

# DEDICATED TO YOU...



  
DURDANS  
HOSPITAL

ANNUAL REPORT 2017/18

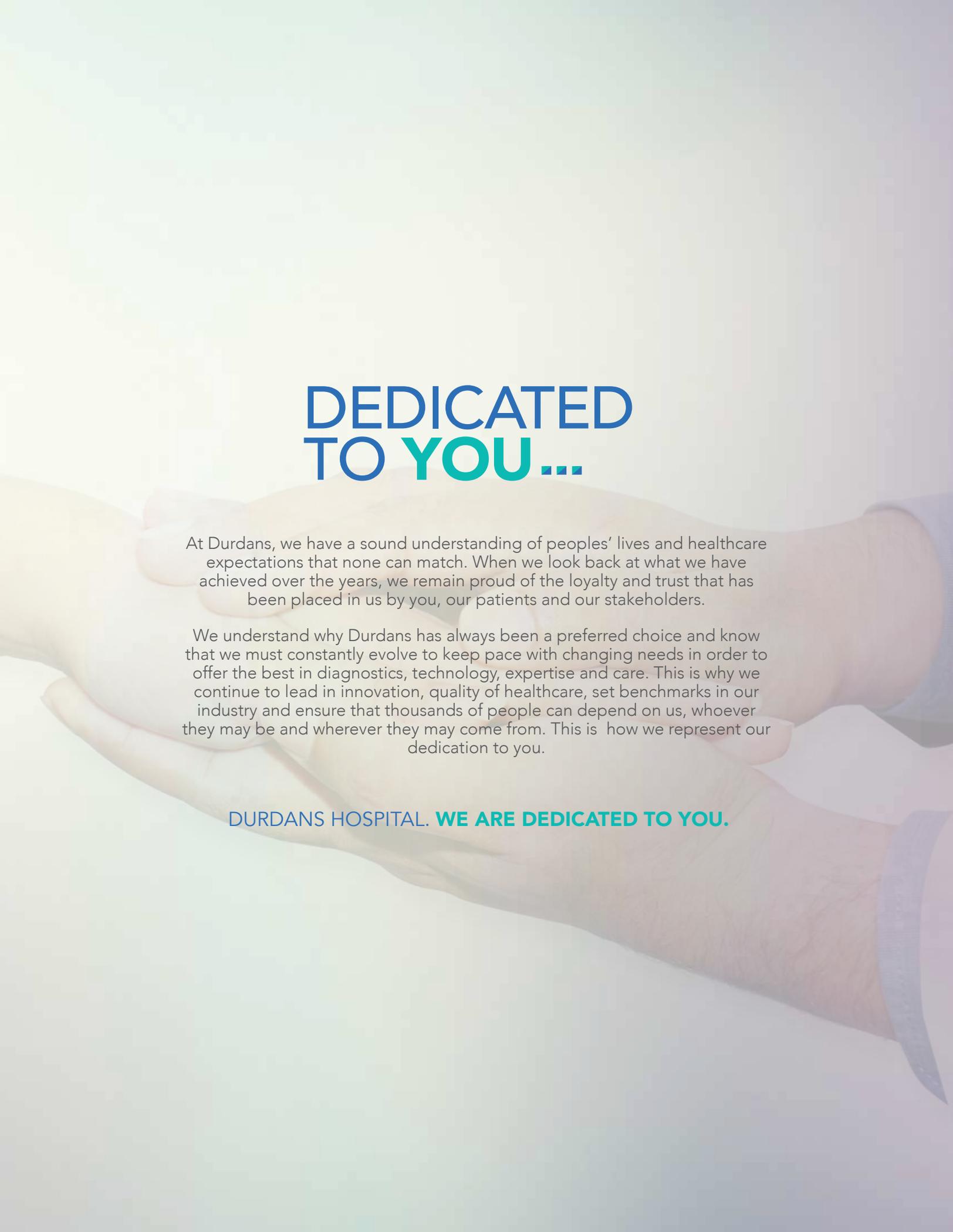


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This report can be accessed online at  
<https://www.durdans.com>



# DEDICATED TO YOU...

At Durdans, we have a sound understanding of peoples' lives and healthcare expectations that none can match. When we look back at what we have achieved over the years, we remain proud of the loyalty and trust that has been placed in us by you, our patients and our stakeholders.

We understand why Durdans has always been a preferred choice and know that we must constantly evolve to keep pace with changing needs in order to offer the best in diagnostics, technology, expertise and care. This is why we continue to lead in innovation, quality of healthcare, set benchmarks in our industry and ensure that thousands of people can depend on us, whoever they may be and wherever they may come from. This is how we represent our dedication to you.

**DURDANS HOSPITAL. WE ARE DEDICATED TO YOU.**

# VISION, MISSION AND VALUES



## VISION

At the forefront of medical excellence, defining the future of Sri Lankan healthcare.

## MISSION

To enhance the lives of our community at large, by unfolding a paradigm shift in all service tiers and excelling in preventative and compassionate patient care.



# VALUES



## **EMPOWERING PRIDE**

Attract, inspire and motivate passionate individuals

## **DEDICATED COMPASSION**

Creating heartfelt, customer-centered experiences

## **ADVANCING MEDICAL EXCELLENCE**

Driving the medical industry towards greater heights

## **PRESTIGE BEYOND OUR BORDERS**

Enhancing our reputation beyond Sri Lanka



# FINANCIAL HIGHLIGHTS

Group	2014	2015	2016	2017	2018
<b>Financial Results</b>					
Turnover (Rs. Mn)	3,961	4,083	4,728	5,289	5,733
Operating Profit (Rs. Mn)	471	390	643	621	723
Profit Before Tax (Rs. Mn)	261	266	557	525	603
Profit After Interest and Tax (Rs. Mn)	229	224	500	389	488
Net Profit Per Share (Rs.)	6.76	6.61	14.76	11.48	14.40
<b>Statement of Financial Position</b>					
Fixed Assets - Net Book Value (Rs. Mn)	4,158	4,107	4,286	6,445	6,539
Total Assets (Rs. Mn)	4,936	4,932	5,366	7,939	8,093
Capital Employed (Rs. Mn)	3,902	3,857	4,225	6,530	6,738
Net Assets (Rs. Mn)	2,707	2,778	3,087	5,198	5,009
<b>Ratios</b>					
Earnings Per Share (Rs.)	6.98	5.91	12.67	9.67	11.87
Annual Income Growth (%)	3	3	16	12	8
Interest Cover (times)	2.20	3.10	7.44	6.34	6.02
Net Assets Per Share (Rs.)	79.92	82.01	91.14	153.46	147.88
Return On Asset (%)	5	5	9	5	6
Return On Capital Employed (%)	12	10	15	10	11
Return On Equity (%)	8	8	16	7	10

## Rs. 5.7 Bn

Revenue

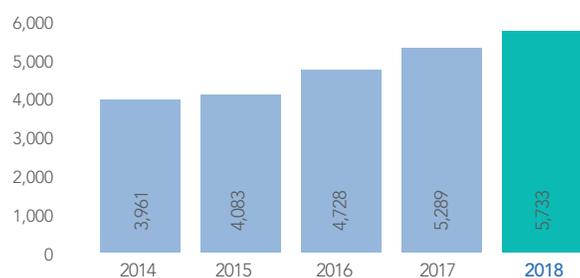
## Rs. 147

Net Assets Per Share

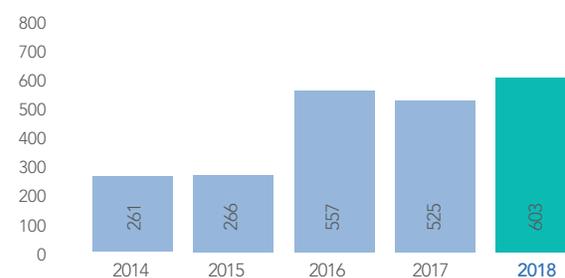
## Rs. 488 Mn

Profit After Tax

**TURNOVER**  
(Rs. Mn)

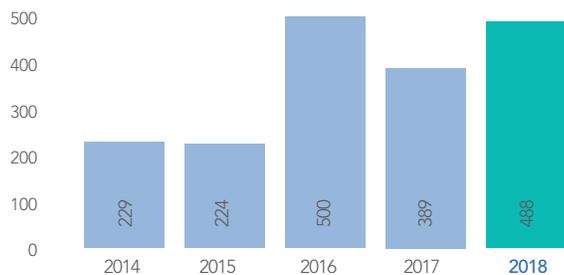


**PROFIT BEFORE TAX**  
(Rs. Mn)



**PROFIT AFTER TAX**

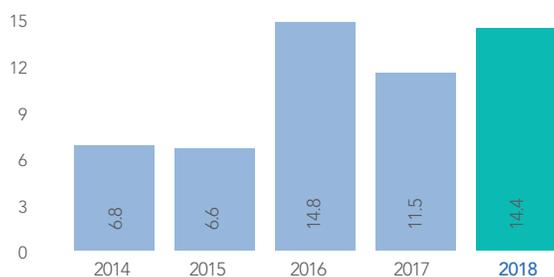
(Rs. Mn)



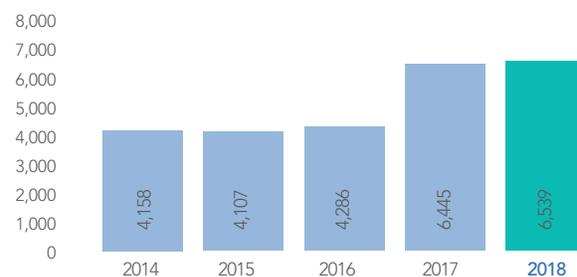
Durdans Hospital reported an 8% increase in turnover to Rs. 5.7 Bn from Rs. 5.3 Bn in the previous financial year. Operating income grew by 5% to Rs. 35 Mn from Rs. 34 Mn in the previous financial year.

**NET PROFIT PER SHARE**

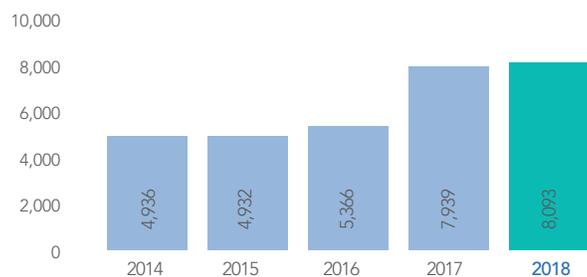
(%)

**FIXED ASSETS - NBV**

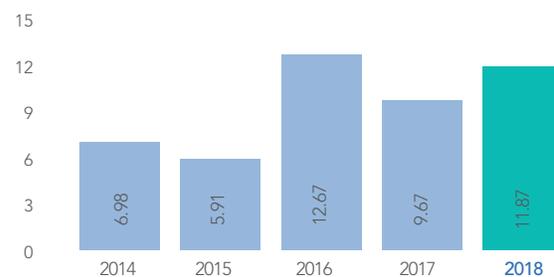
(Rs. Mn)

**TOTAL ASSETS**

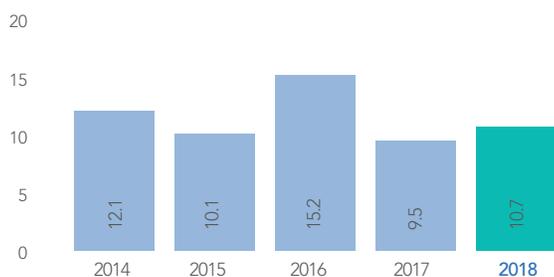
(Rs. Mn)

**EARNINGS PER SHARE**

(%)

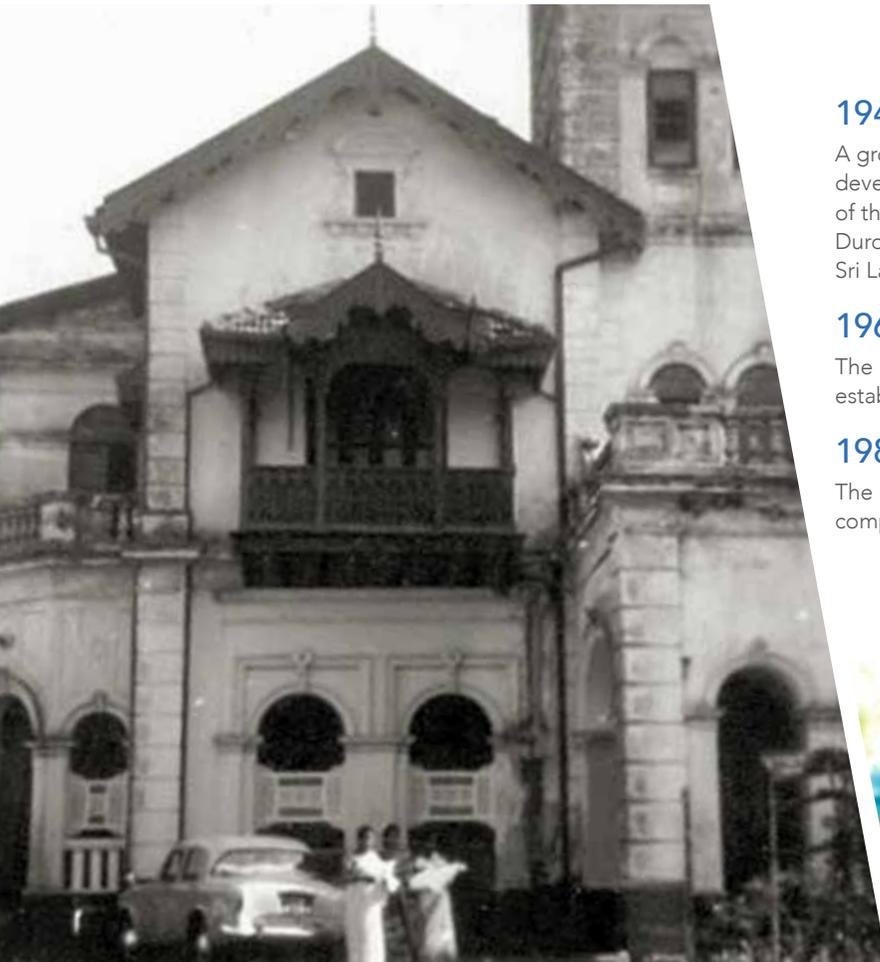
**ROCE**

(%)



# MILESTONES

The Hospital made available to the general public its state-of-the-art 200-slot, multi storied split-level car park. In very close proximity to the hospital, this has served to increase the convenience factor in terms of improved accessibility to the Hospital.



## 1939

A military hospital serving British military personnel stationed in old 'Ceylon' was established where 'Durdans' stands now.

## 1945

A group of enterprising medical doctors equipped with a vision to develop private healthcare within the country, overtook operations of the military hospital and established 'Ceylon Hospitals Limited'. Durdans began its corporate voyage, by opening its doors to the Sri Lankan public with a special focus on maternity care.

## 1968

The Maternity Ward and Out Patient Department (OPD) were established with the purpose of providing high quality care.

## 1982

The Paediatric Ward, Surgical Ward and Operating Theatre complex were set up.





### 1984

Radiology Services were introduced to the public.

### 1993

The Intensive Care Unit (ICU) was established.

### 1995

The Endoscopy Unit was set up.

### 1996

The Pathological Laboratory and Blood Bank commenced operations.

### 1997

Durdans established strategic alliances with the "Escorts Heart Institute and Research Centre" in New Delhi which is a renowned institute in the field of Cardiology.

### 1999

The Heart Command Centre and Heart Station became operational.

### 2000

Cardiovascular surgeries, Invasive and Interventional Cardiac procedures commenced.



# MILESTONES



## 2001

A formal Emergency Treatment Unit (ETU) was set up.

## 2002

The five-year modernisation program of the hospital and the modernisation of the surgical theatre complex were completed.

## 2003

Ceylon Hospitals Limited was listed on the Colombo Stock Exchange.

## 2004

The Neonatal and Dialysis Units were established.

## 2005

Ocular Surgery commenced as well as the pioneering of Cochlear Implant surgery in the country.

## 2006

An Audiology Unit was established.

## 2010

Durdans Medical and Surgical Hospital (Pvt) Ltd was unveiled to the public and became fully operational.

## 2012

The Diabetes and Endocrinology Centre and the Durdans Oral Health Centre became operational.





## 2012

New technology for the Cardiac Fractional Flow Reserve (FFR) Measurement System to evaluate the inner diameter of a blood vessel was introduced.

## 2013

The Neuro Centre was established.

## 2014

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

## 2015

Installation of the Phillips Alluraclarity Cardiac and Angiography system and the advanced Ultrasound Phillips EPIQ7 was installed.

Introduction of Sleep Lab Test services and the Autologous Platelet Rich Plasma Liquid Procedure (A-PRP).

## 2016

Minimally invasive instruments for Coronary Artery Bypass Grafting (CABG) and valve surgeries were introduced.

The Dietetic and Nutritional Care Centre, Cosmetic Care Centre 'Enhance' and the Sports Medicine Unit were established.

## 2017

The Renal Transplant Unit was revived with the re-commencement of renal transplants.

A new 20-bed ward including two Deluxe Rooms and one Grand Suite were made available to enhance bed capacity.

A state-of-the-art Bone Densitometer (Dexa Scanner), Dental X-Ray system, Digital Imaging Plate System and a Mobile X-Ray system were introduced to the Radiology Department.

Laboratory operations were reaccredited with the ISO 15189:2012 notably the Histopathology Unit which was a first for a hospital.

## 2018

Durdans relaunched its brand under the slogan 'Dedicated to you', as a foundation to enhance the levels of customer service being offered. Durdans introduced sophisticated technology, procedures and operational changes within to enhance its level of patient care, convenience and hospitality in line with the brand change.

The Hospital made available to the general public its state-of-the-art 200-slot, multi storied split-level car park. In very close proximity to the hospital, this served to increase the convenience factor in terms of improved accessibility to the Hospital.

The Hospital was re-accredited by the Joint Commission International (JCI).



# YEAR AT A GLANCE

Durdans relaunched its brand under the slogan 'Dedicated to you', as a foundation to enhance the levels of customer service being offered. Durdans introduced sophisticated technology, procedures and operational changes within to enhance its level of patient care, convenience and hospitality in line with the brand change.





Customised staff training programmes to enhance the quality of patient care



Digital X-ray machine was added to radiology department



Increased investment in major medical equipment



New multi-story car park opened to the general public



Improvements to room facilities

Durdans has built up a significant quantum of assets which although not reflected in its balance sheet, have contributed immensely towards its success and growth.



# MANAGEMENT REVIEW

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# CHAIRMAN'S REVIEW

Durdans is in the process of repositioning its corporate image through its brand dynamic and promise of being 'Dedicated to You'. The Durdans 2022 strategy is aimed at realigning emerging socio-economic trends in Sri Lanka and in global healthcare with a major infrastructure and remodelling program.

At Durdans Hospital, we place the wellbeing of our customers at the centre of what we do and remain committed to providing them with a sound healthcare experience, one that is a combination of respect and compassion. Maintaining a high level of professional integrity, we continually seek to innovate and advance to provide improved and better standards of healthcare. Our team comprises a group of professionals whose knowledge, experience and skill combined makes Durdans a safe and reliable place to be. As a leading tertiary healthcare provider within the private sector, Durdans Hospital was the first Healthcare Institution in Sri Lanka to be accredited with the Gold Seal of Approval by the Joint Commission International (JCI), a US-based accreditation scheme. Symbolising its commitment to patient safety and quality of care, Durdans continues to hold this certification today while seeking to deliver value to its key stakeholders. In line with its customer centric business model, Durdans continues to establish centres

of excellence in all of its areas of expertise within a framework of sustainable development. It is in this backdrop and on behalf of the Directorate of the Company, that I present to you our Annual Report and its Audited Financial Statements for the financial year ended 31st March, 2018.

## SRI LANKAN HEALTHCARE SECTOR - OVERVIEW

Although Sri Lanka spends a small percentage of its GDP on healthcare, the country is a success story in its own right considering its achievements within the healthcare industry. The country ranked 73rd out of 188 countries in the UN's Human Development Index in 2015, infant mortality and fertility rates have declined dramatically while life expectancy has increased considerably. An estimated 89.7% of the population has access to safe drinking water while 44.9% of people enjoy piped water helping to reduce the risk of water borne diseases. The island was certified Malaria free by the World Health Organization (WHO) in September 2016 having been one among the many affected countries in the 20th century. On the flip side, a demographic transition shows that the population of individuals over 60 is rapidly increasing which presents new health challenges. Non communicable diseases (NCDs) have surpassed communicable diseases becoming the leading cause of death in Sri Lanka. Changes in consumption and lifestyles have contributed towards the increased incidence of cardiovascular disease, diabetes, kidney disease and cancer.

The private health sector is dominated by a few locally owned firms of which we are a part. Private healthcare revenues are expected to record a compound annual growth rate of 8.3% from 2013 to 2020 with revenue reaching US\$ 2.1 Bn by 2020. The Government's favourable decision to suspend the 15% Value Added Tax (VAT) with the exception of its residential income and professional charges was welcomed by the industry. Expansion within the private sector however is exerting pressure on staffing requirements as doctors work in both public and private sector hospitals. Although doctors have greater flexibility to work within both sectors the same does not hold true for nurses. The lack of standardisation between public



and private sector hospitals has also created rigidity within the system. Moreover, public sector hospitals do not recognise the qualifications that nurses obtain from private hospitals. Healthcare operators within the private sector have advised of the lack of qualified medical personnel which currently serves as a key barrier. The Government is presently attempting to address the issue by streamlining the processes involved in appointing foreign specialists to temporary contracts, a youth training program for the healthcare sector as well as upgrading training schools for nurses.

### GLOBAL HEALTHCARE SECTOR - OVERVIEW

The size of the global healthcare market is estimated to be between five trillion to six trillion dollars. Three trillion, or over half is spent in the United States which means that only 5% of the world's population accounts for over 50% of the world's total health bill.

### PERSONALISATION AND ACCESSIBILITY

Patients today have more access to as well as wider choices for their healthcare. This refers to the in-person experience, as well as the way in which hospitals and health systems communicate with their patients to help them get information and make appointments. Digital transformation is expected to revolutionise the healthcare industry while online and mobile platforms are being widely used to engage customers. This has proved to be much more effective than print or broadcast advertising and will only grow more essential in 2018. The patient community no longer wants to be a passive recipient of healthcare services. Instead, they prefer playing an active role throughout the entire treatment cycle. This is the changing expectation whereby customers want to access healthcare on their own terms while valuing a pleasant experience and quality care.

### BEHAVIOURAL HEALTH

Behavioural health issues are gaining more awareness globally. While social stigma surrounding mental health breaks down slowly, healthcare providers are beginning to design systems in such a way that addresses their needs. The reliance of the younger generation on increased use of technology has shown increased rates of anxiety, depression and loneliness. This is also an area requiring a support system that involves trained staff inclusive of psychiatrists, nurses, social workers and clinicians.

### CLOUD PLATFORMS AND HEALTHCARE

Cloud infrastructure has been hugely beneficial in terms of allowing medical personnel to access diverse information electronically from any location and from different devices. Healthcare information comprising patient records and their historical data are readily available to healthcare professionals thereby reducing the time taken for an initial diagnosis while allowing medical professionals to make timely and more informed decisions. The healthcare industry is leveraging on this to enhance accessibility and improve lead times.



### VALUE CREATION

Durdans is in the process of repositioning its corporate image through its brand dynamic and promise of being 'Dedicated to You'. The Durdans 2022 strategy is aimed at realigning emerging socio-economic trends in Sri Lanka and in global healthcare with a major infrastructure and remodelling program. As part of its Strategic Roadmap for 2022, Durdans opened its multi-storied split level car park to the public. Being the only standalone car park building in Colombo, it accommodates up to 200 vehicles at any given time and has served to address a critical limiting factor considering the number of patients who patronise the hospital annually. Its advantage lies in the proximity of the car park to the hospital and round the clock accessibility thereby enhancing service delivery standards. Within the next 3-4 years the hospital will embark upon a redevelopment of its infrastructure and create a new face to the hospital premises while investing substantially in cutting edge technology.

During the financial year, the Hospital commissioned the use of a new Digital X - ray system which served to improve X-ray image quality, reduce radiation and cut down on patient lead times. As part of its initiative to create centres of excellence, Durdans also invested significantly in equipment to be used in the field of interventional radiology, a first in South Asia as well as in the areas of orthopaedics, neuro surgery and laparoscopy. The hospital procured a CUSA machine to be used in tumour surgery whereby malignancies would be removed with minimal harmful effects on the adjacent tissues within the body. An orthopaedic navigator is in place for the purpose of high precision orthopaedic surgeries, while an additional laparoscopic unit will serve to enhance the degree to which Minimally Invasive Procedures are carried out.

## CHAIRMAN'S REVIEW

- Revenue growth of 8% YoY to Rs. 5.7 Bn from Rs. 5.3 Bn
- Rise in corporate tax rate to 28% from 12% within the healthcare services sector
- Suspension of 15% VAT on multiple services being offered
- Enhanced accessibility to a multi-storied split level car park accommodating up to 200 vehicles
- Commissioning of a new digital X-ray system
- Procurement of CUSA machine and orthopaedic navigator for high precision tumour and neuro surgeries

### FINANCIAL PERFORMANCE

Increased Group revenue reflected an 8% growth to Rs. 5.7 Bn from Rs. 5.3 Bn. On the other hand, the Company reported a 6.1% revenue growth versus a growth of 7.5% in the comparative period of the previous financial year which was attributable to the temporary closure of some wards and units for repairs and renovation and the inability to increase pricing of specific procedures due to regulatory controls. Group gross profit margins remained at 60% on par with the previous year. A rise in the inflationary element together with an increase in staff related costs impacted Group overheads which rose by 8% year on year.

Increased borrowings to finance the construction of the car park and investment in equipment together with a rise in market interest rates bore down on the finance cost as a whole while corporate tax rates increased to 28% from 12% as per the new Inland Revenue Act which impacted the deferred tax liability as well. Group PAT increased by Rs. 99 Mn to Rs. 488 Mn for FY 2017/18 while net margin reported was 8.5% an increase compared to the previous financial year.

### SUSTAINABILITY

Durdans Hospital remains committed to ensuring its business policies and operations reflect the interests of all its key stakeholders including its patients, employees, investors, the community as well as the environment. It continues to find ways in which its performance could be improved while complying with

relevant legislation and regulation and encouraging its staff to be mindful of the effect of their actions on any natural resource being used. The Hospital has identified the need to operate within the parameters of responsibility, safety, and sustainability from efficient disposal of waste, to sourcing resources and adding value to our customers. Our processes are therefore structured in line with our new guiding tagline 'Dedicated to You'.

### THE FUTURE

Trends indicate the need to address not only the rising levels of NCDs but also an ageing population. It is estimated that approximately 30% of Sri Lankans will be over the age of 65 by 2030 while 65% of deaths currently are due to heart disease, diabetes and cancer. Sri Lanka has been working with the World Bank and WHO to meet its NCD goals and was the 8th country in the world to join the UN Interagency Task Force on the Prevention and Control of NCDs. Statistics show that of 138,000 deaths in 2014, 40% was the result of cardiovascular disease, 10% from cancer, 7% from diabetes and 8% from chronic respiratory disease. In an effort to reduce the 30,000 deaths per year attributed to tobacco, VAT of 15% was imposed on the sale of cigarettes while the production tax per cigarette was increased by Rs. 5.00. There is an attempt to leverage on technology to reduce costs, improve data collection and raise efficiencies within the health sector. Pharmaceutical manufacturing has been made a priority whereby the Government hopes to reduce its import dependency on India who supplies majority of Sri Lanka's pharmaceuticals followed by Switzerland,



Pakistan and the United Kingdom. The Government hopes to encourage foreign manufacturers to set up factories locally by way of preferential rates and tariffs.

#### APPRECIATION

Our journey over 72 years was made possible by our customers and stakeholders whose trust, confidence and support helped immensely in holding true to our values. Our team of dedicated and experienced physicians, nurses, managers and healthcare personnel who's consistent commitment towards providing a high degree of patient care has accounted for Durdans' success and position within the healthcare service industry today. Our Board of Directors and their valuable insight and expertise has provided Durdans with direction. I would also like to express a greater appreciation for the continued patronage of our customers and the confidence placed in us by our shareholders. We will continue to deliver better standards of healthcare as we remain dedicated to you.

**Ajith Tudawe**  
Executive Chairman

# BOARD OF DIRECTORS PARENT COMPANY

## CEYLON HOSPITALS PLC

### AJITH ERANDAN TUDAWE

#### Executive Chairman

Ajith Tudawe holds a Bachelor's degree in Accounting from the CNAAB, United Kingdom (UK) and is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants of Sri Lanka. He is also a Fellow of the Association of Chartered Certified Accountants, UK, a Fellow of the Chartered Institute of Marketing, UK and has served as past President of the ACCA in Sri Lanka. He has participated in Executive Education Programs and Professional Development Programs from universities in Australia, Singapore and the UK. Ajith Tudawe is a Group Director of Tudawe Holdings (Pvt) Ltd including all of its subsidiary companies.

### UPUL DULIP TUDAWE

#### Director/ Executive Vice President

Upul Tudawe serves as Group Director of Tudawe Holdings (Pvt) Ltd and its subsidiary companies. In addition, he also functions as Chairman of Commercial Marketing Distributors (Pvt) Ltd. He holds a Bachelor of Science degree in Microbiology from Texas Tech University and a degree in Medical Technology from the University of Texas Health Science Centre in Houston, USA. Upul Tudawe is a Member of the American Society of Clinical Pathology (ASCP) and the Australian Institute of Medical Scientists (AIMS).

