

Excellence

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Nawaloka Hospitals PLC

Annual Report 2011/12

Vision

To be the hospital of tomorrow whilst maintaining leadership and excellence in the healthcare industry.

Mission

To provide the best healthcare to the needy in a cost effective, timely and professional manner.



Arogya Parama Labha
Health is our greatest wealth.

Redefining Excellence

Every minute, hour, day, month and year Nawaloka Hospitals is striving towards new heights of excellence. We go that extra mile to provide excellence to all our stakeholders – the best of technology, innovation and care for patients; superior leadership to motivate and energize our caring employee base; illustrious and transparent corporate governance and financial management to provide our shareholders with the best bottom line returns.

In 2011/12, Nawaloka Hospitals focused not simply on achieving but on setting new standards, setting new benchmarks, and setting new trends. Your hospital is “redefining” excellence.





Company Profile

The entry of Nawaloka Hospitals into the state dominated healthcare sector gave roots to the private health care system and demonstrated **Excellence in Leadership**. The setting up of the Hospital and the overwhelming response from the people demonstrated the much felt need for superior healthcare in a luxurious ambience. Nawaloka was set up to mirror reputed hospitals in the region, which offered advanced medical technology and expert medical care, thereby eliminating the need to travel out of Sri Lanka for specialized medical treatment.

Nawaloka Hospitals was established in September 1985 under the Chairmanship of Late Deshamanya H. K. Dharmadasa with the objective of establishing it as a centre of excellence in high technology diagnostic and curative facilities, thereby demonstrating excellence in leadership. Aspiring to be a 'Hospital of Tomorrow', the medical institution has come to be known as centre of excellence and a preferred healthcare institution in the country.

In 1988, the Hospital introduced the first CT Scanner to Sri Lanka and the first fully fledged Cardio Thoracic Unit in the private sector thereafter, with latest technology, angiography, cardiac theatre and state-of-the art Cardiac Intensive Care Unit. The Hospital went on to establish a Nurses Training School for enhanced **Nursing Care**, over time becoming a key employment generator in the private sector. The Hospital was subsequently listed in the year 2004 which was the first Private Hospital listed in the Colombo Stock Exchange.

Today, Nawaloka Hospitals counts New Nawaloka Hospitals (Pvt) Ltd. and New Nawaloka Medical Centre (Pvt) Ltd, as subsidiaries and Nawaloka Metropolis Laboratory as a joint venture.

Nawaloka Hospitals is the only health care service provider in Sri Lanka to obtain the ISO 9001-2008. Additionally, the Hospital has been awarded the National Quality Award and National Business Excellence Award and the Baby-Friendly Hospital status by the World Health Organization and the United Nations Children's Fund. Best practices adhered to in all areas of management won the Hospital the coveted Business Excellence Award by the National Chamber of Commerce of Sri Lanka in 2008, 2009 & 2010.

The Hospital is constantly enhancing and upgrading its facilities to offer greater comfort and convenience to customers, growing into a 400 bed hospital today. It is universally acknowledged as a reputable institution at the forefront of the private health care sector in the country, pioneering medical procedures and **Technology**.

Over the years, Nawaloka Hospitals has sustained transparency, strict **Compliance** and strong relationships with stakeholders to build an indelible sense of trust and respect. A 'People's Hospital', Nawaloka has opened its doors to the economically under privileged since inception, providing much-needed medical services for the poorest of the poor, free of cost. Stressing healthcare over profits, Nawaloka is a unique symbol of how a private sector company can deploy social good and benchmark international best practices in its scope.

We care for you

<p>Welcome to Nawaoka's Health Care</p>  <p>NAWALOKA ON CALL AMBULANCE SERVICE</p> <p>Our ambulance service is what you need in an emergency 24 Hours, 7 Days a Week</p> <p>5777923 General : 5777111 Ext. 1746</p> <p>AMBULANCE SERVICES & EMERGENCY TREATMENT UNIT</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>We take care of corporates and individuals</p> <p>Be willing to learn Exceed Expectations Offer Treatment Pleasure & in the moment</p> <p>Help : 577386, 577111 ext. 1717</p> <p>HOSPITALITY CARD</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Instant Relief The pain from enlarged prostate gland (BPH), urinary or other issues.</p> <p>Dist. menorrhagia laser Powerful range of solutions One system for most multiple specialties : Urology, Gynaecology, Ophthalmology, ENT and more.</p> <p>For the first time in Sri Lanka now at Nawaoka Hospitals</p>
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<p>Welcome to Nawaoka's Health Care</p>  <p>It's time to look after your self</p> <p>Open Your Eyes to Breast Screening Screen breast cancer that starts at 40, but you know about yourself!</p> <p>LICER LIVER CARE</p> <p>Tel : 5770111, 5770002 Fax : 5551444 email : nawaoka@nawaoka.com</p> <p>Serene Breast Cancer Screening Unit</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Decide on a health check today Tommorrow may be too late !</p> <p>GOOD HEALTH ... NOT MEDICINE!</p> <p>Serene Health Screening Centres</p> <p>Tel : 5770111, 5770002 Fax : 5551444 email : nawaoka@nawaoka.com</p> <p>SERENE HEALTH SCREEN CENTRES</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Hi I AM YOUR LIVER</p> <p>TAKE CARE OF ME I WILL TAKE CARE OF YOU</p> <p>LICER LIVER CARE</p> <p>Tel : 5770111, 5770002 Ext. 1419 email : nawaoka@nawaoka.com</p> <p>CENTRE FOR LIVER DISEASE</p>
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<p>Welcome to Nawaoka's Health Care</p>  <p>Love... Protect... Immunize...</p> <p>Vaccination Prevents disease Vaccination is the only available method of prevention against many infections. Most of vaccinations are required when compared with the health risk of associated diseases.</p> <p>Immunize 011 577711 Ext. 5716</p> <p>Pediatrics / Immunisation Unit</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Something On your mind?</p> <p>Did you know 1 in 6 couples in Sri Lanka has trouble conceiving?</p> <p>Tel : 5770111, 5771111 ext. 8861447 Fax : 5551444 email : nawaoka@nawaoka.com</p> <p>NAWALOKA FERTILITY CENTRE</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Control Your Diabetes For Life</p> <p>Every minute 100000 people around the globe die of 100 die from diabetes related complications</p> <p>Tel : 5770111, 5770002 Fax : 5551444 email : nawaoka@nawaoka.com</p> <p>"SERENE" DIABETES CENTRE</p>
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<p>Welcome to Nawaoka's Health Care</p>  <p>What happens in the womb ?</p> <p>OBSTETRIC SCANNING Affordable and accessible scans for every stage of pregnancy.</p> <p>See your baby on screen for complete reassurance.</p> <p>Direct: 577111 Ext. 827 046</p> <p>OBSTETRICS AND GYNAECOLOGY UNIT</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Nawaoka Heart Centre</p> <ul style="list-style-type: none"> Over 9500 Successful Open Heart Surgeries Best in Class Cardiology Best in Angiography Best in Angioplasty <p>General : 577111 Ext. 1386, 581 Mobile : 232825 Fax : 232825 Email : nhc@nawaoka.com</p> <p>NAWALOKA HEART CENTRE</p>	<p>Welcome to Nawaoka's Health Care</p>  <p>Hope for those with severe obesity</p> <p>While being overweight or obese is often thought of as a cosmetic problem, this excessive weight can cause serious health problems.</p> <p>Serene</p> <p>Direct : 5777923 General : 5777111 Ext. 1746 Fax : 232825</p> <p>Serene Centre for Weight Management Surgery</p>
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Excellence



Revenue

+15%

Gross Profit

+19%

Operating Profit

+42%

Current Ratio

+0.15

Shareholder
Funds

+7%

Net Assets per
Share

+7%

Our Milestones



1985

- Established as the first fully fledged private hospital in Sri Lanka
- First intensive care unit in a private hospital

1987

- First CT scanner in Sri Lanka

1992

- First mammography unit in Sri Lanka

1993

- First minimally invasive laparoscopic surgery in Sri Lanka

1994

- First cardiac catheterisation Laboratory in Sri Lanka
- First Coronary Artery Bypass Surgery unit in a private hospital

1995

- First MRI scanner in Sri Lanka

1998

- We are the only Hospital to win the Sri Lankan National Quality Award

Our Milestones



2000

- We became the only ISO certified Hospital in Sri Lanka
- Awarded the “Baby- friendly Hospital” status from the WHO and the United Nation Children’s Fund

2005

- We made significant advances in neurosurgery and cardiac surgery
 - We introduced Laser Eye Surgery
- Together with our Indian affiliates, we introduced a very successful IVF treatment centre.

2006

- We commenced construction of the new building providing modern surgical units
- We began the process to send the entire operations of the Hospital by computerizing all our systems

2007

- First to introduce the Flat panel - Angiography System with state of the art technology
 - First to introduce a Comprehensive polysomnography System
 - Introduction of a state of the art Pulmonary testing facility

2008

- First to introduce the Arcadis Orbics Isocentric Digital C-arm system for orthopedics
 - Introduction of Digital video Endoscopy systems

Our Milestones



2009

- First Private Hospital in Sri Lanka with 400 beds
- First Private Hospital to introduce ERCP (Endoscopic Retrograde Cholangiopancreatography)
 - Installing the most technologically advanced Hemodialysis machine
 - First Hospital to introduce "LED LAMPS" in Operating Theatres

2010

- Introduced 16 slice CT scanner with all accessories
- New 4 -D scanner for Radiology and Gynaecology
 - Introduced Ultrasonic deflector

2011

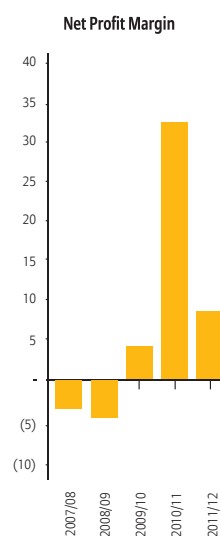
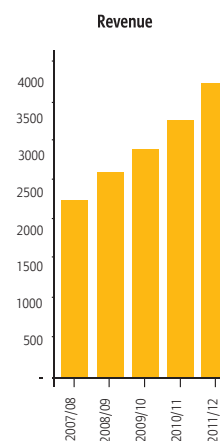
- Commissioned first State-of-Art 3TESLA MRI Scanner in Sri Lanka
 - Awarded ISO 9001 – 2008 Certification
 - Inaugurated weight Management centre
 - Inaugurated Breast Cancer Screening Centre
 - Single Balloon Enteroscope
- Doppler – Guided Hemorrhoid Artery ligation and Rectal Anal Repair

2012

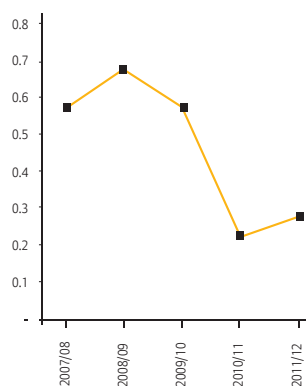
- First LIVE donor LIVER Transplant surgery in Sri Lanka
 - Launch of life member Hospitality Card

Financial Highlights

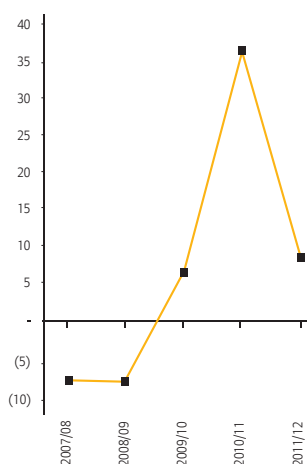
	Group			Company		
	2011/12	2010/11	Variance	2011/12	2010/11	Variance
	Rs	Rs	%	Rs	Rs	%
Income Statement Data						
Revenue	3,710,878,442	3,233,035,096	15	1,806,857,492	1,608,036,836	12
Cost of Services	(1,823,670,511)	(1,645,969,580)	11	(876,040,195)	(767,116,507)	14
Gross Profit	1,887,207,931	1,587,065,516	19	930,817,297	840,920,329	11
Other Operating Income	30,210,657	38,603,398	(22)	124,673,860	72,280,970	72
Profit from operations	459,028,530	324,008,074	42	226,817,202	147,845,400	53
Net profit after taxation	270,686,563	1,070,722,131	(75)	152,363,098	98,822,914	54
Balance Sheet Data						
Shareholders Fund	3,170,442,180	2,970,230,897	7	1,496,177,022	1,414,289,204	6
Financial Ratios						
Gross Profit Ratio (%)	50.86	49.09	4	51.52	52.29	(1)
Net Profit Ratio(%)	7.29	33.12	(78)	8.43	6.15	37
Return on Capital Employed (%)	8.54	36.05	(76)	10.18	6.99	46
Current Asset Ratio	0.58	0.43	35	0.57	0.61	(6)
Quick Asset Ratio	0.42	0.29	45	0.53	0.57	(7)
Return on Assets (Rs)	0.05	0.22	(77)	0.05	0.04	25
Debt/ Equity Ratio	0.28	0.23	23	0.20	0.20	-
Earnings/(Loss) per share (After share split)	0.19	0.76	(75)	0.11	0.07	57
Net Assets Per share (Rs) (After share split)	2.25	2.11	7	1.06	1.00	6
Dividend per share (Rs)	0.05	-	100	0.05	-	100
Interest Cover Ratio (Times)	4.31	12.77	(66)	7.50	5.24	43
Dividend payout Ratio	0.26	-	100	0.45	-	100
Dividend Yield Ratio	0.02	-	100	0.02	-	100
Market Yield Ratio	0.06	0.19	(68)	0.04	0.02	100
Price Earning Ratio	16.32	5.26	210	28.18	57.14	(51)



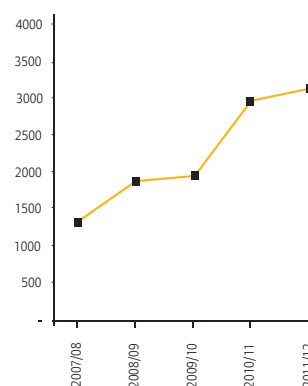
Debt/Equity Ratio



Return on capital Employed



Shareholder Funds





Excellence in Technology

Nawaloka Hospitals has always pioneered medical technology and procedures and continue doing so three decades on

Board of Directors



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1. Jayantha Dharmadasa Chairman & C.E.O. - Executive Director

Mr. Jayantha Dharmadasa has been a director of the Company since 1985. He is a businessman by profession and counts over 36 years of experience in Executive Management and 26 years in the healthcare industry. He is a Fellow Member of the Institute of Certified Professional Managers (FCPM).

