,334)	-	-	-
Balance as at 31st March	3,029,988	2,679,467	-	-

## 7. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit / (Loss) from ordinary activities before taxation is stated after charging all expenses including the following.

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Director's Emoluments	28,446,324	24,722,245	25,287,054	22,130,245
Auditors Remuneration				
- Internal	1,673,319	2,460,923	948,741	1,783,407
- External	1,408,159	2,096,289	700,000	1,196,165
Depreciation	311,233,111	282,305,844	158,822,326	144,664,846
Defined Benefit Plan Costs - Gratuity	28,899,411	25,616,779	23,716,909	21,090,189
Salaries	924,981,323	757,611,135	654,987,788	528,006,068
Employee's Provident Fund	66,842,820	59,092,213	54,579,127	47,123,918
Employee's Trust Fund	17,167,590	15,188,984	13,644,539	11,767,992

## Notes to the Financial Statements

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>8. INCOME TAX EXPENSES</b>				
Income Tax (Note 8.1)	41,511,955	29,840,768	32,824,536	23,676,855
Deferred Tax	15,182,623	12,471,255	6,801,320	(14,898,715)
	<b>56,694,579</b>	<b>42,312,023</b>	<b>39,625,856</b>	<b>8,778,140</b>

### 8.1 Reconciliation between Current Tax Expense and the Accounting profit

Accounting Profit before Taxation	645,396,233	266,099,978	256,781,109	161,993,967
Aggregated Disallowed Items	383,586,281	337,607,870	219,200,107	190,777,614
Aggregated Allowed Items	(373,598,320)	(336,564,038)	(182,604,801)	(159,485,380)
Income not Subject to Taxation	(112,406,317)	(88,395,837)	(98,549,796)	(48,288,592)
Taxable Profit	<b>544,637,877</b>	<b>178,747,974</b>	<b>196,486,619</b>	<b>144,997,609</b>
Statutory Tax Rate	12%	27,878,465	18,960,540	23,578,394
Statutory Tax Rate	28%	6,458,393	5,808,175	2,071,045
Dividend Tax	10%	7,175,097	5,072,053	7,175,097
Income Tax Provision		<b>41,511,955</b>	<b>29,840,768</b>	<b>32,824,536</b>

#### Parent Company - Ceylon Hospitals PLC

The Company is liable for income tax for the year of assessment 2015/2016 at the rate of 12%.

#### Durdans Heart Surgical Centre (Pvt) Ltd.

The Company is liable for income tax for the year of assessment 2015/2016 at the rate of 12%.

#### Durdans Medical & Surgical Hospital (Pvt) Ltd

The profit of the company is exempted from income tax for a period of 6 years from the year in which the Company commences to make profits or any year of assessments not later than two years recognised from the date of commencement of commercial operations, whichever is earlier.

## 09. EARNINGS PER SHARE

Basic Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders over the weighted average number of Ordinary Shares outstanding during the year.

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit Attributable to Equity Holders of the Parent	429,132,953	200,087,606	217,155,253	153,215,827
Weighted Average Number of Shares Outstanding during the Year	33,872,726	33,872,726	33,872,726	33,872,726
Earnings per Share	12.67	5.91	6.41	4.52

## 10. PROPERTY, PLANT & EQUIPMENT GROUP

	Freehold Land & Buildings Rs.	Medical & Other Equipment Rs.	Furniture & Fittings Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Motor Vehicles on Finance Lease Rs.	Capital WIP Rs.	Total Rs.
<b>Cost / Valuation</b>								
Balance as at 31.03.2014	2,971,717,784	2,088,451,210	186,792,045	104,374,671	74,774,587	10,555,357	-	5,436,665,654
Additions	8,427,145	191,426,085	7,572,415	27,505,604	20,110,959	-	-	255,042,208
Disposals	-	(93,798,005)	(1,509,139)	(31,512)	(3,871,455)	(3,505,357)	-	(102,715,468)
Balance as at 31.03.2015	2,980,144,929	2,186,079,290	192,855,321	131,848,763	91,014,091	7,050,000	-	5,588,992,394
Additions	34,937,484	232,055,330	13,614,472	22,619,439	23,379,980	-	173,992,985	500,599,690
Disposals	-	(4,495,939)	-	-	(19,259,827)	-	-	(23,755,766)
Balance as at 31.03.2016	3,015,082,413	2,413,638,681	206,469,793	154,468,202	95,134,244	7,050,000	173,992,985	6,065,836,318
<b>Accumulated Depreciation</b>								
Balance as at 01.04.2014	124,739,156	1,002,685,721	69,993,123	54,791,067	19,787,112	6,201,660	-	1,278,197,839
Depreciation Charge for the Year	42,891,598	201,556,588	15,603,589	11,550,210	9,700,426	1,095,000	-	282,397,411
Disposals	-	(73,620,043)	(833,128)	(19,598)	(3,317,405)	(1,282,633)	-	(79,072,807)
Balance as at 31.03.2015	167,630,754	1,130,622,266	84,763,584	66,321,679	26,170,133	6,014,027	-	1,481,522,444
Depreciation Charge for the Year	46,988,406	221,234,929	16,341,707	14,676,760	11,641,310	350,000	-	311,233,112
Disposals	-	(2,710,823)	-	-	(10,093,549)	-	-	(12,804,372)
Balance as at 31.03.2016	214,619,160	1,349,146,372	101,105,291	80,998,439	27,717,895	6,364,027	-	1,779,951,183
<b>Net Book Value</b>								
At 31st March 2016	2,800,463,253	1,064,492,309	105,364,502	73,469,763	67,416,349	685,973	173,992,985	4,285,885,136
At 31st March 2015	2,812,514,175	1,055,457,024	108,091,736	65,527,084	64,843,958	1,035,973	-	4,107,469,951

## Notes to the Financial Statements

**10. PROPERTY, PLANT & EQUIPMENT CONTD.  
COMPANY**

	Freehold Land & Buildings	Medical & Other Equipment	Furniture & Fittings	Computer Equipment	Motor Vehicles	Motor Vehicles on Finance Lease	Capital WIP	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost / Valuation</b>								
Balance as at 31.03.2014.	1,314,548,523	1,045,716,179	117,074,334	97,750,239	40,858,398	6,655,357	-	2,622,603,030
Additions	8,082,317	72,326,388	6,082,650	27,183,090	14,710,959	-	-	128,385,404
Disposals	-	(54,343,656)	(1,509,139)	(31,512)	(3,871,455)	(3,505,357)	-	(63,261,119)
Balance as at 31.03.2015	1,322,630,840	1,063,698,911	121,647,844	124,901,817	51,697,902	3,150,000	-	2,687,727,315
Additions	29,870,444	141,536,861	8,671,477	20,167,640	5,250,000	-	173,992,985	379,489,407
Disposals	-	(1,516,739)	-	-	(6,448,450)	-	-	(7,965,189)
Balance as at 31.03.2016	1,352,501,285	1,203,719,033	130,319,321	145,069,457	50,499,452	3,150,000	173,992,985	3,059,251,534
<b>Accumulated Depreciation</b>								
Balance as at 31.03.2014	18,669,307	546,156,238	51,665,526	46,376,316	6,315,771	1,308,883	-	670,492,041
Depreciation Charge for the Year	10,162,285	106,997,199	11,980,405	10,472,249	4,737,710	315,000	-	144,664,848
Disposals	-	(34,250,295)	(833,128)	(19,598)	(3,317,405)	(1,282,633)	-	(39,703,059)
Balance as at 31.03.2015	28,831,592	618,903,142	62,812,803	56,828,967	7,736,076	341,250	-	775,453,830
Depreciation Charge for the Year	13,951,167	113,388,710	12,607,941	13,458,417	5,101,092	315,000	-	158,822,326
Disposals	-	(1,344,472)	-	-	(1,804,176)	-	-	(3,148,648)
Balance as at 31.03.2016	42,782,759	730,947,380	75,420,744	70,287,384	11,032,990	656,250	-	931,127,508
<b>Net Book Value</b>								
At 31st March 2016	1,309,718,526	472,771,653	54,898,577	74,782,073	39,466,462	2,493,750	173,992,985	2,128,124,026
At 31st March 2015	1,293,799,248	444,795,769	58,835,041	68,072,850	43,961,827	2,808,750	-	1,912,273,485

**Revaluation of land and buildings**

The Company uses the revaluation model for measurement of land and buildings. The Company engaged with Mr P M B Edmund, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31st March 2012.

Property, Plant and Equipment includes fully depreciated assets having gross carrying amounts of Rs.109,741,494/- (2015 - Rs. 61,460,118/-).

During the financial year, the Group has acquired property, plant and equipment to the aggregate value of Rs. 500,599,690/- (2015 - Rs. 255,042,208/-). Acquisitions through cash payments are amounting to Rs. 500,599,691/- (2015 - Rs. 255,042,208/-).