### DR. A D PREETHIRAJ ASOKA WIJEGOONEWARDENE

#### Director/ Senior Vice President – Medical

Dr. Preethiraj Wijegoonewardene holds an MBBS from India as well as a Postgraduate Diploma in Family Medicine from the Postgraduate Institute of Medicine (PGIM) in Colombo. He is a Fellow of the College of General Practitioners of Sri Lanka and was awarded the Honorary Fellowship of the Royal College of General Practitioners, UK in November 2008. He is a Patron of the South Asia Primary Care Research Network and was elected as Chairman of the South Asia Board of RCGP International. The first Sri Lankan to receive a WONCA Fellowship, he was also awarded an Honorary Fellowship from the Bangladesh Academy of Family Physicians. Dr. Preethiraj Wijegoonewardene is a leading Medical Practitioner in family medicine in Sri Lanka.

### SATHIS PRITHIVIRAJ TUDAWE

#### Director/ Senior Vice President - Administration

In the capacity of Senior Vice President Administration and as Chairperson of the Technical and Maintenance Committee, Sathis Tudawe oversees the technical and maintenance aspects of the business operation while managing all security and transport related operations in an advisory capacity. He is also a Group Director of Tudawe Holdings (Pvt) Ltd, its subsidiaries and associates and has over 40 years of experience within the construction industry.

### Y NIMAL RANJITH PIYASENA

#### Non-Executive Director

As the Managing Partner of Y. R. Piyasena & Company and Vice-Chairman of Hotel Star Dust in Pottuvil, Nimal Piyasena contributes over 40 years of diversified experience in the fields of Finance, Healthcare, and Trade Operations.

### ASOKA SRIWICKREMA ABEYEWARDENE

#### Independent, Non-Executive Director

An Independent Director of Ceylon Hospitals PLC, he serves as Chairman of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee. He is an Executive Director of Continental Insurance Lanka Ltd, Fellow of The Institute of Chartered Accountants of Sri Lanka, Fellow of the Certified Management Accountants of Sri Lanka, Fellow of the Institute of Directors UK and a former partner of Messrs. KPMG Ford, Rhodes, Thornton & Co. Chartered Accountants.

### AHAMED SU-AYID MOHOMED ISMAIL

#### Independent, Non-Executive Director

With over 30 years of experience in the fields of financial management, risk management, auditing, consulting and business advisory services, Su-ayid Ismail is the Founder/CEO of BAS Consultants (Pvt) Ltd and provides consulting and advisory services for SMEs and family businesses. Su-ayid Ismail is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Chartered Management Accountants of UK, Member of the Institute of Internal Auditors and a Former Partner of Messrs. Ernst & Young Chartered Accountants.

## ASITE DRUPATH BANDARA TALWATTE

### Independent, Non-Executive Director

Asite Talwatte is the Chairman of Management Systems (Pvt) Ltd, the Chairperson of the Integrated Reporting Council of Sri Lanka and a Non-Executive Director on the boards of several listed and private Companies. With over 37 years of experience in the fields of Assurance, Business Risk and Advisory Services, he served as Country Managing Partner of Ernst & Young for over 10 years prior to his retirement in March 2016. He holds a Post-Graduate Diploma in Business and Financial Administration from the CA Sri Lanka and the University of Wageningen, Holland as well as an MBA from the University of Sri Jayewardenepura, Sri Lanka. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants, UK.

## ARJUN RISHYA FERNANDO

### Independent, Non-Executive Director

Arjun Fernando served as the Chief Executive Officer and Ex-Officio Director of DFCC Bank PLC until August 2017 and holds over 30 years of experience in the banking and financial services sector encompassing the areas of commercial banking, trade and supply chain operations. He is the Chairman of selected subsidiaries of DFCC Bank PLC, Acuity Partners (Pvt) Limited, Lanka Ventures Limited and is a Director of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He is also the Director of Acuity Stockbrokers (Pvt) Limited, LVL Energy Fund, Credit Information Bureau of Sri Lanka, Sri Lanka Banks Association (Guarantee) Limited, Financial Ombudsman (Guarantee) Limited, NDB Capital Holdings, Central Finance PLC and HFC Bank, Fiji Islands. Arjun Fernando holds a B.Sc. degree in Engineering from Southern Illinois University, USA, an M.Sc. degree in Management from Clemson University, USA and is an Associate of the Institute of Financial Studies (Chartered Institute of Bankers), UK.

Arjun Fernando resigned from the Board of Directors of the Company with effect from 18th May 2018 in compliance to Central Bank guidelines on more than one Independent Non-Executive Director (INED) of a non-banking Financial Institution serving in a similar capacity in another public quoted company.

# BOARD OF DIRECTORS SUBSIDIARY COMPANY

## DURDANS MEDICAL AND SURGICAL HOSPITAL (PVT) LTD

### AJITH ERANDAN TUDAWÉ

#### Chairman

Refer page 18 for the profile.

### UPUL DULIP TUDAWÉ

#### Director/ Executive Vice President

Refer page 18 for the profile.

### DR. A D PREETHIRAJ ASOKA WIJEGOONEWARDENE

#### Director/ Senior Vice President - Medical

Refer page 18 for the profile.

### SATHIS PRITHIVIRAJ TUDAWÉ

#### Director/ Senior Vice President - Administration

Refer page 18 for the profile.

### Y NIMAL RANJITH PIYASENA

#### Non-Executive Director

Refer page 18 for the profile.

### ASOKA SRIWICKREMA ABEYWARDENE

#### Independent, Non-Executive Director

Refer page 18 for the profile.

### MERRILL JOSEPH FERNANDO

#### Non-Executive Director

Merrill J. Fernando is the founder of 'Dilmah', the reputed tea Company with a vast global presence. A humanitarian whose underlying philosophy is to make business a matter of human service, he was awarded the prestigious 'Business for Peace Award' in Oslo in 2015 by the Nobel Peace Laureates Committee and was honoured with the FIRST Award for Responsible Capitalism in November 2016 for improving the lives of underprivileged children and deprived communities. As a unique sustainability initiative, the 'MJF Charitable Foundation' and 'Dilmah Conservation' were created to directly assist humanitarian and environmental initiatives and is funded by the diversion of 10% of pre-tax profits from the sale of Dilmah Tea.

### DILHAN CHRISHANTHA FERNANDO

#### Non-Executive Director

Dilhan Fernando serves as a Group Director of the MJF Group of Companies. He is the Chairperson of the Business and Biodiversity Platform, pioneered by 'Dilmah Conservation' together with the Ceylon Chamber of Commerce and International Union for Conservation of Nature (IUCN). He initiated the concepts of tea gastronomy, tea lounges and set up the world's first consumer and hospitality tea school, 'Dilmah School of tea', to impart knowledge of and teach the finer aspects of tea in an effort to introduce the beverage to the younger generation. He is also actively involved in work surrounding the 'MJF Charitable Foundation' and 'Dilmah Conservation'.

### PROF. JANAKA DE SILVA

#### Non-Executive Director

Prof. Janaka de Silva is Senior Professor and Chair of Medicine, University of Kelaniya, and a Consultant Physician of the Colombo North Teaching Hospital. Professor de Silva was educated at Royal College. He obtained his MBBS and MD degrees from the University of Colombo and a DPhil from the University of Oxford. He was awarded Fellowships from the Royal College of Physicians of London, Ceylon College of Physicians, National Academy of Sciences of Sri Lanka, the Royal Australasian College of Physicians and the Royal College of Physicians of Thailand. He is a recipient of the titular national honour 'Vidyajyothi', the highest award for scientific achievement in Sri Lanka. He is 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

#### Non-Executive Director

A Consultant Physician, Dr. Bandula Wijesiriwardena holds over 33 years of experience in the Government Healthcare sector having served as Chief Examiner for MD (Medicine), Chairman, MCQ core group, Member, AAAED Committee and was the President of the Ceylon College of Physicians in 2005. He presently works for the private healthcare sector full time. Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College of Physicians which is presently being used island-wide. With numerous national and international publications to his credit, Dr. Wijesiriwardena won the Presidential Award for his clinical research in 2000 and was awarded Honorary Fellowships by The Royal Australian College of Physicians and Colleges of Medicine in South Africa. He holds an MBBS (Colombo), MD (Colombo), MRCP (UK) and is a Fellow of the American College of Physicians and the Ceylon College of Physicians.

**AHAMED SU-AYID MOHOMED ISMAIL****Independent, Non-Executive Director**

Refer page 18 for the profile.

**ASITE DRUPATH BANDARA TALWATTE****Independent, Non-Executive Director**

Refer page 19 for the profile.

Asite Talwatte resigned from the Board of Directors of the Company with effect from 18th May 2018.

**ARJUN RISHYA FERNANDO****Independent, Non-Executive Director**

Refer page 19 for the profile.

**AMINDA SANJEEVE TUDAWE****Executive Director**

As a Director of Durdans Medical and Surgical (Pvt) Ltd and Durdans Heart Centre (Pvt) Ltd, Aminda Tudawe functions as Head of Supply Chain and Procurement in a strategic capacity while coordinating corporate strategy. He is presently involved in the Durdans Vision 2022 project and is working with the Project Consortium. He was actively instrumental in overseeing the implementation of JCI at Durdans Hospital during the period 2012 to 2014 and played a key role in the car park building project from November 2015 to March 2018. He holds a Bachelor of Science (Hons) degree in Business Management from the University of Wales, UK as well as a Master of Business Administration (MBA) degree from the School of Business, University of Leicester, UK.

# BOARD OF DIRECTORS SUBSIDIARY COMPANY

## DURDANS HEART CENTRE (PVT) LTD

### AJITH ERANDAN TUDAWE

#### Chairman

Refer page 18 for the profile.

### UPUL DULIP TUDAWE

#### Director/ Executive Vice President

Refer page 18 for the profile.

### DR. A D PREETHIRAJ ASOKA WIJEGOONEWARDENE

#### Director/ Senior Vice President - Medical

Refer page 18 for the profile.

### SATHIS PRITHIVIRAJ TUDAWE

#### Director/ Senior Vice President - Administration

Refer page 18 for the profile.

### Y NIMAL RANJITH PIYASENA

#### Non-Executive Director

Refer page 18 for the profile.

### DR. R CHANDRAWANSE RAJAPAKSE

#### Independent, Non-Executive Director

Dr. Rajapakse served as Director Medical Administrator of Durdans Hospital. With significant experience as a senior medical administrator, he served as an officer of the Sri Lanka Army Medical Corps and its Commanding Officer from 1989 to 1991, Director of the Government Hospital in Kurunegala, Director of the Teaching Hospital in Kandy, the first Director of the new Sri Jayewardenepura Teaching Hospital and the Director General, Hospital Services in the Republic of Seychelles. He holds an MBBS from the University of Ceylon, a Post Graduate Diploma in Health, New Zealand and is SCMA certified.

### DR. A NEVILLE DHARMAWANSA

#### Independent, Non-Executive Director

With decades of experience in the healthcare sector, Dr. Dharmawansa holds an MBBS from the University of Ceylon as well as Postgraduate qualifications from the UK. He is a Fellow of the Royal College of Physicians in England and was a practicing physician in the Sri Lankan private healthcare sector.

### SUMITH ARANGALA

#### Independent, Non-Executive Director

Sumith Arangala is the Director and Chief Executive Officer of LVL Energy Fund Limited, is on the Board of its investee companies and is a Non-Executive Independent Director of Renuka Agri Foods PLC. He served as the Chief Executive Officer of Lanka Ventures PLC, worked at the Capital Development and Investment Company Limited, the pioneer venture capital company in Sri Lanka and counts over 30 years of experience investing in private equity, venture capital and capital markets. He holds a Bachelor of Engineering degree and a Graduate Diploma in Quality Technology from the Royal Melbourne Institute of Technology, Australia. He is also a Graduate Member of the Institute of Engineers in Australia.

### AMINDA SANJEEVE TUDAWE

#### Executive Director

Refer page 21 for the profile.

# SENIOR MANAGEMENT TEAM



## DR. WIMAL KARANDAGODA

### Director Medical Services

With over 30 years of experience as a Medical Officer, Senior Medical Administrator at the Ministry of Health and Director Medical Services of Lanka Hospitals PLC, Dr. Karandagoda joined Durdans in 2016. He worked in the capacity of Director - Teaching Hospitals, Regional and Provincial Director of Health Services and Director - Policy Analysis and Development at the Ministry of Health. He holds an MBBS degree from the University of Peradeniya and a Master's in Medical Administration from the Post Graduate Institute of Medicine, University of Colombo. He is a scholar of the Health Services Management Centre of the University of Birmingham, UK and is a Productivity Specialist at the Asian Productivity Organization in Manila, Philippines and Malaysia. Dr. Karandagoda is a visiting lecturer at several university medical schools in Sri Lanka, the National Productivity Secretariat and the Directorate of Quality and Safety within the Ministry of Health.

## MAJ. GEN. LAL PADMAKUMARA

### Chief Operating Officer

With over 35 years of experience encompassing military training in senior leadership positions, Maj. Gen. Padmakumara joined the Company in 2017 and currently serves as the Chief Operating Officer. He holds a Bachelor of Arts degree from the University of Colombo, Master's degrees in Defence Studies from the University of Kelaniya, National University of Dhaka, Bangladesh, as well as a Master's degree in Management Studies from Osmania University, Hyderabad, India. His experience in the army involved a diverse range of responsibilities including strategic planning, command decision making, administration, security management, officer training at varied levels, assisting Government authorities, forecasting and budgeting of resources and human resource management in a 200,000-member organisation.

## MAHANIL PERERA

### Head of Laboratory Operations

With over 25 years of experience in the fields of business development, management and marketing, Mahanil Perera joined the Company in 2011. As the Head of Laboratory Operations he remains responsible for and oversees the development and profitability of the Durdans Medical Centers and Laboratories island-wide. He holds a Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing.

## AMINDA SANJEEVE TUDAWE

### Head of Supply Chain

Please refer page 21

## DR. JITHENDRI PERERA

### Deputy Director Medical Services

Dr. Jithendri Perera joined the Company in 2006 and has significant knowledge of the operations across the Group. She was joined the management team in November 2012 and functions as Deputy Director Medical Services since April 2018. She was instrumental in coordinating clinical and non-clinical activities to achieve Joint Commission International (JCI) accreditation for Durdans Hospital in the capacity of the Senior Manager-in-Charge of the Quality Assurance Department. Her interest in clinical medicine especially in Primary Care Family Medicine led her towards successful completion of the MCGP diploma course conducted by the College of General Practitioners of Sri Lanka in 2017. She holds an MBBS degree from Rajiv Gandhi University, Bangalore, India with post qualifying experience from hospitals in India and Sri Lanka.

## ANAGI KARUNASENA

### Chief Financial Officer

With an experience of more than 18 years, Anagi Karunasena joined the Company in 2014 and presently oversees the finance function of the Group. She oversees multiple functions in this regard which encompasses establishing financial strategies, risk identification and management, identifying opportunities for investment and growth, improving cost efficiencies and in-depth monitoring of financial performance as well as financial and regulatory compliance. Her experience within the financial sector includes her work at DFCC Bank PLC, MAS Investments (Pvt) Ltd, Lanka Ventures PLC, SWK Holdings (Pvt) Ltd, Pramuka Savings and Development Bank and Ernst & Young. She holds a Bachelor of Science degree in Management from the University of Sri Jayewardenepura, Colombo as well as a Master's degree in Business Administration from the Postgraduate Institute of Management, Colombo. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Sri Lanka Institute of Bankers as well as a Member of CPA Australia.

# SENIOR MANAGEMENT TEAM

## RAKSHITHA TUDAWE

### Head of Strategy and Business Development

Rakshitha Tudawe oversees the development and execution of strategic initiatives for the Group having joined the Company in 2016. He holds a Bachelor of Science (Hons) degree in Business Economics from the School of Economics, University of East Anglia in Norwich, a Master's degree in Management from Loughborough Business School and successfully completed four segments of CFAB from Institute of Chartered Accountants, England and Wales.

## SANJEEWA KODIKARA

### Chief Information Officer

With an experience of 19 years, Sanjeeva Kodikara joined the Company in 2017 and oversees the information technology arm of the business. He is responsible for enhancing the convenience factor in the provision of medical services using new initiatives and technologies, implementation of lean management practices, hardware and cloud platform development as well as providing smarter reporting deployment methods. His experience in the field of IT extends to senior positions held previously at EAM Maliban Textiles (Pvt) Ltd, Orit Trading Lanka, Orit Apparels Lanka (Pvt) Ltd and Quantum Clothing Lanka (Pvt) Ltd. He holds a Master of Business Administration from Buckinghamshire New University, UK, a Postgraduate Diploma from the British Computer Society, UK, Diploma in Information Systems, Australian Computer Society and Diploma in Computer Systems Design, National Institute of Business Management.

## GAYANTHIKA PATHIRANNEHE

### Head of Human Resources

With over 23 years of experience in the fields of human resources and administration across multiple organisations, Gayanthika Pathirannehe presently oversees the Human Resource function of the Group. Her experience in the capacity of General Manager and Consultant previously encompassed the broad areas of policy formulation, coaching and counselling, workforce planning and recruitment, industrial labour management, training and development, performance and grievance management, social compliance, compensations and benefits to name a few. She holds a Bachelor of Arts degree from the University of Colombo, a Diploma in Psychology Counselling from the Institute of Psychologists, Sri Lanka, a Certificate Course in Industrial Relations, Human Resource Management and Development from the Employers Federation of Ceylon and a Diploma in Personnel Management from the National Institute of Business Management.

# MANAGEMENT DISCUSSION AND ANALYSIS

This report is organised around the Durdans story of value creation. Each capital report explains key aspects of our business which have helped us become your trusted health partner. We at Durdans, work consistently towards delivering high standards of healthcare and creating an environment that will provide our customers with a safe and reliable place to seek medical assistance.

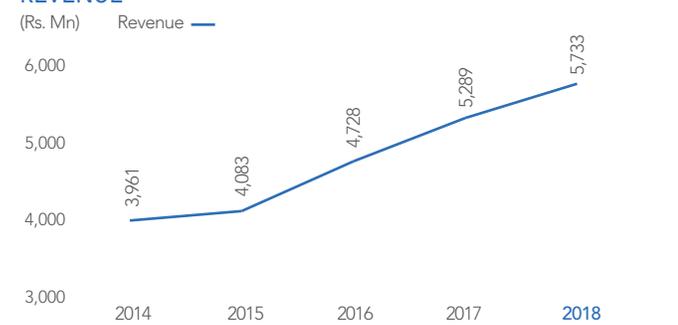


# MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL CAPITAL

## REVENUE

Durdans Hospital reported 8% increase in turnover to Rs. 5.73 Bn from Rs. 5.29 Bn in the previous financial year. The increase was primarily due to revenue generation of Durdans Medical and Surgical Hospital (Pvt) Ltd, a subsidiary of Ceylon Hospitals PLC. However, occupancy levels were much less than what was anticipated.

### REVENUE



Description	2014	2015	2016	2017	2018
Revenue (Rs. Mn)	3,961	4,083	4,728	5,289	5,733
Revenue Growth	3%	3%	16%	12%	8%

## OPERATING INCOME

Operating income grew by 5% to Rs. 35 Mn from Rs. 34 Mn in the previous financial year. This was attributable to a new income component arising from the new car park as well as the income from the café within the premises. Of the two, the former witnessed a growth in excess of 100% and the latter a 9% growth year on year basis.

Description	2014	2015	2016	2017	2018
Other Operating Income (Rs. Mn)	34	35	38	34	35
Other Operating Income Growth	-	4%	7%	-11%	5%

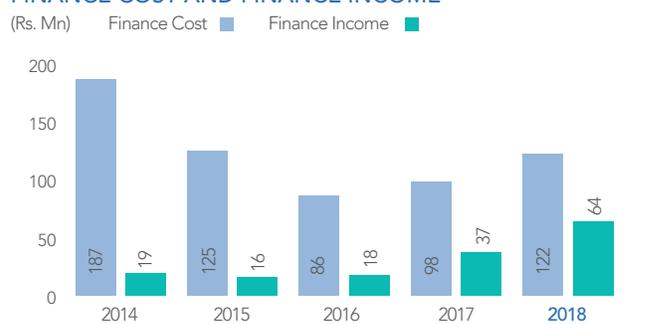
### OTHER OPERATING INCOME



## FINANCE COST

Description	2014	2015	2016	2017	2018
Finance Cost (Rs. Mn)	187	125	86	98	122
Finance Cost Growth	2%	-33%	-31%	14%	24%
Finance Income (Rs. Mn)	19	16	18	37	64
Finance Income Growth	-2%	-19%	11%	109%	75%

### FINANCE COST AND FINANCE INCOME



Increased borrowings to finance the construction of the car park, investment in medical equipment, together with a rise in market interest rates which impacted the Company's debenture and loan interest components bore down on the finance cost as a whole while finance income grew in line with an increase in interest income via Company deposits.

Finance Cost (Rs. Mn)	2017	2018	%
Loan and Lease Interest	72	92	31%
Debenture Interest	3	6	84%
Overdraft Interest	24	24	-
Total	98	122	24%

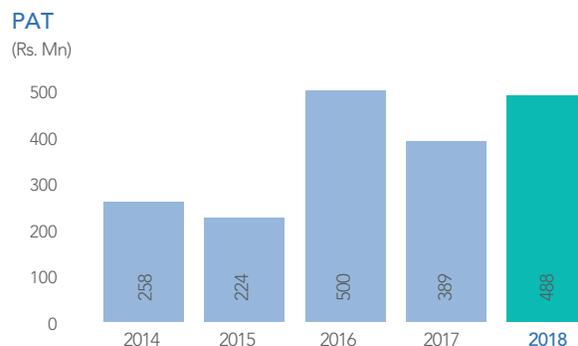
## NET PROFIT

Corporate tax rates for the health sector witnessed a steep increase to 28% from 12% as per the new Inland Revenue Act which came into effect from 01st April 2018. This resulted in the hospital having to make provision for deferred tax at the higher rate compared to the year before as at the balance sheet date. Due to the increased deferred tax rate an increase in tax of Rs. 74 Mn was witnessed at the Company level compared to year before. However, the overall Group tax liability decreased by Rs. 21 Mn, a decrease of 16% compared to the year before due to one of the subsidiary companies registered under BOI Section 17 enjoying a reduced tax rate.

Description	2017	2018	%
Taxation (Rs. Mn)	136	115	-16%

Despite this quantum and other expenses, the Group's strong income flows allowed for a 25% increase in PAT to Rs. 488 Mn from Rs. 389 Mn while net margins reported a marginal increase to 8.5% from 7.4% in the previous financial year.

Description	2014	2015	2016	2017	2018
PAT (Rs. Mn)	258	224	500	389	488
PAT Growth	-14%	-13%	123%	-22%	25%

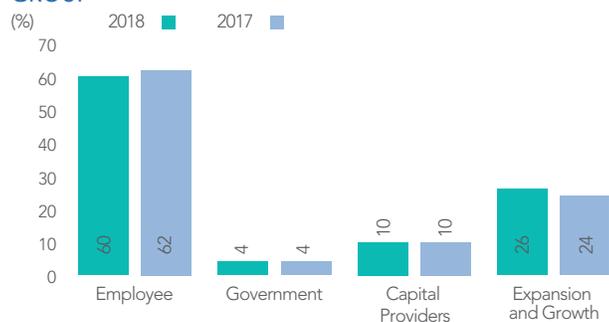


#### VALUE GENERATED AND DISTRIBUTED

Economic Value Generation (Rs. Mn)	Group		Company	
	2018	2017	2018	2017
Direct Economic Value Generated	2,682	2,428	1,576	1,552
Economic Value Distributed	1,988	1,845	1,351	1,282
Economic Value Retained	694	583	224	270
	2,682	2,428	1,576	1,552

Economic Value Distribution	Group		Company	
	2018	2017	2018	2017
To Employees	60%	62%	69%	68%
To Government	4%	4%	2%	2%
To Capital Providers	10%	10%	15%	13%
To Expansion and Growth	26%	24%	14%	17%

#### GROUP



# MANAGEMENT DISCUSSION AND ANALYSIS - INTELLECTUAL CAPITAL

The value of an organisation's intellectual capital base is incalculable. Comprising all that is not quantifiable and more specifically intangible, Durdans has built up a significant quantum of assets which although not reflected in its balance sheet, have contributed immensely towards its success and growth. From its brand value, IT systems and processes, organisational knowledge and competencies, culture, expertise and collective know-how, this capital base has served to enhance the value of Durdans significantly.

## BRAND EQUITY

Our years in business have created a strong and dynamic brand that is reflected in the quality of service we provide our customers. We believe that brand equity is a vital ingredient of our business and by nurturing the 'Durdans' brand we have gained competitive advantage in terms of building value and being one of the top medical service providers in Sri Lanka. This is reflected in the growing numbers of customers who patronise our services annually and their continued customer loyalty. This has also been possible due to the competence, dedication and loyalty of our staff. Over the years in business we have achieved a high level of professionalism, gathered expertise in diverse medical areas and have stayed abreast of technological developments. At the end of the day, our brand equity is all about providing a better level of service for our stakeholders especially our customers.

## AUTOMATION

As an ideal solution for efficiency, waste reduction and cost effectiveness, Durdans continues to innovate and automate its processes for shorter lead times and enhanced customer experiences. From patient billing, admissions, laboratory examination results to discharge, Durdans' objective is to divert its human resources towards growing patient volumes and care while reducing the time spent on manual processes. An added advantage is that automation has allowed a data feedback loop that is used for performance improvement and optimisation. Durdans Hospital launched a new online service which has enabled patients to access their laboratory reports within 24 hours through an easy-to-use web-based portal within the parameters of customer safety and convenience. The online report portal is available to all its customers via its website. Those who wish to access their test results online will only need to enter the specimen number and UHID found on their laboratory investigation invoice after which they would be able to download a PDF file of the report. Customers also have the option of having their laboratory reports emailed to them for which they will receive a notification by way of a short message service (SMS). Durdans Hospital remains committed to finding new ways of providing customer convenience using the latest in digital healthcare services and advancements in technology.

	Activity	Business Impact
Hospital Information System	Power BI dashboard	High
	Pharmacy system re-designing	Medium
	Online purchase order approval facility	Medium
	Barcoding consignment items related to operating theatre	Low
Lab Information System	Kiosk machine deployment for issuing lab reports	High
	Online availability of lab reports with secure login	High
	E-signature creation for lab reports	High
	Analysers' automation project of main labs	High
	New receipt printing facility for OPD counter	Medium
	Sample collecting process automation	High
Network and Security	New firewall installation with advance security	High
	Microsoft Office 365 email facility	High
	New digital signage system	Medium
	New servers deployment for main labs	High
	Corporate network (WLAN) wireless accessibility	Medium
	New layer 3 network switch setup with segregated VLANs	Medium

## CORPORATE CULTURE

Durdans corporate culture is one that combines engagement and accountability. We have understood the need for value-based care and drive cultural improvement to ensure this. Employee engagement is a critical ingredient of our success and we make a concerted effort towards creating a committed workforce that delivers compassionate and efficient care. We do this by investing in the training of our employees, motivating and rewarding them financially and otherwise to ensure their job satisfaction and continued loyalty. Armed with the Joint Commission International (JCI) certification, Durdans Hospital continues to demonstrate its



dedication towards being a leading healthcare provider and partner to the community at large. While being endorsed for patient safety and quality of care Durdans continues to focus on clinical care as an essential service offered by a tertiary healthcare service provider. This has also allowed Durdans to benchmark its performance levels with that of international standards.

#### PATIENT CARE

Our focus is to treat individuals and not just illnesses. Providing world class healthcare and ensuring a high degree of patient satisfaction is priority. As an ongoing process, we remain committed towards improving our levels of service, quality of infrastructure and training, competence of personnel and efficiency of our operational systems. As a means to further improve what we do, Durdans has in place, customer feedback systems, as well as a formal and informal means of evaluating its customer needs and requirements.

Our team of physicians and specialists comprise experts in their respective fields and we pride ourselves in providing clinical excellence and individualised approaches to all our patients. Many of our patients undergo complex treatments and it is the safe and effective coordination of all these elements that have contributed to success in the level of patient care provided. In place is a comprehensive clinical governance framework wherein clinical risk, clinical effectiveness, workforce effectiveness and the level of

consumer participation is measured. The Clinical Governance Unit works closely with the Risk Management Committee through which the Board of Directors is kept up to date.

Clinical risk is concerned with the safety of the clinical processes and how best the risk of error could be minimised. Policies are formulated with this in mind, reviewed and updated regularly based on new risk assessments. Staff is also encouraged to report risk, and near misses as a means to improve on the existing levels of safety. A policy is in place for whistle-blowers and for the investigation of any incidents that may occur. Clinical effectiveness identifies quality and safety indicators as a means to measure the effectiveness of the services provided. All indicators are benchmarked and used to measure performance, while more serious incidents are reported to Senior Management, investigated and addressed. The Governance Committee and the clinical advisory panels have adequate representation by clinicians and all high-risk areas are audited on a regular basis.

# MANAGEMENT DISCUSSION AND ANALYSIS - CUSTOMER CAPITAL

All customer complaints, positive and negative, were managed in a timely and effective manner to better the levels of service provided.

Durdans Hospital offers a range of Preventive Health Packages under the categories of 'Comprehensive', 'Executive', 'Regular' and 'Basic'. All of these comprise a gamut of key screenings and tests for those who would like to monitor and maintain good health. These health and promotional packages are available to the corporate sector as well and include diagnostic services such as X-Rays, MRI scans, Mammograms and Endoscopies.

All customer complaints, positive and negative, were managed in a timely and effective manner to better the levels of service provided. Patient satisfaction survey data is extracted for business and strategy planning.