He is the Chairman/CEO of Nawaloka Hospitals Plc. He is also the Chairman of Nawaloka Holdings (Pvt) Ltd, Nawaloka Aviation (Pvt) Ltd, Nawaloka Polysacks Sharjah, Sasiri Polysacks (Private) Ltd, Nawaloka Construction Company (Pvt) Ltd, Nawaloka Trading Co. Ltd, Nawaloka ABC Petroleum (Pvt) Ltd, Ceyoka (Pvt) Ltd, Koala (Pvt) Ltd, New Ashford International (Pvt) Ltd, Concord Ventures Exports Lanka (Pvt) Ltd, Sahas Wear (Pvt) Ltd, New Nawaloka Hospitals (Pvt) Ltd., Nawaloka Medical Centres

(Pvt) Ltd. and New Nawaloka Medical Centre (Pvt) Ltd., Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd., Nation Lanka Finance Plc.

Mr Dharmadasa is also a director of Sri Lanka Telecom and National Apprentice and Industrial Training Authority.

He is the Former Chairman of Sri Lanka Cricket and the National Film Corporation and a Past President of the Asian Cricket Council.

He is the Chairman - Outstanding Song Creators' Association (OSCA) and Cinestar Foundation.

2. Rienzie Theobald Wijetilleke - FCIB (UK), FIB (Sri Lanka) CCMI (UK) Independent Non- Executive Director

Mr RT Wijetilleke has been a Director of the Company since 2003 and appointed as Vice Chairman on August 2011. He is a Fellow of the Chartered Institute of Bankers United Kingdom. A Fellow of the Institute of Bankers Sri Lanka and Companion of the Chartered Management Institute UK.

Board of Directors



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In late 2010 Mr Wijetilleke completed 50 years as a Practicing Banker and in 2011 retired from the position of Chairman, HNB.

Mr Wijetilleke is also a Director of several other Public Companies and in January 2012 he was invited to take over as Chairman of Touchwood Investments PLC.

Mr Wijetilleke is also a Past Chairman and Director of the Colombo Stock Exchange.

3. Professor Lal Gotabhaya Chandrasena **Director/General Manager, Executive Director**

Professor Chandrasena has been a Director of the Company since 2003. He is a Clinical Biochemist by profession and counts 24 years of University Academic Service and 21 years experience in Hospital & Healthcare

Administration and Laboratory Sciences. He retired as the foundation Professor of Biochemistry and Clinical Chemistry and Senior Professor, Faculty of Medicine, University of Kelaniya June 2011.

Professor Chandrasena has a Doctorate in Philosophy from the University of Liverpool (U.K), a Bachelor of Science (Hons) from the University of Liverpool (U.K). Fellow of the Institute of Chemistry, Ceylon and is a Chartered Chemist. Fellow, Royal Society of Chemistry (U.K) and Fellow of the National Academy of Sciences of Sri Lanka, Post Doctoral Fellow, Colorado State University, U.S.A. He is also a Fellow member of the Institute of Certified Professional Managers and holds a certificate in Hospital Administration from the Indian Institute of Management, Ahamadabad. He is also a Past President of the Association of Private Hospitals and Nursing Homes, Council Member of National Chamber of Commerce of Sri Lanka and a

Board of Directors



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member of the Private Health Services Regulatory Council – Ministry of Health.

He is a Director of Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd.

4. Deshabandu Tilak de Zoysa - FCMI (UK), FPRI (SL)
Senior Independent, Non-Executive Director

Mr Tilak de Zoysa was conferred the title "Deshabandu" by His Excellency The President of Sri Lanka in recognition of his services to the country and was the recipient of "The Order of the Rising Sun, Gold Rays with Neck Ribbon" conferred by His Majesty The Emperor of Japan.

He is the President of the Associated Motorways Group of Companies and the Chairman of Carson Cumberbatch PLC, Amaya Hotels & Resorts, USA Help Age Sri Lanka



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and Japan Sri Lanka Technical & Cultural Association. He also serves as a Board Member of HelpAge International UK and other listed companies such as John Keells PLC., Taj Lanka Hotels PLC., Lanka Walltiles Ltd. Mr. de Zoysa is the Honorary Consul for Croatia and a Past Chairman of the Ceylon Chamber of Commerce, National Chamber of Commerce of Sri Lanka, the Plastics & Rubber Institute Sri Lanka and a Member of the Monetary Board (2003 - 2009).

5 Tissa K Bandaranayake - FCA, BSc
Independent, Non-Executive Director

Mr Bandaranayake joined the Company as a Director in 2009. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and graduated with a B.Sc. from the University of Ceylon.



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Board of Directors

He has 45 years of commercial and professional experience. He was with Ernst & Young, Sri Lanka for 27 years until retirement as a Senior Partner in April 2009, managing a large portfolio of clients-both local and multinational in various industries.

He is a Director of DFCC Bank, Central Finance PLC, Samson International PLC, Laugfs Gas PLC, Coco Lanka PLC, Renuka Holdings PLC, Overseas Reality (Ceylon) Plc and Micro Holdings Ltd. Also serves as an Advisor/Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd and the Board Audit Sub-Committee of DFCC Vardhana Bank.

Mr. Bandaranayake was the Immediate Past Chairman of the Audit Faculty of the Institute of Chartered Accountants Sri Lanka and a Past President of the Practicing Chartered Accountants Forum.

He currently serves as the first Chairman of the newly created Quality Assurance Board of Sri Lanka comprising representatives of the public and private sectors.

6. Dr. Thirugnanasambandar Senthilvel

Non-Executive Director

Dr. Thirugnanasambandar Senthilvel was appointed to the Board of Directors of Nawaloka Hospitals Plc on 28th February 2012 as a Non-Executive Director. For four decades he has been actively engaged in manufacturing, trading, land development, Health, Power and Energy sectors and industrial turnkey projects. At present Dr. Senthilvel serves as a Director on the Boards of Amana Takaful Insurance Plc, CT Land Development Plc, CW Mackie Plc, Hydro Power Free Lanka Plc, Lanka Ceramics Plc, MBSL Savings Bank Ltd, SMB Leasing Plc, The Finance Company Plc, Vidullanka Plc and Vidul Engineering Ltd.

7. D Sunil Abeyratna

PhD (UH-USA); FCA (SL); FCMA (SL); FCMA (UK); CMA (Aust)
Independent Non - Executive Director

Mr. Abeyratna counts over 40 years of experience in the fields of Finance and Audit and is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Institute of Management Accountants of UK. He is also a Member of the Certified Management Accountants of Australia and Fellow member of Certified Management Accountants of Sri Lanka and Doctorate in Philosophy, obtained from the University of Honolulu USA.

He is a partner of Abeyratna & Co, Chartered Accountants and an Associate of AGN International Ltd UK.

Mr Abeyratna is the Chairman of West Asia and African Region of AGN. He is a director of AGN International Ltd., Swarna Mahal Financial Services PLC, East West Properties PLC, Eastern Brokers Ltd. He was a Director/CEO Kotagala Plantations PLC and Agarapatana Plantations Ltd.

8. Ugitha Harshith Dharmadasa

Executive Director

Mr. Harshith Dharmadasa has been a Director of the Company since 2000. He has 17 years of experience in Executive Management.

He is the Chairman of Millenium Housing Development Ltd and Managing Director of Ceyoka (Pvt) Ltd and Koala (Pvt) Ltd.

Mr. H. Dharmadasa is a Director of Concord Ventures Exports Lanka (Pvt) Ltd., Nawaloka Trading (Pvt) Ltd., Nawaloka Construction Co.Ltd., Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd., and Nation Lanka Finance PLC.

9. Anisha Givantha Dharmadasa

Executive Director

Mr. Givantha Dharmadasa has been a Director of the Company since 2000. He has 15 years of experience in Executive Management. A Director of Concord Ventures Exports Lanka (Pvt) Ltd., New Nawaloka Hospitals (Pvt) Ltd., New Nawaloka Trading (Pvt) Ltd., Nawaloka Construction Co. Ltd. Nawaloka Aviation (Pvt) Ltd., Nawaloka Professional Academy (Pvt) Ltd., New Nawaloka Medical Center (Pvt) Ltd., Taction Services (Pvt) Ltd. and Nawaloka ABC Petroleum (Pvt) Ltd.

10. Ms. Ashani Givanthi Dharmadasa

Executive Directress

Ms. Givanthi Dharmadasa has been a Directress of the Company since 2003. She has 11 years of experience in Executive Management. She is a Directress of Nawaloka Professional Academy (Pvt) Ltd. and Nawaloka Aviation (Pvt) Ltd.

Senior Management Team



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1. Ms. Maya Wickremage

Financial Controller

Ms Wickremage qualified as a Chartered Accountant in 1995 and is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Certified Professional Managers. She has 13 years Executive experience in Financial Management in reputed private sector organizations. She joined Nawaloka Hospitals PLC in 2004 as the Financial Controller and is responsible to the Management for financial operations of the Hospital and has 17 years experience in the profession.

2. Dr. Kantha De Silva

Medical Superintendent

Dr Kantha De Silva graduated with MBBS from the Faculty of Medicine (Colombo) University of Ceylon in 1973. Thereafter, he served as a Senior Medical Officer in both curative and administrative work in the Department of Health until 1981.

1981 he left to the UK and worked as a Senior medical Officer in the National Health Services (N.H.S) in Orthopedics and Trauma in various parts of England and Wales until 1988.

He returned to the Island at the end of 1988 and worked as a general practitioner until 2008. In 2008 he joined Nawaloka Hospitals as the Medical Superintendent. He has 43 years of experience in the Medical Field.

3. Upatissa Mannapperuma

Senior Co-ordinating Officer & Maintenance Manager

Mr Mannapperuma obtained his National Certificate of Technology from the University of Moratuwa in 1980 and joined Nawaloka Group of Companies, Construction Division, and in 1983 he joined the Maintenance Division of Nawaloka Hospitals. He has obtained a certificate in hospital Management from Japan Overseas Health Administration Centre, Yokohama in 1995. He functions as the Maintenance Manager overseeing operations of the Engineering Department. He has 27 years experience in the Hospital industry.

4. M D Ariyawansa

Senior Co-ordinating Officer

Mr Ariyawansa obtained his Diploma in Business Management of the National Institute of Business Management in 1983 and joined Nawaloka Hospitals

Senior Management Team



in 1985 as an Executive Officer and worked in several business units of the hospital. He has obtained a certificate in Hospital management from Japan Overseas Health Administration Centre, Yokohama in 1999. He is presently the Senior Co-ordinating Officer responsible for Co-ordinating Public Relations functions of the strategic business units. He has 27 years experience in the Hospital industry.

5. Ms. G Warusavithana
Chief Nursing Officer

Graduated as a Staff Nurse from the Nurses Training School, Galle. Postgraduate training - Post Basic School of Nursing, Colombo. Qualified in Midwifery Nursing Administration, Management and Supervision. Maternal and child health international special training in Khon Kaen University Thailand and Neurosurgery special training in Fujitha University - Japan. Accident and Emergency special training at Royal Hospital Oman. Has over 36 years experience in the State Sector, Overseas and Private sector.

6. J M Wickremarachchi
Biomedical Engineer

Mr Wickramarachchi graduated from the University of Moratuwa with a Bachelor of Engineering (Hons) in Electronic and Telecommunications in 1986. He has worked as a Biomedical Engineer in the Ministry of Health, Sri Lanka and the Ministry of Health, Saudi Arabia. He joined Nawaloka Hospitals as the Biomedical Engineer in 1997. He is presently the Head of the Biomedical Engineering Division and has 25 years experience in the profession both in Sri Lanka and overseas.

7. Indika Prasath Balasuriya
Head of Information Technology

Mr Balasuriya has obtained the MSc in IT - University of KEELE (UK) in 2005, and a member of BCS, CSSL & CPM. He also holds a NIBM Diploma in IT and is a member of ACS. He has over 14 years experience in the field on Project Management, ERP Project Consulting, Application Development, Implementation and User training. He also has working experience with multinational companies. He joined Nawaloka Hospitals in 2008.

Senior Management Team



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8. Amal Gajamange

Head of Marketing

With over 22 years in Marketing and 15 in media and communication, Mr Amal Gajamange brings a wealth of experience from the FMCG sector to provide new impetus to the Nawaloka brand. He has experience as Media & Communication Manager - F & B sector. He has a Diploma In Marketing from the CIM and specialization in psychology. He joined Nawaloka Hospitals in 2009.

9. A A Weraniyagode

Electrical & Mechanical Engineer

Mr. A A Weraniyagode has obtained a Diploma on Refrigeration & Airconditioning from City & Guilds Institute of London in 1983. He has a work experience of 22 years as a Maintenance Engineer in the Hotel trade in Sri Lanka and overseas. He joined Nawaloka Hospitals in 2009 as the Electrical & Mechanical Engineer.

10. Kanishka Warusavitarana

Senior Accountant

Mr Warusavitarana has a membership of the Association of Accounting Technicians, Sri Lanka and joined Nawaloka Hospitals as an Internal Auditor in 1988 and was appointed as the Accountant Revenue in 1998 and

promoted in the year 2005 as Senior Accountant. He has 8 years experience in a reputed firm of Chartered Accountants and 24 years experience in the Hospital Industry.

11. Nalaka Niroshana

Manager - Corporate Planning Unit

Nalaka Niroshana is an Associate Member of the Chartered Institute of Management Accountants UK and Associate Member of Chartered Global Management Accountants and is a graduate from University of Sri Jayawardenapura. He joined Nawaloka Hospitals in the 2011 and has over 5 years executive experience in Diversified Conglomerates in Sri Lanka.

12. M S E Perera

Manager - Human Resources

Mr. M.S.E. Perera obtained the degree of Bachelor of Science (Management) and the Diploma in Management from the Open University of Sri Lanka. He is a member of the Institute of Management of Sri Lanka and a Fellow member of the National Institute of Plantation Management. Mr. Perera has extensive management experience as a Senior Manager in the State and Private Sector Tea Plantations and in the Health Care Industry.

Executive Clinical Management Team

MEDICAL CONSULTANTS

Nawaloka Hospitals pioneered the concept of Consultants in-charge of major clinical disciplines in the private sector hospitals. Accordingly, the hospital has obtained the services of distinguished professionals in the disciplines of General Medicine, General Surgery, Anesthesiology and Cardiac Surgery.

In addition, the hospital enjoys the privilege of the services of distinguished professionals in the disciplines who serves in different management advisory boards such as, Medical Services, Infection and Quality Control, examinations and strategic planning.