The carrying value of Motor Vehicles held under finance leases at 31st March 2016 was Rs. 2,493,750/- (2015 -Rs.2,808,750/-). No additions has been made during the year under finance leases. Lease assets are pledged as securities for the related finance lease.

The carrying value of the Assets as at 31st March 2016 if revaluation has not been carried out would be as follows.

As at 31st March, Description	Address	Extent	Company	
			2016 Rs.	2015 Rs.
Land 01	No 03, Alfred Place, Colombo 03	0A-3R-30.24P	494,400,237	494,400,237
Land 02	No 05, Alfred Place, Colombo 03	0A-0R-32.68P	118,750,000	118,750,000
Building	No 03, Alfred Place, Colombo 03	(01 Building) 97,340 Sq.ft	508,355,564	492,436,285
Total			1,121,505,801	1,105,586,522

## 11 INVESTMENTS IN SUBSIDIARIES

Company

As at 31st March,	2016				2015			
	Number of Shares	Holding %	Carrying Value Rs.	Directors' Valuation Rs.	Number of Shares	Holding %	Carrying Value Rs.	Directors' Valuation Rs.
Durdans Heart Surgical Centre (Pvt) Ltd	9,362,035	78.02	114,331,410	114,331,410	9,362,035	78.02	114,331,410	114,331,410
Durdans Medical & Surgical Hospital (Pvt) Ltd	120,896,033	81.40	1,327,500,014	1,327,500,014	120,896,033	81.40	1,327,500,014	1,327,500,014
	130,258,068		1,441,831,424	1,441,831,424	130,258,068		1,441,831,424	1,441,831,424

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.

## 12. INVENTORIES

Drugs & Dressings	90,207,508	87,904,285	34,658,528	36,118,799
Lab Reagents & Consumables	144,155,477	107,953,546	144,155,477	107,953,546
Pantry Stocks	1,300,974	1,265,457	1,300,974	1,265,457
General Stocks	20,430,036	32,651,626	20,430,036	32,651,626
	256,093,995	229,774,914	200,545,015	177,989,428

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>13. TRADE &amp; OTHER RECEIVABLES</b>				
Trade Debtors	137,322,354	115,754,277	79,762,007	78,433,944
Other Receivables	16,475,876	21,158,181	15,412,118	13,387,542
Less : Impairment Allowance for Bad Debts	(6,789,920)	(5,413,528)	(6,297,484)	(4,786,274)
	147,008,310	131,498,930	88,876,642	87,035,212
<b>13.1 Advances and Prepayments</b>				
Advances	34,982,173	69,509,291	28,524,811	56,443,402
Prepayments	90,232,418	39,557,691	76,348,969	29,949,855
	125,214,591	109,066,982	104,873,780	86,393,257
<b>14. RELATED PARTY TRANSACTIONS</b>				
<b>14.1 Amounts Due from Related Parties</b>				
Durdans Heart Surgical Centre (Pvt) Ltd	-	-	26,769,082	22,982,066
Durdans Medical & Surgical Hospital (Pvt) Ltd	-	-	58,338,263	67,595,937
Durdans Management Services Ltd	1,608,250	1,600,000	1,608,250	1,600,000
Ceygen Biotech (Pvt) Ltd	1,322,634	2,045,726	1,322,634	2,045,726
	2,930,884	3,645,726	88,038,229	94,223,729
<b>14.2 Amounts Due to Related Parties</b>				
Durdans Heart Surgical Centre (Pvt) Ltd	-	-	1,187,339	3,170,633
Durdans Medical & Surgical Hospital (Pvt) Ltd	-	-	90,524,825	37,402,837
Durdans Management Services Ltd	1,096,957	-	1,096,957	-
	1,096,957	-	92,809,121	40,573,470
<b>15. CASH &amp; CASH EQUIVALENTS</b>				
Favourable Cash & Cash Equivalent Balance	165,675,305	80,807,002	94,185,582	66,520,514
<b>16. STATED CAPITAL</b>				
33,872,726 Shares ( 2014/15 - 33,872,726)	916,366,104	916,366,104	916,366,104	916,366,104

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>17. REVALUATION RESERVE</b>				
Balance as at 31st March	532,338,890	532,338,890	532,338,890	532,338,890
	532,338,890	532,338,890	532,338,890	532,338,890

## 18. REVENUE RESERVES

### General Reserve

Balance as at 31st March	4,822,163	4,822,163	4,822,163	4,822,163
	4,822,163	4,822,163	4,822,163	4,822,163

### Accumulated Profits

Balance as at 01st April	1,317,368,823	1,194,382,600	1,195,570,675	1,117,021,932
Profit for the Year	429,132,953	200,087,606	217,155,253	153,215,827
Dividend Paid				
- Ordinary Shares	(91,456,360)	(67,745,452)	(91,456,360)	(67,745,452)
Other Comprehensive Income				
- Net Gain/ (Loss) from Gratuity valuation	(26,408,952)	(9,355,931)	(26,408,952)	(6,921,632)
Balance as at 31st March	1,628,636,465	1,317,368,823	1,294,860,616	1,195,570,675
Total	1,633,458,629	1,322,190,986	1,299,682,779	1,200,392,838

As at 31st March,	Group	
	2016 Rs.	2015 Rs.

## 19. NON CONTROLLING INTEREST

Balance as at 01st April	361,828,865	348,632,803
Profit for the Year	70,913,036	23,700,349
Right Issue	-	4,398,500
Other Comprehensive Income		
- Net Gain/ (Loss) from Gratuity Valuation	(2,214,763)	(647,451)
- Net Gain/(Loss) on Available for Sale Financial Assets	(348,382)	251,464
Dividend Paid	(22,070,038)	(14,506,800)
Balance as at 31st March	408,108,716	361,828,865

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES</b>				
<b>20.1 Other Financial Assets</b>				
<b>Loans and Receivables</b>				
Refundable Deposits	33,717,644	26,808,155	26,425,971	19,541,731
Deposits in Financial Institutions	338,036,493	226,284,074	99,668,570	86,471,722
Debentures	-	1,000,000	-	1,000,000
<b>Total Loans and Receivables</b>	<b>371,754,137</b>	<b>254,092,229</b>	<b>126,094,541</b>	<b>107,013,453</b>
<b>Available for Sale Investments</b>				
Equity Shares in Listed Companies	7,751,344	9,648,122	1,300,000	1,612,000
Equity Shares in Non Listed Companies	-	2,612,910	-	2,612,910
<b>Total Available for Sale Investments</b>	<b>7,751,344</b>	<b>12,261,032</b>	<b>1,300,000</b>	<b>4,224,910</b>
<b>Total other Financial Assets</b>	<b>379,505,481</b>	<b>266,353,261</b>	<b>127,394,541</b>	<b>111,238,363</b>
Total Current Financial Assets	338,036,493	226,284,074	99,668,570	86,471,722
Total Non - Current Financial Assets	41,468,988	40,069,187	27,725,971	24,766,641

**Loans and Receivables, Refundable Deposits and Fixed Deposits in Financial Institutions**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

**Available-for-Sale Investment — Quoted Equity Shares**

The Group has investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

**Impairment on Available-for-Sale Financial Investments**

For Available-for-Sale Financial Investments, the Group assesses at each reporting date whether there is an objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as Available-for-Sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination on what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>20.2 Other Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit or Loss				
Redeemable Debentures	38,562,550	67,312,550	38,562,550	67,312,550
Total Financial Liabilities at Fair Value through Profit or Loss	38,562,550	67,312,550	38,562,550	67,312,550
Total Current Liabilities	30,000,000	13,750,000	30,000,000	13,750,000
Total Non - Current Liabilities	8,562,550	53,562,550	8,562,550	53,562,550

#### Financial Liabilities at Fair Value through Profit or Loss

In 2007, the Company has issued Rs.100m redeemable debentures to Lanka Venture PLC (LVL) for which Interest is paid at the rate of 12% p.a. Of these debentures, Rs. 68.75m will be settled in 5 equal annual instalments from June 2013 to June 2017 with the Company having the option to prematurely settle.

As per the debenture agreement with LVL, the Company is required to exchange the remaining 3,125,000 debentures to 2,500,000 ordinary shares of Durdans Medical & Surgical Hospital (Pvt) Ltd (DMSH) before 30th June 2016. In the event the said debentures remain unexchanged for ordinary shares of DMSH, the Company shall redeem such debentures at Rs. 10.00 per debenture.

As DMSH does not have any intention to list its shares in the Colombo Stock Exchange (CSE) to date, it has been agreed with LVL by letter dated 04.12.2014 that the 3,125,000 debentures remaining unexchanged for shares as per clause 4.3.1. to the original debenture agreement shall be redeemed in two (2) instalments of 1,500,000 debentures and 1,625,000 debentures on 30.09.2015 and 30.09.2016 respectively and that continued return of Rs. 1.20 per debenture shall be paid for the said 3,125,000 debentures until they are redeemed in full.