## PATIENT TESTIMONIALS



### FAMILY MEMBER OF CATARACT PATIENT, MALDIVES

I accompanied my uncle who needed to undergo a cataract surgery. We consulted three doctors initially in Maldives and Sri Lanka. Durdans Hospital was recommended to us by a friend. My uncle was undergoing a significant amount of pain and discomfort but felt much better following the treatment. The staff at Durdans was very helpful throughout the procedure and I am thankful to Durdans for helping us through this journey.

### MR KUMAR, JA-ELA

I had a severe heart attack in June 2017 while at work. An angiogram confirmed a 100% block in my left artery and in another region of my heart. I was referred to Dr. Dev at Durdans by my manager and cardiologist. My first impression of Dr. Dev was that I was in great hands. He was very compassionate and explained the procedure to me in great detail. Having met Dr. Dev, I had confidence that the surgery would be a success. Dr. Dev and his team including the nurses, felt like family to me. I had a surprisingly quick recovery and was able to sing and play the guitar for them on the day I was discharged! I drove out of the hospital post a heart surgery and I must say that what I got from Durdans was far beyond what money can buy.



### SHOULDER SURGERY PATIENT, UK

The discomfort and ensuing problems in my shoulder started in October (2017). I visited my doctor in England who told me that there were calcium deposits in my arm and that if I were to undergo shoulder surgery in England I would have had to wait a long time. Coincidentally, I had booked tickets to come to Sri Lanka and was introduced to Dr. Ashan Abeywardena who performed a keyhole surgery on my shoulder. It's been two weeks since the surgery and I am very happy with the outcome.



#### SHOULDER SURGERY PATIENT, MALDIVES

I arrived at Durdans to undergo a shoulder surgery under Dr. Ashan Abeywardana. The service I received was incredible and I am very happy with how everything went smoothly while I was at the hospital. My recovery is going great and I'm in a shoulder sling one week post-surgery. I hope that more patients arrive at the hospital for these types of surgeries.

#### MRS RONITHI RATNAKARA, BORELLA

I have been coming to Durdans Hospital for many years. It is the same place that my family including my father, mother and my kids come to for consultations or any medical emergencies. I believe the reason we continue to patronise this hospital is because of the trusted and reliable service. We feel that we are in safe hands. Even when my kids were admitted they never felt like they were in a hospital. It is a friendly environment with very helpful staff.



#### MRS FAZNA KIYASUDEEN

I found out about the Durdans Diabetic Clinic from my brother and approached the hospital to get my foot calluses removed. I definitely felt at ease throughout the procedure as the nurses were very experienced, friendly and put me at ease. I liked the privacy I was offered here and will definitely come here again.

# MANAGEMENT DISCUSSION AND ANALYSIS - CUSTOMER CAPITAL

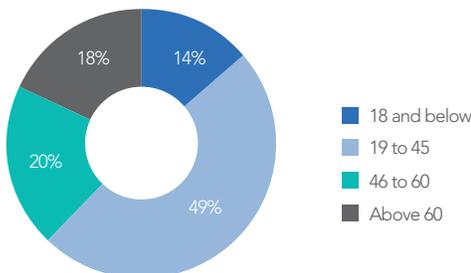
I believe the reason we continue to patronise this hospital is because of the trusted and reliable service. We feel that we are in safe hands. Even when my kids were admitted they never felt like they were in a hospital. It is a friendly environment with very helpful staff.

### What We Offer You

Accident and Emergency Care
Ambulance Services
Audiology
Cardiology
Dental Services
Dermatology and Cosmetic Care
Diabetes and Endocrinology
Dietetics and Nutrition
EEG, EMG and ENT Services
Gastroenterology
Gynaecology and Obstetrics
Haematology
Immunology
Microbiology
Physiotherapy and Rehabilitation

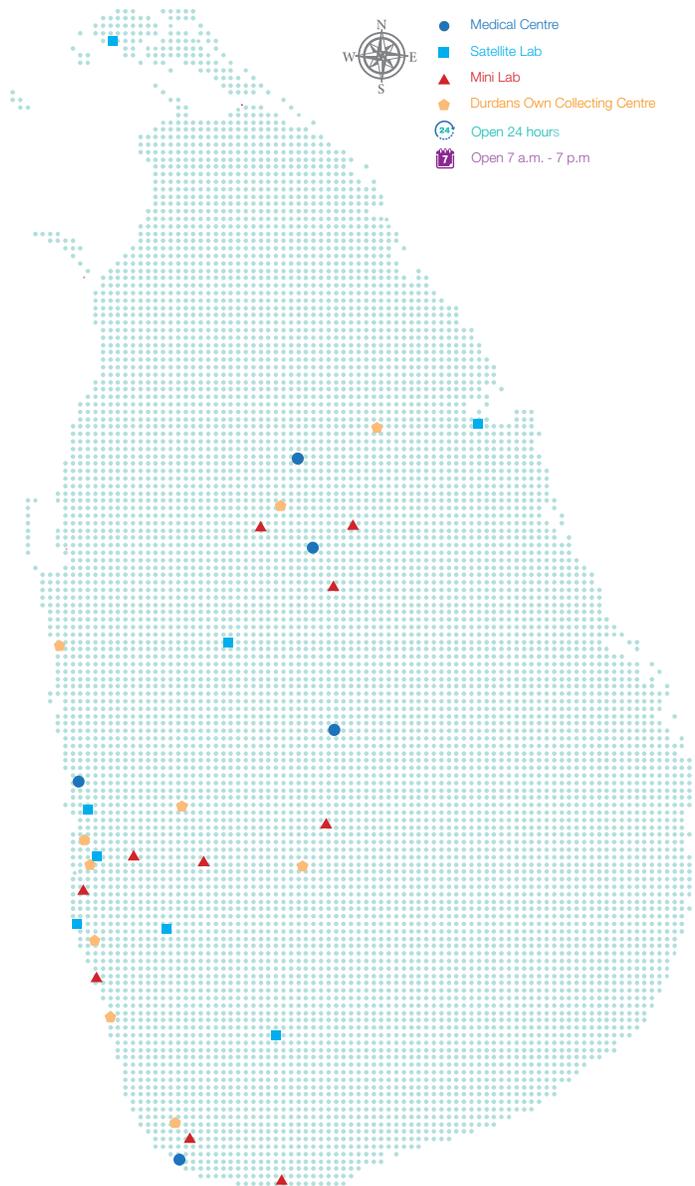
Nephrology
Neurology
Oncology
Ophthalmology
Orthopaedics
Plastic and Reconstructive Surgery
Psychiatry and Psychological Services
Rheumatology
Urology
Vaccination Services
Venereology
Laboratory Services
OPD Services
Pharmacy
Radiology

### AGE ANALYSIS OF THE PATIENTS (%)



Age Analysis of the Patients	%
18 and below	14%
19 to 45	49%
46 to 60	20%
Above 60	18%

## CUSTOMER REACH



			Opening Hours
<b>Anuradhapura</b>	●		24h
Anuradhapura - Bank Town	●		7 a.m. - 7 p.m.
Kahatagasdigiliya	◆		7 a.m. - 7 p.m.
Kebathigollewa	◆		7 a.m. - 7 p.m.
Kekirawa	◆		7 a.m. - 7 p.m.
Thambuttegama	▲		7 a.m. - 7 p.m.
Vavuniya	◆	New	7 a.m. - 7 p.m.

			Opening Hours
<b>Galle</b>	●		24h
Karapitiya	▲		24h
Matara	▲		7 a.m. - 7 p.m.
Udugama	◆		7 a.m. - 7 p.m.
Ambalangoda	▲	New	7 a.m. - 7 p.m.
<b>Jaffna</b>	■		7 a.m. - 7 p.m.
<b>Kandy</b>	●		24h
Akurana	◆		7 a.m. - 7 p.m.
Katugastota Road - Kandy	▲		24h
Kegalle	▲		7 a.m. - 7 p.m.
Nawalapitiya	▲		7 a.m. - 7 p.m.
Wadugodapitiya	◆		7 a.m. - 7 p.m.
Keppetipola Mawatha - Kandy	◆		24h
Anagarika Dharmapala Road - Kandy	◆		7 a.m. - 7 p.m.
Mahiyanganaya	▲	New	7 a.m. - 7 p.m.
<b>Kalubowila</b>	■		7 a.m. - 7 p.m.
Homagama	▲		7 a.m. - 7 p.m.
Horana	▲		7 a.m. - 7 p.m.
Nagoda	▲		7 a.m. - 7 p.m.
Panadura	▲		7 a.m. - 7 p.m.
Wadduwa	▲		7 a.m. - 7 p.m.
Mount Lavinia	◆		7 a.m. - 7 p.m.
Moratuwa	◆	New	7 a.m. - 7 p.m.
Dharga Town	◆	New	7 a.m. - 7 p.m.
<b>Kurunegala</b>	●		24h
Dambulla	▲		7 a.m. - 7 p.m.
Polgahawela	◆		7 a.m. - 7 p.m.
South Circular Road - Kurunegala	◆		7 a.m. - 7 p.m.
Mawathagama	◆		7 a.m. - 7 p.m.
Galagedara	◆	New	7 a.m. - 7 p.m.
Paragahadeniya	◆	New	7 a.m. - 7 p.m.
<b>Negombo</b>	●		24h
Chillaw	◆		7 a.m. - 7 p.m.
Wennappuwa	◆		7 a.m. - 7 p.m.
Divulapitiya	◆		7 a.m. - 7 p.m.
Galkanda Junction - Negombo	◆		7 a.m. - 7 p.m.
Kochchikade	◆		7 a.m. - 7 p.m.
<b>Colombo 10</b>	■		24h
Castle Street - Colombo 8	◆		7 a.m. - 7 p.m.
Jayewardenepura	▲		7 a.m. - 7 p.m.
<b>Ratnapura</b>	■		7 a.m. - 7 p.m.
Balangoda	◆		7 a.m. - 7 p.m.
Rathnapura - Hospital Road	◆		7 a.m. - 7 p.m.
<b>Ragama</b>	■		24h
Gampaha	▲		7 a.m. - 7 p.m.
Kiribathgoda	◆		7 a.m. - 7 p.m.
Wathupitiwela	▲		7 a.m. - 7 p.m.
Wattala	◆		7 a.m. - 7 p.m.
<b>Trincomalee</b>	■		7 a.m. - 7 p.m.
Duke Street - Trincomalee	◆		7 a.m. - 7 p.m.
Kanthale	◆	New	7 a.m. - 7 p.m.

# MANAGEMENT DISCUSSION AND ANALYSIS - CUSTOMER CAPITAL

## OUR CORE BUSINESS

Sri Lanka is undergoing numerous changes on a demographic and epidemiological front that requires enhanced medical intervention. Non-communicable diseases, more commonly heart disease, diabetes, different forms of cancer and asthma cause more than three quarters of all deaths in the country, while one in five people die prematurely from these conditions as recorded by the World Health Organization (WHO). All of this has been brought about by unhealthy and sedentary lifestyles which have created an economic and public health issue. The Ministry of Health has identified the risk and set in motion operational mechanisms to tackle the burden. At Durdans, we strive to be proactive in terms of our contribution towards the betterment of community health by educating the public on the importance of preventive healthcare.

Our 24-hour accident and emergency unit is well equipped and ready to manage any crisis, while our purpose-built ambulances with remote-access patient monitoring systems allow for vital ECG information to be sent to the Durdans Heart Centre for analysis by a consultant in order for treatment to be provided en route to hospital. Our intensive and critical care units together with its resident consultants and highly skilled nursing staff ensure that patients are provided with continuous and uninterrupted care.

## LABORATORY OPERATIONS

The trust and confidence the clinicians have in our diagnostic laboratory services is due to its reliability, accuracy and timely delivery. With a history of over two decades in medical laboratory diagnostics, the Durdans Laboratory has an established network of 60 locations and over 2,500 partner collection centres islandwide. Medical laboratory technicians and support staff collect, transport, analyse samples and report results under the guidance and scrutiny of a panel of consultant pathologists. The Durdans Laboratory provides additional convenience by providing mobile sample collection services islandwide to reach out to those who are unable to travel to or reach our centres.

To ensure accuracy and reliability of our results we provide all laboratories and medical centres have latest automated analysers and well experienced technicians who operate within a framework of stringent safety and quality standards to meet the ISO 15189:2012 accreditation. Our internal and external quality control programs ensure the analysers perform to their optimal levels. The laboratories encompass the areas of Bio-Chemistry, Haematology, Endocrinology, Pathology, Microbiology, Immunology, Serology, Histopathology and Molecular Biology.

Staff training and barcoding of all samples ensure the identification of samples to minimise pre-analytical errors. Results are uploaded online onto the Laboratory Information System ("LIS") permitting authorised staff to access from anywhere within the hospital. The Hospital also houses our own Molecular Biology Research and Development arm which develops new investigations.

Durdans has 12 main laboratories which comprise five medical centres in the main towns of Galle, Kandy, Kurunagala, Negombo and Anuradhapura as well as seven satellite laboratories in the regions of Kalubowila, Maradana, Ratnapura, Ragama, Trincomalee, Matara and Jaffna. Its network of 16 mini laboratories undertakes limited laboratory services. The Medical Centres engage in consultations and radiology services whilst the Satellite Laboratories carry out all laboratory investigations and ECGs. As a support mechanism, over 30 sample collection centres islandwide obtain samples to be sent to our laboratories for further analysing. In an effort to streamline laboratory operations for a faster and more efficient service, a new LIS was installed in the laboratory located in Durdans Hospital.

## DIAGNOSTICS

Durdans pathology and radiology laboratories are equipped with advanced up-to-date equipment including clinical analysers, high-end ultrasound equipment and scanners, while being managed by a proficient and competent technical team. Durdans Hospital has the capability and expertise to conduct a range of diagnostic investigations relating to Endoscopy, Video Endoscopy, Sigmoidoscopy, Colonoscopy, Bronchoscopy and Laryngoscopy. All of Durdans' diagnostic services are offered at the main hospital in Colombo with a few mini labs that undertake X-Rays, Scans and ECG services. The DEXA scanner which is a bone densitometry machine allows more advanced diagnostic analyses and assessments to be made in relation to osteoporosis, diabetes and cardiovascular disease.

## MEDICAL SERVICES AND SURGICAL CARE

The primary focus of medical services is to improve the level of surgical care provided by the hospital so as to make it affordable and accessible to our customers. Our surgical theatres and Intensive Care Units are seamlessly structured with adequate and competent staff assigned to each of these divisions. All of our nurses are continually provided with on-the-job and classroom training to enhance their ability to manage surgical cases more efficiently. As a means to improve internal efficiencies, Durdans commenced monitoring its usage of time as well as the utilisation of the theatre in general segregating the theatre time into three main slots. The hospital has in place more than 50 general surgical packages for the purpose of convenience and affordability to its customers together with specialist consultants and an experienced nursing team at the surgical care centre. A proficient team of Neurologists and Neuro Surgeons are available to provide treatment for strokes and neuro related illnesses while the hospital continues to be a preferred centre for orthopaedic surgeries. The hospital invested significantly in equipment to be used in the field of interventional radiology, a first in South Asia as well as in the areas of Orthopaedics, Neuro Surgery and Laparoscopy. An orthopaedic navigator is in place for the purpose of high precision orthopaedic surgeries and was used to perform successful knee



and hip surgeries, a first in Sri Lanka. An additional laparoscopic unit will serve to enhance the degree to which minimally invasive procedures are carried out. Durdans currently uses the latest CV-190 endoscopic system which allows for improved image processing in all of its endoscopic procedures.

#### CARDIOLOGY

The Durdans Heart Centre has established itself as a centre of excellence in cardiology, cardiac surgery and all cardiac related investigative procedures both interventional and non-interventional. It conducts high-risk, minimally invasive cardiac procedures that have given numerous individuals dealing with 'hard-to-diagnose' heart conditions a new lease of life. The Hospital has completed over 11,000 cardiac surgical procedures to date using state-of-the-art equipment and is home to a rich panel of resident consultant cardiac specialists and surgeons. The 'Minimally Invasive Cardiac Procedures' and 'Minimally Invasive Bypass Surgery' which have been performed numerous times involve a surgical procedure carried out on the heart where small incisions are made as opposed to open heart surgery. This type of procedure serves to reduce blood loss, risk of infection, post-procedure discomfort, resulting in faster recovery while opening up the possibility of heart surgery to those who were originally considered high risk for traditional heart surgical procedures as a result of age and medical history.

#### STEM CELL THERAPY AND CARDIAC INTERVENTION

In its successful adaptation of stem cell therapy to treat heart failure, Durdans completed successful procedures during the year in which the patient's bone marrow harvested stem cells were used

to treat their heart conditions in order to enhance and repair the dying heart muscle – a revolutionary step which was thought to be impossible previously. These procedures are performed at a state-of-the-art Cath Lab within the Heart Centre where the stem cells are injected into the heart's coronary beds to increase the number of functioning heart muscles. Such procedures are carried out using sophisticated non-invasive diagnostic imaging systems.

#### OBSTETRICS AND GYNAECOLOGY

The Obstetrics and Gynaecology unit has advanced laparoscopic surgical equipment with modern in-built applications to the hospital's main theatre complex. The introduction of same allowed gynaecological and obstetric surgeries including womb removals to be performed with minimal invasion. Accepted around the world, this procedure was successfully carried out reaffirming Durdans Hospital's status as a pioneer in introducing new and innovative medical solutions.

Our Maternity Unit is designed to cater to the comfort and convenience of pregnant mothers and is equipped with modern facilities for the best of care. Durdans has a dedicated operating theatre and its modern labour rooms provide mothers with a safe and comfortable environment to be in. Our well experienced consultants, attendants and nursing professionals are available around the clock to provide relief and assistance every step of the way. Lactation support is also available to assist new mothers. Babies requiring intensive medical care are treated in the Neonatal Intensive Care Unit ("NICU") where experienced Neonatologists and Paediatricians are supported by latest NICU equipment and facilities to handle any critical situation faced by new-born infants.

# MANAGEMENT DISCUSSION AND ANALYSIS - CUSTOMER CAPITAL



The Durdans Parent Craft Program conducted in-house by experienced hospital officials is a means to help parents prepare for the birth of their baby and the aftercare required. The Hospital provides parents with information on how to stay healthy, different arrangements available for labour while answering all related parenting questions.

## NEPHROLOGY

The Nephrology Unit of Durdans provides comprehensive services including dialysis and kidney transplant procedures for individuals with kidney diseases. A team of dedicated, efficient and experienced specialists including transplant surgeons use a multidisciplinary approach to ensure maximum care for a speedy recovery for patients who undergo kidney transplants. Our state-of-the-art laboratory services provide diagnostic support to renal patients for tissue typing and tissue cross matches. Durdans was able to successfully complete multiple kidney transplants during the year under review and intends improving and expanding this area of operation in the years to come. As added value, this division will continue to educate the public on preventing kidney failure especially in relation to those with Diabetes and Hypertension. Our aftercare ensures that patients are continually observed and the necessary treatment provided round the clock until kidney function returns to a normal level.

## OPHTHALMOLOGY

Durdans has a fully-fledged eye care centre in place with new specialist consultants on board. A Fundus Camera system, a Biometric system and a Multipoint 532 Laser system are in place to support new ophthalmological procedures including Focal Laser Treatment, Pan Retinal Photocoagulation (PRP), Fundus Fluorescein Angiography (FFA) and Indocyanin Green Angiography (ICGA).

Durdans has in place the HD OCT-5000 scanner which allows for an entire range of retinal investigations as well as advanced screening in glaucoma patients.

## NEUROLOGY

The Neurology Unit is well equipped to provide an advanced level of service to those afflicted with varying types of neurological issues. With the early detection of tumours, Durdans Hospital facilitates 'Microwave Ablation', a short, quick and highly accurate procedure to remove tumours or masses in any location within the body under the guidance of specialists. The Hospital procured a CUSA machine to be used in tumour surgery whereby malignancies would be removed with minimal harmful effects on the adjacent tissues within the body.

## DERMATOLOGY AND COSMETIC CARE

This unit is equipped to provide customers with dermatological and cosmetic procedures to enhance aesthetic appearances. Conducted by a team of specialists in the field, minimally invasive procedures are used to ensure comfort and reliability. Procedures include but are not limited to laser acne scar removal, open pore treatment, treatment for scars, keloid and stretch marks, dry skin therapy, skin rejuvenation, Botox treatments, injectable dermal fillers and laser treatments.

## PHYSIOTHERAPY AND SPORTS MEDICINE

A team of sports specialists and physiotherapists provide advanced treatment for injuries sustained as a result of sport, exercise or recreation and therapy for patients recovering from chronic illnesses, injuries and surgeries. Comprehensive medical examinations are also conducted for those requiring medical certificates prior to participating in sporting activities.

Durdans is in the process of evaluating its systems for a better integrated and accessible network, managing the medical records of its patient for faster and more informed decisions, increasing productivity, reducing operational expenses through reliable network...

#### AUDIOLOGY, SPEECH AND LEARNING

The first private facility to be established in Sri Lanka, this therapy unit offers auditory therapy and speech screening, which includes audiological testing, balance/ vestibular testing, cochlear implants, hearing aid evaluation and infant hearing screening programs. The centre is also one of a few to be authorised by the Civil Aviation Authority to conduct auditory and speech screening for the national airline.

#### INFRASTRUCTURE

Being strategically located in central Colombo has provided better accessibility to many requiring healthcare. In order to facilitate enhanced access to the hospital and address a previous limiting factor, Durdans Hospital opened its new multi-storey 22 split-level car park building which is currently the only standalone car park building in Colombo. With the ability to accommodate 200 parking slots and accessible around the clock, this has served to improve the convenience level for many who patronize Durdans Hospital including new patients and medical specialists. The facility is to be integrated with a multifaceted smart-sensor system in the future for added convenience in addition to the incorporation of energy saving features on par with international standards.

The Hospital is committed to ensuring that all of its equipment used is up-to-date and in line with the latest advancements in medical technology. While providing the best in healthcare Durdans also ensures that its patients receive a superior level of comfort and an overall satisfactory experience during their stay. For this purpose it has in place an increased bed capacity together with restructured rooms for added comfort. Apart from the standard rooms offered in its new '6th Lane Wing' and 'Alfred House Wing', Durdans also offers accommodation in the form of Deluxe rooms, Grand Deluxe rooms and Grand suites. As part of its Strategic Roadmap for 2022 the Hospital intends redeveloping and remodelling its infrastructure and creating a new face for the hospital premises while investing substantially in cutting edge technology.

Durdans is in the process of evaluating its systems for a better integrated and accessible network, managing the medical records of its patient for faster and more informed decisions, increasing productivity, reducing operational expenses through reliable

network availability, scalability and rapid system diagnosis and repair. Rather than have disparate systems, Durdans intends strengthening its system infrastructure to build efficiency across the organisation.

#### PHARMACY

Durdans Hospital has a fully equipped pharmacy that provides all medical and surgical supplies required by its customers. This includes those who seek outpatient care and prescriptions from doctors outside of the hospital. Our counters are accessible at any given time and remain accessible 365 days of the year. A well-defined dispensing process is in place whereby each prescription is checked multiple times by professional and qualified representatives, while stringent and precautionary procedures are adhered to at all times to ensure safety in administering medication. Our pharmacy is located on the ground floor for convenience and for better access.

#### CHANNELLING

With a wide range of specialists to choose from, our customers can easily access their preferred doctor by way of a phone call to our appointments desk or by channelling online using 'Doc990' or 'eChannelling' for greater convenience. This has served to increase the number of consultations at the Hospital. Durdans also uses the services of a leading telemedicine services provider to enhance its patient convenience. This partnership ties up an online web portal with a mobile application thereby providing customers with easy access to their healthcare requirements.

#### CUSTOMER CONFIDENTIALITY

We recognise the importance of patient privacy and adhere by how we allow accessibility to patient records. Our systems and processes have been designed in a manner that ensures the safety, privacy and confidentiality of information at all times. We have not encountered any complaints in relation to a breach of customer privacy or the loss of data.

# MANAGEMENT DISCUSSION AND ANALYSIS - INVESTOR CAPITAL

The Hospital is committed to ensuring that all of its equipment used is up-to-date and in line with the latest advancements in medical technology. While providing the best in healthcare Durdans also ensures that its patients receive a superior level of comfort and an overall satisfactory experience during their stay.

### ORDINARY SHARE INFORMATION

Share price trend over last five years

Description	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Ordinary Shares – Voting					
Highest Price	120.00	119.00	124.90	110.00	103.00
Lowest Price	97.00	90.30	85.00	75.00	75.10
Last Traded Price	115.00	113.90	90.00	90.00	79.20

Description	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Ordinary Shares – Non-Voting					
Highest Price	87.60	89.90	87.50	86.50	85.00
Lowest Price	68.60	70.20	52.00	60.20	65.30
Last Traded Price	77.00	75.10	73.60	71.90	72.50

### ORDINARY SHARES - VOTING



### ORDINARY SHARES - NON-VOTING



## MARKET ACTIVITY

Share Trading Information	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Number of Shares Traded					
Ordinary Shares - Voting	587,626	700,511	156,267	1,572,288	1,363,951
Ordinary Shares - Non-Voting	291,016	435,831	252,616	342,946	1,848,488
Share Trading Turnover					
Ordinary Shares - Voting	62,858,740	77,406,284	16,956,458	153,051,838	133,369,757
Ordinary Shares - Non-Voting	22,294,774	33,890,329	20,182,423	26,936,817	129,216,269

Sustainable Value for Investors	2017 Rs.	2018 Rs.
Ordinary Shares - Voting		
Highest Price	110 07th June 2016	103 28th June 2017
Lowest Price	75 24th March 2017	75 09th February 2018
Last Traded Price	90 31st March 2017	79 29th March 2018
Ordinary Shares - Non-Voting		
Highest Price	87 19th May 2016	85 19th May 2017
Lowest Price	60 17th November 2016	65 26th December 2017
Last Traded Price	72 31st March 2017	73 29th March 2018

## FINANCIAL ACTIVITY

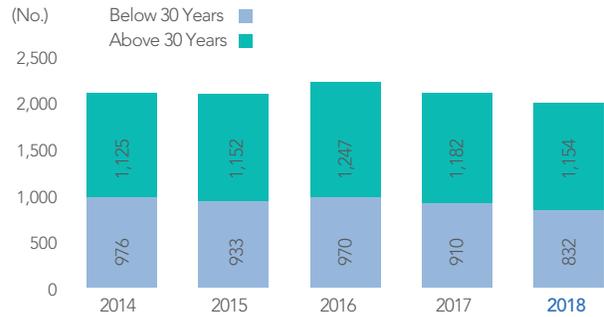
Group	2014	2015	2016	2017	2018
Earnings Per Share (Rs.)	6.98	5.91	12.67	9.67	11.87
Net Assets Value Per Share (Rs.)	79.92	82.01	91.14	153.46	147.88
Return On Assets	5%	5%	9%	5%	6%
Return On Capital Employed	12%	10%	15%	10%	11%
Return On Equity	8%	8%	16%	7%	10%

# MANAGEMENT DISCUSSION AND ANALYSIS - EMPLOYEE CAPITAL

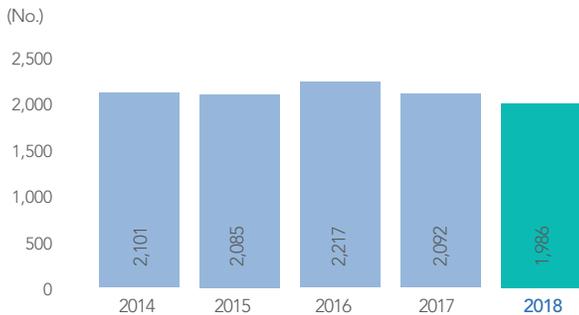
At Durdans Hospital we take pride in being an equal opportunity employer and remain committed to providing fair and equal opportunities for employment. We do not discriminate on any categorical basis inclusive of race, religion, gender, marital status and sexual orientation.

We understand that the proper management of human resources is vital to the retention of clinical and non-clinical staff, maintaining staff morale, providing opportunities for professional development and in the ability of Durdans to deliver quality healthcare services and improve patient health outcomes. Processes and policies are in place to provide staff with opportunities for career expansion, training and development in order to foster a happier environment to work in. Our human resource function aims to create a culture that recognises its people as a direct link to the success of the organisation.