Dr. Maiya Gunasekera

MBBS, FRCS (Eng), FICS, FRCS (Ed), MS (Surgery)
Consultant Surgeon & Consultant in-charge – Surgery



Dr. V I Tennakoon

MBBS, MD, FRCP, FRACP, FCCP
Consultant Chest Specialist/ Physician & Physician
in-charge – Medical Intensive Care Unit



Dr. W A M Gunasekera

MB, MRCP(UK), FRCP(Lon), FCCP
Consultant Physician & Physician
in-charge – In Ward Medical Services

Chairman's / CEO Review



“ World-class
medical institution
in Sri Lanka that
offers tomorrow’s
technology
today ”

Dear Shareholders,

It gives me great pleasure to present the annual report and audited financial accounts of your Company for the year 2011/12. Although I have another impressive year’s performance to report on, this commendable achievement is inevitably overshadowed by the demise of the former Chairman Deshamanya Hewa Komanage Dharmadasa in August 2011.

Saluting an Enduring Vision

Many of you who had the good fortune to meet him in the past would recall his vision and passion for serving people of his country, which is what led to the setting up of this modern health care institution. It is also this vision that nurtured the company over the years. However, this deep passion to serve

people has been infused in Your Company’s Board of Directors, who imbibed the late Chairman’s dedication and commitment to pioneering a world-class Medical Institution in Sri Lanka that offers tomorrow’s technology today. His vision was to build a "People’s Hospital"; and when we look at how your hospital has evolved through the years - this is exactly what he achieved. Today, people from all walks of life enter our portals to be healed and walk out healthy again. As the torch bearer of the late Chairman’s legacy, I am totally committed to the ideal of taking his vision forward and adding even greater value to it over the coming years.

Achieving Excellence in all Spheres

Turning to the business at hand, I am pleased to report that 26 years on, your Company continues to serve generations of Sri Lankans, while upholding the promise of "Tomorrow’s

Chairman's / CEO Review

Healthcare – Today". With each passing year, Nawaloka Hospitals is evolving and consolidating its position as a premier healthcare provider in our region. Our pursuit of excellence remains of paramount importance to us.

The Company recorded commendable growth during the year. The Group's revenue increased by 15% to Rs. 3,711mn with net profit of Rs. 271mn. Group Gross Profit increased to Rs. 1,887mn which shows an increment of 19% on a year on year basis. Group Operating Profit has shown a dramatic improvement to Rs. 459mn compared to last year's Rs. 324mn. This is an increase of 42% on a year on year basis. The Group has invested Rs. 416mn during the period under review to upgrade medical equipment to remain in the forefront of advanced medical care in the country.

Private Sector Health Care on the Rise

Spearheading the growth of private sector health care in the country, the increased patient intake at Nawaloka Hospitals is emblematic of the significant inroads private sector health care is making in the country. In fact, during the year 2011, revenue from the private health care sector contributed significantly to the national exchequer. Statistics indicate that private sector hospitals are being used by approximately 70% of population for outpatient needs while only approximately 30% use in-patient facilities. However, figures suggest that patients perceive clear advantages of private sector health care such as advanced technology, quick response to patient needs and access to leading consultants as compared to state run hospitals. The economic revival in the country is boosting disposable incomes and this is reflected in greater usage of private medical facilities. This is a welcome trend and we expect it to gain further momentum.

The citizens of the country need urgent access to comprehensive medical insurance schemes, which are currently accessible only to a limited percentage of the population. It is imperative to note that the private sector health care will never be able to fulfil its growth potential in the absence of viable medical insurance schemes.

Targeting Medical Tourism is a goal we are proactively focused on. Your Company is currently in the midst of acquiring independent global accreditation for the hospital. This internationally recognized accreditation will usher Nawaloka Hospitals into the globally accredited top hospitals in the world. This accreditation is a clear indicator to prospective medical tourists that we possess world class health care standards and that they can be assured of superior medical care. Our plans to upgrade patient facilities and offer more diversified and specialised patient care will augment our status as a preferred medical tourism destination in the region.

Challenges for the Sector

Human Resources remain a big challenge in the industry. There is a scarcity of trained professional medical staff and this remains a challenge not only for the Company but also for the industry as a whole. There is an urgent need for deploying increased number of trained medical staff and this requires a concerted effort by concerned authorities. At Nawaloka Hospitals, we strive to provide a pleasant working environment, above-industry remuneration and heavy investment in training and development in a bid to retain our skilled personnel.

The latter part of the year proved to be a bittersweet period in terms of macro economic realities for the industry. The rise in interest rates and fluctuation of currency rates had an adverse impact on Your Company's bottom line. In the foreseeable future, the prevailing currency rate fluctuation will impact cost of healthcare, as most of drugs and medical equipment are imported, thereby, compelling us to pass the burden on to our consumers in the future. However, thus far, we have absorbed the price increases while focusing on cost management, resisting the easy way out of passing the additional cost on to our customers.

Reducing the corporate tax in its previous budget provided some measure of relief and prevented drop in profits. As the "People's Hospital", we take pride in the fact that the medical care we offer is affordable for people from all strata of society. Nawaloka Hospitals, despite its sophisticated health care, will treasure this common touch in respect of the Founder Chairman's wishes.

Chairman's / CEO Review

Creating an Enabling Environment

Your Hospital is currently in a strategic expansion mode. We are identifying potential areas in the suburban and rural regions of the island to set up a chain of regional hospitals. Currently we are having 15 branches and 280 collection centres countrywide in our chain of Laboratories, we are hopeful of increasing these numbers by the year 2014. We are confident that the rapid development of vital infrastructure in the country will make it possible to achieve our objectives. By reaching out to rural areas, more patients will be able to access our health care services, whilst Your Company will be making a significant contribution to improving the national health indicators.

Meanwhile, in our ongoing efforts to improve the facilities we offer, Your Company has embarked on a mega car park construction project on the adjoining bare land that belongs to Your Company. A project amounting to Rs. 1.5 billion, the 12 storey car park will accommodate 600 cars at any given time, thereby suitably addressing the urgent need for vehicles parking for thousands of visitors who visit the hospital daily. Thus far, we have been coping with inadequate car parking facilities, but the new facility will make it a pleasant experience for customers. Plans are also underway to refurbish patients' rooms to ensure patient convenience and comfort. This project will be continuously operational in the new financial year as well, so customers can look forward to further enhancements in 2012/13 as well.

In Appreciation

I would like to express my gratitude to the Board of Directors for their unflinching support and in placing their faith in my leadership skills. Filling the void left by the late Chairman will

not be an easy task, but with the support of my colleagues on the board and the eminently capable management team and medical staff, I shall strive to take Your Company to the excellence.

Finally, I would like to thank our customers who continue as loyal patrons of our institution. I have witnessed, as would have many of you, the outpouring of support and goodwill in the aftermath of the demise of the founder chairman. My fervent wish is to harness that goodwill and reinforce faith in Your Company by taking our health care product beyond tomorrow - into the future!



Jayantha Dharmadasa
Chairman/CEO



Excellence

in Patient Care

Our nursing staff embodies compassion and professional skill in equal measure, undergoing focused & superior training under our supervision

Operational and Management Review

“The emerging economic prosperity will allow people to have more access to private healthcare”



Nawaloka Hospitals established in the year 1985 is the flagship hospital providing leadership to the healthcare industry in Sri Lanka. We have been in the forefront in providing and meeting the demands of the people of Sri Lanka in curative and preventive medicine. With the increasing life expectancy globally Sri Lanka has also experienced the need to address the needs of the elderly. The lifestyle changes have thrust upon us new set of changes with non communicable diseases gaining prominence.

During the period under review Nawaloka Hospitals has worked primarily with these objectives in mind emphasizing on the emerging needs for the future on a five year short term and a ten year long term strategy. The emerging economic prosperity will allow people to have more access to private healthcare with substantially more proportion of the

population able to afford health insurance facilities. Now is the appropriate time to take our services to the Peripheries and the Provinces Island wide.

It is heartening to note that our stakeholders have expressed a universal appreciation of the strategic expansion programme which started in year 2009 with the now operational 80,000 sq.ft. This project was envisaged with a five-year cost recovery on construction and investments in medical equipment, advanced technology, modern operating theatres, room refurbishment and so on. We are confident that this five-year target period is eminently achievable. Since the establishment of the hospital in 1985, our focus on acquiring the latest medical technology, allowed us little scope for room refurbishment and upgrading which we have now focused our attention.

Operational and Management Review

Leading Through Technology: “Hospital of Tomorrow “

We approach patient comfort, health and convenience from a multi pronged angle. Firstly, we have enhanced and diversified our diagnostics capabilities, the key starting point for any patient. Our recent acquisition of the latest 3 Tesla MRI scanner once again takes Nawaloka Hospitals closer to excellence in patient diagnostics. The new scanner enables accurate diagnosis and crystal clear images for an error-free diagnosis. Apart from adding value to the diagnostics department, the latest scanner is generating the envisaged revenue, since it is the only technology of its kind in Sri Lanka, and therefore attracting patients expressly visiting Nawaloka Hospitals to avail of this modern technology. We are committed to staying at the forefront of innovation and strive to excel in every aspect of our operations.

Our professional and dedicated team of doctors and medical support staff works tirelessly with the latest non invasive medical producers, seeing the patient well on his way to recovery within shortest possible time. Laser enabled equipment to dissolve kidney stones and to conduct prostate gland surgery are a few of the medical marvels performed here daily. Our ophthalmology department has become a preferred destination for laser enabled interventions, which are painless and often require mere outpatient care.

The newly commissioned operating theatres with modern equipment have two special laminar flow operating theatres empowering the doctors to execute intricate and sophisticated surgical

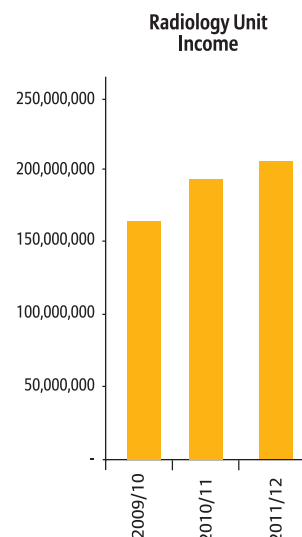
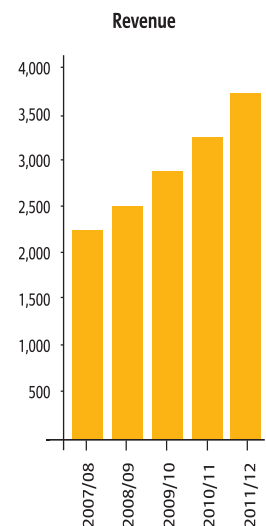
procedures. The team of medical experts at Nawaloka Hospital performed the first-ever Live Donor Liver transplant and a Lung transplant in Sri Lanka during the year 2011/12. Nawaloka Hospitals is unfolding a world of medical excellence. Technology is deployed in every segment of our operations and we have a highly advanced risk assessment strategy in place along with superior disaster recovery systems.

The hospital is proud of its sophisticated waste disposal technology, impeccable infection control procedures and much more. During the year under review, Nawaloka Hospitals adhered to all rules and regulations laid down by the statutory bodies, authorities and the Ministry of Health.

Powered by People:

The healthcare sector is human resource intensive comprising of expert doctors, capable and professional nursing staff, friendly service staff and of course, a skilled administration team, who keep the wheels turning uninterrupted for 24 hrs/365 days. Nawaloka Hospitals has achieved the distinction of being a beacon private healthcare institution not only because it was the first of its ilk, but also because it operates at a refined level of medical excellence that is hard to find in the country.

The institution has 2,000 employees and is in a constant recruitment and training mode, taking in skilled candidates who can boost human resource numbers to meet better future growth plans. We are strengthening training facilities at our nursing school with refurbishment of the current facility and increasing capacity to hold more students as an ongoing



Operational and Management Review

Endeavour. A comprehensive training programme consisting of in-house medical training coupled with familiarity with soft skills, such as customer/patient care are delivered regularly to ensure that our people retain the passion for excellence. These are the people who will lead our team into medical excellence over the next few years.

Rewarding Loyalty:

Furthermore, during the year under review, Nawaloka Hospitals pioneered a loyalty card called the Hospitality Card for its loyal customers. This loyalty card is the first of its kind in the health care segment and offers many benefits for the card holder. A special counter has been set up in the hospital foyer to attend to card holders needs, ensuring they can avail of speedy service and special discounts for newborns, families and corporate customers. Our aim is to add value to our customers in a myriad ways and we will continue to invest towards achieving this vision. The proposed 12-storey car park building and overall enhancement of patient facilities and restructuring of consulting rooms planned for the ensuing financial year will enhance our delivery of services and offer an elevated experience to our loyal patrons.

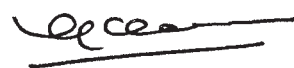
Bright Prospects Ahead:

There is an increasing recognition of the role of the private sector in both financing and provision of health sectors in Sri Lanka. Apart from few urban hospitals that provide expensive care, there are more affordable hospitals, laboratories, clinics that provide ambulatory care. The government now acknowledges the sagacity of engaging

more proactively with the private sector health care segment to reach the public policy goals of the health sector.

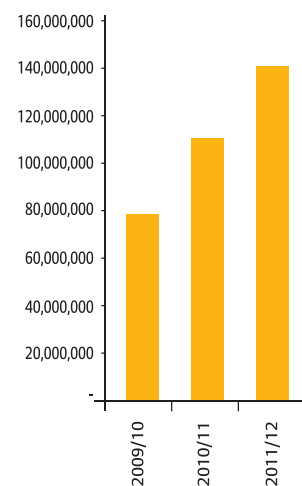
As a people's hospital, we are taking our medical excellence beyond our walls and to the people's doorstep. We are in the process of expanding our reach into the peripheral areas of the country – setting up medical laboratories and pharmacies in partnership with other medical institutions mirroring our vision. This new model has proved to be a valuable source of revenue for the institution during the past year and we envisage this contribution to increase over the next few months and years. Patients can now look forward to quality medical care in their immediate vicinity, without the need for travelling to far-off hospitals to take advantage of state-of-the-art diagnostic and treatment technologies. Nawaloka Hospitals is changing the face of medical care delivery in the country, bringing it closer to the people.

In conclusion, I would commend the selfless effort and excellent performance by our entire staff and the unwavering support of our other stakeholders. Together, we will ensure that Nawaloka will scale the heights of excellence in the ever-evolving world of healthcare.