#### 20.3 Interest Bearing Loans & Borrowings

	Note	Re-payable within One Year Rs.	Re-payable after One Year Rs.	Total as at 31.03.2016 Rs.	Total as at 31.03.2015 Rs.
<b>Group</b>					
Bank Loans	20.3.1	401,068,829	435,918,144	836,986,973	837,777,521
Lease Creditors	20.3.2	645,698	1,365,663	2,011,361	2,755,975
		401,714,527	437,283,807	838,998,334	840,533,496
<b>Company</b>					
Bank Loans	20.3.1	297,671,648	348,395,173	646,066,821	599,009,707
Lease Creditors	20.3.2	645,698	1,365,663	2,011,361	2,555,105
		298,317,346	349,760,836	648,078,182	601,564,812

## Notes to the Financial Statements

### 20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

#### 20.3.1 Bank Loans - Group

Lender	Within OneYear Rs	After OneYear Rs	Total Rs	Date Obtained	Repayment Terms	Security
<b>DFCC Bank</b>						
- 500 Million Loan	71,428,572	77,380,949	148,809,521	09.03.2010	(A) (i)	An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B.Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent OA-3R-30.24P, together with the buildings standing thereon owned by the Company.
					(ii)	A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the company as equity investment.
- 100 Million Loan	14,285,712	19,047,631	33,333,343	09.03.2010	(B)	Primary mortgage over equipment financed by the loan together with a Promissory Note.
- 150 Million Loan	30,000,000	62,500,000	92,500,000	24.10.2013	(C)	Primary mortgage over movable machinery financed by the loan owned by Ceylon Hospitals PLC.
- 35 Million Loan	3,329,721	-	3,329,721	14.08.2012	(D)	Primary mortgage over the specified neurology equipment purchased and corporate guarantee from CHPLC.
- 50 Mn Loan	12,500,000	29,368,614	41,868,614	16.01.2015	(E)	Mortgage over equipment financed by the loan belonging to Ceylon Hospitals PLC
<b>NDB Bank</b>						
- 80 Million Loan	38,432,029	-	38,432,029	04.04.2014 - 24.02.2015	(F) (I)	Primary mortgage over equipment financed
- 30 Million Loan	30,000,000	-	30,000,000	05.04.2013	(J)	Revolving loan facility
<b>Nations Trust Bank</b>						
- 50 Million Loan	11,124,000	14,774,000	25,898,000	24.12.2012	(K)	Loan agreement for Rs. 50m
<b>Hatton National Bank</b>						
- 50 Million Loan	50,000,000	-	50,000,000	03.11.2014	(L)	Company guarantee through Board resolution and duly signed loan agreement.
<b>Amara Investments Bank</b>						
- 140 Million Loan	26,001,644	5,471,923	31,473,567	11.08.2010	(M)	Primary mortgage over MRI scanner
- 175 Million Loan	33,232,483	737,989	33,970,472	24.12.2009	(N)	Primary mortgage over medical equipment purchased
<b>Seylan Bank</b>						
- 475 Million Loan	23,607,217	124,302,887	147,910,104	05.10.2015	(O) (P) (Q)	(i) Corporate guarantee from Durdans Heart Surgical Centre (Pvt) Ltd for Rs. 125,000,000/- (ii) Loan agreement for Rs. 125,000,000/- (iii) Corporate guarantee from Durdans Medical & Surgical Hospital (Pvt) Ltd for Rs. 350,000,000/- (iv) Loan agreement for Rs. 150,000,000/- (v) Loan agreement for Rs. 200,000,000/-
- 85 Million Loan	28,794,118	50,389,706	79,183,824	16.12.2015	(R)	Loan agreement for Rs. 85m
- 85 Million Loan	28,333,333	51,944,444	80,277,778	04.01.2016	(S)	Loan agreement for Rs. 85m
<b>Total</b>	<b>401,068,829</b>	<b>435,918,143</b>	<b>836,986,974</b>			

### 20.3.1 Bank Loans - Company

Lender	Within One Year Rs.	After One Year Rs.	Total Rs.	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>DFCC Bank</b>							
- 500 Million Loan	71,428,572	77,380,949	148,809,521	4W AWDR + 2%	09.03.2010	(A) (i)	An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B.Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent of 0A-3R-30.24P, together with the buildings standing thereon owned by the company.
						(ii)	A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the company as equity investment.
- 100 Million Loan	14,285,712	19,047,631	33,333,343	80% of loan 3M AWDR + 4.75% 20% of loan 12W AWPLR + 1%	09.03.2010	(B)	Primary Mortgage over equipment financed by the loan together with a Promissory Note.
- 150 Million Loan	30,000,000	62,500,000	92,500,000	4W AWPLR + 2% p.a.	24.10.2013	(C)	Primary mortgage over movable machinery financed by the loan owned by Ceylon Hospitals PLC
<b>NDB Bank</b>							
- 150 Million Loan	38,432,029	-	38,432,029	AWDR + 1.5% p.a.	04.04.2014- 24.02.2015	(F) (I)	Primary mortgage over equipment financed
- 30 Million Loan - Revolving	30,000,000	-	30,000,000	Negotiable at the time of granting the loan	05.04.2013	(J)	Revolving Loan Facility
<b>Nations Trust Bank</b>							
- 50 Million Loan	11,124,000	14,774,000	25,898,000	12W AWPLR + 1.5% p.a. (subject to a floor rate of 13.5% p.a. reviewed quarterly)	02.07.2013	(K)	Loan Agreement for Rs. 50m
<b>Hatton National Bank</b>							
- 50 Million Loan	50,000,000	-	50,000,000	Money Market Interest Rate	03.11.2014	(L)	Company guarantee through Board resolution and duly signed loan agreement.
<b>Seylan Bank</b>							
- 475 Million Loan	23,607,217	124,302,887	147,910,104	6 months AWDR + 1.5% p.a (re-priced half yearly)	05.10.2015	(O) (P) (Q)	(i) Corporate Guarantee from Durdans Heart Surgical Centre (Pvt) Ltd for Rs. 125,000,000/- (ii) Loan agreement for Rs. 125,000,000/- (iii) Corporate guarantee from Durdans Medical & Surgical Hospital (Pvt) Ltd for Rs. 350,000,000/- (iv) Loan Agreement for Rs. 150,000,000/- (v) Loan agreement for Rs. 200,000,000/-
- 85 Million Loan	28,794,118	50,389,706	79,183,824	01 month AWDR + 1.5% p.a (re-priced monthly)	16.12.2015	(R)	Loan Agreement for Rs. 85m
<b>Total</b>	<b>297,671,648</b>	<b>348,395,173</b>	<b>646,066,821</b>				

## Notes to the Financial Statements

**20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.**

## 20.3.2 Lease Creditors - Group

## Gross Liability

Name of Lease Creditor and Description of Assets on Finance Lease	Balance As At 01.04.2015 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As At 31.03.2016 Rs.
<b>NDB Bank</b>				
- Allion Motor Car	203,372	-	(203,372)	-
- Toyota Motor Car	3,262,194	-	(861,634)	2,400,560
	3,465,566	-	(1,065,006)	2,400,560
<b>Finance Charges Allocated to Future Years</b>				
<b>NDB Bank</b>				
- Allion Motor Car	2,502	-	(2,502)	-
- Toyota Motor Car	707,089	-	(317,890)	389,199
	709,591	-	(320,392)	389,199
Present Value of Lease Creditors	2,755,975			2,011,361

## 20.3.3 Lease Creditors - Company

## Gross Liability

Name of Lease Creditor and Description of Assets on Finance Lease	Balance As At 01.04.2015 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As At 31.03.2016 Rs.
<b>NDB Bank</b>				
- Toyota Motor Car	3,262,194	-	(861,634)	2,400,560
	3,262,194	-	(861,634)	2,400,560
<b>Finance Charges Allocated to Future Years</b>				
<b>NDB Bank</b>				
- Toyota Motor Car	707,089	-	(317,890)	389,199
	707,089	-	(317,890)	389,199
Present Value of Lease Creditors	2,555,105			2,011,361