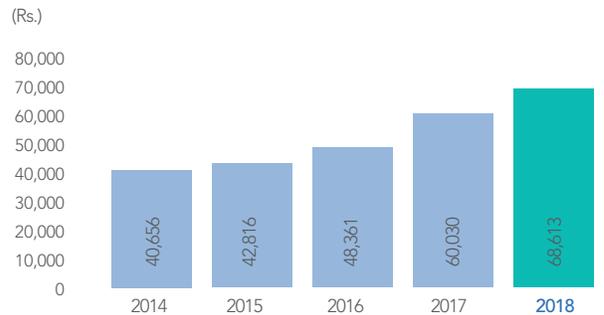
## EMPLOYEES DEMOGRAPHICS



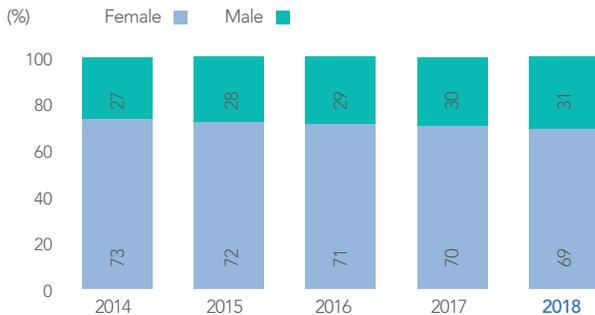
## EMPLOYEE STRENGTH



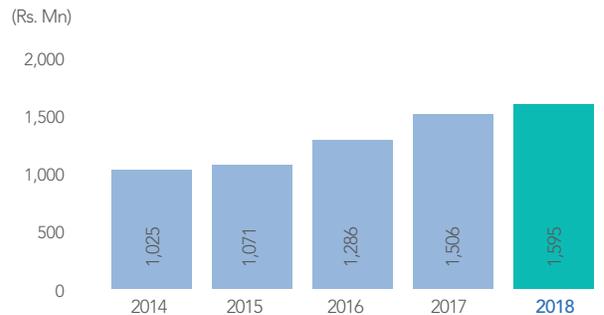
## MONTHLY REMUNERATION PER EMPLOYEE



## GENDER BASED EMPLOYEE DISTRIBUTION



## DISTRIBUTION OF VALUE ADDITION TO EMPLOYEES





**WORK FORCE**

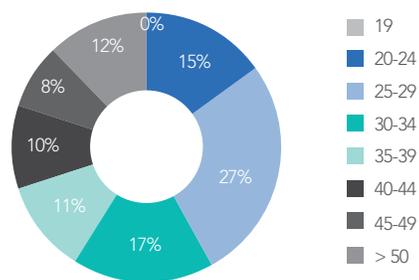
Staff Analysis by Gender

2018	Male	Female	Total
Executive	113	100	213
Non-Executive	506	1,267	1,773
<b>Total</b>	<b>619</b>	<b>1,367</b>	<b>1,986</b>

2017	Male	Female	Total
Executive	89	84	173
Non-Executive	539	1,380	1,919
<b>Total</b>	<b>628</b>	<b>1,464</b>	<b>2,092</b>

**STAFF AGE ANALYSIS**

(%)



# MANAGEMENT DISCUSSION AND ANALYSIS - EMPLOYEE CAPITAL

## EMPLOYEE RECRUITMENT

We ensure that our workforce competency levels are adequate to carry out their functions. Recruitment at every level pays attention to the respective levels of skill and experience to ensure that the right person is recruited for the right job. All medical professionals, resident doctors and consultants have to be credentialed and privileged by the hospital prior to them practicing at Durdans. A 'Credentialing and Privileging Committee' is in place for this purpose. Credentials of our staff are always checked carefully, while specific education and skill requirements are in place for every specialised discipline. Recruitment is based on pre-defined job specifications and qualifications. Durdans employed a total of 1986 employees during the year under review with a predominant female workforce.

## TRAINING AND DEVELOPMENT

Durdans success is a result of the sound performance of its people and we therefore continue to equip our employees with adequate and relevant training to enhance their performance levels in line with the dynamic needs of the industry and the long-term objectives of the organisation. By investing in our human resources in this manner, we aim to better engage our employees, keep them motivated and help them carry out their responsibilities effectively. The year under review saw a range of training programs being offered which encompassed patient care, health and safety as well as customised programs for the Senior and Corporate Management. On average, an employee underwent 11.25 hours of training for the year under review.

The Durdans Nurses Training School is an institute that provides a three-year residential program with State approved curriculums

and exams. It is highly respected for its level of teaching and brings forth a high standard of nursing capability.

## EMPLOYEE COMMUNICATIONS

Effective employee communication ensures that the hospital staff remain engaged and committed to adding value to the customer experience. To this end Durdans employs a range of effective communication channels via circulars and intranet. Senior Management is encouraged to conduct meetings with the personnel of their respective units thereby creating and opportunity for them to voice their concerns and discuss areas for improvement in relation to process development and efficiencies. Employees are also updated regularly on any new development within the hospital in relation to processes, policies and systems.

## EMPLOYEE ENGAGEMENT

An employee satisfaction survey and culture audit were conducted during the year to better understand and analyse employee retention, employee satisfaction and productivity. Based on the survey, the satisfaction level of Durdans staff ranked 70% during the financial year under review versus 75% previously. In response to this, action steps were formulated to improve levels of employee engagement while a series of structured meetings were held to address all employee concerns. The year under review saw the organisation of several staff events.

## BENEFITS AND REWARDS

Durdans ensures that its remuneration schemes are unbiased, on par with market standards and in keeping with regulatory policy. Remuneration consists of guaranteed 'fixed' salary and fixed and variable allowances which are determined based on market surveys conducted from time to time for various employee categories of the Company. Performance incentives are determined based on an pre-agreed matrix linked to overall company performance as well as employee performances as identified from the annual performance appraisal system.

A list of other benefits available for full time permanent employees is given below:

- Performance based bonus in addition to regular bonus scheme decided by the management.
- Payment for extra work carried out by non-executive employees such as overtime, night allowances and holiday pay.
- Performance incentives for clinical and non-clinical staff for work beyond their expected capacity.
- Hostel accommodation for nursing staff, pupil nurses and nurse aids.
- Staff meals at subsidised rates.
- Monetary benefits for OPD services.
- Medical and hospitalisation insurance cover to staff and their family members.



Durdans has in place adequate health and safety measures to ensure that its customers are not subject to any risk at the hospital premises, while protecting the health, safety and welfare of all its employees.

- Insurance schemes which provide monetary benefits to the next of kin in the event of death of an employee after a critical illness.
- Free staff transport service for those working late hours.
- Workman insurance policy covering the risk of permanent/ temporary disabilities due to work related accidents.

#### HEALTH AND SAFETY

As its duty of care, Durdans has in place adequate health and safety measures to ensure that its customers are not subject to any risk at the hospital premises, while protecting the health, safety and welfare of all its employees. Patient safety encompasses a significant level of detail from accurate identification of the patient to clear and effective communication, careful labelling and storage of medicines for ease of identification and administration, defined procedures for surgical and non-surgical operations, proper documentation and monitoring systems, up-to-date equipment for ease of operation as well as basic life support training which is compulsory for doctors, nurses, healthcare workers and other staff at the Hospital. Safety programs such as fire safety training and mock drills for emergency evacuations are carried out on a routine basis.

Due to the nature of its operations, Durdans has in place multiple committees to oversee the health and safety aspects in relation to its patients and staff within the Hospital. The Quality Assurance Committee, the Infection Control and Prevention Committee, the Hospital Safety and Emergency Preparedness Committee and the Credentialing and Privileging Committee are all engaged in ensuring that occupational hazards are reduced to a minimum, while related risks are minimised and mitigated.

All employees are provided with routine fire safety training procedures and protocols, while fire wardens are appointed for each unit in order to lead evacuations should the need arise. All medical equipment is subjected to preventive maintenance and is serviced on a routine basis and labelled periodically.

Hygiene is of paramount importance. Regular training is provided to staff to ensure high standards of health at all times. All staff members are provided with surgical gloves and masks to minimise the risk of infection while lead aprons are a must for staff at the radiology unit and the cardiac catheterisation laboratories. Employees are educated on hand washing practices by way of posters and regular practical training sessions. Special eye washers are installed in all clinical and non-clinical areas to protect employees from possible chemical splashes which could arise due to accidental chemical spills. In addition, employees in clinical areas are recipients of various vaccination programs as a protective measure from infections, epidemics and communicable diseases to which they are exposed to on a daily basis.

#### EQUAL OPPORTUNITY

At Durdans Hospital we take pride in being an equal opportunity employer and remain committed to providing fair and equal opportunities for employment. We do not discriminate on any categorical basis inclusive of race, religion, gender, marital status and sexual orientation.

#### HUMAN RIGHTS AND CHILD LABOUR

We ensure that we follow best practices in relation to working hours, working age limits, health and safety measures, elimination of child labour and sexual harassment and respect the right to collective bargaining and freedom of association. In relation to child labour, we have strict policies in place to ensure that individuals under the age of 18 are not recruited. Accordingly, our screening process involves checks of multiple identification documents as well as character references to ensure adherence.

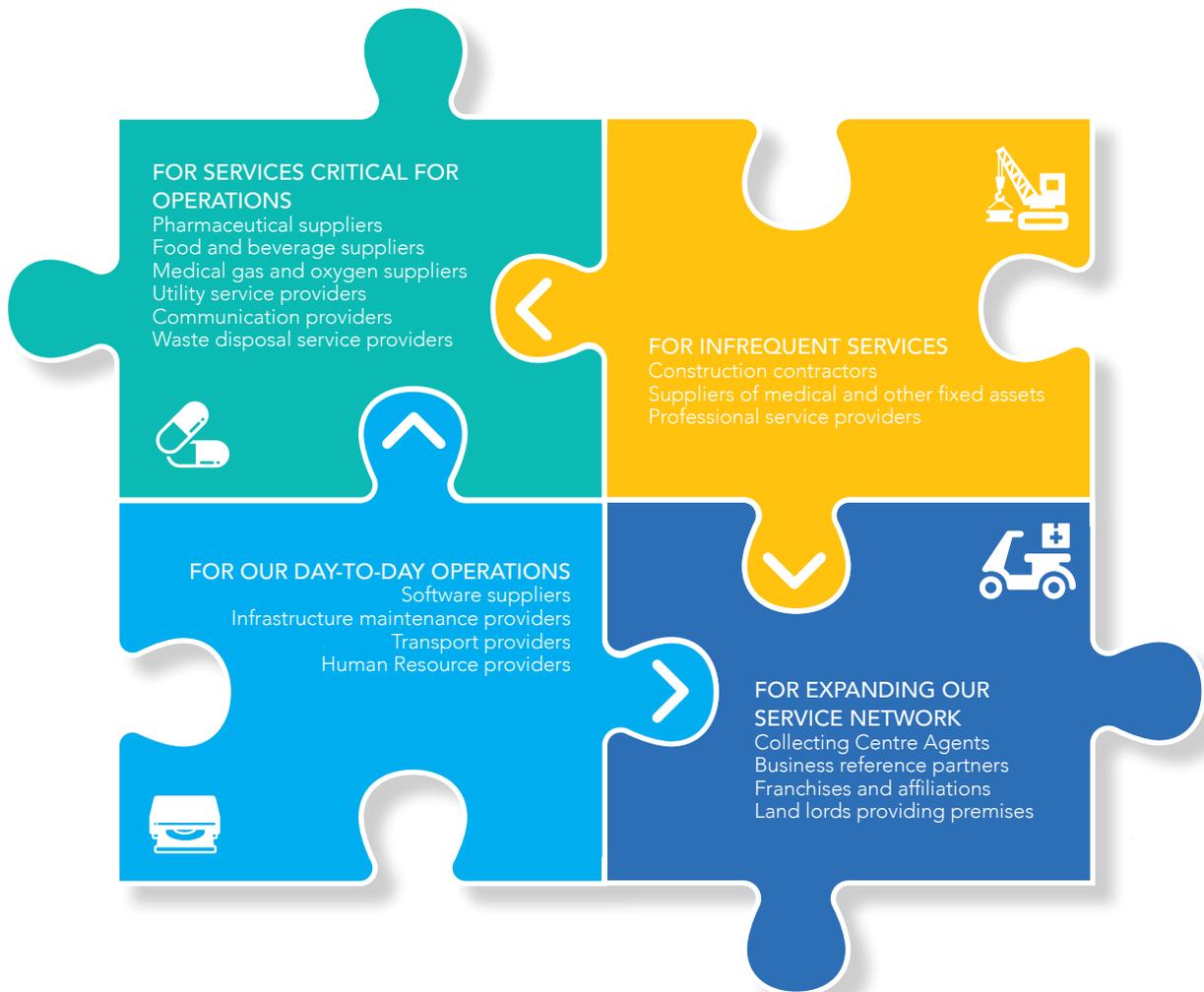
# MANAGEMENT DISCUSSION AND ANALYSIS - BUSINESS PARTNER CAPITAL

The partnerships that Durdans has created over the years have served to be long standing and mutually beneficial. We have collaborated with numerous consultants of varying disciplines who are respected professionals within the healthcare sector. Our years in business and established track record continue to attract more professionals who are able to provide an advanced level of patient care and treatment. Our pharmaceutical supplier relationships have also proved beneficial in terms of providing accessibility to a wide range of medicines that are available at our pharmacy around the clock.

## ETHICAL BUSINESS PARTNERSHIPS

When establishing relationships with our business partners, we take measures to ensure that they ethically comply with all required regulatory and legal requirements and are not negligent in their duties, especially our consultants. In line with our vetting procedures, we have been fortunate to establish sound business relationships that have been mutually beneficial to all parties concerned. Durdans Hospital has a structured feedback system in place to ensure that our customer and partner expectations are being met. All concerns are addressed with the Senior Management and addressed to remedy the issues and strengthen partner relationships. We also prioritise relationships with local business suppliers as a means to uplift the economy and improve cost efficiencies.

## OUR BUSINESS PARTNERS



## SOCIAL AND ENVIRONMENTAL CAPITAL

Our strategic initiatives and corporate objectives are centred around creating value for our stakeholders in the short, medium and long term. As an organisation employing in excess of 2,000 employees and providing healthcare to numerous inpatients and outpatients, we have understood the key need to provide responsible, safe, secure and essentially high quality healthcare services. We have structured our processes accordingly and our new guiding concept 'Dedicated to You' epitomises this. While our focus is to be a leading healthcare provider, Durdans also ensures that its vision and performance is aligned with the need to be financially, socially and environmentally sustainable always. This report reflects our commitment towards being a responsible corporate entity.

### WASTE DISPOSAL

As community leaders and stewards, providing healthcare generates a large quantum of waste material that contributes towards environmental hazards. Our focus on waste and water management, energy efficiency and the greater environment form a major part of our initiatives to give back and protect the environment. In the process of carrying out our operations. Employees are trained to segregate waste based on the categories of it being clinical and laboratory material, paper, food, glass, plastics and sharp items. Multiple bins of varying colour are provided to each unit for this purpose.

All waste material is disposed of in a manner conducive to the environment and a proper garbage disposal system is in place for safe and responsible disposal. The food waste is collected daily by a piggery owner, while infectious waste is incinerated in accordance with the Central Environmental Authority regulations. Plastic glass and paper waste is routed to recycling plants with the assistance of the Colombo Municipal Council garbage collection process. Human body parts inclusive of placenta from the surgical theatre are buried at the Cemetery.

### ENERGY AND WATER CONSUMPTION

Considering that hospitals are energy intensive establishments Durdans ensures that it uses its energy sources efficiently to better manage its operating costs and minimise the rate of air emissions. Energy saving light sources, tracking computer usage, LED televisions and the choice of air conditioners used within the building premises are in line with this objective of energy conservation. Water consumption on the other hand is also a significant component being used in sanitation, heating, ventilation, cooking and washing amongst many others and internal measures have been adopted to optimise usage and minimise wastage of this resource. As part of its initiative to consume energy more efficiently, heat pump systems were introduced as a replacement to boilers, fluorescent lighting was replaced by low wattage LED lighting and elevator functioning times were altered to regulate usage while lighting rosters were put in place to avoid any mishaps. Durdans has also obtained proposals for the installation of solar panels in

the car park building roof top and paste UV film on the windows to reduce heat flows and AC consumption.

### PARENT CRAFTING PROGRAM

Durdans featured its monthly Parent Crafting program which comprised of a specially designed, free-of-charge pre-natal seminar for expecting parents. Held every last Saturday of each calendar month for third trimester pregnancies, the program was conducted in all three languages by its in-house Obstetricians, Gynaecologists and senior nursing staff and addressed parental anxieties in relation to labour, childbirth and post care.

### DURDANS HEART HEALTH FORUM

Durdans Hospital conducted its 'Heart Health Forum', a periodic event aimed at spreading awareness about Cardiovascular Disease prevention and overall cardiac care. The session titled "Prevention Before Crisis" was conducted by a panel of renowned specialists including Cardio-thoracic surgeons, Cardiologists, Physiotherapists, Nutritionists and senior medical officers. Opened to the general public, the two-hour program focused on new developments in cardiac healthcare, available medical and surgical interventions, risks of heart disease and preventive measures as well as addressing those individuals who underwent cardiac interventions. A cooking demonstration for a 'heart-healthy' diet and relaxation therapy session were also conducted.

### FREE OPD CONSULTATION

To promote and encourage preventive healthcare, Durdans Hospital launched a campaign that offered free OPD consultations to the public. In addition, all senior citizens were provided with OPD consultations free of charge during a specified period in the year under review.



# CORPORATE GOVERNANCE

Durdans Corporate Governance model is structured so as to create long term value to its stakeholders, ensure accountability, transparency and the availability of proper controls while its risks are managed and mitigated adequately in the course of conducting its business. In complying with all external regulatory framework requirements, Durdans employees are bound by a code of ethical conduct. As a healthcare service provider, its key focus lies in carrying out its operations responsibly with patient safety in the forefront. Durdans also seeks to establish sound relationships and gain the trust and confidence of all its key stakeholders inclusive of its investors, customers, employees and the general public. Your Company understands that Corporate Governance is the key element in improving organisational performance, sustainability as well as enhancing stakeholder confidence.

## THE COMPOSITION OF THE BOARD

The Board comprises nine Directors, of which two are executive members.

The profiles of the Directorate are given on pages 18 and 19.

## THE CHAIRMAN

The Chairman is primarily responsible for devising and approving the agenda for each Board Meeting, taking into account all appropriate and relevant matters proposed by the other Directors. The Chairman also ensures that all of the Directors are adequately briefed on issues arising at Board Meetings while making certain that Directors receive adequate information in a timely manner. The Directors are encouraged to act in the best interests of the Company at all times while actively contributing to Board affairs.

## RESPONSIBILITIES OF THE BOARD

The Board of Directors is responsible for ensuring the stability and resilience of the Company while overseeing its growth and success within a dynamic environment. It is engaged in approving 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 as well as other relevant matters reported to the Board by the Heads of the respective divisions. Directors do not participate in making decisions relating to matters in which they have a conflict of interest with the Company.

## EFFECTIVENESS OF THE BOARD

The Board of Directors safeguards the going concern and successful continuity of the business. Comprising members who represent the key operational areas namely Medical Services, Finance, Human Resources, Marketing and Supply Chain, the Directors are able to manage its operations more efficiently and effectively thereby contributing to the betterment of the organisation's performance as a whole. Systems and controls are

also in place to facilitate the effective discharge of the functions of the Board. A pre-defined agenda of meetings ensures that the management of the Company is firmly under the Board's control and authority.

The Board meets every quarter and held four meetings during the year under review.

## COMMITTEES UNDER THE PURVIEW OF THE BOARD.

### (a) Remuneration Committee

This committee comprises of two Independent Non-Executive Directors. Mr. A. S. Abeyewardene serves as the Chairman of 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 in relation to the remuneration of the Senior Management, Executive Directors and the Chief Executive Officer. The key focus of the committee is to ensure that high performers are recognised and rewarded appropriately.

### (b) Audit Committee

The Audit Committee assists the Board of Directors in carrying out its supervisory responsibilities in relation to accounting, financial reporting as well as the audit of the Company's financial statements. The committee is empowered to examine all Company matters both financial and non-financial. The committee ensures that efficient and sound financial reporting systems are in place and are well managed to provide accurate and timely information to the Board of Directors, Regulatory Authorities, Management and other stakeholders. The performance of the External and Internal Audit function is evaluated and monitored independently while the Committee decides upon the appointment, terms of engagement and remuneration of the respective auditors.

The Audit Committee comprises of four Non-Executive Directors namely Mr. A. S. Abeyewardene, who serves as Chairman of the Committee, Mr. Su-ayid M. Ismail, Mr. A. D. B. Talwatte and Mr. Y. N. R. Piyasena.

### (c) Related Party Transaction Review Committee (RPTC)

As a subcommittee of the Board, its primary objective is to ensure that the interests of all its shareholders are taken into account by the Company when entering into related party transactions. Therefore, the committee is responsible to review in advance all proposed related party transactions prior to the transaction being entered into and transactions expedited subject to RPTC review prior to such transaction being completed. The committee meets once every quarter and comprises four Non-Executive Directors.

The Committee held four meetings during the year under review.



# CORPORATE GOVERNANCE

## (e) Executive Management Committee (EMC)

The Executive Management Committee comprises of the Chairman, Executive Vice President, Director Medical Services, Chief Operating Officer, Deputy Director Medical Services, Head of Human Resources, Head of Laboratory Operations, Head of Supply Chain, Chief Financial Officer, Chief Information Officer and Head of Strategy and Business Development. This committee meets weekly to discuss matters requiring collective decision making to streamline operational issues.

## (f) Medical Services Committee (MSC)

This committee is chaired by the Director Medical Services. The other members of the committee are the Deputy Director Medical Services, Chief Nursing Officer, Resident Consultants and the Senior Medical Officers. The Head of Human Resources attends the meeting by invitation when there are specific human resource issues to be resolved.

The committee meets once a month or when required to address all issues pertaining to medical management within the hospital. The committee also addresses topics of Continuous Professional Development (CPD) and Continuous Medical Education (CME) in relation to doctors and nurses. All pertinent issues relating to the Critical Care Units and Infection Control are taken up for discussion, while the MSC observations are reported to the GMC.

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

## (g) Procurement Committee

The Procurement Committee is primarily responsible for monitoring and verifying procurement actions and ensuring that approved procurement procedures are applied by the procurement unit at the time of execution of a transaction. The objective of this committee is to consider a proposal that seeks to vary the essential terms and conditions that formed the basis of a decision taken previously, any procurement matter that is overly complicated or has issues requiring broader discussion as may be requested by the end users of a service or any procurement matter referred to the Procurement Committee by the Management. The Committee meets monthly and comprises the Chairman, Executive Vice President, Director Medical Services, Deputy Director Medical Services, Chief Operating Officer, Head of Supply Chain, Head of Laboratory Operations, Head of Human Resources, Chief Financial Officer, Chief Information Officer and Head of Strategy and Business Development.

Operating as a subcommittee of the Procurement Committee is the Condemnation Committee which oversees the process of identifying items (medical and non-medical) requiring

condemnation and carrying out the disposal of items identified as condemned or scrap. The committee also evaluates, monitors, identifies and disposes of expired/ non-returnable medication which can no longer be used thereby clearing the premises of unwanted debris. The Condemnation Committee is chaired by the Director Medical Services. Its key function is to streamline the condemnation process and ensure that safe measures are adopted in disposing all condemned items. The committee meetings are scheduled once in three months.

Two committee meetings were held during the year under review and over three cycles of condemnations were carried out with the intention of cleaning and clearing the premises of unwanted items.

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

Re-accredited with the prestigious 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, the Company pays attention to the skill levels of the medical professionals it employs to ensure that the Company's business operations are conducted effectively and efficiently. Therefore, the objective of this committee is to screen all specialist consultants and medical officers as well as allied medical and nursing staff who work in the hospital to ensure that their credentials are on par with the service they undertake to deliver.

This committee comprises of the Consultant Microbiologist, Senior Vice President - Medical Services, Director Medical Services, Deputy Director Medical Services, Head of Human Resources and other competent individuals who are adequately experienced in carrying out their respective duties within the committee. The committee is scheduled to meet once in three months.

The Committee held four meetings during the year under review.

## (i) Quality Assurance Committee (QAC)

The committee meets once in three months, and is chaired by the Chairman of the Company and co-chaired by the Director Medical Services. This committee is responsible for the development of the Quality Management Plan which is prepared ensuring that all quality parameters identified as relevant and required are used for hospital care services. The committee is also responsible to ensure that all quality parameters and/ or processes adopted by the organisation have been benchmarked against world class standards. The committee monitors such parameters periodically and evaluates trends to take corrective action where necessary. It also evaluates and reviews the existing standards and updates when required during its routine meetings.

As a subcommittee to the QAC, the Medical Audit Committee independently monitors, reviews and reports on clinical governance issues to the Chairman of the Company. It also facilitates and

supports the effective implementation of processes and clinical care protocols. The committee is chaired by the Director Medical Services.

The Committee held four meetings during the year.

#### (j) Infection Control and Prevention Committee

Chaired by the Consultant Microbiologist, this committee comprises of the Senior Vice President - Medical, Director Medical Services, Deputy Director Medical Services, Chief Nursing Officer and all Resident Consultants. The Committee meets once in two months. The key objective of this committee is to monitor hospital acquired infections, gather statistics to find out trends and take corrective action when necessary. The committee is also responsible for developing the hospital's antibiotic policy, formulating the protocols on sterilisation and disinfection, performing tests on water sources of the organisation and conducting periodic knowledge sharing sessions for employees on infection control policies and protocols.

The committee held seven meetings during the year.

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

The committee is responsible for developing policies for the safety and security of its patients, staff and visitors. In doing so, the committee is responsible for preventing, managing and controlling emergency situations within and outside the hospital. Other responsibilities include developing plans for fire and non-fire emergencies, conducting mock drills aimed at various types of disasters, guiding and providing hospital wide education on hazardous material management etc. Chaired by the Executive Vice President, the committee comprises of the Head of Lab Operations, Head of Supply Chain, Manager Radiology, Biomedical Engineer, Engineering Manager and the Head of Housekeeping to name a few. The committee meets once in three months.

The Committee held four meetings during the year under review.

#### (l) Hospital Ethics Committee

This committee supports clinicians and administrators in resolving conflicts and making clinical decisions in relation to the ethical requirements of the profession. The committee offers support through identification, reasoning and analysing a situation thereby giving emphasis to ethical dimensions. In an advisory capacity this committee facilitates good governance and ethical practices within the organisation. The committee comprises the Senior Vice President - Medical, Director Medical Services, Deputy Director Medical Services, Consultant Physicians, Chief Nursing Officer, others representing the medical and nursing profession along with external support from a member of the public. This Committee meets once in three months.

The Committee held four meetings during the year.

#### (m) Pharmacotherapeutic Committee

This committee is responsible for the independent review and reporting of the processes of clinical governance to the Head of the Organisation as well as facilitating and supporting the attainment of effective processes and clinical care protocols. The committee is responsible for developing a formulary of drugs accepted for usage within the hospital and provides constant revision upon objectively evaluating the therapeutic merits, safety and cost. The committee is chaired by the Senior Vice President - Medical and is held once every three months.

The Committee held four meetings during the year.

#### (n) Accountability and Audit

The Board has adopted all necessary measures to ensure the integrity of the Company's accounting and financial reporting systems, with periodic reviews on internal control processes being carried out. The Board has employed a senior Chartered Accountant to provide the required knowledge and guidance on financial matters so as to ensure that financial and operational controls are maintained, ethical conduct is in place, and compliance with legal and regulatory requirements are adhered to at all times.

In light of the above, the Company confirms that it has complied with the mandatory disclosure requirements of Section 7.6 of the Listing Rules of the Colombo Stock Exchange ("CSE") in relation to the contents of the Annual Report and Accounts of a listed entity.

The table below provides reference to the relevant sections of this Annual Report where specified information is disclosed together with page references for the convenience of the reader of the Annual Report.

# CORPORATE GOVERNANCE

Rule No.	Disclosure Requirements	Section/ Reference	Page(s)
7.6 (i)	Names of persons who held the position of Director during the financial year	Board of Directors	18
7.6 (ii)	Principal activities of the Company and its subsidiaries during the financial year and any changes thereon	Note 1.3 of the Accounting Policies and the Group Structure	74
7.6 (iii)	The names and the number of shares held by the 20 largest shareholders of voting and non-voting shares and the percentage of such shares held as at financial year end	Shareholder Information	122 and 123
7.6 (iv)	The public holding percentage	Shareholder Information	121
7.6 (v)	Directors' and Chief Executive Officer's holding in shares at the beginning and end of the financial year	Annual Report of the Board of Directors	58
7.6 (vi)	Information pertaining to material and foreseeable risk factors	Enterprise Risk	53
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Note 29	110
7.6 (viii)	Extents, locations, valuations and the number of buildings on the Company's land holdings and investment properties as at the end of the financial year	Note 10.4	91
7.6 (ix)	Number of shares representing the stated capital as at the financial year end	Note 16	93
7.6 (x)	A distribution schedule stipulating the number of shareholders in each class of equity and the percentage of their total holdings as at the financial year end	Share Information	120
7.6 (xi)	Ratios and market price information, equity, Dividend Per Share, dividend payout ratio, Net Asset Value per share and market value per share	Share Information	121
7.6 (xii)	Significant changes in the entity or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Note 10 to the Financial Statements on Property, Plant and Equipment	90
7.6 (xiii)	Details of funds raised through public issues, rights issues and private placements during the financial year	Not applicable	-
7.6 (xiv)	Information in respect of Employee Share Option Schemes	Not applicable	-
7.6 (xv)	Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Listing Rules		51 and 52
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower	Related Party Transaction Review Committee Report  Note 31 to the Financial Statements	64

The Company also confirms that it is in compliance with the Corporate Governance requirements of Section 7.10 of the Listing Rules of the CSE and disclosure of compliance with the said rules as given below.

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	Two or one third of the total number of Directors whichever is higher should be Non-Executive	Compliant	Seven out of nine 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 out of seven Non-Executive Directors are Independent
7.10.2 (b)	Non-Executive Directors	Each Non-Executive Director should submit a declaration of 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 determined to be Independent will be set out in the Annual Report	Compliant	Annual Report of the Board of Directors on the Affairs of the Company
7.10.3 (b)	Disclosures relating to Directors	A determination has to be made by the Board as to the independence of Non-Executive Directors	Compliant	Annual Report of the Board of Directors on the Affairs of the Company
7.10.3 (c)	Disclosures relating to Directors	Brief resume of each independent Director should be disclosed in the Annual Report	Compliant	Pages 18 to 19 to the Annual Report
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Page 46 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  ii) A Non-Executive Director shall be appointed as Chairman of the Committee by the Board.	Compliant  Compliant	The Remuneration Committee comprise of two Independent Non-Executive Directors  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	Refer Remuneration Committee Report on page 46

# CORPORATE GOVERNANCE

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.5 (c)	Remuneration Committee	The Annual Report shall set out:	Compliant	Page 46 to the Annual Report
		i) Names of Directors comprising the Remuneration Committee		
		ii) Statement of the Remuneration Policy	Compliant	Page 46 to the Annual Report under Remuneration Committee
		iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Page 46 to the Annual Report
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer Audit Committee Report on page 65
7.10.6 (a)	Audit Committee	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 three Independent Non-Executive Directors
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	The Chairman of the Company and the Chief Financial Officer of the Company attend Committee meetings by invitation
		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	Committee Chairman Mr. A. S. Abeyewardene is a Chartered Accountant by profession
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 65
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 65 to this Annual Report
		ii) determine the independence of the Auditors and disclose the basis for such determination	Compliant	Refer page 65 to this Annual Report
		iii) contain a report of the Audit Committee setting out the manner of its functional compliance	Compliant	Refer page 65 to this Annual Report

# ENTERPRISE RISK MANAGEMENT

The purpose of risk management is to protect patients, staff and visitors from inadvertent injury as well as an organisation’s financial assets and intangibles such as reputation and its standing in the community. At Durdans, we believe that management of business risk is crucial to our continued growth and success and as a group we remain committed towards managing risk effectively. The risk management strategy of Durdans therefore is to enhance the organisation’s value and achieve objectives through risk adjusted business decisions. The risk management plan is primarily a tool for implementing the organisation’s overall risk strategy and providing guidance and structure for the organisation’s clinical and business services that drive quality patient care while fostering a safe environment.