Professor Lal G Chandrasena
Director / General Manager

Operating
Theatre Income



Report of the Directors

The Directors have pleasure in presenting to the members their Report together with the Audited Financial Statements for the year ended 31st March 2012.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange and recommendations in Best Accounting Practices.

LEGAL FORM AND DOMICILE

Nawaloka Hospitals Plc is a Public Company with limited liability incorporated in Sri Lanka on 1st July 1982 under the Companies Ordinance 1938 and re-registered as per the Companies Act No. 7 of 2007 on 7th September 2007, with the Company Registration No PQ 78. Its Shares were quoted on the Colombo Stock Exchange in 2004. This information is disclosed as required by Section 168 of the Companies Act No. 7 of 2007, which also requires the following information to be disclosed.

PRINCIPAL BUSINESS ACTIVITIES

Nature of the business of the Company and the Group are presented below as required by Section 168 (1) (a) of the Companies Act No. 7 of 2007. There has been no material change to the activities of the Company or any of the subsidiaries during the period under review. However, the total share holding in an Associate Company known as 'Ruhunu Hospitals (Pvt) Limited' was disposed of during the year.

Company

The principal activity of the Company continues to be the carrying out of health care and Hospital services.

Subsidiaries

New Nawaloka Hospitals (Private) Limited

This is a Private Company with limited liability, incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the New Companies Act No. 7 of 2007. It is domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals Plc.

New Nawaloka Medical Centre (Private) Limited

This too is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the New Companies Act No. 7 of 2007. It is also domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals Plc.

Nawaloka Metropolis Laboratories (Private) Limited

This Joint Venture Company was established in year 2005 along with Metropolis India to provide laboratory services. Nawaloka Hospitals PLC hold 50% shares in this Company.

REVIEW OF BUSINESS/FUTURE DEVELOPMENT

A review of the business of the Company and the Group and its performance during the year is contained in the Chairman's review/ Chief Executive Officer's performance review and Director / General Manager's Operational & Management review at pages 18 to 20 and 22 to 24 of this report. These reviews form an integral part of this report and together with the Financial Statements describes, in detail the state of affairs of the Company and the Group.

FINANCIAL STATEMENTS

The Financial Statements which include the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements are given at pages 60 to 84 and have been prepared in conformity with the Sri Lanka Accounting Standards and the requirements of Section 168 (1) (b) of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

AUDITOR'S REPORT

The Financial Statements for the period under review were audited by Messrs KPMG (Chartered Accountants) for the year ended 31st March 2012 and the Auditor's Report issued thereon appears at page 59 of this Annual Report as required by section 168 (1) (c) of the Companies Act No. 7 of 2007.

Report of the Directors

FINANCIAL RESULTS

(All figures in Sri Lankan Rupees)

	Group		Company	
	2011/2012 Rs.	2010/2011 Rs.	2011/2012 Rs.	2010/2011 Rs.
Profit before Taxation	362,104,620	1,129,590,436	195,356,128	119,630,914
Less : Taxation	(91,418,057)	(58,868,305)	(42,993,030)	(20,807,996)
Net Profit after Taxation	270,686,563	1,070,722,131	152,363,098	98,822,918
Profit attributable to				
Equity Holders of the Company	270,686,563	1,070,722,131	152,363,098	98,822,918
Earnings per share	0.19	0.76	0.11	0.07

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Accounting Policies adopted in the preparation of Financial Statements of the Company and the Group are given at pages 64 to 69 of the Annual Report as required by Section 168 (1) (d) of the Companies Act. There has been no change in the accounting policies adopted by the Company during the period under review other than the depreciation rates.

ENTRIES IN THE INTERESTS REGISTER

The Interests Register is maintained by the Company, as required by Section 168 (1) (e) of the Companies Act No. 07 of 2007.

DIRECTORS REMUNERATION AND OTHER BENEFITS

Directors' remuneration and other benefits of directors are given in Note 22 to the Financial Statements at page 81 as required by Section 168(1) (f) of the Companies Act No. 07 of 2007.

DONATIONS

Total donations made by the Group during the year amounted to Rs. 3,972,264 as required by Section 168 (1) (g) of the Companies Act No. 07 of 2007 in compliance with the authorisation conferred upon the Board at the last Annual General Meeting.

SHAREHOLDERS' FUND

After the above mentioned appropriation, the total Group shareholders' funds as at 31st March 2012, stood at Rs. 3,170,442,180 (31st March 2011 - Rs. 2,970,230,897). The total shareholders' funds of the Company as at 31st March 2012 stood at Rs. 1,496,177,022 (31st March 2011 - Rs. 1,414,289,204). The movements are shown in the Statement of Changes in Equity.

DIVIDEND

Interim dividend of 5 cts per share was paid in June 2011.

Report of the Directors

INFORMATION OF DIRECTORS

The Directors, who served on the Board during the financial year are the following and this information is provided as required by Section 168(1) (h) of the Companies Act No. 07 of 2007:-

Name of Director	Executive/ Non Executive status	Status of Independence	Remarks
Deshamanya H. K. Dharmadasa	Non -Executive	-	Deceased on 10.08.2011
Mr. H. K. Jayantha Dharmadasa (Chairman & Chief Executive Officer)	Executive	-	Appointed as Chairman w.e.f 18.08.2011
Mr. H. K. Upali Dharmadasa	Non -Executive	-	Resigned w.e.f 22.11.2011
Mr. Rienzie T. Wijetilleke (Non Executive Vice Chairman)	Non -Executive	Independent	Appointed as Non Executive Vice Chairman w.e.f 18.08.2011
Deshabandu Tilak de Zoysa (Senior Independent Director)	Non -Executive	Independent	Appointed as Senior Independent Non Executive Director
Prof. Lal G. Chandrasena (General Manager)	Executive	-	-
Mr. Tissa Kumara Bandaranayake	Non -Executive	Independent	-
Mr. U. Harshith Dharmadasa	Executive	-	-
Mr. A. G. Dharmadasa	Executive	-	-
Ms. A. G. Dharmadasa	Executive	-	-
Dr. T. Senthilverl	Non-Executive	-	Appointed w.e.f 28.02.2012
Mr. Damian Sunil Abeyratna	Non-Executive	Independent	Appointed w.e.f 28.02.2012

The qualifications and experience of the Directors are given in the individual profiles of the Board of Directors at pages 10 to 13 of the Annual Report.

The late Deshamanya H. K. Dharmadasa who was the former Chairman of the Company served as the Chairman of Nawaloka Hospitals Plc for over 25 years. During his tenure as Chairman, the late Deshamanya H. K. Dharmadasa provided valuable services to his Country. He is still remembered as an extremely honourable philanthropist who earned enduring respect amongst people of all walks of life. He passed away on 10th August 2011.

Appointments and Resignations

Upon the demise of the late Deshamanya H. K. Dharmadasa

on the 10th August 2011, Mr. Jayantha Dharmadasa was appointed as the Chairman of the Company with effect from 18th August 2011.

The information on new appointments and resignations to and from the Board of Directors of the Company are given below and forms an integral part of this Report of the Board of Directors in terms of Section 168 (1) (h) of the Companies Act No. 7 of 2007.

New Appointments

Dr.T. Senthilverl and Mr. Damian Sunil Abeyratna were appointed to the Board with effect from 28th February 2012 as Non-Executive Director and as an Independent Non-Executive Director, respectively.

Report of the Directors

Dr. Thirugnanasambandar Senthilverl and Mr. Damian Sunil Abeyratna who cease to be Directors at the conclusion of the Annual General Meeting, offer themselves for re-election. This re-election is in terms of Article 81.

Resignation

Mr. Upali Dharmadasa resigned from the Board with effect from 22nd November 2011.

Recommendations for Re-election

In terms of Article 74 of the Articles of Association of the Company, Deshabandu Tilak de Zoysa, Mr. Anisha Givantha Dharmadasa and Mr. Tissa K. Bandaranayake who retire from the Board by rotation at the forth coming Annual General Meeting and being eligible for re-election, offer themselves for re-election.

Additionally, Mr. R.T. Wijetilleke who has attained the age of 72 and being eligible for re-election in terms of Section 211 of the Companies Act No. 7 of 2007 offers himself to be appointed as a Director of the Company.

Board Sub - Committees

The three Board Sub-Committees established by the Board continue to provide oversight relating to policy and governance. The composition of the Sub-Committees during the Financial year is as follows :-

Directors' Shareholding

The aggregate shareholding of the Directors for the year ended 31st March 2012 and the previous year, is as follows :-

	2012 Ordinary	2011 Ordinary
Mr. H.K.J. Dharmadasa	460,736,182	460,736,182
Mr. R. T. Wijetilleke	93,332	93,332
Deshabandu Tilak de Zoysa	218,000	218,000
Prof. Lal Chandrasena	601,198	601,198
Mr. U. H. Dharmadasa	3,360	3,360
Mr. A. G. Dharmadasa	2,704,026	2,704,026
Ms. A. G. Dharmadasa	5,066,686	5,066,686
Dr. T. Senthilverl (Appointed w.e.f. 28.02.2012)	305,256,954	NIL
Mr. Damian Sunil Abeyratna	NIL	NIL
Mr. T. K. Bandaranayake	NIL	NIL

- **Board Audit Committee Members**
Mr. Tissa Kumara Bandaranayake - Chairman/Director
Mr. Rienzie T. Wijetilleke - Director
Deshabandu Tilak De Zoysa -Director
Mr.H.K. Upali Dharmadasa- Director (Resigned with effect from 22 .11. 2011)
Mr. Sunil Abeyratna - Director (Appointed with effect from 28 .02.2012)
- **Remuneration Committee Members**
Deshabandu Tilak De Zoysa - Chairman
Mr. Tissa Kumara Bandaranayake - Director
- **Strategic Planning Committee Members**
Mr. H. K. Jayantha Dharmadasa - Chairman/Director
Prof. Lal G. Chandrasena -Director
Mr. U. Harshith Dharmadasa - Director
Mr. A. G. Dharmadasa - Director

Directors' Meetings

Details of meetings which comprise Board meetings, the Board's Sub-committee meetings of the Audit Committee, Remuneration Committee and Strategic Planning Committee, are dealt with at pages 55 and 56 of this Annual Report.

Report of the Directors

Related Party Transactions

The Directors have also disclosed the transactions if any, that could be classified as Related Party transactions' in terms of SLAS 30 "Related Party Disclosures" and also complied with Rule 7.6 (XVI) of the CSE Listing Rules. Related Party Transactions are given in Note 26 to the Financial Statements.

Director's Interests

The Interest Register is maintained by the Company, as per the Companies Act No. 07 of 2007.

CAPITAL EXPENDITURE

Details of Property, Plant & Equipment and their movements in Company and Group during the year are listed in Note 02 to the accounts at pages 70 and 71.

STATED CAPITAL

The Stated Capital of the Company consists of 1, 409,505,596 ordinary shares. There was no change in the Stated Capital during the year.

STATED CAPITAL

	2011/2012 Rs.	Group 2010/2011 Rs.	2011/2012 Rs.	Company 2010/2011 Rs.
Issued & Fully Paid				
At the beginning of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
At the end of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

SHARE INFORMATION

The composition of Shareholders and the information relating to share trading, net assets, market value per share, are given at page 86 of this Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of the Company as at 31st March 2012 are given at page 85 of this Annual Report.

EMPLOYMENT POLICY

The Company's Employment Policy is totally non-discriminatory, and equality of opportunity for all employees irrespective of ethnic, origin, religion, political opinion, gender or marital status.

The Company applies 'equal opportunity policy' in selection, training, development and promotion opportunities, ensuring that all decisions are based on merit and qualification.

The employees are always encouraged to discuss issues relating to operations and to make suggestions to improve performance.

The number of persons employed by the Group as at 31.03.2012 was 1,945 (31.03.2011 - 1923).

GROUP REVENUE

The Revenue of the Group was Rs. 3.711 Billion. (2011 - Rs. 3.233 Billion). The analysis thereof is given at Note 20 to the Financial Statements.

STOCK EXCHANGE LISTING

The Company was listed on the Main Board of the Colombo Stock Exchange in the year 2004.

GOING CONCERN

The Board firmly believes that the Company, its subsidiaries have sufficient resources to continue in operational existence for the foreseeable future. Therefore, Financial Statements of the Group have been prepared on the principle of a "Going Concern".

Report of the Directors

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant events that have occurred after the balance sheet date which would have any material effect on the company or on the Group that require adjustments to or disclosure in the Financial Statements.

APPOINTMENT OF AUDITORS

Messrs. KPMG (Chartered Accountants) who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

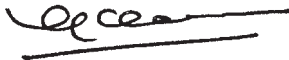
The fees paid to Auditors are disclosed in Note 22 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interest in the Company or its subsidiaries as required by Section 168 (1) (j) of the Companies Act No. 7 of 2007.

For and on behalf of the Board



Chairman/Chief Executive Officer



Director/General Manager

By Order of the Board
Sgd

EM & EN Agents and Secretaries (Private) Limited
Company Secretaries

18 th May 2012

Sustainability

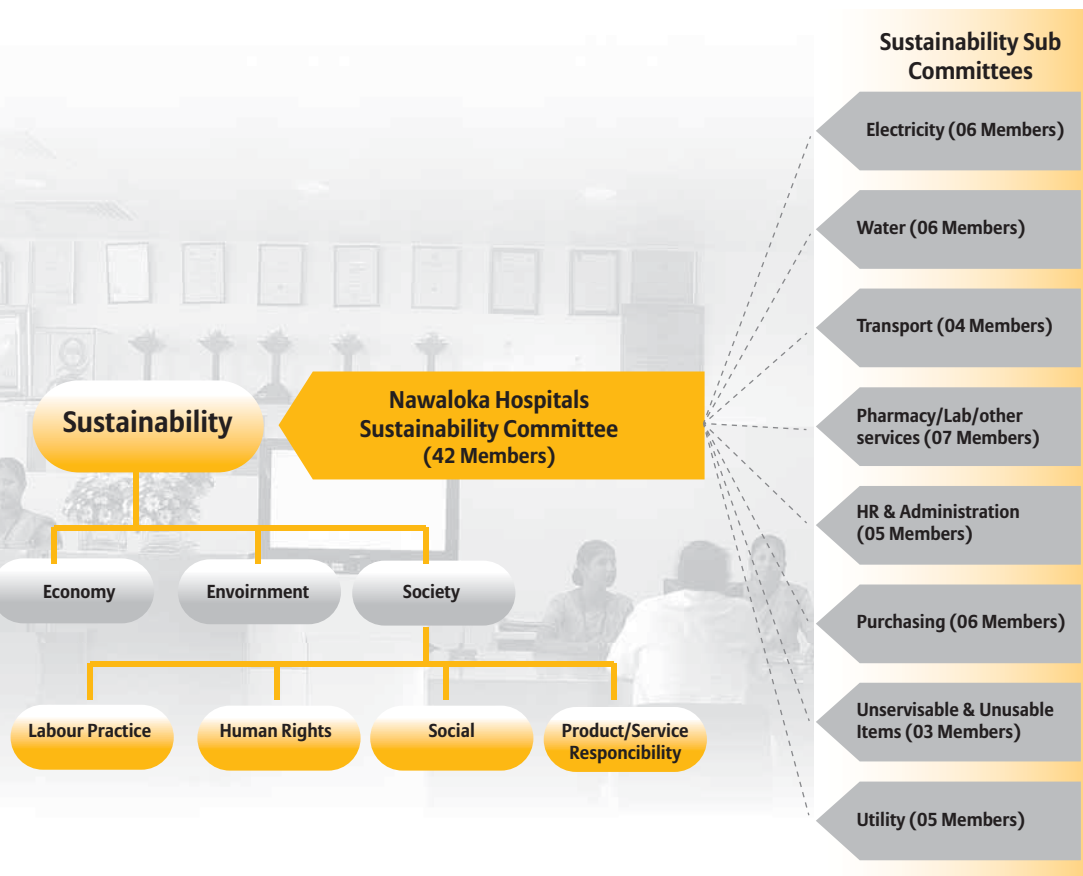
OUR SUSTAINABILITY PHILOSOPHY

Sustainability implies the ability to live in perfect harmony with all stakeholders for the long term.