- (A) In 84 equal monthly instalments of Rs.5,952,380/- with a grace period of 12 months.
- (B) In 84 equal monthly instalments of Rs.1,190,476/- with a grace period of 12 months.
- (C) In 60 equal monthly instalments of Rs.2,500,000/- with a grace period of 10 months.
- (D) In 42 equal Monthly instalments of Rs 833,333/- after 6 month grace period.
- (E) In 48 equal monthly instalments of Rs.4,166,667/- commencing after a grace period of 12 months.
- (F) In 23 equal monthly instalments of Rs.3,333,333/- and final instalment of Rs.3,333,341/-.
- (I) In 23 equal monthly instalments of Rs.2,916,666/- and final instalment of Rs. 2,916,682/-.
- (J) Repayable on demand.
- (K) In 53 equal monthly instalments of Rs.927,000/- and one instalment of Rs.869,000/-.
- (L) Settlement maximum in 90 days.
- (M) In 72 monthly instalments as per the schedule given by the lender, commencing after a grace period of 12 months.
- (N) In 84 monthly instalments as per the schedule given by the lender, commencing after a grace period of 12 months.
- (O) Bullet payment within 24 months.
- (P) In 24 equal monthly instalments of Rs. 2,500,000/- and 24 equal monthly instalments of Rs.3,750,000/- after a grace period of 12 months.
- (Q) In 24 equal monthly instalments of Rs. 3,500,000/- , 12 equal monthly instalments of Rs.4,750,000/- , 12 equal monthly instalments of Rs. 4,800,000/- and one instalment of Rs. 6,200,000/- after a grace period of 12 months.
- (R) In 35 equal monthly instalments of Rs. 2,361,200/- and one instalment of Rs. 2,358,000/-.
- (S) In 35 equal monthly instalments of Rs. 2,361,200 and final instalment of Rs. 2,358,000/-.

## Notes to the Financial Statements

### 20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

#### 20.4 Fair Values - Group

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

As at 31st March,	Carrying Amount		Fair Value	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Financial Assets</b>				
Trade & Other receivables	147,008,310	131,498,930	147,008,310	131,498,930
Other financial assets				
- Loans and other receivables	371,754,137	254,092,229	371,754,137	254,092,229
- Available for sale financial investments	7,751,344	12,261,032	7,751,344	12,261,032
Cash and short-term deposits	165,675,305	80,807,002	165,675,305	80,807,002
<b>Total</b>	<b>692,189,096</b>	<b>478,659,192</b>	<b>692,189,096</b>	<b>478,659,192</b>
<b>Financial liabilities</b>				
Interest Bearing Loans & Borrowings	836,986,973	837,777,521	836,986,973	837,777,521
Obligations under finance leases	2,011,361	2,755,975	2,011,361	2,755,975
Trade and other payables	409,156,026	337,119,628	409,156,026	337,119,628
Bank overdrafts	285,759,872	315,438,031	285,759,872	315,438,031
Financial liabilities at fair value through profit & loss	38,562,550	67,312,550	38,562,550	67,312,550
<b>Total</b>	<b>1,572,476,782</b>	<b>1,560,403,704</b>	<b>1,572,476,782</b>	<b>1,560,403,704</b>

#### 20.4 Fair Values - Company

As at 31st March,	Carrying Amount		Fair Value	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Financial Assets</b>				
Trade & Other receivables	88,876,642	87,035,212	88,876,642	87,035,212
Other financial assets				
- Loans and other receivables	126,094,540	107,013,452	126,094,540	107,013,452
- Available for sale financial investments	1,300,000	4,224,910	1,300,000	4,224,910
Cash and short-term deposits	94,185,582	66,520,514	94,185,582	66,520,514
<b>Total</b>	<b>310,456,764</b>	<b>264,794,088</b>	<b>310,456,764</b>	<b>264,794,088</b>
<b>Financial liabilities</b>				
Interest Bearing Loans & Borrowings	646,066,821	599,009,707	646,066,821	599,009,707
Obligations under finance leases	2,011,361	2,555,105	2,011,361	2,555,105
Trade and other payables	262,987,402	217,425,132	262,987,402	217,425,132
Bank overdrafts	241,543,734	209,597,310	241,543,734	209,597,310
Financial liabilities at fair value through profit & loss	38,562,550	67,312,550	38,562,550	67,312,550
<b>Total</b>	<b>1,191,171,868</b>	<b>1,095,899,803</b>	<b>1,191,171,868</b>	<b>1,095,899,803</b>

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

## 20.5 Fair Value Hierarchy

As at 31st March 2016, the Group/Company held the following financial instruments carried at fair value on the statement of financial position:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: techniques which use inputs that have an effect on the recorded fair value are observable, either directly or indirectly

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

As at 31st March,	2016 Rs.	Group			2016 Rs.	Company		
		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.
<b>Assets measured at fair value</b>								
<b>Available for sale financial assets</b>								
Quoted equity shares	7,751,344	7,751,344	-	-	1,300,000	1,300,000	-	-
Non quoted equity shares	-	-	-	-	-	-	-	-
<b>Loans and Receivables</b>								
Refundable Deposits & Short term Deposits	371,754,137	-	33,717,645	338,036,493	126,094,540	-	26,425,971	99,668,570
Trade & Other Receivables	147,008,310	-	147,008,310	-	88,876,642	-	88,876,642	-
<b>Liabilities measured at fair value</b>								
Embedded derivatives	38,562,550	-	38,562,550	-	38,562,550	-	38,562,550	-

As at 31 March 2015, the Group/Company held the following financial instruments measured at fair value:

As at 31st March,	2015 Rs.	Group			2015 Rs.	Company		
		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.
<b>Assets measured at fair value</b>								
<b>Available for sale financial assets</b>								
Quoted equity shares	9,648,122	9,648,122	-	-	1,612,000	1,612,000	-	-
Non quoted equity shares	2,612,910	-	2,612,910	-	2,612,910	-	2,612,910	-
<b>Loans and Receivables</b>								
Refundable Deposits & Short term Deposits	254,092,229	-	27,808,155	226,284,074	107,013,453	-	20,541,731	86,471,722
Trade & Other Receivables	131,498,930	-	131,498,930	-	87,035,211	-	87,035,211	-
<b>Liabilities measured at fair value</b>								
Embedded derivatives	67,312,550	-	67,312,550	-	67,312,550	-	67,312,550	-

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>21. DEFERRED REVENUE</b>				
Balance as at 01st April	-	-	27,344,600	28,684,600
Less:				
Amortised during the Year	-	-	(1,340,000)	(1,340,000)
Balance as at 31st March	-	-	26,004,600	27,344,600

## 22. PROVISIONS & OTHER LIABILITIES

### Gratuity

Balance as at 01st April	118,870,297	98,168,127	100,569,734	84,523,978
Provision for the Year	57,523,126	35,620,160	50,125,861	28,011,821
	176,393,423	133,788,287	150,695,595	112,535,799
Payments made during the Year	(16,522,435)	(14,917,990)	(14,189,850)	(11,966,065)
Balance as at 31st March	159,870,988	118,870,297	136,505,745	100,569,734

### Note:

As at 31st March 2016 the gratuity liability was actuarially valued under the projected unit credit method by Mr M Poopalanathan of Actuarial and Management Consultants (Pvt) Ltd. The liability is not externally funded. The valuation is performed annually.

Actuarial assumptions used	2016	2015
	% per annum	% per annum
(a) Discount Rate	10%	9%
(b) Incidence of Withdrawal	19%	18%
(c) Salaries Increased	9%	8%
(d) Retirement Age	55 years	55 years

For the year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Expense Recognised in the Statement of Income</b>				
Current Service Cost	17,677,502	14,818,284	14,665,633	11,792,551
Interest Cost	11,221,909	10,798,494	9,051,276	9,297,638
Actuarial (Gain) / Loss	28,623,715	10,003,382	26,408,952	6,921,632
Total included in the Staff Cost	57,523,126	35,620,160	50,125,861	28,011,821

## 22.1 Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligations for the year.

	Increase	Decrease
Discount Rate (1% movement)	(3,741,967)	4,067,220
Salary Increments (1% movement)	4,460,934	(4,166,972)

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.

## 23. DEFERRED TAXATION

Balance as at 01st April	108,549,276	97,547,307	57,736,399	72,635,114
Provision for the Year	15,182,623	11,001,969	6,801,320	(14,898,715)
Balance as at 31st March	123,731,899	108,549,276	64,537,719	57,736,399

Deferred Tax Provision as at the end of the year is made up as follows;

Deferred Tax Provision from:

Temporary Differences of Property, Plant & Equipment	142,916,418	122,813,712	80,918,408	69,804,767
Temporary Differences of Retirement Benefit Obligation	(19,184,519)	(14,264,436)	(16,380,689)	(12,068,368)
	123,731,899	108,549,276	64,537,719	57,736,399

### 23.1 Potential Impact of Change in Income Tax Rate

The income tax rate has been proposed to be amended from 12% to 17.5% by the Government w.e.f 01.04.2016. Since the new amendment has not been passed as at the reporting date, 31st March 2016, Company has applied 12% for the computation of deferred tax in the Financial Statement for the year ended 31st March 2016. If 17.5% is used for computation of deferred tax the provision made for the year will be increased by Rs. 56,710,445 and Rs. 29,579,788 for the Group and Company respectively.