## RISK MANAGEMENT PROCESS AT DURDANS

At Durdans the focus of the risk management plan is to provide an ongoing, comprehensive, and systematic approach to reducing risk exposures. As such the Company follows a risk treatment process of mitigation, minimisation, acceptance and/ or transfer of risk and accordingly implements operational and management controls while establishing mitigation plans which are regularly verified through an 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 undertakes full responsibility in applying an effective risk management strategy within the Company. The identified risk and suggested methodologies are reported to the Group Management Committee (“GMC”) and the GMC reviews same for the effectiveness of the action plans while monitoring implementation thereafter.

As an integral part of risk management, the Audit Committee oversees the adequacy and 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 of risk; 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 the 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							

# ENTERPRISE RISK MANAGEMENT

Given below are the key risks identified within the corporate risk profile along with the status and mitigating action plans for each risk.

## CLINICAL RISK

Clinical Risk Management ("CRM") plays a crucial role in enabling Durdans to identify, contain, and manage risks relating to patient care. Managing the unexpected is an essential everyday concern in high-risk organisations such as hospitals. Modern medicine has led to increasingly complex forms of treatment and processes of care. This has resulted in a range of opportunities for improved care, but has also increased the risk of adverse events and patient harm. Risks associated with patient care can never be completely eliminated and 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/ Medical secrecy
- Preparedness for pandemics

## 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 causes 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, an annual review of operational risks is carried out by an external risk management organisation and the outcome is reported to the Board of Directors for information and for appropriate action where necessary. Some operational risk mitigation measures carried out by Durdans is 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 the 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 as well as 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 is insulated against economic shocks to a certain extent compared to other industries. However, the Company has been adept 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, changes are anticipated effectively and the adverse impact minimised always.

## 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 migratory measure Durdans has resorted to implementing structures which are robust and effective while being flexible and acceptable to changes within the legal framework and business requirements. Durdans also participates in various industry forums for greater awareness while enlisting the support of decision makers to obtain greater clarity and for more consistency in government policies and initiatives.

## FINANCIAL RISK

Durdans continuous drive to invest in advanced technology requires seeking finance for investments. Being mindful of the gearing level of the entity, the Company ensure it manages its borrowings with due care. It ensures that financial obligations are settled in a timely manner. Further, the management places utmost diligence in monitoring market fluctuations in relation to interest rates to obtain the best returns for the Company.

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

## CREDIT RISK

With corporate customers and insurance companies comprising a significant portion of the business debtor 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 and 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 a brand and brand image. Hence safeguarding its reputation by following guidelines to handle consumer grievances has always been a key area for 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 is 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 the lack of safety measures for patients and staff is considered of high importance to Durdans. As such, in depth evaluation of such risks are carried out on a routine basis to map out all potential areas of risk by clearly defining the actions that should be in place.

Exposure to environmental risk is a challenge in today's context. Hence the Company undertakes responsibility to review and discuss such risk and implement preventive actions where necessary. In this regard vaccinations against infections such as Hepatitis B are administered to staff 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 more challenging issues.

Patient safety is of paramount importance to the Company and the international accreditation bestowed on the 'Durdans Brand' as well as the connected measurable elements ensuring patient care is being continuously monitored where necessary. Improvements and modifications are also made to the existing processes to further enhance the safety of its patients.

#### HUMAN RESOURCES

The Company continues to value its people as the most important asset of the organisation considering it is they who translate corporate vision into reality by delivering high levels of care to its patrons. Every employee epitomises the values of the Company while at work as well as outside of their working hours.

Unlike a few years ago, the private healthcare sector today is a dynamic one which makes it necessary to constantly enhance the people agenda in a manner beneficial to employees and the Company. Hence Durdans is constantly addressing the needs of its staff members and taking steps to motivate employee engagement through a performance driven culture. In doing so, every team member is made to understand how his/ her role will deliver value to the organisation's performance thereby enhancing their commitment to uphold the best in standards of service delivery.

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

#### INFORMATION SECURITY

Daily operations at Durdans are managed using a fully-fledged ERP system developed in-house. The security of information and the uninterrupted service of its systems are of utmost importance for the continued operations of the Company. The loss of data due to technical failure, 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 all possible risks arising from same.

The system currently runs on a high availability solution powered by a VMware platform to maintain zero downtime. Security has been improved on the servers through VLAN and firewalls together with real time monitoring and alerting systems for intrusions and suspicious activity. During the financial year the Company completed the installation of a 'Cloud Backup Solution' to further minimise the loss of valuable data.

Patient data is managed confidentially with the creation of high security zones within the network, only accessible to designated personnel. The Company has also taken measures to install firewalls to protect unauthorised access along with Data Leakage Prevention (DLP) and real time threat monitoring alerts. Durdans has migrated to a Microsoft cloud platform with improved security to enhance productivity and provide mobility. All external laboratories are connected to the main hospital using a state of the art IP-VPN with enhanced security and reduce redundancy.

Exposure to environmental risk is a challenge in today's context. Hence the Company undertakes responsibility to review and discuss such risk and implement preventive actions where necessary.



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# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## GENERAL

The Directors take pleasure in presenting the report and Audited Financial Statements of the Company and Group for the financial year ended 31st March 2018 as well as the auditor's report on the Consolidated Financial Statements.

This report provides all the information required by the Companies Act No. 07 of 2007, listing rules of the Colombo Stock Exchange as well as the recommended best practices on Corporate Governance. This report was approved by the Board of Directors on 17th May 2018.

### 1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Ceylon Hospitals PLC is the holding company of Durdans Heart Centre (Pvt) Ltd and Durdans Medical and Surgical Hospital (Pvt) Ltd which constitutes the Durdans Hospital Group.

The Chairman's Review and the Management Discussion and Analysis are incorporated into this report by reference. They contain details of the Group's business operations, development and performance during the year, Key Performance Indicators and information regarding principal risks and uncertainties.

The measures taken by the Company to manage its risks are detailed in the report titled 'Enterprise Risk Management' on page 53 of this report.

### 2. FUTURE DEVELOPMENTS

The Management is of the view that the future of healthcare will entail shorter stays in hospital as a result of advancements in technology. The Company has formulated its plans around this and will embark upon a five year project to redesign its existing infrastructure and create a state of the art facility with additional room capacity. The ultimate objective is to create a comfortable and convenient space that is well suited to the requirements of its customers and to ensure their continued patronage.

Additional information in relation to all 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 the Company and Group duly certified by the Chief Financial Officer and approved by two Directors are in compliance with sections 152, 153 and 168 of the Companies Act No. 07 of 2007. This is provided on pages 70 to 117 of the Annual Report.

### 4. AUDITOR'S REPORT

The Company's external auditors, Messrs. B. R. De Silva & Co. Chartered Accountants performed an audit of the Financial Statements for the year ended 31st March 2018. The Auditor's report is given on pages 67 to 69 of the Annual Report as required by Section 168 (l) (c) of the Statute.

### 5. ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of the Financial Statements is given on page 75 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 31st March 2018 was Rs. 5.7 Bn (2016/17 – Rs. 5.3 Bn). An analysis of the income is given in Note 3 to the Financial Statements on page 86 of this Annual Report

#### 6.2 Profit and Appropriations

The Group profit before income tax for the year ended 31st March 2018 was Rs. 603 Mn (2016/17 – Rs. 525 Mn) and the profit after tax for the year ended 31st March 2018 was Rs. 488 Mn (2016/17 - Rs. 389 Mn). The details of the Group profit are given on page 70 to this report

#### 6.3 Dividend on Ordinary Shares

The Directors recommended an interim dividend of Rs. 2.74 per ordinary share for the year ended 31st March 2018 to be paid in the month of June 2018.

Further the Directors also recommended a first interim dividend of Rs. 0.86 per ordinary share for the year ended 31st March 2019 to be paid in the month of June 2018

Prior to recommending the dividend and 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 and based on the information available, the Company would 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 in this regard.

#### 6.4 Provision for Taxation

Income tax for 2017/18 has been provided on taxable income arising from the operations of the Group and is disclosed in accordance with the Sri Lanka Accounting Standards. The Group has also provided deferred tax on all known temporary differences using the liability method as stipulated by the Sri Lanka Accounting Standard (LKAS 12) on Income Tax. Information on income tax expenditure and deferred taxes is given in the Notes to the Financial Statements on page 88 of this Annual Report.

#### 6.5 Reserves

The Group's total reserves as at 31st March 2018 amounted to Rs. 4.09 Bn (2016/17 - Rs. 4.28 Bn). The movement of the reserves are given on pages 93 to 94 under the category of '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 and equipment are given in the Notes to the Financial Statements on pages 89 to 91.

## 7. CREDITOR PAYMENT

For all trade creditors, it is Group policy to:

- Agree and confirm the terms of payment at the commencement of business
- Honour payments in accordance with the contract entered into or as required by law
- 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 the date of this report comprise of eight individuals having extensive medical, financial, commercial knowledge and expertise. The qualifications and experience of the Directors are given in the 'Board of Directors' section on pages 18 to 19 of this Annual Report.

Names of the persons who held office as Directors of the Company as at 31st March 2018 and the names of the persons who ceased to hold office as Directors of the Company as of the reporting date 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	Non-Executive Director
Mr. A. S. Abeyewardene	Independent, Non-Executive Director
Mr. Su-ayid M. Ismail	Independent, Non-Executive Director
Mr. A. D. B. Talwatte	Independent, Non-Executive Director
Mr. A. R. Fernando	Independent, Non-Executive Director (resigned w.e.f 18.05.2018)

### 8.2 Independence of Directors

The Board has made a determination as to the independence of each non-executive director and confirms that four out of the seven non-executive directors meet the criteria of independence in terms of Rule 7.10.4 of the listing rules.

Each of the independent directors have submitted a signed and dated declaration of his independence against the specified criteria

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

### 8.3 Re-election of Directors

In Accordance with the Articles of Association of the Company and the Corporate Governance Code, Mr. S P Tudawe will retire by rotation at the Annual General Meeting in June 2018 and being eligible, will offer himself for re-election with the unanimous consent of the Directors.

### 8.4 Recommendation for re-election

Dr. A. D. P. A. Wijegoonewardene and Mr. A. S. Abeyewardene shall vacate their office as per the requirements of Section 210 of the Companies Act No. 07 of 2007 and two separate resolutions will be tabled at the forthcoming Annual General Meeting to obtain the sanction of the shareholders to re-appoint them as Directors to the Board as per Section 211 of the Companies Act.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## 8.5 Disclosure of Directors Dealings in Shares

Directors' Interest in Ordinary Shares of the Company

	31st March 2018		31st March 2017	
	No. of Shares		No. of Shares	
	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	1,200	1,440	1,200
Mr. Su-ayid. M. Ismail	100	-	100	-
Mr. A. D. B. Talwatte	1,000	-	-	-

## 8.6 Remuneration and Other Benefits

Directors' remuneration and other benefits in respect of the Company for the financial year ended 31st March 2018 is given in Note 31.5 to the Financial Statements of this Annual Report as required by Section 168 (l) (f) of the Companies Act No. 07 of 2007.

## 8.7 Directors' interests in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contracts or proposed contracts with the Company for the year ended 31st March 2018 other than that disclosed on pages 111 to 113 of this Annual Report.

The Directors have declared all material interests in contracts involving the Company and have refrained from voting on matters in which they have a material interest. They have also disclosed their interest in other Companies so as to ensure they refrain from voting on any material interest therein.

## 8.8 Related Party Transaction

The Board formed a Related Party Transactions Review Committee in 2016 to assist the Board in reviewing all Related Party Transactions carried out by the Company and its subsidiaries adopting the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (SEC).

## 9. ARTICLES OF ASSOCIATION

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

## 10. STATED CAPITAL

The stated capital of the Company as at 31st March 2018 was Rs. 916 Mn comprising 33,872,726 voting and non-voting ordinary shares versus Rs. 916 Mn in 2016/17 comprising 25,527,272 voting shares and 8,345,454 non-voting shares. Details of the stated capital is given in Note 16 to the Financial Statements of 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 is given on page 120 of this Annual Report and information relating to earnings, dividends and net assets per share is given in the Management Discussion and Analysis on page 39 of this Annual Report.

## 12. PUBLIC HOLDING OF SHARES IN THE COMPANY

The public shareholding as at 31st March 2018 in relation to voting and non-voting shares was 22.4% and 86.1% respectively.

## 13. SUBSTANTIAL SHAREHOLDING

Substantial shareholders are required to notify their interests in accordance with Section 200 of the Companies Act. They are also obliged to comply with the notification obligations to the Company as contained in the rules of the Colombo Stock Exchange.

The twenty largest shareholders of the Company as at 31st March 2018 are stated on pages 122 to 123 of this Annual Report.

#### 14. **EQUITABLE TREATMENT OF SHAREHOLDERS**

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

#### 15. **CORPORATE DONATIONS**

During the year, the Company made donations to charity amounting to Rs. 737,524 (2016/17 - Rs. 952,792). The information provided forms 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 engaged in any activity detrimental to the environment to the best of their knowledge.

#### 17. **STATUTORY PAYMENTS**

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

#### 18. **EVENTS AFTER THE REPORTING PERIOD**

There have been no material events occurring after the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements other than what is disclosed in Note 28 to the Financial Statements of 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 for the foreseeable future. After considering the financial position, operating conditions, regulatory aspects and other factors required to be addressed in the Corporate Governance Code, the Directors have reasonable belief that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the Group of Companies continues to adopt the Going Concern basis in preparing the Financial Statements.

Detail of the Group and Company adopting the going concern basis in preparing the financial statements are set out in the financial review as a subsection of the business review and is incorporated into this report by reference.

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

##### 20.1 **Risk Management**

Specific steps adopted by the Company are detailed on pages 53 to 55 of this Annual Report

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

The Board of Directors has established an effective and comprehensive system of internal controls to safeguard the assets of the Company, detect and prevent fraud and irregularities, ensure that proper records are maintained and financial statements presented are reliable. Management accounts are prepared monthly and provide the Management with relevant, reliable and up-to-date financial statements with Key Performance Indicators.

The Audit Committee reviews the reports, policies and procedures regularly to ensure that a comprehensive internal control framework is in place. More detail in this regard can be viewed on page 65 of this Annual Report.

The Board has conducted a review of the internal controls covering financial, operational, compliance and risk and have reached a reasonable conclusion of their effectiveness and the Company's successful adherence to same for the period up until the date of signing the financial statements.

##### 20.3 **Audit Committee**

The composition of the Audit Committee and their Report is given on page 65 of this Annual Report.

#### 21. **CORPORATE GOVERNANCE**

The Corporate Governance practices of the Company are set out on pages 46 to 52 of this Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and its system of internal controls.

#### 22. **OPERATIONAL EXCELLENCE**

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

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

The Financial Statements for the year have been audited by Messrs. B. R. De Silva & Co. Chartered Accountants, who offered themselves for re-appointment. A resolution to re-appoint them as Auditors and authorise the Directors to decide 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 (external) paid for the year 2017/18 amounted to Rs. 1.6 Mn. Apart from that, the Company engaged its external auditors Messrs. B. R. De Silva & Co. Chartered Accountants to advise on taxation and accounting matters for the year under consideration. To the best of the Directors knowledge, the Auditors do not have any other relationship or interests in contracts with the Company.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## 25. ANNUAL GENERAL MEETING

The 72nd Annual General Meeting of the Company will be held on Thursday 28th June 2018 at the 'Auditorium', 11th Floor, Durdans Hospital, Colombo 03 at 9.00 a.m.

## 26. NOTICE OF MEETING

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

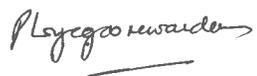
## 27. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

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 on behalf of the Board,



A. E. Tudawe  
Chairman



Dr. A. D. P. A. Wijegoonewardene  
Director

17th May 2018

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement which should be read in conjunction with the Auditor's statement of responsibilities has been made with a view to distinguish between the respective responsibilities of the Directors and the Auditors in relation to the financial statements.

Section 150, 152 (1) and 153 (1) of the Companies Act No. 07 of 2007 require that the Directors prepare the financial statements and circulate it among the 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 its financial year as well as 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 its financial year.

As 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 a 'going concern' basis.

In preparing the Financial Statements as disclosed on pages 70 to 117, the Directors consider that the Company and its subsidiaries have used appropriate accounting policies that have been applied consistently and supported by reasonable and prudent judgment and estimates, while all accounting standards considered to be applicable and relevant have been followed.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain accounting records which disclose with reasonable accuracy, the financial position of the Company and its subsidiaries while complying with the provisions of the Companies Act No. 07 of 2007.

The Directors have a general responsibility to take reasonable steps in safeguarding the assets of the Company and its subsidiaries, provide proper consideration towards the establishment of appropriate internal control systems with a view to detecting and preventing frauds and other irregularities.

## COMPLIANCE REPORT

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

By Order of the Board

*Sgd.*

**Nexia Corporate Consultants (Pvt) Ltd**  
Secretaries

17th May 2018

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

The Related Party Transactions Review Committee was established in February 2016 as a subcommittee under the Board of Directors of the Company. The Committee comprises of four Non-Executive Directors of the Board as given below

- Mr. Asoka Abeyewardene - Chairman
- Mr. Su-ayid M. Ismail
- Mr. Y. N. R. Piyasena
- Mr. A. D. B. Talwatte

The objective of the Committee is to exercise oversight on behalf of the Board of Directors by ensuring that all Related Party Transactions ("RPT") of Ceylon Hospitals PLC ("CHPLC") and its subsidiaries, together with the required disclosures are in compliance with Section 9 of the Colombo Securities Exchange ("CSE") listing rules and made in a timely manner.

The responsibility of the Committee is to ensure that the interests of shareholders are collectively considered by the Company when entering into a RPT.

Accordingly, the Committee developed and recommended a RPT policy in compliance with Section 9 of the listing rules of the CSE for adoption by the Board of Directors of CHPLC. This policy which is consistent with the operating model and the delegated decision making rights of the Ceylon Hospitals Group set out the following guidelines among others:

- Defined and established threshold values for every RPT.
- Established and differentiated between RPTs which had to be pre-approved by the Board, requiring immediate market disclosure, shareholder approval and disclosure in the Annual Report.
- Established principles that determined the RPTs requiring pre-approval of the Board and those that did not require prior Board approval and which could be reviewed retrospectively.
- Established a process to identify recurring RPTs and related approvals and disclosures.
- Established guidelines for Senior Management adherence when dealing with Related Parties including conformance to transfer pricing regulations and listing rules, identifying instances of immediate market disclosure requirements of a RPT in line with transfer pricing regulations and listing rules.

- Introduction of a standard document to be used by the Company when presenting RPT information to the Committee.
- Established criteria for identifying the Group's Key Management Personnel ("KMP") in accordance with the Sri Lanka Accounting Standards and CSE listing rules.
- Concluded that all Executive and Non-Executive Directors of the Board as well as members of the Senior Management Team are to be identified individually as KMP in order to establish greater transparency and governance.
- Established a process for documenting and reporting RPTs to the RPT Committee.

The RPT Review Committee was satisfied that there were no transactions to be reported in the Annual Report for the year ended 31st March 2018 other than those disclosed in the report under the Financial Statements Note 31. RPT disclosures are made in the Financial Statements as required by the Sri Lanka Accounting Standard (LKAS 24) on Related Party Disclosures.

## CONDUCT OF MEETINGS

The Committee held four meetings during the financial year ended 31st March 2018. The attendance of the respective committee members are tabulated below.

Name of the Member	Attendance
Mr. Asoka Abeyewardene	4/4
Mr. Su-ayid M. Ismail	4/4
Mr. Y. N. R. Piyasena	4/4
Mr. A. D. B. Talwatte	4/4

The proceedings of the Committee meetings which primarily included activities under its Terms of Reference were periodically reported to the Board of Directors.

*Sgd.*

**A. S. Abeyewardene**

Chairman, Related Party Transactions Review Committee

11th May 2018

# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The Committee is appointed by the Board of Directors in compliance with the Code of Best Practice on Corporate Governance and the requirements set out by the Securities and Exchange Commission for public quoted companies. The Committee comprises the following Non-Executive Directors.

Mr. A. S. Abeyewardene	Chairman (Non-Executive/ Independent Director)
Mr. Y. N. R. Piyasena	Member (Non-Executive Director)
Mr. Su-ayid M. Ismail	Member (Non-Executive/ Independent Director)
Mr. A. D. B. Talwatte	Member (Non-Executive/ Independent Director)

Profiles of the Chairman and Members are given on pages 18 and 19.

## THE OBJECTIVE AND ROLE

The Committee supports the Board of Directors by overseeing the financial reporting process including the accounting and audit of the Financial Statements of the Company.

In this regard the Committee is empowered to:

- ensure that efficient and sound financial reporting systems are implemented and well managed to provide accurate, appropriate and timely information to the Board of Directors, regulatory authorities, management and other stakeholders.
- review the quality and appropriateness of accounting policies and adhere to statutory and regulatory compliance requirements as well as Accounting Standards.
- ensure that the Company has adopted and adhered to financial, operating and control policies to achieve proper and ethical standards, sound Corporate Governance and industry practices in the best interest of all its stakeholders.
- ensure that a process is in place to identify, analyse and monitor all financial risks faced by the Company and examine the adequacy, efficiency and effectiveness of internal controls and procedures to avoid, mitigate or transfer such risks.
- monitor and review the internal and external audit function/ reports, inspection assignments/ reports and follow up on their findings and recommendations.
- review the Company's interim and annual Financial Statements in order to ensure the integrity of disclosure prior to submission to the Board.

- examine matters relating to financial reporting and other financial aspects of the Company.
- ensure that the Company does not have indicators that could impair its ability to continue as a going concern.
- ensure that the external auditors declare their independence, review their performance and recommend to the Board their re-appointment, removal and terms of engagement.

## CONDUCT OF MEETINGS

The Committee held five meetings during the financial year ended 31st March 2018. The proceedings and all relevant details of the meeting were reported to the Board of Directors regularly. Attendance of the Committee members is given below

Name of the Director	Attendance
Mr. A. S. Abeyewardene - Chairman (Non-Executive/ Independent Director)	4/5
Mr. Y. N. R. Piyasena - Member (Non-Executive Director)	5/5
Mr. Su-ayid M. Ismail - Member (Non-Executive/ Independent Director)	5/5
Mr. A. D. B. Talwatte - Member (Non-Executive/ Independent Director)	5/5

The Chairman, together with the Executive Vice President of the Company attends Committee meetings by invitation, while members of the Senior Management are invited to participate in these meetings from time to time on a need basis. The external auditors Messrs. B. R. De Silva & Co. Chartered Accountants also participated in one of the meetings during the year by invitation.

## INTERNAL AUDIT AND INSPECTION

Messrs. Ernst & Young Advisory Services (Pvt) Ltd and Messrs. Nexia Management Services (Pvt) Ltd carry out the inspection of business units, departments and outstation laboratory networks within the Group with the concurrence of the Board. The Group's internal audit program was developed based on a risk assessment carried out by the internal audit firms wherein the risks having a high impact on the continuity of the business and its functions were identified. Accordingly, the Committee reviews the program of inspection and its implementation on an annual basis while closely monitoring the internal audit function itself and the associated inspection functions.

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

# AUDIT COMMITTEE REPORT

The observations detailed in the internal audit report together with the recommendations, status of the implementation and subsequent actions taken by the management are discussed at the meetings with the internal auditors. This is to ensure the operating effectiveness of the internal controls implemented throughout the financial year.

The Committee also reviews and monitors the responsiveness of its Management to the significant audit findings as well as the recommendations of the internal auditors.

## FINANCIAL REPORTING

The Audit Committee reviews the quarterly and annual Financial Statements in liaison with the external auditors and management prior to submission for approval by the Board of Directors, release to the Colombo Stock Exchange and publication. The Committee is of the view that the Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the accounting policies have been adequately disclosed for the financial year under review. The Committee also ensured that there was effective interaction between the internal and external auditors.

## OVERSIGHT ON REGULATORY COMPLIANCE

The Committee ensures that its systems and procedures are compliant with all mandatory statutory requirements.

## EXTERNAL AUDIT

The scope of the audit, approach and methodology to be adopted were discussed with Messrs. B. R. De Silva & Co. Chartered Accountants prior to commencing the annual audit. All of the findings and recommendations of the internal auditors in relation to the audits of the various divisions during the financial year were perused by the external auditors and independent observations made.

The Audit Committee has reviewed and discussed the annual audited Financial Statements and the Management Letter of the Company at its meeting with the external auditors and internal management on 11th May 2018.

## REAPPOINTMENT OF THE EXTERNAL AUDITORS

On evaluation of the independence and performance of the external auditors, the Committee has recommended to the Board that Messrs. B. R. De Silva & Co. Chartered Accountants be reappointed for the financial year ending 31st March 2019.

*Sgd.*

**A. S. Abeyewardene**

Chairman, Audit Committee

11th May 2018

# INDEPENDENT AUDITOR'S REPORT



Private & Confidential

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CEYLON HOSPITALS PLC

### Opinion

We have audited the consolidated Financial Statements of Ceylon Hospitals PLC and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31st March 2018, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying Financial Statements give a True and Fair view of, the Financial Position of the Group as at 31st March 2018, and of its Financial Performance and its Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the accompanying Consolidated Financial Statements give a True and Fair view of, the Consolidated Financial Position of the Group as at 31st March 2018, and of its Consolidated Financial Performance and its Consolidated Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis of Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are

Independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

22 / 4,  
Vijaya Kumaranatunga Mv.,  
Colombo 05,  
Sri Lanka.  
Telephone : +94 112 513 420 - 22  
                  +94 114 510 268  
Fax : +94 114 512 404  
E-mail : brds@eureka.lk  
Web : www.brdesilva.com

# INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter was Addressed
<p><b>1. Recognition of Revenue</b></p> <p>Revenue of the company is sourced through provision of medical services. In fact it is key to ensure that all the services provided have been captured for invoicing &amp; taken to revenue.</p>	<ul style="list-style-type: none"> <li>■ Our audit procedures in relation to revenue recognition included both tests of controls as well as substantive procedures.</li> <li>■ Our testing of the company's manual and automated controls focused on controls around the timely &amp; accurate recording of sales transactions.</li> <li>■ We reviewed the group's accounting policies in respect of revenue recognition and found them to be unchanged to previous years and in compliance with Sri Lanka Accounting Standards.</li> <li>■ We performed analytical review procedures to assess whether the recognized revenue was in line with the expected level.</li> <li>■ Checked a sample of transaction records in the system to underlying invoices &amp; cash receipts.</li> <li>■ We tested the company's system generated reports based on which revenue is accrued at the year end, and performed test of details on the accrued revenue.</li> </ul>
<p><b>2. Transactions with Related Parties</b></p> <p>The company is engaged in related party transactions during the ordinary course of business. A considerable part of revenue, recurring expenditure and capital expenditure of the company are channelled through related companies.</p>	<ul style="list-style-type: none"> <li>■ Evaluated the process established by the management in identifying and reporting related party transactions.</li> <li>■ Reviewed the reports of the related party transactions review committee.</li> <li>■ Reviewed a sample of transactions and ensured that transactions are taken place on arms length basis.</li> <li>■ Critically examined the accuracy of intercompany reconciliations carried out by the management on a quarterly basis.</li> <li>■ Checked the adequacy of disclosures made in the financial statements in accordance with Sri Lanka Accounting Standards.</li> </ul>

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Sri Lanka Accounting Standards, and for such internal control

as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to Going Concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We also:

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

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

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

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

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we 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, 2018, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing the independent auditor's report is 2972.