Balanced operations that have no negative impact on people or the planet engender longevity for an organization. Our sustainability focus reflects the kind of institution we want to be, what qualities we want to be associated with and the economic, environmental and societal stewardship we want to achieve. Once we defined these ambitions, we were on the right track to structuring our quest for sustainability, which is today entrenched in every aspect of our operations - from the smiles of our staff to visitors to the speedy recovery of our patients – and everything in-between.

Healthy patients are our greatest reward and we have devised a sustainable road map for this rewarding journey.

Nawaloka Hospitals was set up as a 'people's hospital', a world class medical institution that would provide the nation's citizens superior medical care, which was severely lacking in Sri Lanka in the 1980s. The setting up of the advanced infrastructure of the hospital eliminated the need to travel abroad for sophisticated medical procedures and technology. Three decades on, we continue to embody the passion for excellence in health care. Sustainability is inbuilt in our operations. Since inception, the hospital has structured its operations to ensure that it fulfils its economic, environmental and societal responsibilities in a fair and transparent manner.



Sustainability

ECONOMY

- **Economic Performance**

We have fine tuned our healthcare delivery system for a streamlined operation that generates profitability and reflects favourable patient recovery ratios. Helmed by stalwarts in the national healthcare sectors, our senior management works closely with the Public on several platforms to offer valuable inputs to the formulation of the National Health Policy. As the apex private sector health care organization in the country,

- **Market Presence**

Over the decades, Nawaloka Hospitals has become one of the key employment generation sources of private sector jobs, deploying around 2000 people across its operations. The hospital's in-house training capability has trained and upskilled hundreds of nursing staff and medical attendants, offering them a new livelihood avenue and helping to bring down unemployment levels in the country. Unless absolutely necessary for technical reasons, the hospital has refrained from recruiting doctors abroad, instead, encouraging and attracting the best medical talent in the country. By attending to hundreds of patients walking in through our portals, we are lessening the burden on the national healthcare system which does not have adequate infrastructure to cater to the entire population.

- **Indirect Economic Impacts**

Nawaloka Hospitals has proved to be a boon for the people of Sri Lanka. In the 80s, the country did not have a large-sized private sector health care hospital that would offer advanced medical expertise. This resulted in valuable loss of foreign exchange as patients travelled to large hospitals in the region which could offer superior health care. Nawaloka Hospitals was the first hospital to offer luxury ambience and matching medical care on par with the best hospitals in the region. More importantly, its facilities were priced affordably, which attracted patients across the economic spectrum. Ever since Nawaloka Hospitals was set up, people could access

health care in Sri Lanka itself, thereby retaining precious foreign exchange within the country. Every year, we spend millions of rupees on sourcing raw materials from local businesses, thereby stimulating economic growth in those sectors. By purchasing goods and services from other businesses, we create economic value for society.

ENVIRONMENT

- **Material Use**

As a health care institution, all our raw materials are outsourced from other companies. We maintain a commitment to source as many materials locally as possible without resorting to inexpensive foreign imports. The hospital has built up a reliable network of local suppliers, often imparting technical know-how for them to upgrade their manufacturing skills so that they continue to meet our exacting quality standards. Nawaloka Hospitals engages only with reputed suppliers who are able to match our high quality specifications. Supply chain costs are rising by the day for materials, supply and equipment, and we are constantly reviewing opportunities to bring down costs without compromising on quality standards. (refer Value Added Statement)

- **Energy**

As a sector, hospitals and health care facilities account for a disproportionate amount of energy use and emissions. As an 400 + beds hospital, electricity consumption forms a large chunk of our operating expenses. Rising utility rates in the country have put a further urgency in resolving excess energy consumption. However, we are extremely conscious of upgrading our equipment often so that we use the latest energy efficient machinery at all times. Hospitals are open 24 hours a day and have extra commitments on air filtration and circulation, air cooling and waste management. We realize the need for increasing energy efficiency, achieving reduction in energy consumption and deriving energy from renewables. We are cognizant that the hospital will gain annualized savings through this route.



Hot Water Solar Unit

Identified Issue for high Energy Consumption	Action Plan
Faulty thermostat Heating/ Cooling	Replace
Poor pipe insulation	Repair or replace with proper vapor barrier
In filtration	Fix air curtains or door closures
Access ice foaming in frozen, cold rooms	Defrost them in correct intervals
Central A/C plant high temperature/High pressure	De scale and service the condensers cooling towers
High current pumps motors, & compressors	Overhauling /servicing replace with variable speed motors use capacity control systems
Too much cooling	Detective motorize/thermostat valves/over designing
Faulty capacitor bank	Do power factor corrections services regularly

- **Water Consumption**

Hospitals are functional 24 hours a day and as a result are guilty of being one of the highest consumers of water and energy. We realize the urgency to reduce water consumption and have put in place various strategies by which we can bring down water consumption and, along with it, even energy consumption. We are in the process of drawing up a water management program that will address challenges to reduce water use. Hospitals are typically water intensive – using water for sanitation, heating, ventilation, air conditioning, food service,

laundry and miscellaneous purposes. Change starts with people and we are bringing a behavioural change culture amongst employees to make them conscious of the water consumption levels by tracking monthly water usage on charts which are displayed for public viewing. The hospital routinely conducts awareness programmes through distribution of pamphlets and other literature, and through talks on how water consumption can be reduced drastically with little effort on the part of every employee.

- **Emissions**

Cutting emissions is one of the key goals we have set for ourselves during the year. By tracking and reducing our carbon footprint, we can infuse as many elements of a green hospital concept as possible. High energy usage in hospitals is mandatory, but we apply ourselves to upgrading machinery and systems to make our operations optimally efficient.

- **Safety/Waste Disposal System**

Medical waste can be harmful and toxic in contact with humans and therefore we have put in place a comprehensive safe waste disposal system and keep upgrading technologies in this area. We recently acquired the new 'Dual Burner Incinerator' for Rs. 3.2 million. As a hospital, we hold the onus of ensuring the safety of our staff and the society at large to ensure medical waste is disposed off in a safe manner without any harmful effects to people of the environment.

- **Transport**

One of our key services is emergency ambulance services, which require us to maintain a fleet of fully equipped ambulances in a high state of preparedness. We ensure that our ambulances are in optimum condition and undergo green tests to ensure emission levels are within accepted norms. When acquiring new ambulances, we ensure that we select the most fuel efficient brands. The safety of our patients is paramount to our sustainable operations and our ambulance drivers are specially trained to understand the precious cargo they carry, so as to ferry patients to the hospital in the shortest possible time, while ensuring road safety.

Sustainability



Ambulance Service

- Product and Services

Over 30 years of existence Nawaloka Hospitals has demonstrated its credentials as a responsible entity that delivers quality health care by maintaining the highest quality standards.

SOCIETY

- Human Resources

The hospital's goal at all times is to be the employer of choice and through the proper management of its human capital, the hospital has built a dedicated team that is passionate about what they do and who strive towards achieving excellence and greater levels of customer satisfaction. The hospital is committed at all times to ensuring that its staff develop to their potential and have addressed issues of motivation and working spirit, leading to the creation of a culture which will provide the hospital a distinct competitive advantage and believe that our employees are the backbone of our organization. We have been constantly monitoring and adapting our human resource planning and strategies, given the increasingly competitive environment, changing regulations and fast developing use and implementation of information technology as the next Society will be a Knowledge Society. Knowledge will be its key resource and knowledge workers will be the dominant group in its work force. These factors constantly alter the requirement of employees both in relation to the internal needs for job performance as well as the constantly changing requirements of the customers in

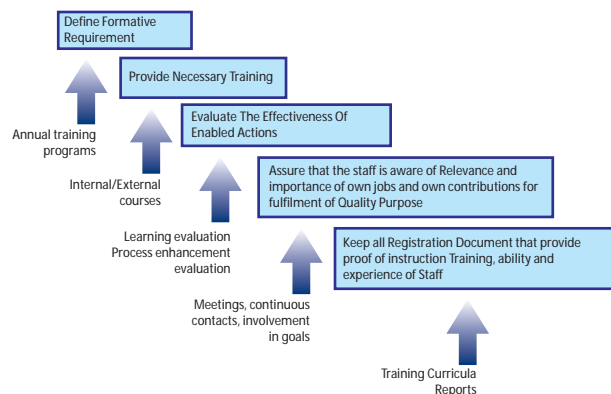
terms of higher expectations. As human capital takes on greater significance globally, the Human Resources Department is being transformed to function as business partners with employees, rather than a centre of administration, and strives to provide room for personal career growth and infuse them with a sense of ownership of the organization.

- Labour Practice And Decent Work

As an organization committed to decent work principles we ensure workers rights in the workplace are fulfilled and that social dialogue is encouraged so that we can fulfil workers' work-life balance to the fullest extent possible.

- Employment and HR Management

We are an equal opportunity employer and this is reflected in our workforce which is reflected in disaggregated numbers on the basis of gender. We hire and train where needed, or recruit employees with skill sets answering the job requirements. Skill development, training sessions and remuneration levels are all at above industry average in a bid to retain employees. The culture at Nawaloka, although professional, is that of an extended family. The strong sense of ownership felt by employees is handed down from the Chairman who mingles freely with the staff and practices a genuine open door policy for one and all. Longstanding employees have reported that this strong sense of belonging to the institution is what has kept them from looking for lucrative opportunities.



Sustainability

More than 36 training activities such as Language improvement in English have been conducted during the year. Nurses Training School in Nawaloka, continuously generating our annual nursing staff requirement with the guaranteed training & skill regarding the patient care.



Capping Ceremony

Employment by Category

As at 31 March	2011	2012
Category		
Directors	10	10
Managers & Executives	80	80
Clerical & Minor staff	1122	1111
Nursing	661	694
Medical officer	50	50
Total	1923	1945

Employment by Age

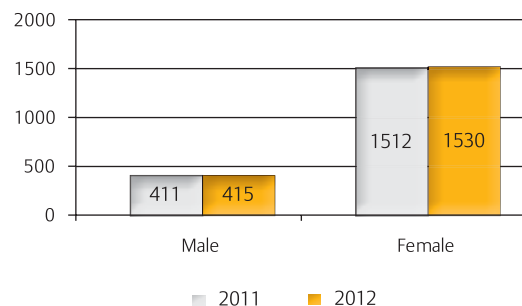
As at 31 March	2011	2012
Age		
Over 50 yrs	184	204
40-50 yrs	372	339
30-40 yrs	394	434
20-30 yrs	931	924
19-20 yrs	42	44
Below 19 yrs	-	-
Total	1923	1945

Employment by Service period

As at 31 March	2011	2012
Age		
Over 20 years	153	171
10-20	297	322
05-10	340	393
00-05	1133	1059
Total	1923	1945

Employment by Gender

Gender	Male	Female	Total
2011	411	1512	1923
2012	415	1530	1945



Occupational Health & Safety

Occupational health and safety competence is inbuilt into all our organisational roles. We have a comprehensive hazard identification and mitigation plan in place to enable the delivery of secure health care system. Our safety features are embedded in the business processes at every level of the organization to ensure employee and patient safety at all times. As a hospital that handles patients with afflictions ranging from the common cold to life threatening diseases, our staff is often at risk. We have therefore put in place a retinue of occupational safety procedures for staff to adhere to protect them from contracting infection.

The staff is entitled for discounts on medical treatments. Families of staff members also receive a discount on medical care at the hospital.

Sustainability

- **Human Rights**

Equal opportunities for employees exist at Nawaloka Hospitals. No discrimination of any kind is permitted or indulged in and we have employees from all ethnic backgrounds working at the hospital in complete harmony. We have zero tolerance policy on child labour and no employees under the age of 18 are employed at the hospital in any capacity.

- **Regular evaluation**

We have a comprehensive employee evaluation system which appraises individual performance. A 10% to 15% salary increment is offered to employees who have proven contributions as attested by their line managers and performance based incentives and bonus are given to staff to evaluate their dedicated service.

- **Staff Family Caring Programmes**

Total Employee Welfare Expenses for 2011/12 – 6 mn.
All staff members are entitled for medical insurance scheme.

The Company distribute school books to the children of staff families together with essential food item.

- **Social**

- **Community**

As a people's hospital, we remain connected to the society at large by reaching out with our core service - healthcare – free of charge wherever needed. Our health camps offer on the spot check ups and raise awareness about healthy lifestyles. Many leading corporate in the country approach us to conduct health camps on their premises. Some of our key achievements during 2011 were:

- Free Liver Transplant in the 2011
- Donation of free spectacles
- Total Donations for the year 2011/12 – Rs. 3mn
- Donations to Deaf and Blind
- Donations for the Annual Wesak Dansela



Outdoor medical campaign

- **System Breakdowns**

No break downs reported during the year under review. Regular maintenance and upgrading of technical equipment was ongoing.

- **Public Policy**

We are proud of our Hospital Disaster Recovery Plan which is equipped to deal with any emergency situation.