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.

## 24. TRADE & OTHER PAYABLES

Trade Creditors	221,441,240	163,930,002	143,328,588	107,063,936
Accrued Expenses & Sundry Payables	187,714,787	173,189,626	119,658,815	110,361,196
	409,156,027	337,119,628	262,987,403	217,425,132

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>25. TAXATION PAYABLE</b>				
Balance as at 01st April	4,571,127	10,710,847	5,541,532	9,974,077
Provisions for the Year	34,336,859	24,768,715	25,649,440	18,604,802
Payments during the Year	(21,251,701)	(29,464,032)	(16,428,227)	(22,282,140)
Tax Credits for				
- ESC Paid	(2,059,567)	-	-	-
- WHT Deducted	(2,470,577)	(1,444,403)	(740,373)	(755,207)
Balance as at 31st March	13,126,141	4,571,127	14,022,372	5,541,532

**26 CAPITAL COMMITMENTS**

During 2014/15, the Company has entered into a put option agreement with Lanka Venture PLC. This commitment is pursuant to a shareholder agreement dated 22nd April 2008, in which Lanka Venture PLC is the holder of (2,122,449) ordinary shares of Durdans Medical and Surgical Hospital (Pvt) Ltd (DMSH). As DMSH has not obtained a listing for its shares to date, the Company is granting Lanka Venture PLC the right to cause the Company to purchase the said shares during the period commencing 1st January 2015 and ending on 31st December 2018 at a price based on a valuation made by an independent firm of valuers.

During the year, the Company has entered into an agreement with Tudawe Brothers (Pvt) Ltd to construct a car park for a total contract price of Rs.484,891,384/-. As at the reporting date, the Company has paid a sum of Rs.131,304,890 representing 27% of total contract price. Payments are done to the contractor on a progressive basis on a certificate of work done collectively issued by the designated Chartered Architect and Chief Quantity Surveyor to the project.

**27 CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31.03.2016 that require adjustment to or disclosure in the Financial Statements.

**28 EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

**29 DIVIDENDS**

This represents the interim dividend paid at the rate of Rs. 2.70 per share for the year 2014/15.

### 30 RELATED PARTY DISCLOSURE

30.1 The Directors of Ceylon Hospitals PLC are also the Directors of the following related Companies

Name of the Director	Durdans Management Services Ltd.	Commercial Marketing & Distributors (Pvt) Ltd.	Tudawe Brothers (Pvt) Ltd.	Tudawe Engineering Services (Pvt) Ltd.	Durdans Medical & Surgical Hospital (Pvt) Ltd.	Durdans Heart Surgical Centre (Pvt) Ltd.	Ceygen Biotech (Pvt) Ltd.
Mr A E Tudawe	√		√	√	√	√	
Mr S P Tudawe	√		√	√	√	√	
Mr U D Tudawe	√	√	√	√	√	√	√
Dr A D P A Wijegoonewardene	√				√	√	
Mr Y N R Piyasena	√				√	√	
Mr A S Abeywardene					√		
Mr A Su-Ayid M Ismail					√		

Name of the Company	Relationship
Ceylon Hospital PLC	Company
Durdans Management Services Ltd	Immediate/Ultimate Parent Company
Durdans Medical & Surgical Hospital (Pvt) Ltd	Subsidiary
Durdans Heart Surgical Centre (Pvt) Ltd	Subsidiary
Ceygen Biotech (Pvt) Ltd	Equity Accounted Investee
Tudawe Brothers (Pvt) Ltd	Other Affiliates
Tudawe Engineering Services (Pvt) Ltd	Other Affiliates

### 30.2 Substantial Shareholding, Immediate and Ultimate Parent Company

The Company's immediate parent company is Durdans Management Services Ltd., which holds 50.75% of the issued Ordinary Shares of the Company as at the reporting date.

### 30.3 Key Management Personnel Information

According to Sri Lanka Accounting Standard 24 (LKAS) " Related Party Disclosures", Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors (including Executive and Non executive) have been classified as Key Management Personnel of the Company.

## Notes to the Financial Statements

### 30 RELATED PARTY DISCLOSURE CONTD.

#### 30.4 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 (LKAS), "Related Party Disclosures", the details of which are reported below.

##### 30.4.1 Transactions held with Companies in which Directors of the Company hold Other Directorships

The Company has carried out transactions in the ordinary course of business in an arms length basis with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities as detailed below.

##### 30.4.1.1 Transactions held with Immediate Parent Company

Name of Immediate Parent Company	Description of Transaction
Durdans Management Services Ltd. (DMSL)	DMSL provides the Management and Consultation Services to Ceylon Hospitals PLC. During the year the company has paid Rs. 34,914,934/- (Previous Year - Rs. 23,125,040/-) as Management Fee to DMSL

##### 30.4.2 Transactions held with Other Related Companies

Name of Immediate Parent Company	Description of Transaction
a) Company	
Durdans Heart Surgical Centre (Pvt) Ltd. (DHSC)	<p>The Company has received the services of Rs. 206,599,321/- (Previous Year - Rs.185,921,190/-) from DHSC for the medical activities of the hospital</p> <p>The Company has paid an amount of Rs. 13,343,312/- (Previous Year - Rs. 20,612,672/-) to DHSC for the services rendered in relation with medical activities</p> <p>The Company provides Management and Consultation Services to DHSC. During the year the company has received Rs. 3.25m (Previous Year - Rs.2.75m) as Management Fee from DHSC</p> <p>The Company has received Rs.1.8m as operating lease rentals from DHSC during the period based on operating lease agreement between the two companies for the use of Cardio Vascular Angiography System</p>
Durdans Medical & Surgical Hospital (Pvt) Ltd. (DMSH)	The Company has received an amount of Rs. 410,346,561/- (Previous Year - Rs. 484,229,090/-) from DMSH for the services rendered to the Company
Commercial Marketing & Distibuters (Pvt) Ltd	The Company has paid Rs. 24,322,700/- (Previous Year – Rs. 10,051,529/-) to Commercial Marketing & Distributors (Pvt) Ltd for the services rendered to the Company
Tudawe Brothers (Pvt) Ltd	The Company entered into a contract to construct the car park at a price of Rs. 484,891,384/- (including VAT). As at 31st March 2016 a sum of Rs. 131,304,890/- was paid under the said contract

Name of Immediate Parent Company	Description of Transaction
<i>b) Group</i>	
<i>Transactions held between Related Companies</i>	
<i>(i) Durdans Medical &amp; Surgical Hospital (Pvt) Ltd. with other Related Parties</i>	
Durdans Heart Surgical Centre (Pvt) Ltd. (DHSC)	The Company has paid an amount of Rs. 6,677,405/- (Previous Year - Rs.10,109,218.-) to DHSC for the services rendered to the Company
<i>(ii) Durdans Heart Surgical Centre (Pvt) Ltd. with other Related Parties</i>	
Durdans Medical & Surgical Hospital (Pvt) Ltd. (DMSH)	The Company has received an amount of Rs. 6,491,399 /- (Previous Year - Rs.16,516,971/-) from DMSH for the services rendered to the Company

### 30.5 Transactions held with Key Management Personnel (KMP) of the Company or Parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as its related parties, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the Year ended 31st March,	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Short-term Employee Benefits	28,446,324	24,722,245	25,827,054	22,130,245
Post Employment Benefits	-	-	-	-
Other Long-term Benefits	-	-	-	-
Terminal Benefits	-	-	-	-
Share based Payments	-	-	-	-
	28,446,324	24,722,245	25,827,054	22,130,245

#### 30.5.1 Loans to Directors

##### a) Group/Company

No loans have been given to directors of the Company and its parent company.

##### b) Compensations to Key Management Personnel of the Company and its parent company.

###### i. Company

Emoluments to the directors of the Company are disclosed in Note 7 to the Financial Statements.

###### ii Group

Emoluments to the directors of the Group are disclosed in Note 7 to the Financial Statements.

Other than those disclosed above, there are no material transactions held with the Key Management Personnel of the Company and its parent company.

**30.6** Amounts receivable from and payable to related parties are set out in Note 14 to the Financial Statements. These receivables and payables are unsecured and have no fixed repayment terms.

## Notes to the Financial Statements

### 31. ASSETS PLEDGED AS COLLATERALS

#### 31.1 Assets Pledged as Collaterals by the Group of Companies

The following assets of the Group have been pledged as collaterals for overdraft facilities and loans obtained by the Group to the respective financial institutions concerned.