**B. R. DE SILVA & CO.**  
Chartered Accountants  
Colombo 05.

17th May 2018

SB/RT/hm

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March,	Note	Group		Company	
		2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Revenue	3	5,733,404,060	5,289,462,423	3,408,056,199	3,211,900,279
Cost of Sales		(2,316,047,566)	(2,142,503,541)	(1,390,716,914)	(1,271,304,005)
Gross Profit		3,417,356,494	3,146,958,882	2,017,339,285	1,940,596,274
Other Operating Income	4	35,482,582	33,787,043	18,463,209	13,407,331
<b>Overheads</b>					
Administration Expenses		(2,360,967,154)	(2,181,748,636)	(1,584,836,025)	(1,495,539,185)
Other Operating Expenses		(432,415,030)	(413,117,128)	(292,318,968)	(298,966,001)
Finance Cost	5	(121,724,428)	(98,419,874)	(113,510,850)	(83,777,966)
Finance Income	5.1	64,451,359	36,809,630	208,833,346	155,049,021
		(2,850,655,253)	(2,656,476,008)	(1,781,832,497)	(1,723,234,131)
Share of Profit of an Equity Accounted Investee	6	817,639	952,708	-	-
Profit Before Taxation	7	603,001,462	525,222,625	253,969,997	230,769,473
Taxation	8	(115,128,176)	(136,250,982)	(92,599,030)	(18,954,245)
Net Profit After Taxation		487,873,285	388,971,643	161,370,967	211,815,228
<b>Items that will not be reclassified to Profit or Loss</b>					
Net Gain/ (Loss) on Gratuity Valuation		120,487	3,243,584	1,846,914	(1,239,524)
Gain on Revaluation of Property, Plant and Equipment		-	2,023,548,669	-	1,433,680,791
Deferred Tax Charge on Revaluation Gain		(459,488,102)	(25,185,860)	(397,192,127)	(4,238,495)
		(459,367,614)	2,001,606,393	(395,345,212)	1,428,202,773
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Net Gain/ (Loss) on Available-for-Sale Financial Assets		255,687	(1,927,666)	44,000	(140,000)
		255,687	(1,927,666)	44,000	(140,000)
Other Comprehensive Income for the Year		(459,111,928)	1,999,678,726	(395,301,212)	1,428,062,773
<b>Total Comprehensive Income for the Year</b>		<b>28,761,357</b>	<b>2,388,650,370</b>	<b>(233,930,245)</b>	<b>1,639,878,001</b>
Profit Attributable to:					
Equity Holders of the Parent		401,949,561	327,703,021	161,370,967	211,815,228
Non-Controlling Interest		85,923,724	61,268,623	-	-
		487,873,285	388,971,643	161,370,967	211,815,228
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		(47,034,794)	2,257,004,410	(233,930,245)	1,639,878,001
Non-Controlling Interest		75,796,152	131,645,960	-	-
		28,761,357	2,388,650,370	(233,930,245)	1,639,878,001
Earnings Per Share - Basic	9	11.87	9.67	4.76	6.25

The Significant Accounting Policies and the Notes from pages 70 to 117 form an integral part of these Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March,	Note	Group		Company	
		2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	10	6,538,857,919	6,445,478,091	3,947,784,527	3,739,605,802
Investments in Subsidiaries	11	-	-	1,457,591,424	1,457,591,424
Investment in an Equity Accounted Investee	6	4,800,335	3,982,696	229,960	229,960
Other Financial Assets	20.1	47,730,448	43,206,054	33,700,971	29,622,971
Prepaid Rent		1,365,000	1,800,000	-	-
		6,592,753,702	6,494,466,841	5,439,306,881	5,227,050,157
<b>Current Assets</b>					
Inventories	12	304,509,726	319,092,093	226,240,441	249,233,952
Trade and Other Receivables	13	217,175,109	324,255,064	144,557,750	173,353,083
Prepayments	13.1	135,896,520	130,691,668	98,169,160	111,825,803
Amount Due from Related Parties	14	3,866,151	3,096,142	241,610,879	160,733,502
Other Financial Assets	20.1	617,899,735	529,149,712	70,826,354	81,297,055
Tax Refund Due	25	17,417,650	-	13,794,764	8,346,565
Cash and Cash Equivalents	15	203,386,744	138,134,398	58,573,161	81,258,010
		1,500,151,635	1,444,419,077	853,772,508	866,047,970
<b>Total Assets</b>		<b>8,092,905,337</b>	<b>7,938,885,918</b>	<b>6,293,079,389</b>	<b>6,093,098,127</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	1,986,852,512	2,436,472,139	1,564,589,060	1,961,781,186
Available-for-Sale Reserve		3,854,701	3,637,773	564,000	520,000
Revenue Reserves	18	2,102,179,475	1,841,612,639	1,429,592,738	1,388,316,670
		5,009,252,792	5,198,088,655	3,911,111,901	4,266,983,960
<b>Non-Controlling Interests</b>	19	<b>561,186,237</b>	<b>529,100,567</b>	<b>-</b>	<b>-</b>
		5,570,439,029	5,727,189,222	3,911,111,901	4,266,983,960
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	20.3	284,060,128	435,664,591	279,893,472	404,248,872
Deferred Revenue	21	-	-	38,631,600	40,086,886
Retirement Benefit Obligation	22	182,422,393	166,564,931	160,235,950	147,596,076
Deferred Tax Liabilities	23	701,191,908	200,535,263	513,601,221	56,964,854
		1,167,674,429	802,764,785	992,362,243	648,896,688
<b>Current Liabilities</b>					
Bank Overdraft		439,745,762	369,975,743	397,360,201	307,126,818
Interest Bearing Loans and Borrowings	20.3	424,164,360	419,704,825	388,053,250	358,038,957
Other Financial Liabilities	20.2	-	8,562,550	-	8,562,550
Trade and Other Payables	24	489,117,061	578,242,365	274,443,882	316,040,090
Taxation Payable	25	-	32,446,428	-	-
Amount Due to Related Parties	14	1,764,696	-	329,747,910	187,449,064
		1,354,791,879	1,408,931,911	1,389,605,244	1,177,217,479
<b>Total Equity and Liabilities</b>		<b>8,092,905,337</b>	<b>7,938,885,918</b>	<b>6,293,079,389</b>	<b>6,093,098,127</b>

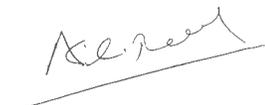
These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.



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



Dr. A. D. P. A. Wijegoonewardene  
Director

# STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital	Revaluation Reserve	General Reserve	Available-for-Sale Reserve	Accumulated Profits	Total	Non-Controlling Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016	916,366,104	532,338,890	4,822,163	5,228,585	1,628,636,465	3,087,392,207	408,108,716	3,495,500,923
Net Profit for the Year	-	-	-	-	327,703,021	327,703,021	61,268,623	388,971,643
<b>Other Comprehensive Income</b>								
Gain on Revaluation of Property, Plant and Equipment	-	1,925,849,624	-	-	-	1,925,849,624	97,699,045	2,023,548,669
Deferred Tax Effect on Revaluation Gain	-	(21,716,375)	-	-	-	(21,716,375)	(3,469,485)	(25,185,860)
Net Gain/ (Loss) on Gratuity Valuation	-	-	-	-	2,392,804	2,392,804	850,780	3,243,584
Net Gain/ (Loss) on Available-for-Sale Financial Assets	-	-	-	(1,590,812)	-	(1,590,812)	(336,854)	(1,927,666)
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)	(35,020,257)	(156,962,071)
<b>Balance as at 31st March 2017</b>	<b>916,366,104</b>	<b>2,436,472,139</b>	<b>4,822,163</b>	<b>3,637,773</b>	<b>1,836,790,476</b>	<b>5,198,088,655</b>	<b>529,100,567</b>	<b>5,727,189,222</b>
Net Profit for the Year	-	-	-	-	401,949,561	401,949,561	85,923,724	487,873,285
Share Buyback	-	-	-	-	(19,859,256)	(19,859,256)	(3,738,125)	(23,597,381)
<b>Other Comprehensive Income</b>								
Deferred Tax Effect on Revaluation Gain	-	(449,619,627)	-	-	-	(449,619,627)	(9,868,474)	(459,488,102)
Net Gain/ (Loss) on Gratuity Valuation	-	-	-	-	418,345	418,345	(297,858)	120,487
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	216,928	-	216,928	38,759	255,687
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)	(39,972,357)	(161,914,170)
<b>Balance as at 31st March 2018</b>	<b>916,366,104</b>	<b>1,986,852,512</b>	<b>4,822,163</b>	<b>3,854,701</b>	<b>2,097,357,312</b>	<b>5,009,252,792</b>	<b>561,186,237</b>	<b>5,570,439,029</b>

Company	Stated Capital	Revaluation Reserves	General Reserve	Available-for-Sale Reserve	Accumulated Profits	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016	916,366,104	532,338,890	4,822,163	660,000	1,294,860,616	2,749,047,773
Net Profit for the Year	-	-	-	-	211,815,228	211,815,228
<b>Other Comprehensive Income</b>						
Gain on Revaluation of Property, Plant and Equipment	-	1,433,680,791	-	-	-	1,433,680,791
Deferred Tax Effect on Revaluation Gain	-	(4,238,495)	-	-	-	(4,238,495)
Net Gain/ (Loss) on Gratuity Valuation	-	-	-	-	(1,239,524)	(1,239,524)
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	(140,000)	-	(140,000)
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)
<b>Balance as at 31st March 2017</b>	<b>916,366,104</b>	<b>1,961,781,186</b>	<b>4,822,163</b>	<b>520,000</b>	<b>1,383,494,507</b>	<b>4,266,983,960</b>
Net Profit for the Year	-	-	-	-	161,370,967	161,370,967
<b>Other Comprehensive Income</b>						
Deferred Tax Effect on Revaluation Gain	-	(397,192,127)	-	-	-	(397,192,127)
Net Gain/ (Loss) on Gratuity Valuation	-	-	-	-	1,846,914	1,846,914
Net Gain/ (Loss) on Available for Sale Financial Assets	-	-	-	44,000	-	44,000
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)
<b>Balance as at 31st March 2018</b>	<b>916,366,104</b>	<b>1,564,589,060</b>	<b>4,822,163</b>	<b>564,000</b>	<b>1,424,770,575</b>	<b>3,911,111,901</b>

# STATEMENT OF CASH FLOWS

For the year ended 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<b>Cash Flows from/ (used in) Operating Activities</b>				
Net Profit Before Income Tax Expenses	603,001,462	525,222,625	253,969,997	230,769,473
Adjustments for :				
Inventory Write-off/ (Write-in)	(3,226,915)	1,868,332	329,306	790,420
Bad Debts Write-off	1,098,375	6,712,195	802,703	1,239,902
Depreciation Charge for the Year	368,002,488	350,280,110	184,660,036	180,118,591
Finance Income	(64,451,359)	(36,809,630)	(208,833,346)	(155,049,021)
Finance Cost	121,724,428	98,419,874	113,510,850	83,777,966
Amortisation of Deferred Rent	435,000	100,000	(1,455,286)	(1,677,714)
Profit/ (Loss) on Disposal of Property, Plant and Equipment	(1,866,398)	(5,064,790)	(2,115,300)	542,083
(Increase)/ Decrease in Financial Instruments	(834,328)	259,635	(849,236)	259,635
Share of Profit of an Equity Accounted Investee	(817,639)	(952,708)	-	-
Provision for Retirement Benefit Obligations	39,664,088	34,139,599	33,919,200	28,798,540
Operating Profit/ (Loss) before Working Capital Changes	1,062,729,203	974,175,243	373,938,924	369,569,876
(Increase)/ Decrease in Inventories	14,582,367	(62,998,097)	22,993,511	(48,688,935)
(Increase)/ Decrease in Trade and Other Receivables	105,974,031	(197,896,912)	41,847,541	(94,809,477)
(Increase)/ Decrease in Trade and Other Payables	(89,125,304)	169,086,338	(41,596,208)	53,052,688
Increase/ (Decrease) in Related Party Dues	994,688	(1,262,216)	61,421,470	21,944,669
Cash Generated from Operations	1,095,154,985	881,104,357	458,605,238	301,068,821
Finance Cost Paid	(121,724,428)	(98,419,874)	(113,510,850)	(83,777,966)
Defined Benefit Obligations Cost Paid	(22,317,314)	(23,590,742)	(18,714,167)	(18,947,734)
Tax Paid	(40,243,316)	(49,604,471)	(19,196,771)	(40,360,654)
Net Cash from/ (used in) Operating Activities	910,869,927	709,489,270	307,183,450	157,982,467
<b>Cash Flows from/ (used in) Investing Activities</b>				
Acquisition of Property, Plant and Equipment	(479,531,065)	(529,259,820)	(399,471,336)	(395,247,880)
Proceeds from Sale of Property, Plant and Equipment	2,447,826	16,700,000	692,500	6,200,000
(Acquisition)/ Disposal of Other Investments	(190,135,353)	(189,093,039)	6,380,701	21,049,734
Income from Investments	44,326,897	24,035,741	188,708,884	142,275,133
Net Cash Flows from/ (used in) Investing Activities	(622,891,696)	(677,617,117)	(203,689,250)	(225,723,013)
<b>Cash Flows from/ (used in) Financing Activities</b>				
Receipts from Interest Bearing Loans and Borrowings	322,358,226	776,239,868	322,358,226	776,239,868
Re-payments to Interest Bearing Loans and Borrowing	(452,939,959)	(762,906,729)	(416,828,844)	(665,068,164)
Dividends Paid	(161,914,170)	(156,962,071)	(121,941,814)	(121,941,814)
Net Cash Flows from/ (used in) Financing Activities	(292,495,904)	(143,628,931)	(216,412,431)	(10,770,109)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(4,517,673)	(111,756,779)	(112,918,231)	(78,510,656)
Cash and Cash Equivalents at the Beginning of the Year	(231,841,345)	(120,084,566)	(225,868,808)	(147,358,152)
Cash and Cash Equivalents at the End of the Year	(236,359,018)	(231,841,345)	(338,787,039)	(225,868,808)
<b>Analysis of Cash and Cash Equivalents</b>				
Bank Overdraft	(439,745,762)	(369,975,743)	(397,360,201)	(307,126,818)
Cash in Hand and at Bank	203,386,744	138,134,398	58,573,161	81,258,010
	(236,359,018)	(231,841,345)	(338,787,039)	(225,868,808)

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Ceylon Hospitals PLC ("Company") is a Public 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 03.

### 1.2 Parent Enterprise and Ultimate Parent Enterprise

The consolidated financial statements of the Company for the year ended 31st March 2018 comprise the Company and its

subsidiaries. (together referred to as the 'Group'). The Company's parent undertaking is Durdans Management Services Ltd which is incorporated and domiciled in Sri Lanka.

### 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 Centre (Pvt) Ltd	Providing preventive Cardiac Care Services and Cardiac Surgical Care
Durdans Medical and Surgical Hospital (Pvt) Ltd	Providing Healthcare Services
Ceygen Biotech (Pvt) Ltd	Supplying of Molecular Biological, Biochemical, Biotechnological Reagents, Kits, Equipment and Accessories for Molecular diagnostics and research purpose

### 1.4 Date of Authorization for Issue

The financial statements for the year ended 31st March 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 17th May 2018.

### 1.5 Companies in the Group

Subsidiaries and Equity Accounted Investee

The Group Financial Statements include the results of the Durdans Heart 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, Ceygen Biotech (Pvt) Ltd. The details of subsidiaries and Equity Accounted Investee are as follows:

## 2.1 Basis of Preparation of Financial Statements

### 2.1.1 Basis of Preparation

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

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, available-for-sale financial assets that have been measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the financial statements.

Company Name	Year of Incorporation	Ownership Percentage
<b>Subsidiary Companies</b>		
Durdans Heart Centre (Pvt) Ltd	1999/00	81.16%
Durdans Medical and Surgical Hospital (Pvt) Ltd	2007/08	82.10%
<b>Equity Accounted Investee</b>		
Ceygen Biotech (Pvt) Ltd	2009/10	46.00%

### 2.1.2 Statement of Compliance

The Consolidated Financial Statements 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 (CASL) 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. The Group had positive net asset and cash flow positions as at the reporting date. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements are prepared on going concern basis.

### 2.1.4 Functional Currency and Presentation Currency

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

### 2.1.5 Use of estimates and judgments

The preparation of the financial statements in conformity with LKAS/ 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 10 - Revaluation of Land and Building

Note 22 - Retirement Benefit Obligations

Note 23 - Deferred Tax Asset/ Liability

Note 27 - Contingent Liabilities

### 2.1.6 Comparative Information

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

### 2.1.7 Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non- financial assets and liabilities. The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

#### Level 1:

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

#### Level 2:

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

#### Level 3:

Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

## 2.2 Significant accounting Policies

### 2.2.1 Basis of Consolidation

#### (a) Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

#### (b) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date that on which control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

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

## (c) *Non-Controlling Interests*

The interest of the outside shareholders of the Group is disclosed separately under the heading of "Non-Controlling Interest". NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

## (d) *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

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.

## (e) *Transactions Eliminated on Consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (f) *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.

## (g) *Financial Year*

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

## 2.2.2 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).

## 2.3 Valuation of Assets and their Measurement Bases

### 2.3.1 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.

### 2.3.2 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

#### (a) Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

#### (b) Measurement

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located.

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.

#### (c) Subsequent Expenditure

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. The cost of replacing part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

#### (d) Revaluation of Land and Buildings

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.

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.

#### (e) 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:

# NOTES TO THE FINANCIAL STATEMENTS

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

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.

#### (f) **Borrowing Cost**

Borrowing costs directly attributable to the acquisition, construction or production of an qualifying 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, until such time the assets are substantially ready for their intended use.

#### (g) **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.

#### (h) **Capital Work-in-Progress**

The cost of self-constructed assets includes the cost of materials, direct labour, and direct overheads including any other costs directly attributable to bring the assets to a workable condition of their intended use and capitalised borrowing cost. Capital Work-In-Progress is transferred to the respective asset accounts when the asset is available for use and all work connected to construction is completed.

#### (i) **Impairment of Property, Plant and Equipment**

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the Profit or Loss unless it reverses a previous revaluation surplus for the same asset.

#### (j) **De-recognition**

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 de-recognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount. Gains or losses on de-recognition are recognised in profit or loss and gains are not classified as revenue.

### 2.3.3 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.

The estimated useful life for intangible assets with finite useful life is as follows;

Software Licenses - Over four years

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

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such Intangible Assets is included in the Profit or Loss when the item is derecognised.

### 2.3.4 Leases

#### (a) 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.

#### (b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Operating lease payments are recognised as an operating expense in the Income Statement on a straight line basis over the lease term.

### 2.3.5 Financial instruments - Recognition and measurement

#### (a) Financial Assets

##### *Initial recognition and measurement*

Financial assets within the scope of Sri Lanka Accounting Standard (LKAS 39) on Financial Instruments: Recognition and Measurement 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 Sri Lanka Accounting Standard (LKAS 39) on Financial Instruments: Recognition and Measurement. 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 ("EIR") 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 income statement in finance costs.

# NOTES TO THE FINANCIAL STATEMENTS

## *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 31st March 2018.

## *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 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.

## *Reclassification*

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.

## *De-recognition*

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

- a) 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

- (1) the Group has transferred substantially all the risks and rewards of the asset, or
  - (2) the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.
- b) 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.

## *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.

### **I. 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.

### **II. 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.

### **(b) 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.

#### **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 amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## *De-recognition*

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 de-recognition 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 20.5.

## *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 Units ("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.

## 2.4 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.

### 2.4.1 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 Sri Lanka Accounting Standard (LKAS 19) on Employees benefits. The defined benefit liability is recognised in the reporting date.

The actuarial gains and losses are charged or credited to Other 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 2018, 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 – 10.5% (per annum)
- b. Average rate of salary increase - 8%
- 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 and Employees' Trust Fund

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

### 2.4.2 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

### 2.4.3 Events Subsequent to the Reporting Period

The materiality of the events after the reporting period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

## 2.5 Statement of Profit or Loss and other Comprehensive Income

### 2.5.1 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 Healthcare services is recognised at the time in which the services are rendered or performed. Service income is recognised by reference to the stage of completion of the transaction at the end of reporting period.

Group has recognised only share of hospital charge related to Consultancy fee and fee collected on behalf of In-house and visiting consultants do not form a part of revenue of the Group.

#### (b) *Sale of Medicine and Related Products*

Revenue from the sales of medicine and related products is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (c) *Interest*

Interest income is recognised on an accrual basis.

#### (d) *Dividends*

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

# NOTES TO THE FINANCIAL STATEMENTS

## (f) Rental Income

Rental income is recognised on an accrual basis.

## (g) Deferred Revenue

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

A rental fee of Rs.31,500,000 which was paid in 2000/01 is being amortised over such period commencing from financial year 2000/01 to 2034/35 by Rs.900,000 per annum.

A rental fee of Rs.16,339,600 which was paid in 2005/06 is being amortised over such period commencing from financial year 2005/06 to 2034/35 by Rs. 540,000 per annum.

A rental fee of Rs.15,670,000 which was paid in 2005/06 is being amortised over such period commencing from financial year 2016/17 to 2051/52 by Rs. 450,286 per annum.

## (h) Other Income

Other Income is recognised on an accrual basis.

## (i) 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 and 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.

### 2.5.2 Expenditure Recognition

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 and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

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.

### 2.5.3 Taxation

#### a) 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.

## b) 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.

### 2.5.4 Earnings Per Share

The Financial Statements present basic earnings per share (EPS) data for its ordinary shareholders. The EPS is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Company by the number of ordinary shares in issue.

### 2.5.5 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.

## 2.6 Cash Flow Statement

### 2.6.1 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.

The cash flow statements are prepared using the "Indirect Method" in accordance with the Sri Lanka Accounting Standard (LKAS 7) on Statement of Cash Flows, whereby gross cash receipts and gross cash payments on operating activities, investing activities and financial activities are recognised.

## 2.7 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.

### *SLFRS 9 - Financial Instruments Classification and Measurement*

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

### *SLFRS 15 - Revenue from Contracts with Customers*

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

### *SLFRS 16 - Leases*

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short term. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

None of these new standards and interpretations is expected to have a material effect on the Financial Statements of the Group. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

### 3 REVENUE

Healthcare Services	5,733,404,060	5,289,462,423	3,408,056,199	3,211,900,279
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### 4 OTHER OPERATING INCOME

Deferred Income of Residential Fees	-	-	1,455,286	1,677,714
Sundry Income	33,616,184	28,722,253	14,892,623	12,271,700
Profit/ (Loss) on Disposal of Property, Plant and Equipment	1,866,398	5,064,790	2,115,300	(542,083)
	35,482,582	33,787,043	18,463,209	13,407,331

### 5 FINANCE COST

Loan Interest	90,483,791	68,714,554	82,804,105	54,611,631
Debenture Interest	5,599,950	3,037,500	5,599,950	3,037,500
Interest Expenses on Overdrafts	23,971,737	23,728,719	23,850,166	23,649,999
Other Interest	129,511	223,703	129,512	223,702
Bank Charges	1,282,270	2,351,917	869,949	1,891,653
Loan Processing Expenses	257,167	363,483	257,167	363,483
	121,724,428	98,419,874	113,510,850	83,777,966

### 5.1 FINANCE INCOME

Interest Income	63,877,920	36,306,775	12,158,220	5,618,459
Dividend Income	573,439	502,855	196,675,126	149,430,562
	64,451,359	36,809,630	208,833,346	155,049,021

## 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 Biology, Biochemical and Biotechnology 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Current Assets	7,240,099	5,591,464	-	-
Non-Current Assets	4,974,541	6,132,078	-	-
Current Liabilities	1,956,740	(3,077,364)	-	-
Non-Current Liabilities	10,257,899	-	-	-
<b>Equity</b>	<b>24,429,279</b>	<b>8,646,178</b>	<b>-</b>	<b>-</b>
Profit for the Year	2,002,423	2,071,050	-	-
Share of the Profit from Equity Accounted Investee	817,639	952,708	-	-
Carrying Amount of the Investment (Note 6.1)	4,800,335	3,982,696	-	-
<b>6.1 Balance at the beginning of the Year</b>	<b>3,982,696</b>	<b>3,029,988</b>	<b>-</b>	<b>-</b>
Share of Profit from Equity Accounted Investee	921,139	952,708	-	-
Dividend Income	(103,500)	-	-	-
<b>Balance at the end of the Year</b>	<b>4,800,335</b>	<b>3,982,696</b>	<b>-</b>	<b>-</b>

## 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Directors' Emolument	39,520,948	34,241,123	36,281,104	30,226,523
Auditors Remuneration - Internal	1,866,853	1,677,668	801,640	899,208
- External	1,660,058	1,364,678	900,000	770,000
Depreciation	368,322,864	350,994,111	184,980,411	180,118,591
Defined Benefit Plan Cost - Gratuity	39,664,088	34,139,599	33,919,200	28,798,541
Legal Fees	2,986,106	2,230,987	2,340,106	1,700,487
Salaries	1,040,880,838	1,014,297,560	669,130,279	653,820,335
Employee's Provident Fund	84,182,142	76,260,511	68,036,753	61,200,665
Employee's Trust Fund	22,021,710	19,670,012	16,985,801	15,305,004

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 8 INCOME TAX EXPENSES

Income Tax (Note 8.1)	109,375,176	85,244,812	33,873,034	30,765,605
Deferred Income Tax				
Deferred Taxation Charge/ (Reversal)	5,753,000	51,006,170	58,725,996	(11,811,360)
	115,128,176	136,250,982	92,599,030	18,954,245

### 8.1 Reconciliation between Current Tax expense and the Accounting Profit

Accounting Profit before Taxation	603,001,462	525,222,625	253,969,997	230,769,473
Consolidation Adjustments	199,736,945	151,059,993	-	-
Income not Subject to Taxation	(243,608,188)	(329,486,708)	(196,675,126)	(297,856,153)
Aggregated Disallowed Expenses	478,723,153	503,887,882	272,624,494	319,643,077
Aggregated Allowed Expenses	(487,646,322)	(331,031,475)	(258,203,151)	(109,797,126)
Taxable Profit	550,207,050	519,652,317	71,716,214	142,759,271
Statutory Tax Rate - Business Income 12%	69,978,102	24,172,412	8,605,946	16,418,548
Statutory Tax Rate - Other Income 28%	19,272,613	48,298,512	5,142,627	1,573,169
Dividend Tax 10%	20,124,461	12,773,888	20,124,461	12,773,888
Income Tax Provision	109,375,176	85,244,812	33,873,034	30,765,605

#### Parent Company - Ceylon Hospitals PLC

The Company is liable for Income Tax for the year of assessment 2017/18 at the rate of 12%.

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

The Company is liable for Income Tax for the year of assessment 2017/18 at the rate of 12%.

#### Durdans Medical and Surgical Hospitals (Pvt) Ltd

The Company is liable for Income Tax for the year of assessment 2017/18 at the rate of 12%.

## 9 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	
	2018	2017	2018	2017
Profit Attributable to Equity Holders of the Parent (Rs.)	401,949,561	327,703,021	161,370,967	211,815,228
Weighted Average Number of Shares Outstanding during the Year	33,872,726	33,872,726	33,872,726	33,872,726
Earnings Per Share (Rs.)	11.87	9.67	4.76	6.25

## 10 PROPERTY, PLANT AND EQUIPMENT

### 10.1 Group

	Freehold Land and Buildings	Medical and Other Equipment	Furniture and 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 31st March 2016	3,015,082,414	2,413,638,681	206,469,793	154,468,202	95,134,244	7,050,000	173,992,985	6,065,836,319
Additions	20,023,796	240,840,899	18,086,389	17,296,837	29,158,499	-	203,853,399	529,259,820
Transferred to Revaluation Reserve	1,769,411,935	-	-	-	-	-	-	1,769,411,935
Disposals/ Transfers	-	(47,673,754)	(2,145,915)	(797,897)	(19,579,924)	-	-	(70,197,491)
Balance as at 31st March 2017	4,804,518,145	2,606,805,826	222,410,267	170,967,142	104,712,819	7,050,000	377,846,384	8,294,310,583
Additions	9,002,112	177,502,336	8,014,388	21,010,664	24,427,425	-	230,094,449	470,051,374
Transferred from Capital Work in Progress	547,884,874	20,991,939	42,930	-	-	-	(568,919,743)	-
Disposals/ Transfers	-	(111,993,837)	-	-	(19,162,466)	-	-	(131,156,303)
Balance as at 31st March 2018	5,361,405,132	2,693,306,264	230,467,584	191,977,806	109,977,778	7,050,000	39,021,090	8,633,205,654
<b>Accumulated Depreciation</b>								
Balance as at 31st March 2016	214,619,160	1,349,146,372	101,105,291	80,998,439	27,717,895	6,364,027	-	1,779,951,184
Depreciation Charge for the Year	52,625,096	251,124,493	17,681,175	16,961,278	12,157,069	445,000	-	350,994,111
Transferred to Revaluation Reserve	(254,136,736)	-	-	-	-	-	-	(254,136,736)
Disposals/ Transfers	-	(17,181,888)	(1,420,788)	(451,523)	(8,921,869)	-	-	(27,976,068)
Balance as at 31st March 2017	13,107,520	1,583,088,977	117,365,678	97,508,195	30,953,095	6,809,027	-	1,848,832,491
Depreciation Charge for the Year	60,153,560	257,023,459	18,585,070	18,644,173	13,675,628	240,973	-	368,322,864
Disposals/ Transfers	-	(110,056,349)	-	-	(12,751,272)	-	-	(122,807,620)
Balance as at 31st March 2018	73,261,080	1,730,056,088	135,950,748	116,152,367	31,877,451	7,050,000	-	2,094,347,735
<b>Net Book Value</b>								
At 31st March 2018	5,288,144,051	963,250,177	94,516,836	75,825,439	78,100,327	-	39,021,090	6,538,857,919
At 31st March 2017	4,791,410,625	1,023,716,849	105,044,589	73,458,948	73,759,724	240,973	377,846,384	6,445,478,091

# NOTES TO THE FINANCIAL STATEMENTS

## 10 PROPERTY, PLANT AND EQUIPMENT CONTD.

### 10.2 Company

	Freehold Land and Buildings	Medical and Other Equipment	Furniture and 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 31st March 2016	1,352,501,286	1,203,719,033	130,319,321	145,069,457	50,499,452	3,150,000	173,992,985	3,059,251,534
Additions	17,462,212	140,408,405	11,458,600	15,515,264	6,549,999	-	203,853,399	395,247,880
Transferred to Revaluation Reserve	1,383,114,477	-	-	-	-	-	-	1,383,114,477
Disposals/ Transfers	-	(46,556,754)	(2,145,915)	(797,897)	(8,900,000)	-	-	(58,400,567)
Balance as at 31st March 2017	2,753,077,975	1,297,570,684	139,632,006	159,786,825	48,149,451	3,150,000	377,846,384	4,779,213,324
Additions	8,713,232	110,766,657	6,837,585	18,631,988	24,427,425	-	230,094,449	399,471,336
Transferred from Capital Work in Progress	547,884,874	20,991,939	42,930	-	-	-	(568,919,743)	-
Disposals/ Transfers	-	(107,591,003)	-	-	(18,997,476)	-	-	(126,588,479)
Balance as at 31st March 2018	3,309,676,081	1,321,738,277	146,512,520	178,418,812	53,579,400	3,150,000	39,021,090	5,052,096,181
<b>Accumulated Depreciation</b>								
Balance as at 31st March 2016	42,782,759	730,947,380	75,420,744	70,287,384	11,032,992	656,250	-	931,127,508
Depreciation Charge for the Year	18,766,868	127,486,643	13,481,711	15,309,675	4,758,694	315,000	-	180,118,591
Transferred to Revaluation Reserve	(50,566,316)	-	-	-	-	-	-	(50,566,316)
Disposals/ Transfers	-	(17,042,034)	(1,420,788)	(451,522.97)	(2,157,917)	-	-	(21,072,262)
Balance as at 31st March 2017	10,983,311	841,391,989	87,481,667	85,145,537	13,633,769	971,250	-	1,039,607,522
Depreciation Charge for the Year	22,024,696	126,325,328	14,347,113	16,905,925	5,136,375	240,973	-	184,980,411
Disposals/ Transfers	-	(107,591,003)	-	-	(12,685,276)	-	-	(120,276,279)
Balance as at 31st March 2018	33,008,007	860,126,314	101,828,780	102,051,461	6,084,868	1,212,223	-	1,104,311,654
<b>Net Book Value</b>								
At 31st March 2018	3,276,668,074	461,611,963	44,683,740	76,367,351	47,494,532	1,937,777	39,021,090	3,947,784,527
At 31st March 2017	2,742,094,663	456,178,695	52,150,339	74,641,288	34,515,683	2,178,750	377,846,384	3,739,605,802

### 10.3 Revaluation of Land and Buildings

The Company uses the revaluation model of measurement to account for Land and Buildings. In this regard the Company engaged Mr. P. B. Kalugalgedera, an independent, Chartered Valuation Surveyor to determine the fair value of its land and buildings.