- **Product Responsibility**

We have embarked on a variety of approaches to ensure our services remain on the cutting edge of customer satisfaction. Some of these are:

- Fair Marketing and Customer Satisfaction – Customer feedback forms and regular evaluation of customer satisfaction levels to ensure that we meet expectations of stakeholders.
- Dedicated ambulance service and home nursing services

Sustainability

- Reasonable pricing policy – As a ‘people’s hospital’ we have made a conscious effort not to be deemed an elitist healthcare institution. Our medical products and services are priced affordably and as a result we have patients from all walks of life receiving expert medical care under our wing, without any discrimination.
- Quality of our products and service - Nawaloka Hospitals is the only health care service provider in Sri Lanka to be the ISO 9001-2008 Sri Lanka Quality Award Winner in 1998. In addition, the company has been awarded the National Quality Award and the National Business Excellence Award. This certification encompasses the entire indoor hospital operation and the required standards have been maintained to ensure the continuation of ISO standard certification.
- In addition, the hospital was awarded the Baby-Friendly Hospital status by the World Health Organization and the United Nations Children’s Fund. Best practices adhered to in all areas of management of provision of services also won the hospital the coveted Business Excellence Award by the National Chamber of Commerce of Sri Lanka in 2008, 2009 & 2010.
- The Nawaloka Hospital was rated as the hospital with the highest brand value in Sri Lanka. In addition, Nawaloka Hospitals PLC is recognized among the Top 100 entities by LMD and which is the highest rank among the health care sector companies, outstripping competition by a large margin.
- It is the only hospital recognized in leading business magazine, LMD’s ‘Most Respected 2011’. Since the need for honesty in business is a long-held truism, it is generally acknowledged as a fundamental principal of our business ethics. Nawaloka sustains honesty in transactions, strict compliance and strong relationships with stakeholders to build an indelible sense of trust and respect that pays rich dividends in the form of customer loyalty and a sound reputation in the long run.
- In addition, Ram rating Lanka has affirmed Nawaloka Hospitals PLC respective long and short term corporate credit ratings at “A” (with a stable outlook) and “P2”.



Chairman was honoured with the special achievement award by Asia Pacific Entrepreneurship for the 2011/12.

- Investment in medical technologies is a key success factor in the industry. The hospital recently introduced 3 TESLA MRI SCANNER for better diagnostic treatment. This adds to a long line of firsts introduced to the private sector, including the first CT Scanner, Mammography Unit, Cardiac Catheterization laboratory, MRI Scanner, Laser Eye surgery.
- Nawaloka health screening centre endeavours to prevent its customers from Non Communicable Diseases. The Serene Health Screening Centre offers customers a range of customized screening packages, conducted by skilled medical specialists followed by one-on-one consultations. The Centre also offers Weight Management Surgery such as gastric bypass, Lap Banding and sleeve gastronomy for those with severe obesity. There are specially designed packages for heart diseases, osteoporosis, cataract surgeries, health of men and women of different ages and life styles as well.
- The company has established the Pain Management Centre which has many facets often not received its due attention especially chronic pain due to many conditions such as long term illnesses, such as cancer.
- Nawaloka Centre for Liver Disease has been established with the team of experts such as Gastroenterologists, Gastroenterological Surgeons Hepatobiliary Surgeons, Interventional Radiologists, and Pathologists who will address all aspects of this common condition.

Sustainability



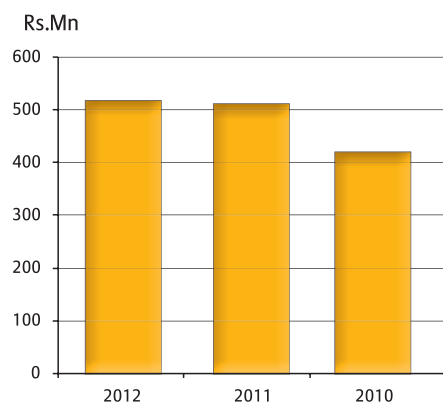
Automated Lab Procedure

your home or office for a nominal transport charge whereas the laboratory test rates are as same as Nawaloka Hospital OPD Laboratory rates. This service thus enables our patrons to have the lab tests done at the convenience of home. This service will benefit especially elderly patients and busy professionals.



- Nawaloka was awarded 5 crowns for food hygiene through a public-private partnership with Ceylon Municipal Council. The state of the art kitchen at the hospital prepares high quality hygienic food to suit the dietary demands of patients as prescribed. A highly qualified chef and his able team take a personal interest in ensuring that food is nutritious and palatable.

Capital Expenditure



- As a initiative to improve the customer caring and satisfaction, we introduce the online bill settlement facility during the year. We are getting favourable response from the customers by using such facility.



Excellence



in Leadership

A pioneering state-of-the-art institution, Nawaloka Hospitals spearheads the private healthcare sector - benchmarking the industry in latest medical technologies



Corporate Governance

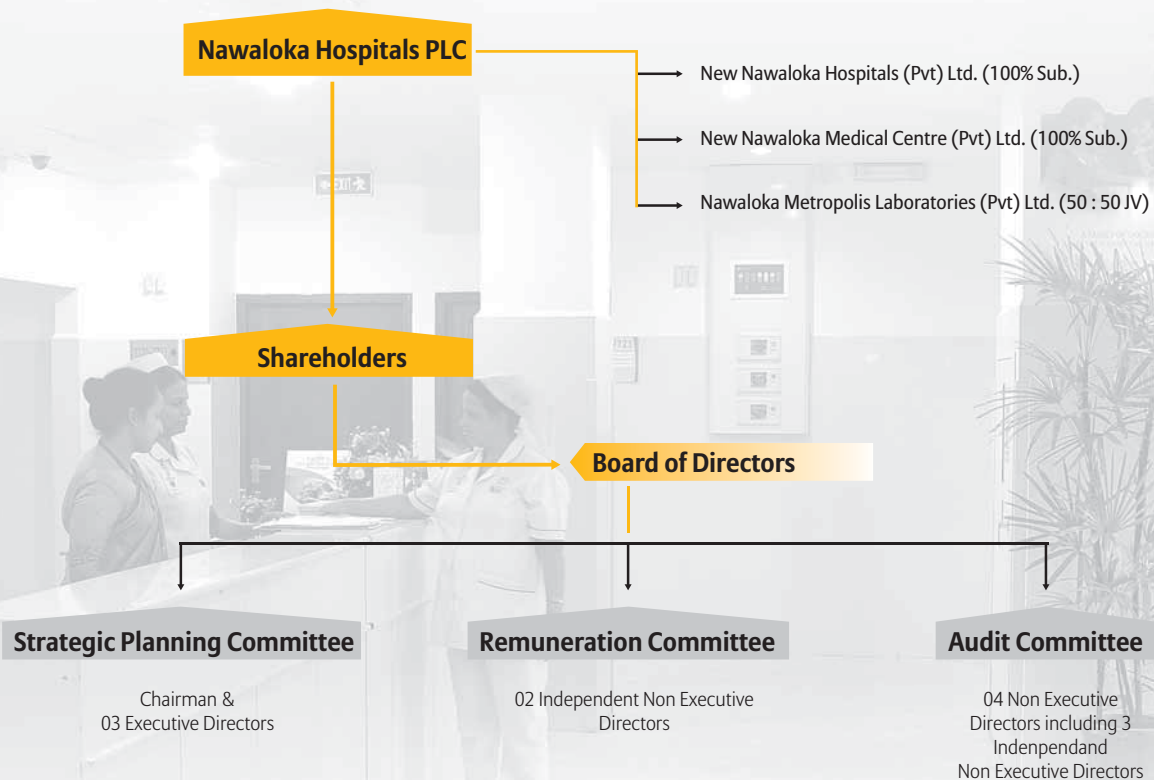
Nawaloka Hospitals PLC has introduced its Corporate Governance policies and practices to ensure that it focuses its responsibilities towards its stakeholders and create long term stakeholder value.

The Board of Nawaloka Hospitals PLC has the accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Company including financial, operational and compliance with Corporate Governance and risk management. The Company understands the level of importance for good governance in their business practices.

The Company has adopted the Code of Best practice on Corporate Governance by the Securities & Exchange Commission and the institute of Chartered Accountants of Sri Lanka and has endeavoured to adhere to it as much as possible.

Such adherence to the Corporate Governance practices by the Company are illustrated below.

Corporate Governance Structure



Corporate Governance

Corporate Governance Principle	SEC & ICASL Code reference	Adoption Status	Level of Compliance by Nawaloka Hospitals PLC
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A. DIRECTORS																																										
A.1 The Board																																										
The Code requires that the Company should be headed by an effective Board which should direct, lead and control the Company.																																										
Meeting	A.1.1	Adopted	<p>The Board met 11 times to discuss the strategic issues, spreading the four quarters. All agreed strategic directions are reviewed and new plans are discussed. All meetings are called well in advance and directors are expected to participate at the meetings the Board discusses the material matters and identifies feasible solutions. Attendance of the Board of directors at the meetings as follows ;</p> <p>Number of Board Meeting held during the 2011/2012</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Number of Meeting Attended</th> <th>Attendance Percentage</th> </tr> </thead> <tbody> <tr> <td>Deshamanya H. K. Dharmadasa (Deceased on 10.08.211)</td> <td>1</td> <td>9.1%</td> </tr> <tr> <td>Mr. H.K. J. Dharmadasa</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Mr. R. T. Wijetilleke</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Deshabandu Tilak de Zoysa</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Prof. Lal Chandrasena</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Mr. T. K. Bandaranayake</td> <td>11</td> <td>100%</td> </tr> <tr> <td>Mr. U. H. Dharmadasa</td> <td>11</td> <td>100%</td> </tr> <tr> <td>Mr. A. G. Dharmadasa</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Ms. A. G. Dharmadasa</td> <td>10</td> <td>90.9%</td> </tr> <tr> <td>Dr. T. Senthilverl (appointed w.e.f. 28.02.2012)</td> <td>1</td> <td>9.1%</td> </tr> <tr> <td>Mr. Damian Sunil Abeyratna (appointed w.e.f. 28.02.2012)</td> <td>-</td> <td>-</td> </tr> <tr> <td>Mr. H.K. U. Dharmadasa (Resigned w.e.f. 22.11.2011)</td> <td>7</td> <td>63.6%</td> </tr> </tbody> </table>	Name of Director	Number of Meeting Attended	Attendance Percentage	Deshamanya H. K. Dharmadasa (Deceased on 10.08.211)	1	9.1%	Mr. H.K. J. Dharmadasa	10	90.9%	Mr. R. T. Wijetilleke	10	90.9%	Deshabandu Tilak de Zoysa	10	90.9%	Prof. Lal Chandrasena	10	90.9%	Mr. T. K. Bandaranayake	11	100%	Mr. U. H. Dharmadasa	11	100%	Mr. A. G. Dharmadasa	10	90.9%	Ms. A. G. Dharmadasa	10	90.9%	Dr. T. Senthilverl (appointed w.e.f. 28.02.2012)	1	9.1%	Mr. Damian Sunil Abeyratna (appointed w.e.f. 28.02.2012)	-	-	Mr. H.K. U. Dharmadasa (Resigned w.e.f. 22.11.2011)	7	63.6%
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Board Responsibilities	A.1.2	Adopted	<p>The Board has always been possessed with the skills and knowledge required in managing the business and to formulate strategies.</p> <p>Non Executive Directors are always invited to contribute their independent judgment towards the business strategies.</p> <p>The Board has always maintained a robust risk management system and sound internal control practices in the Company.</p> <p>Non Executive Directors regularly analyse whether the internal control practices are sound, in the business.</p>																																							
Rules & Regulations	A.1.3	Adopted	<p>The Board collectively and the Directors individually have acted in accordance with the laws and regulations of the country and those applicable to Companies.</p> <p>The Company had always taken independent professional advice for their strategic directions whenever required, at the Company's expense.</p>																																							

Corporate Governance

Company Secretaries	A.1.4	Adopted	All Directors have direct access to the Company Secretaries. The Company Secretaries ensure that the Company is operated within the frame work of the rules and procedures and further ensures that the information that is being circulated is done smoothly, across the Board including to Non Executive Directors.
Independence Judgment	A.1.5	Adopted	The Directors are encouraged to bring their independent professional judgment towards the business decision. The Board creates a forum to discuss the suggestions and to identify the best solution for the Company.
Adequate time and effort	A.1.6	Adopted	The Chairman and the members dedicate adequate time for their duties. All Board meetings are fixed well in advance for preparation. The Company secretaries ensures all requested information are delivered to Directors for their independent evaluation. In addition to the Board meetings, Directors attend the following Sub Committees. Remuneration Committee; Audit Committee; Strategic Planning Committee.
Training	A.1.7	Adopted	New directors are given the adequate inductions for their role as Directors. All Directors have recognized the need for continuous training and expansion of their knowledge and skill required to effectively perform their duties.
A.2 Chairman and Chief Executive Officer The Code requires clear division of responsibilities of the Chairman and Chief Executive Officer.			
Division of Responsibilities of Chairman and Chief Executive Officer	A.2.1	Adopted	Role of the Chairman and Chief Executive officer are held by one person . The Chief Executive officer's role includes developing and implementing high-level strategies, and making major corporate decisions. In the role of Chairman, he will act as the main point of communication between the Board of Directors and the shareholders and guide their directions. In his Chief Executive Officer' role he will lead to developing and implementing high-level strategies and making major corporate decisions.
A.3 Chairman's role The Code requires the Chairman's role for good Corporate Governance. The Chairman is responsible in running the Board. The Chairman should ensure the effective discharge of Board functions			
Role of the Chairman	A.3.1	Adopted	The Chairman is responsible for leadership of the Board. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns. Further, the Chairman ensures that the adequate balance of power between Executive and Non Executive Directors, is maintained.