##### 31.1.1 Assets Pledged by Ceylon Hospitals PLC

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31.03.2016 (Rs.)	Securities Pledged
DFCC Bank	Term Loan	500 million	148,809,521	(i) An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B.Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent of 0A-3R-30.24P, together with the buildings standing thereon owned by the Company  (ii) A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the Company as an equity investment
	Term Loan	100 million	33,333,343	Primary mortgage over equipment financed by the loan together with a Promissory Note
	Term Loan	150 million	92,500,000	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
NDB Bank	Bank Overdrafts	20 million	14,551,724	Primary mortgage of Promissory Note Rs. 50m
	Term Loan	150 million	38,432,029	Primary mortgage over the equipment financed by the loan
	Revolving Loan	30 million	30,000,000	Promissory Note
NTB Bank	Term Loan	50 million	25,898,000	Loan Agreement for Rs. 50m
Union Bank	Bank Overdrafts	25 million	23,758,007	Primary mortgage of Promissory Note Rs. 25m
Commercial Bank	Bank Overdrafts	48.1 million	106,474,724	Mortgage of fixed deposits of Rs. 48,746,979/- in the name of the Company together with duly executed letter of authority and letter of set off
NTB Bank	Bank Overdrafts	45 million	42,441,298	Company guarantee through Board resolution and duly signed overdraft agreement

31.1.2 Assets Pledged by Durdans Medical & Surgical Hospital (Pvt) Ltd.

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31.03.2016 (Rs.)	Securities Pledged
DFCC	Import Loan	35 million	3,329,721	Primary mortgage over the specified neurology equipment purchased and Corporate guarantee from CHPLC
Amana Investment Bank	Import Loan	175 million	33,970,472	Primary mortgage over medical equipment purchased
	Import Loan	140 million	31,473,567	Primary mortgage over MRI scanner
Seylan Bank	Import Loan	85 million	80,277,778	Loan agreement for Rs. 85m
Commercial Bank	Bank Overdrafts	50 million	15,586,673	Corporate guarantee of Rs. 50m issued by Ceylon Hospitals PLC
NDB Bank	Bank Overdrafts	50 million	11,097,179	Facility agreement for Rs. 50m

31.1.2 Assets Pledged by Durdans Heart Surgical Center (Pvt) Ltd.

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31.03.2016 (Rs.)	Securities Pledged
DFCC Bank	Term Loan	50 million	41,868,614	Mortgage over equipment financed
Commercial Bank	Bank Overdrafts	10 million	17,532,285	Over the Company inventories and trade debtor balance

## Notes to the Financial Statements

### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade receivables, other receivables and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial acumen team that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance team provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risks: interest rate risk and other price risk, such as equity price risks. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analysis in the following sections relates to the position as at 31st March in 2016 and 2015.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument which will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of interest rate changes. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. (There is only an immaterial impact on the Group's equity):

	<b>Increase/ Decrease in Basis points</b>	<b>Effect on Profit before Tax</b>
<b>2016</b>		
Loans & Borrowings	+1%	(11,933,024)
	-1%	11,933,024
<b>2015</b>		
Loans & Borrowings	+1%	(13,152,276)
	-1%	13,152,276

**Equity Price Risk**

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 7,751,344/-. A decrease of 10% on the CSE market index could have an impact of approximately Rs. 775,134/- on the equity attributable to the Group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

**Credit Risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is being exposed to the credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

**Trade Receivables**

Customer credit risk is managed by each business unit subject to the Group's established policies, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit evaluation format and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and obtaining the Letter of Guarantees from patients who are admitted to the hospital through corporate customers. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on the actually incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions in industries and operate in largely independent markets.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

### Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The Group assesses the concentration of risks with respect to refinancing its debts and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	<b>On Demand Rs.</b>	<b>Less than 03 Months Rs.</b>	<b>03 to 12 Months Rs.</b>	<b>01 to 05 Years Rs.</b>	<b>&gt; 05 Years Rs.</b>	<b>Total Rs.</b>
<b>Year ended 31st March 2016</b>						
Interest Bearing Borrowings	-	143,917,550	257,151,280	435,918,143	-	836,986,973
Embedded Derivatives	-	-	30,000,000	8,562,550	-	38,562,550
Trade & Other Payables	-	369,151,750	40,004,276	-	-	409,156,026
Amounts Due to Related Parties	-	1,096,957	-	-	-	1,096,957
Bank Overdrafts	285,759,872	-	-	-	-	285,759,872
	285,759,872	514,166,258	327,155,555	444,480,693	-	1,571,562,379
<b>Year ended 31st March 2015</b>						
Interest Bearing Borrowings	-	100,897,569	302,692,708	436,943,219	-	840,533,496
Embedded Derivatives	-	-	13,750,000	63,619,863	-	77,369,863
Trade & other Payables	-	250,256,429	86,326,427	-	-	336,582,856
Amounts Due to Related Parties	-	-	-	-	-	-
Bank Overdrafts	315,438,031	-	-	-	-	315,438,031
	315,438,031	351,153,998	402,769,134	500,563,082	-	1,569,924,246

### 33. CAPITAL MANAGEMENT

Capital includes ordinary shares and other equities attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March 2016 and 31st March 2015.

The Group monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 25% and 40%. The Group includes within net debt, interest bearing loans and borrowings, bank overdrafts, redeemable debentures, trade and other payables, less cash and cash equivalents.

<b>As at 31st March,</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Interest Bearing Loans and Borrowings (Note 20.3)	836,986,973	837,777,521
Other Financial Liabilities (Note 20.2)	38,562,550	67,312,550
Trade and Other Payables	409,156,027	337,119,629
Bank Overdrafts	285,759,871	315,438,033
Less : Cash and Cash Equivalents	(165,675,305)	(80,807,002)
	1,404,790,116	1,476,840,731
Equity	3,495,500,924	3,139,501,826
<b>Capital and Net Debt</b>	<b>4,900,291,040</b>	<b>4,616,342,557</b>
Gearing Ratio	29%	32%

## Value Added Statement

Value Added	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue	4,728,334,594	4,083,366,708	2,988,760,106	2,736,867,797
Cost of Materials and Services Obtained	(2,533,869,386)	(2,389,844,764)	(1,665,481,732)	(1,654,364,544)
Other Income	55,661,226	51,247,283	111,923,885	93,136,508
	2,250,126,434	1,744,769,227	1,435,202,259	1,175,639,761

### Distribution of Value Added

#### To Employees

Salaries and Others	58%	1,295,660,348	61%	1,071,266,353	66%	952,597,714	66%	780,117,023
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#### To Government

Income Tax	2%	56,694,578	3%	42,312,023	3%	39,625,855	1%	8,778,140
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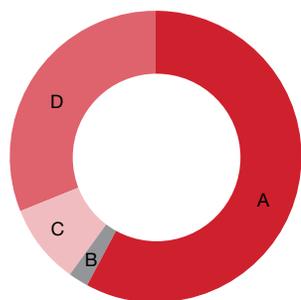
#### To Capital Providers

Interest on Loans	4%	86,492,407	7%	125,005,484	5%	67,001,110	8%	88,863,922
Shareholders	5%	113,526,400	5%	82,252,252	6%	91,456,360	6%	67,745,452

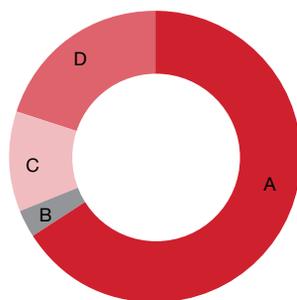
#### To Expansion and Growth

Depreciation	14%	311,233,112	16%	282,397,411	11%	158,822,327	12%	144,664,848
Retained Profit	17%	386,519,590	8%	141,535,704	9%	125,698,893	7%	85,470,375
	100%	2,250,126,434	100%	1,744,769,227	100%	1,435,202,259	100%	1,175,639,761

### Group



### Company



	Group	Company
A - To Employees	58%	66%
B - To Government	2%	3%
C - To Capital Providers	9%	11%
D - To Expansion and Growth	31%	20%