Valuation is as defined in the Sri Lanka Accounting Standards (SLFRS 13) on Fair value measurement. The valuation is based on the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Carrying Value of the Assets if revaluation has not been carried out would be as follows.

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Description				
Land	1,029,843,737	1,029,843,737	613,150,237	613,150,237
Building	2,174,063,344	1,562,859,999	1,079,335,842	468,421,377
Total	3,203,907,081	2,592,703,736	1,692,486,079	1,081,571,614

### 10.4 The following properties are fair valued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land and buildings based on un-observable inputs are as follows;

Company	Property	Location	Extent	Independent Valuer	Valuation Input	Significant Unobservable Input	Effective date of Revaluation	Range	Fair Value
								Rs.	Rs.
Ceylon Hospitals PLC	Land	No 03, Alfred Place, Colombo 03	0A-3R-30.24P	Mr. P. B. Kalugalgedera	Open market based evidence	Land value per perch	31st March 2017	12,000,000-15,000,000	1,888,120,000
		No 05, Alfred Place, Colombo 03	0A-0R-32.68P	Mr. P. B. Kalugalgedera	Open market based evidence	Land value per perch	31st March 2017	12,000,000-15,000,000	424,840,000
	Building	No 03, Alfred Place, Colombo 03	93,954 Sq. ft.	Mr. P. B. Kalugalgedera	Direct Capital Comparison method adopting the depreciated value of building	Rate per sq. ft.	31st March 2017	2,500-6,000	389,285,000
Durdans Medical and Surgical Hospital (Pvt) Ltd	Land	No 03, Alfred Place, Colombo 03	0A-1R-26.54P	Mr. P. B. Kalugalgedera	Open market based evidence	Land value per perch	31st March 2017	12,000,000-15,000,000	831,750,000
	Building	No 03, Alfred Place, Colombo 03	211,552 Sq. ft.	Mr. P. B. Kalugalgedera	Direct Capital Comparison method adopting the depreciated value of building		31st March 2017	2,500-6,000	1,269,312,000

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

# NOTES TO THE FINANCIAL STATEMENTS

## 11 INVESTMENTS IN SUBSIDIARIES

### 11.1 Company

As at 31st March,	2018				2017			
	Number of	Holding	Carrying	Directors	Number of	Holding	Carrying	Directors
	Shares		Value	Valuation	Shares		Value	Valuation
		%	Rs.	Rs.		%	Rs.	Rs.
Durdans Heart Centre (Pvt) Ltd	11,362,035	81.16	130,091,410	130,091,410	11,362,035	81.16	130,091,410	130,091,410
Durdans Medical & Surgical Hospital (Pvt) Ltd	120,896,033	82.10	1,327,500,014	1,327,500,014	120,896,033	81.40	1,327,500,014	1,327,500,014
	132,258,068		1,457,591,424	1,457,591,424	132,258,068		1,457,591,424	1,457,591,424

Directors' valuation of investment in un-quoted shares have been determined based on the cost of the investments.

11.2 The Shares of Subsidiary Companies owned by Ceylon Hospitals PLC were pledged on behalf of the loan facilities obtained by the Company. (Note 32 for details of shares)

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 12 INVENTORIES

Drugs and Dressings	116,212,772	111,473,194	41,755,582	45,921,450
Lab Reagents and Consumables	170,302,411	186,305,793	166,508,981	181,999,396
Pantry Stocks	1,557,710	1,740,573	1,539,045	1,740,573
General Stocks	16,436,833	19,572,533	16,436,833	19,572,533
	304,509,726	319,092,093	226,240,441	249,233,952

## 13 TRADE AND OTHER RECEIVABLES

Trade Debtors	203,942,887	237,404,912	130,270,409	158,031,005
Other Receivables	21,368,709	96,771,471	19,975,574	22,379,197
Less: Impairment Allowance for Bad Debts	(8,136,487)	(9,921,319)	(5,688,234)	(7,057,119)
	217,175,109	324,255,064	144,557,750	173,353,083

### 13.1 Advances and Prepayments

Advances	76,680,483	84,745,064	58,938,978	78,070,840
Prepayments	59,216,037	45,946,604	39,230,182	33,754,963
	135,896,520	130,691,668	98,169,160	111,825,803

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<b>14 RELATED PARTY TRANSACTIONS</b>				
<b>14.1 Amounts due from Related Parties</b>				
Durdans Heart Centre (Pvt) Ltd	-	-	46,542,314	48,496,514
Durdans Medical and Surgical Hospital (Pvt) Ltd	-	-	191,202,415	109,140,846
Durdans Management Services Ltd	2,315,388	1,638,460	2,315,388	1,638,460
Ceygen Biotech (Pvt) Ltd	1,550,763	1,457,682	1,550,762	1,457,682
	<b>3,866,151</b>	<b>3,096,142</b>	<b>241,610,879</b>	<b>160,733,502</b>
<b>14.2 Amounts due to Related Parties</b>				
Durdans Heart Centre (Pvt) Ltd	-	-	27,442,228	14,913,622
Durdans Medical and Surgical Hospital (Pvt) Ltd	-	-	302,305,682	172,535,442
Durdans Management Services Ltd	1,764,696	-	-	-
	<b>1,764,696</b>	<b>-</b>	<b>329,747,910</b>	<b>187,449,064</b>
<b>15 CASH AND CASH EQUIVALENTS</b>				
Favourable Cash and Cash Equivalent Balance	203,386,744	138,134,398	58,573,161	81,258,010
<b>16 STATED CAPITAL</b>				
33,872,726 Shares ( 2017 - 33,872,726)	916,366,104	916,366,104	916,366,104	916,366,104
<b>17 REVALUATION RESERVE</b>				
Revaluation Reserve	1,986,852,512	2,436,472,139	1,564,589,060	1,961,781,186
	<b>1,986,852,512</b>	<b>2,436,472,139</b>	<b>1,564,589,060</b>	<b>1,961,781,186</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 18 REVENUE RESERVES

General Reserves	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 at the beginning of the Year	1,836,790,476	1,628,636,465	1,383,494,507	1,294,860,616
Profit for the Year	401,949,561	327,703,021	161,370,967	211,815,228
Share Buyback	(19,859,256)	-	-	-
Dividend Paid				
- Ordinary Shares	(121,941,814)	(121,941,814)	(121,941,814)	(121,941,814)
Other Comprehensive Income				
- Net Gain/ (Loss) from Gratuity Valuation	418,345	2,392,804	1,846,914	(1,239,524)
Balance at the end of the Year	2,097,357,312	1,836,790,476	1,424,770,575	1,383,494,507
Total	2,102,179,475	1,841,612,639	1,429,592,738	1,388,316,670

As at 31st March,	Group	
	2018	2017

## 19 NON-CONTROLLING INTEREST

### 19.1 Proportion of Equity Interest held by Non-Controlling Interest

Durdans Heart Centre (Pvt) Ltd	18.84%	18.84%
Durdans Medical and Surgical Hospital (Pvt) Ltd	17.90%	18.60%

### 19.2 Accumulated Balances of Material Non-Controlling Interest

Balance at the beginning of the Year	529,100,567	408,108,716
Profit for the Year	85,923,724	61,268,623
Increase/ (Decrease) in the Share of Minority Interest	(3,738,125)	-
Other Comprehensive Income		
- Gain on Revaluation of Property, Plant and Equipment	-	97,699,045
- Deferred Tax Effect on Revaluation Gain	(9,868,474)	(3,469,485)
- Net Gain/ (Loss) on Gratuity Valuation	(297,858)	850,780
- Net Gain/ (Loss) on Available-for-Sale Financial Assets	38,759	(336,854)
Dividend Paid	(39,972,357)	(35,020,257)
Balance at the end of the Year	561,186,237	529,100,567

	Durdans Medical and Surgical Hospital (Pvt) Ltd	Durdans Heart Centre (Pvt) Ltd
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19.3 Financial information of subsidiaries that have material non-controlling interests is provided below:

Summarised Statement of Total Comprehensive Income for the Year ended 31st March 2018:

Total Comprehensive Income for the Year	377,746,506	95,348,674
Attributable to Non-Controlling Interest	67,604,776	17,966,176

Summarised Statement of Financial Position as at 31st March 2018:

Non-Current Assets	2,487,348,143	329,219,323
Current Assets	957,756,305	311,110,190
Non-Current Liabilities	169,312,823	44,630,964
Current Liabilities	364,099,340	221,399,282
Equity	2,911,692,286	374,299,267
Attributable to Non-Controlling Interest	521,101,588	70,527,740

# NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<b>20 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES</b>				
<b>20.1 Other Financial Assets</b>				
Loans and Receivables				
Refundable Deposits	39,905,645	35,869,645	32,496,971	28,462,971
Deposits in Financial Institutions	617,899,735	529,149,712	70,826,354	81,297,055
<b>Total Loans and Receivables</b>	<b>657,805,380</b>	<b>565,019,357</b>	<b>103,323,325</b>	<b>109,760,025</b>
Available-for-Sale Investments				
Equity Shares in Listed Companies	7,824,804	7,336,409	1,204,000	1,160,000
<b>Total Available for Sale Investments</b>	<b>7,824,804</b>	<b>7,336,409</b>	<b>1,204,000</b>	<b>1,160,000</b>
<b>Total Other Financial Assets</b>	<b>665,630,183</b>	<b>572,355,766</b>	<b>104,527,325</b>	<b>110,920,025</b>
<b>Total Current Financial Assets</b>	<b>617,899,735</b>	<b>529,149,712</b>	<b>70,826,354</b>	<b>81,297,055</b>
<b>Total Non-Current Financial Assets</b>	<b>47,730,448</b>	<b>43,206,054</b>	<b>33,700,971</b>	<b>29,622,971</b>

#### 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 cost.

#### 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 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 of 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 20.2 Other Financial Liabilities

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

Redeemable Debentures	-	8,562,550	-	8,562,550
<b>Total Financial Liabilities at Fair Value through Profit or Loss</b>	-	8,562,550	-	8,562,550
Total Current Liabilities	-	8,562,550	-	8,562,550
Total Non-Current Liabilities	-	-	-	-

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

In 2007, the Company issued Rs. 100 Mn Redeemable Debentures to Lanka Venture PLC ("LVL") and pays 12% interest on the debentures. Of these debentures, Rs. 68.75 Mn was settled in five equal annual instalments from June 2013 to June 2017.

As per the Debenture Agreement between LVL, the Company is required to exchange the remaining 3,125,000 debentures to 2,500,000 Ordinary Shares of Durdans Medical and 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 per debenture.

As DMSH did not have any intention to list its shares in the Colombo Stock Exchange ("CSE"), it was agreed with LVL by letter dated 04th December 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 instalments of 1,500,000 debentures and 1,625,000 debentures on 30th September 2015 and 30th September 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. As at the end of the Financial Year, these debentures were redeemed in full.

## 20.3 Interest Bearing Loans and Borrowings

### Group

	Note	2018			2017		
		Re-payable within One Year	Re-payable after One Year	Total	Re-payable within One Year	Re-payable after One Year	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans	20.3.1	423,572,303	284,060,128	707,632,433	418,964,936	435,049,249	854,014,187
Finance Lease	20.3.2	592,057	-	592,057	739,889	615,341	1,355,230
		424,164,360	284,060,128	708,224,490	419,704,825	435,664,590	855,369,417

## NOTES TO THE FINANCIAL STATEMENTS

	Balance at the beginning of the Year Rs.	Loans Obtained Rs.	Repayment Rs.	Balance at the end of the Year Rs.
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### 20 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

#### 20.3.1 Bank Loans - Group

DFCC Bank	302,968,752	105,989,141	(156,330,139)	252,627,754
Nations Trust Bank	14,774,009	-	(11,124,000)	3,650,009
National Development Bank - Revolving Loan	30,000,000	60,000,000	(60,000,000)	30,000,000
Hatton National Bank - Revolving Loan	50,000,000	-	(50,000,000)	-
Union Bank - Revolving Loan	15,000,000	30,000,000	(30,000,000)	15,000,000
Amana Bank	11,970,484	-	(11,970,484)	-
Seylan Bank	429,300,942	79,881,178	(122,127,451)	387,054,669
People's Bank	-	19,300,000	-	19,300,000
	854,014,187	295,170,318	(441,552,073)	707,632,433

#### 20.3.2 Finance Leases - Group

	Balance at the beginning of the Year Rs.	Leases Obtained Rs.	Repayment Rs.	Balance at the end of the Year Rs.
National Development Bank	1,520,727	-	(892,684)	628,043
Gross Liability	1,520,727	-	(892,684)	628,043

#### Finance Charges Allocated to Future Years

National Development Bank	(165,497)	-	129,511	(35,985)
	(165,497)	-	129,511	(35,985)
Present Value of Lease Creditors	1,355,230	-	(763,173)	592,057

## 20.3.1 Bank Loans - Group

Lender	Total Outstanding Rs.	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>DFCC Bank</b>					
- 500 Mn	5,952,377	4-week AWDR + 3.5%	09th March 2010	In 84 equal monthly instalments of Rs. 5,952,380 with a grace period of 12 months.	(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 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 Mn	4,761,919	80% of loan 3 month AWDR + 4.75% and 20% of loan 12-week AWPLR + 1%	09th March 2010	In 84 equal monthly instalments of Rs. 1,190,476 with a grace period of 12 months.	Primary Mortgage over equipment financed by the loan together with a Promissory Note.
- 150 Mn	32,500,000	4-week AWPLR + 2%	24th October 2013	In 60 equal monthly instalments of Rs. 2,500,000 with a grace period of 10 months.	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
- 50 Mn	16,666,656	AWDR + 5.5%	16th January 2015	In 48 equal monthly instalments of Rs. 1,041,667 commencing after a grace period of 12 months.	Mortgage over equipment financed by the loan
- 150 Mn	95,640,588	AWPR + 1.6%	01st September 2016	In 48 equal monthly instalments of Rs. 3,125,000 commencing after a grace period of 12 months from the date of first disbursement.	Corporate guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 150 Mn
- 125 Mn	97,106,215	AWPR + 1.6%	01st September 2016	In 36 equal monthly instalments of Rs. 3,472,222 commencing after a grace period of 12 months from the date of first disbursement.	Loan Agreement for Rs. 125 Mn
<b>Nations Trust Bank</b>					
- 50 Mn	3,650,009	AWPR + 2.5% subject to 13.5% floor rate	05th July 2013	In 53 equal monthly instalments of Rs. 927,000 and final instalment of Rs. 869,000	Loan Agreement for Rs. 50 Mn
<b>National Development Bank</b>					
- 30 Mn	30,000,000	Money Market Loan Rate	05th April 2013	Repayable on demand	Revolving Loan Facility

# NOTES TO THE FINANCIAL STATEMENTS

## 20 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

### 20.3.1 Bank Loans - Group

Lender	Total Outstanding Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>Union Bank</b>					
- 15 Mn	15,000,000	Money Market Interest Rate	05th December 2014	In 1-30 days with the option to rollover up to a maximum of 90 days.	Primary Floating Mortgage Bond over stock comprising of drugs and assignment over book debts.
<b>Seylan Bank</b>					
- 475 Mn	341,847,970	AWDR + 3%	05th October 2015	Rs. 125 Mn Bullet payment within 24 months  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  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	(i) Corporate Guarantee from Durdans Heart Centre (Pvt) Ltd for Rs. 125 Mn  (ii) Loan Agreement for Rs. 125 Mn  (iii) Corporate Guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 350 Mn  (iv) Loan Agreement for Rs. 150 Mn  (v) Loan Agreement for Rs. 200 Mn
- 85 Mn	21,595,588	AWDR + 3%	16th December 2015	In 35 monthly instalment of Rs. 2,361,200 and one instalment of Rs. 2,358,000	Loan Agreement for Rs. 85 Mn
- 85 Mn	23,611,111	AWDR + 3%	4th January 2016	In 35 equal monthly instalments of Rs. 2,361,200 and final instalment of Rs. 2,358,000	Loan Agreement for Rs. 85 Mn
<b>People's Bank</b>					
- 50 Mn	19,300,000	6 Months AWPLR + 5.5% -4.0%	20th December 2017	In 54 equal monthly instalments of Rs. 925,000 with a grace period of 6 months.	Loan Agreement for Rs. 50 Mn
Total	707,632,433				

### 20.3 Interest Bearing Loans and Borrowings Company

	Note	2018			2017		
		Re-payable within One Year	Re-payable after One Year	Total	Re-payable within One Year	Re-payable after One Year	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans	20.3.3	387,461,193	279,893,472	667,354,665	357,299,068	403,633,530	760,932,599
Finance Lease	20.3.4	592,057	-	592,057	739,889	615,341	1,355,230
		388,053,250	279,893,472	667,946,723	358,038,957	404,248,871	762,287,829

	Balance at the beginning of the Year Rs.	Loans Obtained Rs.	Repayment Rs.	Balance at the end of the Year Rs.
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#### 20.3.3 Bank Loans - Company

DFCC Bank	273,802,092	105,989,141	(143,830,135)	235,961,098
Nations Trust Bank	14,774,009	-	(11,124,000)	3,650,009
National Development Bank - Revolving Loan	30,000,000	60,000,000	(60,000,000)	30,000,000
Hatton National Bank - Revolving Loan	50,000,000	-	(50,000,000)	-
Union Bank - Revolving Loan	15,000,000	30,000,000	(30,000,000)	15,000,000
Seylan Bank	377,356,498	79,881,178	(93,794,118)	363,443,558
People's Bank	-	19,300,000	-	19,300,000
	760,932,599	295,170,318	(388,748,252)	667,354,665

#### 20.3.4 Finance Lease - Company

National Development Bank	1,520,727	-	(892,684)	628,043
Gross Liability	1,520,727	-	(892,684)	628,043

#### Finance Charges Allocated to Future Years

National Development Bank	(165,497)	-	129,511	(35,985)
	(165,497)	-	129,511	(35,985)
Present Value of Lease Creditors	1,355,230	-	(763,173)	592,057

# NOTES TO THE FINANCIAL STATEMENTS

## 20 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

### 20.3.3 Bank Loans - Company

Lender	Total Outstanding Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>DFCC Bank</b>					
- 500 Mn	5,952,377	4-week AWDR + 3.5%	09th March 2010	In 84 equal monthly instalments of Rs.5,952,380 with a grace period of 12 months	(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 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 Mn	4,761,919	80% of loan 3 month AWDR + 4.75% and 20% of loan 12-week AWPLR + 1%	09th March 2010	In 84 equal monthly instalments of Rs.1,190,476 with a grace period of 12 months	Primary Mortgage over equipment financed by the loan together with a Promissory Note
- 150 Mn	32,500,000	4-week AWPLR + 2%	24th October 2013	In 60 equal monthly instalments of Rs.2,500,000 with a grace period of 10 months	Primary Mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
- 150 Mn	95,640,588	AWPR+ 1.6%	01st September 2016	In 48 equal monthly instalments of Rs.3,125,000 commencing after a grace period of 12 months from the date of first disbursement	Corporate Guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 150 Mn
- 125 Mn	97,106,215	AWPR+ 1.6%	01st September 2016	In 36 equal monthly instalments of Rs.3,472,222 commencing after a grace period of 12 months from the date of first disbursement	Loan Agreement for Rs. 125 Mn
<b>Nations Trust Bank</b>					
- 50 Mn	3,650,009	AWPR+ 2.5% subject to 13.5% floor rate p.a	05th July 2013	In 53 equal monthly instalments of Rs.927,000 and final instalment of Rs.869,000	Loan Agreement for Rs. 50 Mn
<b>National Development Bank</b>					
- 30 Mn	30,000,000	Money Market Loan Rate	05th April 2013	In 1-30 days with the option to rollover up to a maximum of 90 days	Revolving Loan Facility

Lender	Total Outstanding Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>Union Bank</b>					
- 15 Mn	15,000,000	Money Market Interest Rate	05th December 2014	In 1-30 days with the option to rollover up to a maximum of 90 days	Primary Floating Mortgage Bond over stock comprising of medicine drugs and assignment over book debts
<b>Seylan Bank</b>					
- 475 Mn	341,847,970	AWDR + 3% p.a.	05th October 2015	Rs. 125 Mn Bullet payment within 24 months  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  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	(i) Corporate Guarantee from Durdans Heart Centre (Pvt) Ltd for Rs. 125 Mn (ii) Loan Agreement for Rs. 125 Mn (iii) Corporate Guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 350 Mn (iv) Loan Agreement for Rs. 150 Mn (v) Loan Agreement for Rs. 200 Mn
- 85 Mn	21,595,588	AWDR + 3% p.a.	16th December 2015	In 35 monthly instalment of Rs. 2,361,200 and one instalment of Rs. 2,358,000	Loan Agreement for Rs. 85 Mn
<b>People's Bank</b>					
- 50 Mn	19,300,000	6 Months AWPLR + 5.5% -4.0%	20th December 2017	In 54 equal monthly instalments of Rs. 925,000 with a grace period of 6 months	Loan Agreement for Rs. 50 Mn
Total	667,354,665				

# 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.

	Note	Carrying Amount				Fair Value
		Loans and Receivables	Available-for-Sale	Other Financial Liabilities	Total	
		Rs.	Rs.	Rs.	Rs.	
<b>As at 31st March 2018</b>						
<b>Financial Assets</b>						
Trade and Other Receivables	13	217,175,109	-	-	217,175,109	217,175,109
Prepayment	13.1	135,896,520	-	-	135,896,520	135,896,520
Other Financial Assets	20.1	657,805,380	7,824,804	-	665,630,183	665,630,183
Cash and Short-Term Deposits	15	203,386,744	-	-	203,386,744	203,386,744
		1,214,263,753	7,824,804	-	1,222,088,557	1,222,088,557
<b>Financial Liabilities</b>						
Interest Bearing Loans and Borrowings	20.3.1	-	-	707,632,433	707,632,433	707,632,433
Finance Lease Liabilities	20.3.2	-	-	592,057	592,057	592,057
Trade and Other Payables	24	-	-	489,117,061	489,117,061	489,117,061
Bank Overdrafts		-	-	439,745,762	439,745,762	439,745,762
		-	-	1,637,087,312	1,637,087,312	1,637,087,312
<b>As at 31st March 2017</b>						
<b>Financial Assets</b>						
Trade and Other Receivables	13	324,255,064	-	-	324,255,064	324,255,064
Prepayment	13.1	130,691,668	-	-	130,691,668	130,691,668
Other Financial Assets	20.1	565,019,357	7,336,409	-	572,355,766	572,355,766
Cash and Short-Term Deposits	15	138,134,398	-	-	138,134,398	138,134,398
		1,158,100,487	7,336,409	-	1,165,436,896	1,165,436,896
<b>Financial Liabilities</b>						
Interest Bearing Loans and Borrowings	20.3.1	-	-	854,014,187	854,014,187	854,014,187
Finance Lease Liabilities	20.3.2	-	-	1,355,230	1,355,230	1,355,230
Other Financial Liabilities	20.2	-	-	8,562,550	8,562,550	8,562,550
Trade and Other Payables	24	-	-	578,242,365	578,242,365	578,242,365
Bank Overdrafts		-	-	369,975,743	369,975,743	369,975,743
		-	-	1,812,150,075	1,812,150,075	1,812,150,075

## 20.4 Fair Values - Company

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.

	Note	Carrying Amount				Fair Value
		Loans and Receivables	Available-for-Sale	Other Financial Liabilities	Total	
		Rs.	Rs.	Rs.	Rs.	
<b>As at 31st March 2018</b>						
<b>Financial Assets</b>						
Trade and Other Receivables	13	144,557,750	-	-	144,557,750	144,557,750
Prepayment	13.1	98,169,160	-	-	98,169,160	98,169,160
Other Financial Assets	20.1	103,323,325	1,204,000	-	104,527,325	104,527,325
Cash and Short-Term Deposits	15	58,573,161	-	-	58,573,161	58,573,161
		404,623,395	1,204,000	-	405,827,395	405,827,395
<b>Financial Liabilities</b>						
Interest Bearing Loans and Borrowings	20.3.3	-	-	667,354,665	667,354,665	667,354,665
Finance Lease Liabilities	20.3.4	-	-	592,057	592,057	592,057
Trade and Other Payables	24	-	-	274,443,882	274,443,882	274,443,882
Bank Overdrafts		-	-	397,360,201	397,360,201	397,360,201
		-	-	1,339,750,806	1,339,750,806	1,339,750,806
<b>As at 31st March 2017</b>						
<b>Financial Assets</b>						
Trade and Other Receivables	13	173,353,083	-	-	173,353,083	173,353,083
Prepayment	13.1	111,825,804	-	-	111,825,804	111,825,804
Other Financial Assets	20.1	109,760,025	1,160,000	-	110,920,025	110,920,025
Cash and Short-Term Deposits	15	81,258,010	-	-	81,258,010	81,258,010
		476,196,922	1,160,000	-	477,356,922	477,356,922
<b>Financial Liabilities</b>						
Interest Bearing Loans and Borrowings	20.3.3	-	-	760,932,599	760,932,599	760,932,599
Finance Lease Liabilities	20.3.4	-	-	1,355,230	1,355,230	1,355,230
Other Financial Liabilities	20.2	-	-	8,562,550	8,562,550	8,562,550
Trade and Other Payables	24	-	-	316,040,091	316,040,091	316,040,091
Bank Overdrafts		-	-	307,126,818	307,126,818	307,126,818
		-	-	1,394,017,288	1,394,017,288	1,394,017,288

# NOTES TO THE FINANCIAL STATEMENTS

## 20 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

### 20.4 Fair Values - Company Contd.

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 liquidated sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

### 20.5 Fair Value Hierarchy

As at 31st March 2018, 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

	Group				Company			
	Level 01	Level 02	Level 03	Total	Level 01	Level 02	Level 03	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

As at 31st March 2018

#### Assets Measured at Fair Value

Quoted Equity Shares	7,824,804	-	-	7,824,804	1,204,000	-	-	1,204,000
	7,824,804	-	-	7,824,804	1,204,000	-	-	1,204,000

#### Liabilities Measured at Fair Value

Interest Bearing Loans and Borrowings	-	707,632,433	-	707,632,433	-	667,354,665	-	667,354,665
Finance Lease Liability	-	592,057	-	592,057	-	592,057	-	592,057
	-	708,224,490	-	708,224,490	-	667,946,723	-	667,946,723

	Group				Company			
	Level 01	Level 02	Level 03	Total	Level 01	Level 02	Level 03	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31st March 2017								
Assets Measured at Fair Value								
Quoted Equity Shares	7,336,409	-	-	7,336,409	1,160,000	-	-	1,160,000
	7,336,409	-	-	7,336,409	1,160,000	-	-	1,160,000
Liabilities Measured at Fair Value								
Interest Bearing Loans and Borrowings	-	854,014,187	-	854,014,187	-	760,932,599	-	-
Finance Lease Liability	-	1,355,230	-	1,355,230	-	1,355,230	-	-
Other Financial Liabilities		8,562,550		8,562,550	-	8,562,550	-	-
	-	863,931,967	-	863,931,967	-	770,850,379	-	-

\*The Group has not disclosed the fair values for financial instruments such as Cash and Short-Term Deposits, Trade Receivables, Trade Payables because their carrying amounts are a reasonable approximation of fair value.