Corporate Governance

A.4 Financial Acumen The Code requires the Board to ensure the availability within it, those with sufficient financial acumen and knowledge to offer guidance on matters of finance			
Availability of sufficient financial acumen	A.4	Adopted	The Board is equipped with sufficient financial acumen as most of the Board members have sound financial knowledge and hold fellowship of the respective professional accounting bodies and have immense experience in the Corporate Sector.
A.5 Board balance The Code prefers the Board to have a balance of Executive and Non Executive Directors such that no individual or small group of individuals can dominate the Board's decision making			
Adequate number of Non Executive Directors	A.5.1	Adopted	The Board consists of ten Directors out of which five directors are Non Executive Directors. This has ensured that no additional powers are vested in individuals or small group of individuals to dominate the Board.
Adequate number of Independent Non Executive Directors	A.5.2	Adopted	The Board consists of Four Independent Non Executive Directors out of Five Non Executive Directors.
Independency of directors	A.5.3	Adopted	All Four Independent Non executive Directors are free from any material relationship with the Company, to maintain their level of independence.
Signed declaration of independence by the Non Executive Director	A.5.4	Adopted	All Non Executive Directors have made written declarations to declare the level of independence.
Declaration in the Annual Report	A.5.5	Adopted	The Board has determined the independence and non independence of the Non Executive Directors based on the declaration and based on the information available to the Board. The following Non executive Directors have been declared as the Independent Non Executive Directors * Rienzie Theobald Wijetilleke * Deshabandu Tilak de Zoysa * Tissa K Bandaranayake * Sunil Abeyratna
Senior Independent Director	A.5.6	Adopted	Deshabandu Tilak de Zoysa has been appointed as the Senior Independent Director, as role of Chairman and Chief Executive Officer is not separated.
Confidential Discussion with Senior Independent Director	A. 5.7	Adopted	Senior Independent Director has made himself available for any material discussion with any of the Directors.
Meeting with Chairman and Non Executive Directors	A.5.8	Adopted	Chairman meets with the Non Executive Directors when the need has arisen.
Recording of concerns in Board minutes	A.5.9	Adopted	All concerns that arise would be resolved amicably . However such need has not arisen.

Corporate Governance

A.6 Supply of Information The Code requires that the Board should be fully equipped with timely information to discharge their duties			
Timely Information	A.6.1	Adopted	The Board was fully provided with the information required for decision making, from the Management information system, by way of proposals. The Board always requests from the Management, for any further information required.
Board Papers	A.6.2	Adopted	The Board Papers are sent at least one week in advance for the Board meeting for initial preparation.
A.7 Appointments to the Board The Code requires to maintain a transparent procedure for the appointment of New Directors to the Board			
Assessment of Board Composition	A.7.2	Adopted	The Board as a whole annually assess the composition of the Board to match with the Business requirements. New Board Members are appointed based on the needs that arise.
Disclosure to Shareholders	A.7.3	Adopted	The Board has disclosed the appointments of New Directors to the Colombo Stock Exchange with the material information for dissemination to the public.
A.8 Re Election The Code requires to submit themselves for re - election at regular intervals and at least once in every three years			
Appointment of Non Executive Directors	A.8.1	Adopted	Election procedure of the Board of Directors have been followed as per the Articles of Association of the Company.
Election of the Directors	A.8.2	Adopted	Directors are reappointed at the Annual General Meeting.
A.9 Appraisal of Board Performance The Code requires the board to appraise their own performance in order to ensure that the board responsibilities are satisfactorily discharged			
Appraisal of Board Performance	A.9.1	Adopted	The Board has annually assessed the Board performances including self evaluation of individual performances based on preset criteria.
Appraisal of self performance	A.9.2	Adopted	Please refer above comment.
Performance criteria	A.9.3	Adopted	Please refer above comment.
A.10 Disclosure of Information in Respect of Directors The Code requires the Shareholders to be kept advised of relevant details in respect of Directors			
Disclosure in Annual Report	A.10.1	Adopted	Please refer the Pages 10 to 13 for the profiles of the Directors.
A.11 The Board should be required to evaluate annually the performance of the Chief Executive Officer			
Targets	A.11.1	Adopted	In each financial year , the Board has set short term , medium term and long term targets in consultation with the Chief Executive Officer along with it's objectives.
Evaluation of the targets	A.11.2	Adopted	There is an ongoing process of evaluating the performance of the Chief Executive Officer in achieving the set targets.

Corporate Governance

B. DIRECTOR'S REMUNERATION			
B.1 Remuneration Procedure			
The Code requires companies to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors			
Remuneration Committee	B.1.1	Adopted	The Company has established a Remuneration Committee to make recommendations to the Board within the agreed terms of reference for remunerating the Executive Directors.
Composition of the remuneration Committee	B.1.2 B.1.3	Adopted Adopted	Remuneration Committee comprises as follows Tilak de Zoysa - Senior Independent Non Executive Director Mr Tissa Bandaranayake -Independent Non Executive Director
Remuneration of the Non Executive Directors	B.1.4	Adopted	The Board collectively decides the remuneration of the Non Executive Directors. Non Executive Directors receive a fee for attending Board Meetings as well as being present at the committee Meetings.
Advices to the Chairman and Chief Executive Officer	B.1.5	Adopted	The Chairman and the Chief Executive Officer obtain advice from the Remuneration Committee for the remuneration of the Executive Directors.
B.2 The Level and Make up of Remuneration			
The Code requires to maintain the level of remuneration of both Executive and Non Executive Directors to satisfy and retain the Directors to run the Company successfully. Further a proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.			
Remuneration for Executive Directors	B.2.1	Adopted	The Company is mindful to pay an attractive remuneration to the Executive Directors to retain and motivate them . The Remuneration package has been designed to enhance the value of Shareholders through achieving the Company's medium term and the long term objectives.
Comparison between similar companies	B.2.2	Adopted	The Remuneration Committee decides the remuneration taking in to consideration the levels of remuneration paid by the other comparable Companies.
Comparison of Remuneration across the group	B.2.3	Adopted	The Size of the Company is not comparable with any company in the group.
Performance based remuneration to the Executive Directors	B.2.4	Adopted	Refer the Comment for B.2.1.
Executive Share Option	B.2.5	N/A	The Company has not given any share option during this financial year.
Deciding the Performance related remuneration	B.2.6	Adopted	The Company has taken into consideration of the guidelines given in Schedule D in deciding the performance related remuneration.
Early termination of Directors	B.2.7	N/A	Not applicable to the Board except CEO where the terms of employment is governed by the contract of service.
Early termination of Directors, not included in the contract	B.2.8	N/A	Refer above comment. B.2.7
Remuneration of Non Executive Directors	B.2.9	Adopted	Non Executive Directors receive a fee in line with the market price. No share option scheme has been given to the Non Executive Directors.

Corporate Governance

B.3 Disclosure of Remuneration The Code requires a disclosure of the Remuneration policy in the Annual Report			
B.3.1 Disclosure of Remuneration	B.3.1	Adopted	Remuneration committee has been headed by a Non Executive Director. Please refer the comment on B.1.3 for the required information. Remuneration policy focuses upon compensating employees for the services they provide to the Company and to retain employees with skills required to effectively manage the operations. The Committee reviews the data on the performance of the employees and adequately rewards and promotes them to retain and motivate them in employment.
C RELATIONS WITH SHAREHOLDERS C.1 Constructive Use of the Annual General Meeting and Conduct of General Meetings The Code requires the Board to use the Annual General Meeting to communicate with shareholders and encourage their participation			
Use of Proxy votes	C.1.1	Adopted	The Company has a mechanism to record the proxy votes and proxy votes lodged for each resolution.
Separate resolutions	C.1.2	Adopted	The Company proposes separate resolutions for each item to give the opportunity to shareholders to vote for each separately.
Availability of the Chairmen of Audit, Remuneration and Nomination Committee	C.1.3	Adopted	The Company makes available the Chairmen of Audit, Remuneration and Nomination Committee to answer any questions of shareholders.
Notice for the meeting	C.1.4	Adopted	The Annual Report is sent to each shareholder well in advance for their early preparation for the Annual General Meeting. All Questions are answered in the Annual General Meeting.
Procedures of voting at General meeting	C.1.5	Adopted	Voting Procedures at the General Meeting have been circulated to the Shareholders and is available in the Articles of Association.
C.2 Major Transactions The Code requires to disclose all material transactions to shareholders which would materially alter/vary the Company's net asset base or in the case of a Company with subsidiaries, the consolidated group net asset base			
Major Transactions	C.2.1	Adopted	All material transactions have been disclosed to the shareholders.
D. ACCOUNTABILITY & AUDIT D.1 Financial Reporting The Board is required to present a balanced and understandable assessment of the company's financial position, performance and prospects			
Statutory Reporting	D.1.1	Adopted	The Company has presented the following public reports to disclose information to shareholders as well as to comply with the regulatory and statutory requirements. * Quarterly Financial Statements * Annual Report The Company has strictly complied with the requirements of the Companies Act No 07 of 2007. The financial statements are prepared based on the Sri Lanka Accounting Standards.
Director's Report	D.1.2	Adopted	Refer Pages 25 to 30
Auditor's Report	D.1.3	Adopted	Refer Page 59

Corporate Governance

Management Discussion & Analysis	D.1.4	Adopted	Refer Pages 22 to 24
Declaration by the Board that the business is going concern	D.1.5	Adopted	Refer Pages 29 "Going Concern"
Summoning an Extraordinary General Meeting to notify loss of capital	D.1.6	Adopted	Such circumstances has not arisen. If such situation arises an Extraordinary General Meeting will be called to inform the Shareholders.
D.2 Internal Control The Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investments and the company's assets			
Review of the Internal control	D.2.1	Adopted	The Board evaluated the effectiveness of the internal control system in the Company to safeguard shareholders investment. The Board of Directors were satisfied of the level of internal controls presence in the business operations.
Need for internal audit function	D.2.2	Adopted	The Company has an in house audit function.
D.3 Audit Committee The Company is required to establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with company's auditors			
Composition of Audit Committee	D.3.1	Adopted	The Audit Committee is comprised of four Independent Directors * Mr Tissa Kumara Bandaranayake (Chairman) - Independent Non Executive Director * Mr. Rienzie T Wijetilleke - Independent Non Executive Director * Deshabandu Tilak de Zoysa - Senior Independent Non Executive Director * Mr. Damian Sunil Abeyratna - Independent Non Executive Director - appointed with effect from 20th March 2012 * Mr. H.K. Upali Dharmadasa - Resigned with effect from 22nd November 2011.
Duties of Audit Committee	D.3.2	Adopted	The Audit Committee has monitored the independence and effectiveness of the Auditors, objectively. Further, the Committee has evaluated the nature of the non audit services carried out by the Auditors. (Refer page 55)
Terms of Reference of the Audit Committee	D.3.3	Adopted	The Audit Committee is guided by the Committee Charter which is reviewed annually. The Committee assists the Board in the following matters :- - Preparation, Presentation and adequacy of disclosures in the Financial Statements. * Compliance with financial reporting requirements, information requirements of the Companies Act and other financial reporting related regulations and requirements. * Ensures the internal control system of the Company. * Ability to continue as a going concern in the foreseeable future. * Independent and performance of the Company's external auditors.

Corporate Governance

Disclosure	D.3.4	Adopted	Refer the pages 55 and 56.
D.4 Code of Business Conduct & ethics The Code requires the Company to develop a Code of ethics for Directors and members of the Senior Management team.			
Code of Business conduct and ethics	D.4.1	Adopted	The Company has developed a business conduct and ethics focusing upon the following important areas * Conflict of Interest * Corporate Opportunities * Confidentially * Fair dealing * Protection and proper use of Company's assets * Compliance with rules and regulations * Encouraging the reporting of any illegal or unethical behaviour
Affirmation the code and ethics	D.4.2	Adopted	Refer Chairman's report at pages 18 to 20.
D.5 Corporate Governance Disclosures Directors are required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance			
Disclosure of Corporate Governance	D.5.1	Adopted	The Report addresses this requirement.
E. INSTITUTIONAL SHAREHOLDERS E.1 Shareholder Voting The Institutional Shareholders are required to make considered use of their votes and should be encouraged to ensure that their voting intentions are translated into practice			
Dialogues with Shareholders	E.1.1	Adopted	The Annual General Meeting is used as a forum to have an effective communication with the shareholders. All Concerns of the Shareholders are minuted and evaluated thereafter.
E.2 Evaluation of Governance Disclosure The Code requires the company to encourage Institutional Investors to give due weight to all relevant factors in Board Structure and composition			
F. OTHER INVESTORS F.1 Investing/Divesting Decision			
Individual Shareholders	F.1	Adopted	Individual Shareholders are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.
F.2 Shareholder Voting			
Individual Shareholder voting	F.2	Adopted	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.



Excellence in Compliance

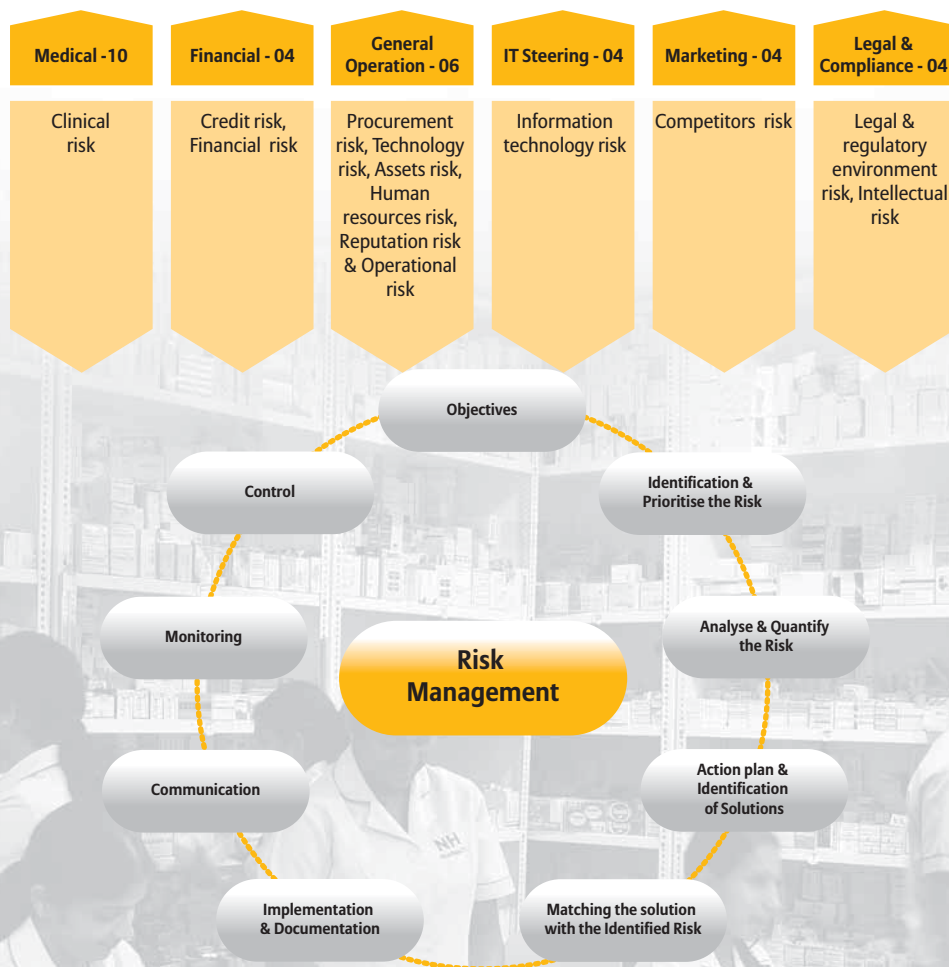
In strict compliance with Local authority regulations and quality certifications, Nawaloka Hospitals is an ethical corporate citizen

Risk Management

Managing Risk is recognized as one of the core activities of Nawaloka Hospitals PLC. Risk Management is about making the tactical and Strategic decision to control those risks that should be controlled and exploit those opportunities that can be exploited.