# Ten Year Summary

	Group 2015/16 Rs.'000	Group 2014/15 Rs.'000	Group 2013/14 Rs.'000	Group 2012/13 Rs.'000	Group 2011/12 Rs.'000	Group 2010/11 Rs.'000	Group 2009/10 Rs.'000	Group 2008/09 Rs.'000	Group 2007/08 Rs.'000	Group 2006/07 Rs.'000
<b>Operating Results</b>										
Total Income	4,728,335	4,083,367	3,961,268	3,830,369	3,546,523	3,054,399	2,451,031	2,171,229	1,879,645	1,638,594
Other Income	55,661	51,247	53,492	34,335	22,155	23,728	21,354	28,462	27,282	16,087
Finance Cost	86,492	125,005	186,728	182,428	164,558	151,094	121,781	85,678	44,262	28,320
Profit Before Tax	556,741	266,100	261,167	308,040	347,462	240,042	164,894	198,125	169,555	229,857
Income Tax	56,695	42,312	32,093	30,334	61,210	81,659	54,893	29,595	38,382	34,847
Profit After Tax	500,046	223,788	229,074	277,706	288,231	158,383	110,001	168,529	131,173	195,010
Dividend	113,527	82,252	-	135,491	50,809	42,341	38,812	38,812	38,812	38,812
<b>Balance Sheet</b>										
<b>Assets</b>										
Property Plant & Equipment	4,127,603	4,107,470	4,158,468	4,239,622	4,310,489	4,000,023	2,331,038	1,938,135	1,887,441	1,778,784
WIP - Building in Construction	158,282	-	-	-	6,543	8,498	1,170,783	824,703	228,087	-
Other Financial Assets	379,505	266,353	241,568	169,884	193,682	95,102	102,541	158,357	70,585	101,737
Investment in Equity Accounted Investee	3,030	2,679	2,038	877	-	-	-	-	-	-
Inventories	256,094	229,775	254,095	214,699	215,965	166,722	146,229	116,901	108,360	88,636
Receivables	275,154	244,212	193,696	185,481	185,481	178,959	169,632	135,122	130,846	105,476
Deferred Revenue	460	600	660	760	860	2,400	2,500	2,600	1,260	5,953
Goodwill	-	-	-	-	-	-	1,341	1,341	1,341	1,341
Cash & Cash Equivalents	165,675	80,807	48,456	96,959	21,279	71,062	66,370	22,520	29,443	62,587
	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679	2,457,363	2,144,514
<b>Equity &amp; Liabilities</b>										
Stated Capital	916,366	916,366	916,366	916,366	916,366	916,366	513,821	395,389	395,389	395,389
Reserves	2,171,026	1,861,307	1,737,356	1,617,374	1,512,620	1,125,265	1,447,696	1,387,373	1,202,786	1,131,389
Non Controlling Interest	408,109	361,829	348,633	494,335	488,029	400,145	393,603	401,711	44,623	42,668
Interest-bearing Borrowings	877,561	907,846	1,072,360	1,086,439	1,352,120	1,359,039	1,051,634	621,299	390,887	210,519
Provisions and Other Liabilities	706,982	569,110	489,453	544,009	518,301	504,601	361,051	289,760	314,819	282,738
Overdrafts	285,760	315,438	334,811	249,759	146,862	217,350	222,629	104,147	108,859	81,811
	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679	2,457,363	2,144,514

## Share Information

### DISTRIBUTION OF SHAREHOLDERS

#### Voting Shares

Shareholding		No. of Shareholders	Resident		Non Resident		%
			No. of Shares	%	No. of Shareholders	No. of Shares	
1	- 1,000	1,951	484,283	1.9	16	5,013	0.02
1,001	- 10,000	303	873,033	3.42	13	46,027	0.18
10,001	- 100,000	54	1,585,764	6.21	4	234,654	0.92
100,001	- 1,000,000	17	5,270,865	20.65	-	-	-
Over 1,000,000		1	17,027,632	66.7	-	-	-
Total		2,326	25,241,577	98.88	33	285,694	1.12

### CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	2,260	4,483,191
Institutional	99	21,044,081
	2,359	25,527,272

### NON-VOTING SHARES

Shareholding		No. of Shareholders	Resident		Non Resident		%
			No. of Shares	%	No. of Shareholders	No. of Shares	
1	- 1,000	939	252,407	3.02	4	728	0.01
1,001	- 10,000	414	1,238,079	14.84	13	47,491	0.57
10,001	- 100,000	81	2,399,939	28.76	3	134,223	1.61
100,001	- 1,000,000	10	3,118,216	37.36	-	-	-
Over 1,000,000		1	1,154,371	13.83	-	-	-
Total		1,445	8,163,012	97.81	20	182,442	2.19

### CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	1,385	3,339,024
Institutional	80	5,006,430
	1,465	8,345,454

## PUBLIC SHAREHOLDING

	2015/2016		2014/2015	
	Voting	Non-Voting	Voting	Non-Voting
Number of shares	2,334	1,453	2,348	1,452
Percentage	23.20%	95.22%	23.20%	81.45%

## PER SHARE RATIO

	2015/2016	2014/2015
	Rs.	Rs.
Earnings per Share	6.41	4.52
Dividend per Share	3.60	2.70
Net Asset Value per Share	81.16	78.24

## MARKET ACTIVITIES

### Market Value Per Share

	2015/2016			2014/2015		
	Highest Traded Price Rs.	Lowest Traded Price Rs.	Last Traded Price Rs.	Highest Traded Price Rs.	Lowest Traded Price Rs.	Last Traded Price Rs.
Voting	124.90 9-Oct-15	85.00 8-Jun-15	90.00 31-Mar-16	119.00 2-Jan-15	90.30 26-May-14	113.90 31-Mar-15
Non-Voting	87.50 18-Aug-15	62.00 10-Mar-16	73.60 31-Mar-16	89.90 12-Sep-14	70.20 26-Jun-14	75.10 13-Mar-15

## SHARE TRADING INFORMATION

	2015/16		2014/15	
	Shares Traded Nos'	Turnover Rs.	Shares Traded Nos'	Turnover Rs.
Voting	156,267	16,956,458	700,511	77,406,284
Non-Voting	252,616	20,182,423	435,831	33,890,329

## Share Information

**TOP 20 SHAREHOLDERS AS AT 31 MARCH 2016**

## Voting Shareholders

Name of the Shareholder	Country of Residence	As at 31.03.2016		As at 31.03.2015	
		Number of Shares	Holding %	Number of Shares	Holding %
Durdans Management Services Ltd	Sri Lanka	17,027,632	66.7	17,027,632	66.7
Deutsche Bank AG - National Equity Fund	do	997,019	3.91	997,019	3.91
Lawrance Tudawe Management Services (Pvt) Ltd	do	598,982	2.35	598,982	2.35
Mr Y N R Piyasena	do	553,134	2.17	553,134	2.17
The Ceylon Guardian Investment Trust PLC A/C No. 02	do	518,371	2.03	518,371	2.03
Mr S P Tudawe	do	307,936	1.21	307,936	1.21
Cargo Boat Development Company PLC	do	305,485	1.20	305,485	1.20
M J F Holdings Ltd	do	270,981	1.06	270,981	1.06
Ceylon Investments PLC A/C No. 01	do	256,915	1.01	256,915	1.01
Deutsche Bank AG as trustee to Candor Sharia Fund	do	215,703	0.84	200,000	0.78
Mr A E Tudawe	do	205,052	0.80	205,052	0.80
Mr A D P A Wijegoonewardene	do	199,462	0.78	175,418	0.69
Mr U D Tudawe	do	170,616	0.67	170,616	0.67
Mr A D Tudawe	do	161,984	0.63	161,984	0.63
Commercial Bank of Ceylon PLC/Mr W N Tudawe	do	160,000	0.63	160,000	0.63
Deutsche Bank AG as trustee to Candor Growth Fund	do	130,200	0.51	170,220	0.67
Mr R R Tudawe	do	118,262	0.46	118,262	0.46
Deutsche Bank AG Namal Growth Fund	do	100,763	0.39	100,763	0.39
DFCC Bank A/C 01	do	100,000	0.39	100,000	0.39
The Sri Lanka Fund	do	90,000	0.35	90,000	0.35
<b>Total</b>		<b>22,488,497</b>	<b>88.10</b>	<b>22,488,770</b>	<b>88.10</b>

## Non-Voting Shareholders

Name of the Shareholder	Country of Residence	As at 31.03.2016		As at 31.03.2015	
		Number of Shares	Holding %	Number of Shares	Holding %
Employee Provident Fund	Sri Lanka	1,154,371	13.83	1,154,371	13.83
Deutsche Bank AG as trustee for Namal Acuity Value Fund	do	800,000	9.59	800,000	9.59
M J F Holdings Ltd	do	598,646	7.17	598,646	7.17
Deutsche Bank AG National Equity Fund	do	481,000	5.76	481,000	5.76
E W Balasuriya & Co. (Pvt) Ltd	do	330,619	3.96	330,619	3.96
DFCC Bank A/C 01	do	240,000	2.88	240,000	2.88
Durdans Management Services Ltd	do	161,985	1.94	161,985	1.94
Mr D Ratnayake	do	146,866	1.76	146,866	1.76
A Z Holdings (Pvt) Ltd	do	127,440	1.53	127,440	1.53
Mr A H Munasinghe	do	127,214	1.52	127,214	1.52
Waldock Mackenzie Ltd / Mr K Omprasadham	do	104,446	1.25	104,446	1.25
Distilleries Company of Sri Lanka PLC A/C No. 02	do	95,869	1.15	95,869	1.15
Tudawe Engineering Services (Pvt) Ltd	do	91,986	1.10	91,986	1.10
Mr D A Cabraal	do	82,500	0.99	82,500	0.99
Mr S S Sithambaranathan	do	74,250	0.89	66,000	0.79
Waldock Mackenzie Ltd / Mr P S De Mel	do	70,702	0.85	70,702	0.85
Mr U D Wickremesooriya Jt. Mrs S F Wickremesooriya	do	69,272	0.83	69,272	0.83
Mr A D Tudawe	do	66,151	0.79	-	-
Mr P A I S Perera	do	65,454	0.78	65,454	0.78
Fergasam Garment Industries (Pvt) Ltd	do	65,454	0.78	65,454	0.78
<b>Total</b>		<b>4,954,225</b>	<b>59.35</b>	<b>4,879,824</b>	<b>58.46</b>

## Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Ceylon Hospitals PLC., will be held on 28th June 2016 at the Durdans Auditorium (11th floor) at 9.00 a.m.