## 20.6 Transfers Between Levels of Fair Value Hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

## 20.7 Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant Unobservable Input used.

Assets and Liabilities for which fair values are disclosed

Assets and Liabilities	Valuation Technique	Significant Unobservable Input
Interest Bearing Loans and Borrowings	<b>Discounted cash flows</b> - The valuation model considers the present value of the expected payments, discounted using a risk adjusted discount rate	Current market interest rates
Finance Lease Liabilities	<b>Discounted cash flows</b> - The valuation model considers the present value of the expected payments, discounted using a risk adjusted discount rate	Current market interest rates
Other Financial Liabilities	<b>Discounted cash flows</b> - The valuation model considers the present value of the expected payments, discounted using a risk adjusted discount rate	Current market interest rates

# NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 21 DEFERRED REVENUE

Balance at the beginning of the Year	-	-	40,086,886	26,004,600
Transfer of Deferred Revenue			-	15,760,000
Less: Amortised during the year	-	-	(1,455,286)	(1,677,714)
Balance at the end of the Year	-	-	38,631,600	40,086,886

## 22 RETIREMENT BENEFIT OBLIGATIONS

Balance at the beginning of the Year	166,564,931	159,870,988	147,596,076	136,505,745
Provision for the Year	39,302,495	30,284,685	31,354,042	30,038,065
	205,867,426	190,155,673	178,950,117	166,543,810
Payments made during the Year	(23,445,032)	(23,590,742)	(18,714,167)	(18,947,734)
Balance at the end of the Year	182,422,393	166,564,931	160,235,950	147,596,076

### 22.1 Movement in Net Defined Benefit Obligations

The following table shows a reconciliation from the balance at the beginning of the year to at the end of the year for Net Defined Benefit Obligations and its components.

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the Year	166,564,931	159,870,988	147,596,076	136,505,745
<b>Expenses Recognised in Profit or Loss</b>				
Current Service Cost	18,709,049	18,152,500	16,207,671	15,147,966
Interest Cost	20,955,039	15,987,100	17,711,529	13,650,575
	39,664,088	34,139,600	33,919,200	28,798,541
<b>Expenses Recognised in Other Comprehensive Income</b>				
Actuarial (Gain)/ Loss	(361,594)	(3,854,916)	(2,565,159)	1,239,524
<b>Other</b>				
Benefits paid during the Year	(23,445,032)	(23,590,742)	(18,714,167)	(18,947,734)
Balance at the end of the Year	182,422,394	166,564,931	160,235,950	147,596,076

Messers Actuarial and Management Consultant (Pvt) Ltd, carried out an actuarial valuation of defined benefit obligations for Ceylon Hospitals PLC, Durdans Medical and Surgical Hospital (Pvt) Ltd and Durdans Heart Centre (Pvt) Ltd as at 31st March 2018. The liability is not externally funded. The Actuarial valuation is performed annually.

## 22.2 Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date

As at 31st March,	Group		Company	
	2018	2017	2018	2017
Discount Rate	10.5%	12%	10.5%	12%
Salary Increase Rate	8%	9%	8%	9%
Staff Turnover Rate - Upto 49 years	20% - 24%	21% - 26%	24%	21%
Retirement Age	55 years	55 years	55 years	55 years

## 22.3 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 obligation for the year.

	Group		Company	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(4,799,952)	5,177,579	(4,150,712)	4,430,993
Salary increments (1% movement)	6,654,127	(5,783,427)	5,278,246	(5,030,016)

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.

## 23 DEFERRED TAXATION

Balance at the beginning of the Year	200,535,263	123,731,899	56,964,854	64,537,719
Provision for the Year	500,656,645	76,803,364	456,636,367	(7,572,865)
Balance at the end of the Year	701,191,908	200,535,263	513,601,221	56,964,854

Deferred tax provision as at the end of Year is made up as follows;

Deferred Tax Provision from:

Temporary Difference of Property, Plant and Equipment	290,410,327	146,170,422	160,556,916	70,437,888
Temporary Difference of Retirement Benefit Obligations	(48,706,522)	(18,831,796)	(44,147,822)	(17,711,529)
Temporary Difference of Revaluation of Property, Plant and Equipment	459,488,103	73,196,637	397,192,127	4,238,495
	701,191,908	200,535,263	513,601,221	56,964,854

# NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<b>24 TRADE AND OTHER PAYABLES</b>				
Trade Creditors	234,377,850	266,383,520	122,635,600	162,702,747
Accrued Expenses and Sundry Payables	254,739,211	311,858,845	151,808,282	153,337,343
	489,117,061	578,242,365	274,443,882	316,040,090

<b>25 TAXATION PAYABLE</b>				
Balance at the beginning of the Year	32,446,428	13,126,141	(8,346,565)	14,022,372
Provision for the year	89,250,715	72,470,923	13,748,573	17,991,717
Payments during the year	(113,465,359)	(39,367,377)	(1,493,809)	(28,327,455)
Tax credits for				
- ESC Paid	(19,317,228)	(11,264,159)	(16,486,890)	(11,264,159)
- WHT deducted	(6,332,204)	(2,519,100)	(1,216,072)	(769,040)
Balance at the end of the Year	(17,417,650)	32,446,428	(13,794,764)	(8,346,565)

## 26 CAPITAL COMMITMENTS

During the Financial Year 2015/16, the Company 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. 409,848,732 representing 85% of total contract price.

Payments are done to the contractor on a progressive basis based 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 31st March 2018 that requires adjustment to or disclosure in the Financial Statements.

## 28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

## 29 EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues pertaining to employee and industrial relations that require disclosure in Financial Statements.

## 30 DIVIDENDS

This represents the first and final dividend paid at the rate of Rs. 3.60 per share for the year 2016/17.

### 31 RELATED PARTY DISCLOSURE

#### 31.1 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 and Distributors (Pvt) Ltd	Tudawe Brothers (Pvt) Ltd.	Tudawe Engineering Services (Pvt) Ltd.	Durdans Medical and Surgical Hospital (Pvt) Ltd	Durdans Heart 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. Su-Ayid M Ismail					√		
Mr. A. D. B. Talwatte					√		
Mr. A. R. Fernando					√		

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

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

The company's immediate parent company is Durdans Management Services Ltd., which holds 66.78% of the issued Ordinary Shares (voting) of the Company as at the reporting date.

#### 31.3 Key Management Personnel Information

According to Sri Lanka Accounting Standard (LKAS 24) on 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 Directors) have been classified as Key Management Personnel of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 RELATED PARTY DISCLOSURE CONTD.

### 31.4 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 (LKAS 24) on Related Party Disclosures, the details of which are reported below.

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

The Company has carried out transactions with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities as detailed below.

##### 31.4.1.1 Transactions held with Immediate Parent Company

Name of immediate Parent Company	Description of Transaction	2018 Rs.	2017 Rs.
Durdans Management Services Ltd	Management fee	(38,327,000)	(33,300,000)

#### 31.4.2 a) Company

##### Transactions with Subsidiary Companies

Name of Related company	Nature of Transaction	2018 Rs.	2017 Rs.
Durdans Heart Centre (Pvt) Ltd	Sale of drugs and consumables	7,533,983	3,305,276
	Rendering of medical services	190,919,864	210,620,118
	Sharing utilities and other cost	59,070,294	94,371,883
	Cathlab hiring charges	670,000	1,800,000
		<b>258,194,140</b>	<b>310,097,277</b>
Durdans Medical and Surgical Hospital (Pvt) Ltd	Sale of drugs and consumables	36,079,828	24,070,869
	Rendering of medical services	170,188,016	151,090,924
	Sharing utilities and other cost	317,130,739	405,050,290
		<b>523,398,583</b>	<b>580,212,083</b>
<b>Transactions with Equity Accounted Investee</b>			
Ceygen Biotech (Pvt) Ltd	General Services	59,080	135,048
<b>Transactions with Other related Companies</b>			
Commercial Marketing and Distributors (Pvt) Ltd	Supply of drugs	(86,623,480)	(42,806,071)
Tudawe Brothers (Pvt) Ltd	Diagnostic service	1,001,740	1,185,017
	Car park construction cost	(409,848,732)	(297,606,413)

## 31.4.2 b) Group

Transactions held between Related Companies

## (i) Durdans Medical and Surgical Hospital (Pvt) Ltd with other Related Parties

Name of Related company	Nature of Transaction	2018 Rs.	2017 Rs.
Durdans Heart Centre (Pvt) Ltd	Rendering of medical services	62,696,356	28,990,510

## (ii) Durdans Heart Centre (Pvt) Ltd with other Related Parties

Name of Related company	Nature of Transaction	2018 Rs.	2017 Rs.
Durdans Medical and Surgical Hospital (Pvt) Ltd	Rendering of medical services	61,562,957	45,642,783

## 31.5 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.

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Short-term Employee Benefits	39,520,984	34,241,123	36,281,104	30,226,523
Post Employment Benefits	-	-	-	-
Other Long-term Benefits	-	-	-	-
Terminal Benefits	-	-	-	-
Share Based Payments	-	-	-	-
	39,520,984	34,241,123	36,281,104	30,226,523

## 31.5.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 RELATED PARTY DISCLOSURE CONTD.

31.6 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.

## 32 ASSETS PLEDGED AS COLLATERALS

### 32.1 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.

#### 32.1.1 Assets Pledged by Ceylon Hospitals PLC

Name of Financial Institution	Nature of facility	Facility Granted	Balance Outstanding as at 31st March 2018 Rs.	Securities Pledged
DFCC Bank	Term Loan	500 Mn	5,952,377	(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. 3, 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
DFCC Bank	Term Loan	100 Mn	4,761,919	Primary Mortgage over equipment financed by the loan together with a Promissory Note
DFCC Bank	Term Loan	150 Mn	32,500,000	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
Commercial Bank	Bank Overdrafts	48.1 Mn	129,120,262	Mortgage of fixed deposits amount of Rs. 48,746,979 in the name of the Company together with duly executed letter of authority and letter of set off

#### 32.1.2 Assets Pledged by Durdans Heart Centre (Pvt) Ltd

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31st March 2018 Rs.	Securities Pledged
DFCC Bank	Term Loan	50 Mn	16,666,656	Mortgage over equipment financed
Commercial Bank	Bank Overdrafts	10 Mn	34,153,065	Over the company inventories and trade debtors balance

### 33 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 risk: interest rate risk and other price risk, such as equity price risk. 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 relate to the position as at 31st March in 2018 and 2017.

#### 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):

Name of immediate Parent Company		Rs.
<b>2018</b>		
Loans and Borrowings	+1%	(11,909,390)
	-1%	11,909,390
<b>2017</b>		
Loans and Borrowings	+1%	(11,933,024)
	-1%	11,933,024

#### 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. 7,824,803. A decrease of 10% on the CSE market index could have an impact of approximately Rs. 782,480 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

### 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 for 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 actual 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 and industries and operate in largely independent markets.

### 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 risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within twelve 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.

	On Demand Rs.	Less than 03 Months Rs.	03 to 12 Months Rs.	01 to 05 Years Rs.	> 05 Years Rs.	Total Rs.
<b>Year ended 31st March 2018</b>						
Interest Bearing Borrowings	-	241,443,243	173,804,053	292,384,562	-	707,631,858
Other Financial Liabilities	-	-	-	-	-	-
Trade and other Payables	-	403,526,425	85,590,636	-	-	489,117,061
Amounts Due to Related Parties	-	1,764,696	-	-	-	1,764,696
Bank Overdrafts	439,745,762	-	-	-	-	439,745,762
	439,745,762	646,734,364	259,394,689	292,384,562	-	1,638,259,377
<b>Year ended 31st March 2017</b>						
Interest Bearing Borrowings	-	156,998,515	261,966,421	435,049,249	-	854,014,186
Other Financial Liabilities	-	-	8,562,550	-	-	8,562,550
Trade and other Payables	-	519,412,829	58,829,535	-	-	578,242,365
Amounts Due to Related Parties	-	-	-	-	-	-
Bank Overdrafts	369,975,743	-	-	-	-	369,975,743
	369,975,743	676,411,344	329,358,507	435,049,249	-	1,810,794,844

### 34 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 2018 and 31st March 2017.

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.

As at 31st March,	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Interest Bearing Loans and Borrowings (Note 20.3)	708,224,489	855,369,416	667,946,723	762,287,829
Other Financial Liabilities (Note 20.2)	-	8,562,550	-	8,562,550
Trade and other Payables	489,117,061	578,242,365	274,443,882	316,040,091
Bank Overdrafts	439,745,762	369,975,743	397,360,201	307,126,818
Less: Cash and cash equivalents	(203,386,744)	(138,134,398)	(58,573,161)	(81,258,010)
	1,433,700,568	1,674,015,675	1,281,177,646	1,312,759,277
Equity	5,009,252,792	5,198,088,655	3,911,111,901	4,266,983,960
Capital and Net Debt	6,442,953,360	6,872,104,330	5,192,289,547	5,579,743,237
Gearing ratio	22%	24%	25%	24%

# VALUE ADDED STATEMENT

Value Added	Group				Company			
	2018		2017		2018		2017	
	%	Rs.	%	Rs.	%	Rs.	%	Rs.
Turnover		5,733,404,060		5,289,462,423		3,408,056,199		3,211,900,279
Cost of Materials and Services Obtained		(3,087,346,975)		(2,895,343,800)		(1,850,994,998)		(1,673,317,013)
Other Income		35,482,582		33,787,043		18,463,209		13,407,331
		2,681,539,667		2,427,905,666		1,575,524,411		1,551,990,597

## DISTRIBUTION OF VALUE ADDED

### To Employees

Salaries and Others	60%	1,595,783,351	62%	1,506,990,626	69%	1,082,916,267	68%	1,047,768,341
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### To Government

Income Tax	4%	109,375,176	4%	85,244,811	2%	33,873,034	2%	30,765,605
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### To Capital Providers

Interest on Loans	4%	120,184,991	4%	95,704,475	7%	112,383,733	5%	81,522,831
Shareholders	6%	161,914,170	6%	156,962,071	8%	121,941,814	8%	121,941,814

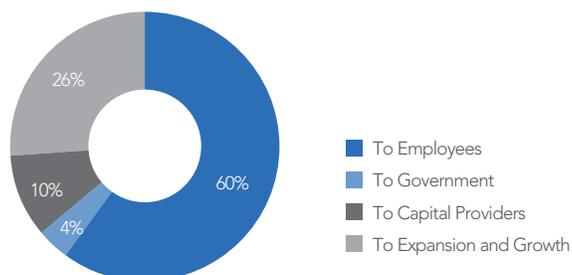
### To Expansion and Growth

Depreciation	14%	368,322,864	14%	350,994,111	12%	184,980,411	12%	180,118,591
Retained Profit	12%	325,959,115	10%	232,009,573	3%	39,429,153	6%	89,873,415
	100%	2,681,539,667	100%	2,427,905,666	100%	1,575,524,411	100%	1,551,990,596

	Group	Company
To Employees	60%	69%
To Government	4%	2%
To Capital Providers	11%	15%
To Expansion and Growth	26%	14%

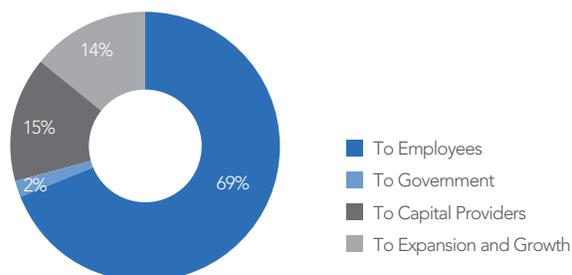
### Group - 2018

(%)



### Company - 2018

(%)



# TEN YEAR SUMMARY

	Group									
	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
	Rs. '000									
<b>Operating Results</b>										
Total Income	5,733,404	5,289,462	4,728,335	4,083,367	3,961,268	3,830,369	3,546,523	3,054,399	2,451,031	2,171,229
Other Income	35,483	33,787	38,060	51,247	53,492	34,335	22,155	23,728	21,354	28,462
Finance Cost	121,724	98,420	86,492	125,005	186,728	182,428	164,558	151,094	121,781	85,678
Profit Before Tax	603,001	525,223	556,741	266,100	261,167	308,040	347,462	240,042	164,894	198,125
Income Tax	115,128	136,251	56,695	42,312	32,093	30,334	61,210	81,659	54,893	29,595
Profit After Tax	487,873	388,972	500,046	223,788	229,074	277,706	288,231	158,383	110,001	168,529
Dividend (Company)	121,942	121,942	91,456	67,745	-	135,491	50,809	42,341	38,812	38,812
<b>Balance Sheet</b>										
<b>Assets</b>										
Property Plant and Equipment	6,499,837	6,077,397	4,127,603	4,107,470	4,158,468	4,239,622	4,310,489	4,000,023	2,331,038	1,938,135
WIP - Building in Construction	39,021	368,081	158,282	-	-	-	6,543	8,498	1,170,783	824,703
Other Financial Assets	665,630	572,356	379,505	266,353	241,568	169,884	193,682	95,102	102,541	158,357
Investment in an Equity Accounted Investee	4,800	3,983	3,030	2,679	2,038	877	-	-	-	-
Inventories	304,510	319,092	256,094	229,775	254,095	214,699	215,965	166,722	146,229	116,901
Receivables	356,938	458,043	275,154	244,212	193,696	185,481	185,481	178,959	169,632	135,122
Tax Refund Due	17,418	-	-	-	-	-	-	-	-	-
Deffered Revenue	1,365	1,800	460	600	660	760	860	2,400	2,500	2,600
Goodwill	-	-	-	-	-	-	-	-	1,341	1,341
Cash and Cash Equivalents	203,387	138,134	165,675	80,807	48,456	96,959	21,279	71,062	66,370	22,520
	8,092,905	7,938,886	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679
<b>Equity and Liabilities</b>										
Stated Capital	916,366	916,366	916,366	916,366	916,366	916,366	916,366	916,366	513,821	395,389
Reserves	4,092,887	4,281,723	2,171,026	1,861,307	1,737,356	1,617,374	1,512,620	1,125,265	1,447,696	1,387,373
Non Controlling Interest	561,186	529,101	408,109	361,829	348,633	494,335	488,029	400,145	393,603	401,711
Interest-Bearing Borrowings	708,224	855,369	877,561	907,846	1,072,360	1,086,439	1,352,120	1,359,039	1,051,634	621,299
Provisions and Other Liabilities	1,374,496	986,352	706,982	569,110	489,453	544,009	518,301	504,601	361,051	289,760
Overdrafts	439,746	369,976	285,760	315,438	334,811	249,759	146,862	217,350	222,629	104,147
	8,092,905	7,938,886	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679

Shareholder Information	Company									
	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Earnings Per Share (Rs.)	4.76	6.25	6.41	4.52	5.49	6.23	6.2	3.12	3.87	5.50
Dividend Per Share (Rs.)	3.60	3.60	3.60	2.70	2.00	-	2.00	1.50	1.50	1.50
Dividend Payout Ratio	76%	58%	56%	60%	36%	-	32%	48%	39%	27%
Net Assets Per Share (Rs.)	115.46	125.97	81.16	78.24	75.92	71.49	69.26	59.01	72.75	67.85

# SHARE INFORMATION

## VOTING SHARES

### Distribution of Shareholders

Shareholding	Resident			Non Resident		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,917	467,300	1.83	15	3,985	0.02
1,001 - 10,000	297	829,827	3.25	13	53,828	0.21
10,001 - 100,000	50	1,557,217	6.10	3	104,043	0.41
100,001 - 1,000,000	15	4,386,455	17.18	-	-	-
Over 1,000,000	2	18,124,617	71.00	-	-	-
<b>Total</b>	<b>2,281</b>	<b>25,365,416</b>	<b>99.36</b>	<b>31</b>	<b>161,856</b>	<b>0.64</b>

### Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	2,218	5,616,437
Institutional	94	19,910,835
<b>Total</b>	<b>2,312</b>	<b>25,527,272</b>

## NON-VOTING SHARES

### Distribution of Shareholders

Shareholding	Resident			Non Resident		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	888	233,637	2.80	4	640	0.01
1,001 - 10,000	395	1,207,556	14.47	14	71,760	0.86
10,001 - 100,000	79	2,280,055	27.32	3	134,223	1.61
100,001 - 1,000,000	7	2,508,212	30.05	1	755,000	9.05
Over 1,000,000	1	1,154,371	13.83	-	-	-
<b>Total</b>	<b>1,370</b>	<b>7,383,831</b>	<b>88.47</b>	<b>22</b>	<b>961,623</b>	<b>11.53</b>

### Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	1,321	3,511,678
Institutional	71	4,833,776
<b>Total</b>	<b>1,392</b>	<b>8,345,454</b>

## PUBLIC SHAREHOLDING

	2017/18		2016/17	
	Voting	Non-Voting	Voting	Non-Voting
Number of shares	2,286	1,392	2,313	1,429
Percentage	22.39%	86.06%	23.13%	95.20%

## INVESTOR RATIOS

	2017/18	2016/17
Earnings per Share (Rs.)	4.76	6.25
Dividend per Share (Rs.)	3.60	3.60
Net Asset Value per Share (Rs.)	115.46	125.97
Dividend Payout Ratio	76%	58%

## MARKET ACTIVITIES

## Market Value per Share

	2017/18			2016/17		
	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	103.00 28th June 2017	75.10 09th February 2018	79.20 29th March 2018	110.00 07th June 2016	75.00 24th March 2017	90.00 31st March 2017
Non-Voting	85.00 19th May 2017	65.30 26th December 2017	72.50 29th March 2018	86.50 19th May 2016	60.20 17th November 2016	71.90 31st March 2017

## Share Trading Information

	2017/18		2016/17	
	Shares Traded	Turnover	Shares Traded	Turnover
	Number	Rs.	Number	Rs.
Voting	1,363,951	133,369,757	1,572,288	153,051,838
Non-Voting	1,848,488	129,216,269	342,946	26,936,817

# SHARE INFORMATION

## TOP 20 SHAREHOLDERS LISTED AS AT 31ST MARCH 2018

### Voting Shareholders

Name of the Share Holder	Country of Residence	As at 31st March 2018		As at 31st March 2017	
		Number of	Holding	Number of	Holding
		Shares	%	Shares	%
Durdans Management Services Ltd	Sri Lanka	17,047,632	66.78	17,027,632	66.70
Employee Provident Fund - Citi Bank, Colombo 7	do	1,076,985	4.22	1,076,985	4.22
Deutsche Bank AG - National Equity Fund		-	-	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
Renuka Capital PLC	do	402,823	1.58	-	-
Mr. W. N. Tudawe	do	350,000	1.37	180,000	0.71
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
MJF Holdings Ltd	do	270,981	1.06	270,981	1.06
Mr. Merrill J. Fernando	do	260,000	1.02	260,000	1.02
Mr. A. E. Tudawe	do	205,052	0.80	205,052	0.80
Mrs. Neetha Weerasinghe Jt. Mrs L. I. Weerasinghe	do	200,000	0.78	-	-
Mrs. Neetha Weerasinghe Jt. Mrs T. T. Weerasinghe	do	200,000	0.78	-	-
Mrs. Neetha Weerasinghe Jt. Mrs H. K. Weerasinghe	do	200,000	0.78	-	-
Dr. A. D. P. A. Wijegoonewardene	do	199,462	0.78	199,462	0.78
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
Deutsche Bank AG - Namal Growth Fund	do	-	-	100,763	0.39
DFCC Bank PLC A/C 01	do	100,000	0.39	100,000	0.39
Mr. R. R. Tudawe	do	100,000	0.39	100,000	0.39
Commercial Bank of Ceylon PLC - A/C No.4	do	83,000	0.33	83,000	0.33
Merill J. Fernando & Sons (Pvt) Ltd	do	-	-	80,115	0.31
EW Balasuriya & Co. (Pvt) Ltd	do	-	-	70,830	0.28
<b>Total</b>		<b>22,794,072</b>	<b>89.29</b>	<b>22,849,976</b>	<b>89.52</b>

## Non-Voting Shareholders

Name of the Share Holder	Country of Residence	As at 31st March 2018		As at 31st March 2017	
		Number of	Holding	Number of	Holding
		Shares	%	Shares	%
Employee Provident Fund	Sri Lanka	1,154,371	13.83	1,154,371	13.83
Durdans Management Services Ltd	do	922,327	11.05	161,985	1.94
Bnysanv Re-Steyn Capital Frontier Fund	Cayman Islands	755,000	9.05	-	-
Deutsche Bank AG as Trustee for Namal Acuity Value Fund	Sri Lanka	-	-	800,000	9.59
MJF Holdings Ltd	do	598,646	7.17	598,646	7.17
Deutsche Bank AG National Equity Fund	do	-	-	481,000	5.76
EW 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
Mr. D. Ratnayake	do	146,866	1.76	146,866	1.76
Mr. A. H. Munasinghe	do	142,314	1.71	142,314	1.71
Mr. A. N. Esufally	do	127,440	1.53	-	-
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	73,906	0.89	70,906	0.85
Mr. P. S. De Mel	do	70,822	0.85	70,702	0.85
Motor Service Station (Pvt) Ltd	do	70,428	0.84	70,028	0.84
Mr. A. D. Tudawe	do	70,151	0.84	68,151	0.82
Mr. U. D. Wickremesooriya Jt. Mrs. S F Wickremesooriya	do	69,272	0.83	69,272	0.83
Citizens Development Business Finance PLC	do	68,670	0.82	-	-
Mr. P. A. I. S. Perera	do	65,454	0.78	65,454	0.78
Mr. Maniku Ahmed Ismail	do	63,600	0.76	63,600	0.76
Commercial Bank of Ceylon PLC A/C No. 04	do	61,100	0.73	-	-
AZ Holdings (Pvt) Ltd	do	-	-	127,440	1.53
Waldock Mackenzie Ltd/ Mr. K. Omprasadham	do	-	-	104,446	1.25
<b>Total</b>		<b>5,205,472</b>	<b>62.37</b>	<b>4,940,286</b>	<b>59.20</b>

# NOTICE OF MEETING

Notice is hereby given that the 72nd Annual General Meeting of the Shareholders of Ceylon Hospitals PLC will be held on 28th June 2018 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 31st March 2018 with the Report of the Auditors thereon. (Resolution 1)
2. To re-elect Mr. S. P. 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-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 74 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 3)

4. To re-appoint Dr. A. D. P. A. Wijegoonewardene, 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 Dr. A. D. P. A. Wijegoonewardene 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. 2.74 per share to all its shareholders for the year under review. No further dividends have been recommended by the Board.

6. To re-appoint Messrs. B. R. De Silva & Co. 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 2019 and to authorise the Board of Directors to determine their remuneration. (Resolution 5)

7. To authorise the Directors to determine donations for the year 2018/19. (Resolutions 6)

8. Any other business - Amendments to Articles of Association

"It is hereby resolved that the Articles of Association of the Company be amended by incorporating the following paragraph immediately after the first paragraph of existing Article Number Hundred and Four (104)"

"Dividends declared by the Company on any class of shares and not claimed by respective shareholders within six (6) years from the date of declaration shall be taken back to income of the Company." (Resolution 07)

By Order of the Board

*Sgd.*  
Nexia Corporate Consultants (Pvt) Ltd  
Secretaries

17th May 2018

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 72nd Annual General Meeting of Ceylon Hospitals PLC, held on 28th June 2018 at the Durdans Auditorium (11th Floor) of Ceylon Hospitals PLC No. 3, Alfred Place, Colombo 03 at 9.00 a.m.

Full name of shareholder : .....

National Identity Card number of shareholder : .....

Address of shareholder : .....

Name of Proxy holder (If applicable) : .....

National Identity Card number of Proxy holder : .....

Address of Proxy holder : .....

No of shares held : .....

Share certificate number : .....

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, Mr./ Mrs./ Miss .....of  
.....(address)

being a member of Ceylon Hospitals 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 72nd Annual General Meeting of the Company to be held on 28th June 2018 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**

	FOR	AGAINST
1. To adopt the Statement of Accounts for the year ended 31st March 2018	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. S. P. Tudawe	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. A. S. Abeyewardene	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Dr. A. D. P. A. Wijegoonewardene	<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"/>
7. Amendment of Articles of Association (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this ..... day of ..... 2018

.....  
Signature



# FORM OF PROXY

## NON-VOTING SHAREHOLDERS

I/ We, Mr./ Mrs./ Miss ..... of  
..... (address)  
being a member of Ceylon Hospitals 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 on my/ our behalf at the 72nd Annual General Meeting of the Company to be held on 28th June 2018 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.

Signed on this ..... day of ..... 2018

.....  
Signature

#### **INSTRUCTIONS TO COMPLETE THE FORM 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. 3, 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.

# 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

## STOCK EXCHANGE LISTING

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka

## REGISTERED OFFICE

No. 3, Alfred Place, Colombo 03

## BANKERS

Commercial Bank of Ceylon PLC  
Bank of Ceylon  
DFCC Bank PLC  
Union Bank PLC  
State Bank of India  
National Development Bank PLC  
Nations Trust Bank PLC  
Seylan Bank PLC  
Sampath Bank PLC  
Hatton National Bank PLC  
Amana Bank PLC  
People's Bank

## AUDITORS

B. R. De Silva & Co. Chartered Accountants  
No. 22/4, Vijaya Kumaranatunga Mawatha  
Colombo 05

## LAWYERS

Mr. D. F. R. Jayamaha  
Hector Jayamaha Law Office,  
No. 228, Thimbirigasyaya Road  
Colombo 05

## SECRETARIES

Nexia Corporate Consultants (Pvt) Ltd  
No. 181, Nawala Road  
Narahenpita

## REGISTRARS

SSP Corporate Services (Pvt) Ltd  
No. 546, Galle Road  
Colombo 03

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**Durdans Hospital**

No. 3, Alfred Place

Colombo 03

Sri Lanka

Tel: +94 (0)11 2 140 000

Fax: +94 (0)11 2 575 302 | +94 (0)11 2 372 632

Email: [contactus@durdans.com](mailto:contactus@durdans.com)