The business to be brought forward before the meeting will be:

1. To receive and consider the Annual Report of the Directors and the Statement of Accounts for the year ended 31 March 2016 with the Report of the Auditors thereon (Resolution 1).
2. To re-elect Mr U D Tudawe who retires by rotation in terms of Article No.58 of the Articles of Association and being eligible offers himself for re-election (Resolution 2).
3. To re-elect Mr Asite D B Talwatte Director appointed since the last Annual General Meeting in terms of Article No. 65 of the Articles of Association (Resolution 3 ).
4. To re-appoint Mr A S Abeyewardene, Director who vacates office in terms of Section 210 of the Companies Act No.07 of 2007 and for this purpose to pass the following resolution as an Ordinary Resolution.  

“Resolved that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A S Abeyewardene who is 72 years , and that he be appointed a Director of the Board in terms of Section 211 of the Companies Act No. 07 of 2007” (Resolution 4).
5. Declaration of Dividends  

The Company paid an interim dividend of Rs. 3.60 per share to all its shareholders for the year under review. No further dividends have been recommended by the Board.
6. To re-appoint M/s. B R De Silva & Company, Chartered Accountants, the retiring Auditors who have expressed their willingness to continue in office as Company's Auditors for the Financial Year ending 31st March 2017 and to authorise the Board of Directors to determine their remuneration (Resolution 5).
7. To authorise the Directors to determine donations for the year 2016/2017 (Resolutions 6).
8. Any Other Business  

The Board having determined that it would be appropriate to amend the Articles of Association to fall in line with the provisions contained in the Companies Act No.07 of 2007,

wishes to propose the following resolution to be passed as a special resolution.

**IT IS HERE BY RESOLVED** that the Articles of Association of the Company be amended by deleting its existing Sub Articles enumerated 6 (iv) and 6 (v) in their entirety and by incorporating the following new Articles enumerated 6 (a) and 6 (b).

- (6) (a) (i) The Company may agree to purchase or otherwise acquire any class of its own shares in accordance with the approval of the Board and in accordance with the statutes.
  - (ii) The Company may redeem a share in accordance with the provisions of the statutes which by the terms of issue thereof, is a redeemable share.
- (6) (b)
  - (1) The Company may by Ordinary Resolution:
    - (i) consolidate all or any of its shares issued at the time with the objective of reducing the number of shares in issue.
    - (ii) sub divide (split) all or any of its shares issued at the time with the objective of increasing the number of shares in issue.
  - (2) The Company may by Special Resolution reduce its Stated Capital in such manner as authorised by the Act ( Special Resolution No. 01).

By order of the Board

**NEXIA CORPORATE CONSULTANTS (PVT) LTD**  
*Secretaries*

11<sup>th</sup> May 2016

1. A shareholder entitled to attend and vote is entitled to appoint a Proxy or Proxies to attend and vote instead of him/her.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this notice.

# Form of Attendance

I hereby record my presence at the Annual General Meeting of Ceylon Hospitals PLC, held on 28th June 2016 at the Durdans Auditorium (11th Floor) of Ceylon Hospitals PLC No.03, Alfred Place, Colombo 03 at 9.00 a.m.

Full Name of Shareholder : .....

National Identity Card

No. of Shareholder : .....

Address of Shareholder : .....

.....

Name of Proxy holder

(If applicable) : .....

National Identity Card

No. of Proxy holder : .....

Address of Proxy holder : .....

No. of Shares held : .....

Share Certificate No. : .....

Signature of Shareholder : .....

Date : .....

## NOTE

Shareholders are requested to:

1. Bring the Form of Attendance when attending the Meeting and hand it over at the entrance to the meeting hall. Bring the National Identity Card or Passport.
2. Shareholders appointing persons (other than Directors of the Company ) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the Form of Proxy and request the proxy holder to bring with them their National Identity Card or Passport.



# Form of Proxy-Voting Shareholders

I/We .....

of ..... being a member /  
members of Ceylon Hospital PLC hereby appoint

Mr A E Tudawe	or failing him
Mr S P Tudawe	or failing him
Dr A D P A Wijegoonewardene	or failing him
Mr U D Tudawe	or failing him
Mr Y N R Piyasena	or failing him
Mr A S Abeyewardene	or failing him
Mr Su - Ayid M Ismail	or failing him
Mr A D B Talwatte	or failing him

Mr/Mrs/Miss ..... of (address)

..... as my/our proxy to attend (and vote for me/us)  
on my/our behalf at the Annual General Meeting of the Company to be held on 28<sup>th</sup> June 2016 and at any adjournment thereof.

## NOTE

If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.

## RESOLUTIONS

	<b>FOR</b>	<b>AGAINST</b>
1. To adopt the Statement of Accounts for the year ended 31st March 2016.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr U D Tudawe	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr A D B Talwatte	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr A S Abeyewardene	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Auditors	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Board of Directors to determine donations	<input type="checkbox"/>	<input type="checkbox"/>
<i>Special Resolution-</i>		
7. To amend Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "x"

Signed on this ..... day of ..... 2016.

.....  
Signature

### **INSTRUCTIONS AS TO COMPLETION OF PROXY**

1. Kindly perfect the Form of Proxy after filling legibly your full name and address, by signing in the space provided and dating same.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 03, Alfred Place, Colombo 03 (not less than 48 hours before the time appointed for the holding of the meeting).
4. A member is entitled to appoint a proxy to attend instead of himself and a proxy need not be a member of the Company.

# Form of Proxy-Non-Voting Shareholders

I/We .....

of ..... being a member /  
members of Ceylon Hospital PLC hereby appoint

Mr A E Tudawe	or failing him
Mr S P Tudawe	or failing him
Dr A D P A Wijegoonewardene	or failing him
Mr U D Tudawe	or failing him
Mr Y N R Piyasena	or failing him
Mr A S Abeyewardene	or failing him
Mr Su - Ayid M Ismail	or failing him
Mr A D B Talwatte	or failing him

Mr/Mrs/Miss ..... of (address)  
..... as my/our proxy to attend (and vote for me/us)  
on my/our behalf at the Annual General Meeting of the Company to be held on 28<sup>th</sup> June 2016 and at any adjournment thereof.

## NOTE

If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.

.....  
*Signature*

Date: .....

### **INSTRUCTIONS AS TO COMPLETION OF PROXY**

1. Kindly perfect the Form of Proxy after filling legibly your full name and address, by signing in the space provided and dating same.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
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4. A member is entitled to appoint a proxy to attend instead of himself and a proxy need not be a member of the Company.

# Corporate Information

## NAME OF COMPANY

Ceylon Hospitals PLC

## BRAND NAME

DURDANS

## LEGAL FORM

A quoted public company with limited liability incorporated in Sri Lanka under the Companies Ordinance No.51 of 1938 and registered under the Companies Act No.07 of 2007.

## COMPANY REGISTRATION NUMBER

PQ 113

## STOCKS EXCHANGE LISTING

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

## REGISTERED OFFICE

No.03, Alfred Place, Colombo 03.

## BANKERS

Commercial Bank of Ceylon PLC  
Bank of Ceylon  
DFCC Bank PLC  
Union Bank PLC  
Standard Chartered Bank PLC  
National Development Bank PLC  
Nations Trust Bank PLC  
Hongkong Shanghai Banking Corporation PLC  
Seylan Bank PLC  
Sampath Bank PLC  
Hatton National Bank PLC  
Amana Bank PLC

## AUDITORS

Messrs. B R De Silva & Co.  
Chartered Accountants  
No.22/4, Vijaya Kumaratunga Mawatha  
Colombo 5.

## LAWYERS

Mr D F R Jayamaha  
Hector Jayamaha Law Office  
No.228, Thimbirigasyaya Road  
Colombo 5.

## SECRETARIES

Nexia Corporate Consultants (Pvt) Ltd  
No.181,Nawala Road  
Narahenpita.

## REGISTRARS

S S P Corporate Services (Pvt) Ltd  
546, Galle Road  
Colombo 03.