The Board of Directors has established a risk management committee consisting of sub committees lead by divisional heads.

RISK MANAGEMENT COMMITTEE – 32members



The risk management committee meets formally on a regular basis to formulate business objectives and strategies in the short term to achieve our vision and mission in the long term. First, risks to achieving objectives are identified; they are evaluated to decide on appropriate response action, after which the response action is implemented. However, the head of the risk management committee can convene frequent add hoc meetings with divisional heads whenever necessary to advise on the implementation of preventive action and to review the identified risks.

Risk Management

Identified Risk	Responding Actions	Objectives
Financial Risk: This includes risk related to capital structure and projects invested, asset utilization etc...	<ul style="list-style-type: none"> • Timely appropriate decision on Funding, investing & dividend payment. • Proper management of working capital. • Use of compatible concepts in financing and investing. • Negotiation of favourable credit terms and discounts. • Appropriate funding strategies. 	<ul style="list-style-type: none"> • Maintain liquidity while maximizing profit. • Appropriate capital structure and gearing. • Minimize the adverse impact of changes in financial market, compliance with covenants.
Operational Risk: Risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.	<ul style="list-style-type: none"> • Review and continuously update controls according to the changes in business operations. • Regularly analyse by cause the deviations and losses and take action to improve systems and controls to prevent recurrence in the future. • Revise and implement business continuity planning. • Ensure that effective independent Internal Audits are carried out with objectivity. • Take timely actions on the recommendation given by Internal Audit. 	<ul style="list-style-type: none"> • Eradicate opportunities for misappropriation. • Reduce wastage and increase cost saving. • Ensure controls are adequate to curtail business processes and minimize human error and systems and procedural failures.
Clinical Risk:	<ul style="list-style-type: none"> • Create high quality medical and safety standards. • Identify any potential risk to involved parties and take preventive actions. • We adhere to international therapist and diagnostic norms to ensure that we comply with WHO standards. • In addition ISO Internal /External Audits are carried out to maintain ISO procedures. 	<ul style="list-style-type: none"> • Ensure the provision of a quality service to the patients.
Human Resources Risk:	<ul style="list-style-type: none"> • Proper HR and remuneration policies to be in place. • Provide training and develop staff skills and knowledge. • Plan career path progress and succession planning. • Job rotation and staff training for multiple skills. • Improve decision making processes by motivating employees. 	<ul style="list-style-type: none"> • Reduce staff turnover. • Reduce dependence on individual staff. • Retain top performers.
Information Technology Risk:	<ul style="list-style-type: none"> • Service level maintenance agreement for hardware and software. • Security implementation with firewall and virus protection. • Online and off line backup procedures for application data storage. • Mirror Data storage. • Alternative connections for servers. • Hardware backup. • Regular health checks of the systems and networks. • Error logs and user logs maintenance. • Ad hoc back up restorations. • Implementation of disaster recovery plan. 	<ul style="list-style-type: none"> • Zero losses of data during a system down time. • Zero down time of the application servers connectivity.

Risk Management

Identified Risk	Responding Actions	Objectives
Reputation Risk:	<ul style="list-style-type: none"> Focus on treating employees, patients, doctors, suppliers, communities and the environment in the optimum way to achieve company objectives. Maintain regular and effective communication with shareholders. Maintain constant improvement in the quality of the output of the organization. 	<ul style="list-style-type: none"> Maintain a good image among the company's stakeholders and ensure its positive impact on business.
Legal & Regulatory Environment Risk: Non Compliance with the Laws and Regulation and legal regulatory environment.	<ul style="list-style-type: none"> Ensure compliance with laws and regulation with legal advice. Minimize claims arising from litigations made by clients by providing proper adequate service. Reliability. Maintain an accurate patient data base. 	<ul style="list-style-type: none"> Comply with all statutory or regulatory obligations.
Asset Risk Including Information: (Impact on the company assets due to theft, natural disaster or human error)	<ul style="list-style-type: none"> Appropriate insurance covers for indentified risks. Back-up of vital machinery and equipment components. Restrict access to information and ensure employee awareness of the importance of the confidentiality of patient data. 	<ul style="list-style-type: none"> Minimize breakdown of equipment and other assets. Minimize the cost of information. Minimize the loss of assets due to fire and theft.
Technological Obsolescence Risk: (The impact of changing technology on the company's operations.)	<ul style="list-style-type: none"> Competent bio-medical team to keep up to date with developments in medical equipment and introduce new technology to maintain high technological standards and continuous investment in medical equipment. 	<ul style="list-style-type: none"> Employ all available highly advanced equipment to provide a better quality service to patients.
Procurement Risk. Includes buying quality products on time.	<ul style="list-style-type: none"> Ensure standardized quality. Establish relationship with multiple suppliers. Negotiate for better prices and discounts. 	<ul style="list-style-type: none"> Minimize instances of running out of stock. Minimize the effect of price increases. Quality of pharmaceutical products maintained.
Credit Risk. Includes defaults of debtors and other parties who obtain credit from the organization	<ul style="list-style-type: none"> Company evaluates credit worthiness of companies before granting credit and has a good credit policy. Timely collection from patients is carried out. 	<ul style="list-style-type: none"> Reduce debtors' defaults.
Intellectual Risk: This includes the use of the company's brand name by other parties.	<ul style="list-style-type: none"> Create brand awareness through good advertising and marketing. 	<ul style="list-style-type: none"> To protect against brand infringement.
Competition Risk: The possibility of fluctuation in revenue caused by changes in market variables and competitors.	<ul style="list-style-type: none"> Increase service quality by adopting market developments in the continuously changing environment. Good customer relationships. Provide better quality at affordable prices. 	<ul style="list-style-type: none"> Protect and expand market share.

Audit Committee Report

In keeping with the code of best practice on Corporate Governance and the requirements of the Securities and Exchange Commission for public limited companies, Nawaloka Hospitals PLC has established an Audit Committee whose functions, authority and duties have been clearly identified in the Audit Committee Charter. This Charter integrates all the requirements of the Securities and Exchange Commission and code of best practice on Corporate Governance.

The role of the audit committee to oversee the financial reporting system of the company with a view to safeguarding the interests of all the stakeholders and ensuring that it has been extended to its subsidiaries. This includes selecting and applying appropriate accounting policies for the purpose of financial reporting, ensuring sound internal control principles and its effective implementation, ensuring the integrity of financial statements and maintaining an appropriate independent relationship with the Company Auditors.

Formation and Composition of the Committee

The Audit Committee was established by the Board with formal and transparent arrangements and it comprises three Independent Non-Executive Directors and one Non-Executive, Non-Independent Director.

The Chairman of the Audit committee is Mr.T.K.Bandaranayake, who is an independent Non-Executive Director, a fellow member of the Institute of Chartered Accountants of Sri Lanka and a former Senior partner of Messrs. Ernst and Young, Chartered Accountants with expert knowledge in accounting and finance.

Duties and responsibilities.

In brief, the duties & responsibilities performed by the Audit Committee are as follows:-

External Audit	<ul style="list-style-type: none"> • Recommending the reappointment of Messrs. KPMG (Chartered Accountants), as Auditors of Nawaloka Hospitals PLC for the financial year ending 31 March 2013. • Examine any non-audit work performed by the auditor and the fees there on to ensure that their objectivity and independence is not impaired. • Reviewing the scope and result of the audit and its effectiveness. • Discussing with the external auditors before commencement of the audit and at the conclusion of the audit, in relation to audit plan, key audit issues and their resolution, management responses and the remuneration of the Auditors.
Compliance with Laws & Regulations and company policies	<ul style="list-style-type: none"> • Reviewing and Discussing with the Management and Auditors regarding quarterly financial statements. • Reviewing the extent of compliance with the laws of the country, governmental regulations, listing rules and established policies of the company.

Members of the Audit Committee

Name of Director	Non Executive	Independent
1. Mr. T. K Bandaranayake (Chairman)	✓	✓
2. Mr. Rienzie T. Wijetilleke	✓	✓
3. Deshabandu Tilak De Zoysa	✓	✓
4. Mr. S. Abeyratne	✓	✓

Broad Purpose of the Audit Committee

The Audit Committee assisted the board in the following manner:

- Ensuring that the preparation and presentation of and adequacy of disclosure in the Financial Statements are in accordance with SLAS and with the requirements of the Companies Act No 07 of 2007 and other relevant financial reporting related regulatory requirements.
- Reviewing the appropriateness of the procedures in place for the identification, evaluation and management of business risks whilst seeing that the systems of internal control with regard to all functions are adequate and functioning properly.
- Assessing the company's ability to continue as a going concern in the foreseeable future and also in addition, ensuring compliance with Laws and Company policies.
- Overseeing of the independence and performance of the company's external auditors.

Audit Committee Report

Internal controls and Internal Audit	<ul style="list-style-type: none"> • Reviewing the Internal Audit function and making recommendations. • Ensuring that there are satisfactory arrangements for monitoring internal control in keeping with delegated authorities. • Establishing mechanisms for the confidential receipt and treatment of complaints alleging fraud received from internal / external sources and pertaining to internal control, accounting or other such matters. This is currently in progress. • Monitoring the implementation of strategies, plans, as well as the manning of organization for internal auditing in line with the methodologies promulgated as best practices. • Setting clear hiring policies for employees or former employees of the auditors (without impairing audit independence) and other internal controls related to IT, HR, Finance, Marketing and Administration etc, and ensuring that these are soundly conceived and effectively administered to seek assurance that the control systems are in place, and operating efficiently and are regularly monitored.
Risk Management	<ul style="list-style-type: none"> • Monitoring the policies and practices related to risk management. • Obtaining a statements of business risks; evaluating the severity, the process in place for the management of these risks and persons responsible for the management of risk within specified time frames.
Financial Statements	<ul style="list-style-type: none"> • Ensuring proper standardized updated systems for financial reporting. • Hold meeting with Head of Finance to ensure the proper control and segregation of duties to minimize risk. • Review Company's quarterly unaudited and annual audited financial statements and making recommendations to the Board their release.

Meetings

The Audit Committee held four meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors. The attendance of members for these meetings is given below.

Name of Director	Number of Meetings Attended	Attendance Percentage
Mr.T.K. Bandaranayake	4	100%
Mr. RiezieT.Wijetilleke	4	100%
Deshabandu Tilak De Zoysa	2	50%
Mr. Upali Dharmadasa (Resigned w.e.f 22.11.2011)	2	50%
Mr. S. Abeyratna (Appointed w.e.f 20.03.2012)	-	-

The committee has provided the Chairman of the audit committee with all powers to convene regular meetings with the Financial Controller, Internal Audit, Sectional Heads and Company's external auditors separately and periodically.

External Auditors

The audit committee upholds the view that any services which are provided in addition to the scope of the statutory audit provided by Messrs. KPMG (Chartered Accountants) have not impaired the independence of the auditor in accordance with the regulations and recommendations of the Institute of Chartered Accountants of Sri Lanka.

Evaluation of the Effectiveness of the Committee

The Board review and update the committee Charter annually according to the changes in business operations of the organization. The minutes of the meeting and other reports from audit committee are submitted to the Board of Directors, and also in addition, plans have been initiated for the Non-Committee members to evaluate the Committee on an annual basis by the way of a checklist.

Chairman, Audit Committee

18 th May 2012

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement.

The Board of Directors of Nawaloka Hospitals PLC are responsible under Section 148 of the Companies Act No. 7 of 2007 for keeping proper accounting records which disclose reasonable accuracy, at any time, the financial position of the Company and of the Group and to enable them to ensure that the Financial Statements comply with, inter alia the Companies Act No. 7 of 2007.

In preparing these Financial Statements, the Directors of the Company have to comply with the requirements specified in Sections 150(1), 151(1) 152(1) and 153(1) of the Companies Act No. 7 of 2007. In accordance therewith the Directors of the Company and the Group maintain proper Books of Accounts of all the transactions and prepare Financial Statements that give a true and fair view of the state of affairs of the Company at the Balance Sheet date and the Profit or Loss for the year ending on that Balance Sheet date.

Accordingly, the Directors are of the view that:-

- 1) Appropriate accounting policies have been selected and applied in a consistent manner and material departures if any, have been disclosed and explained;
- 2) All applicable and relevant Accounting Standards have been followed; and
- 3) They have exercised due and proper judgment and estimates which are reasonable and prudent.

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the person responsible for its preparation, as required by the Act. Financial Statements of the Company and the Group have been signed by two Directors on May 18th, 2012 as required by Sections 150(1) (c) and 152(1)(c) of the Companies Act. Accordingly, the Board of Directors wish to confirm that they have complied with all the requirements of the Companies Act No. 7 of 2007 and have also met all the requirements under Section 7 of the Listing Rules of the Colombo Stock Exchange.

The Directors also have taken reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal controls and

an effective system of monitoring its effectiveness, internal audit being one of them. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective reviews conducted by the Committee. The Report of the Audit Committee is at pages 55 and 56 of this Annual Report.

The Directors are also of the view that the Company has adequate resources to continue in business for the foreseeable future and have applied the "Going Concern" basis in preparing these Financial Statements.

The Directors are confident that they have discharged their responsibility as set out in the statement.

Compliance Report

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

By order of the Board

Sgd.

EM & EN Agents and Secretaries (Private) Limited
Company Secretaries

18th May, 2012

Financial Calendar

2010/2011

1st quarter results released on 5th August 2010
2nd quarter results released on 15th November 2010
3rd quarter results released on 8th February 2011
4th quarter results released on 15th May 2011
Annual Report for 2010/11 - June 2011
Annual General meeting - 28th June 2011

2011/2012

1st quarter results released on 10th August 2011
2nd quarter results released on 14th November 2011
3rd quarter results released on 10th February 2012
4th quarter results released on 25th May 2012
Annual Report for 2011/12 - June 2012
Annual General meeting - 28th June 2012

2012/2013

1st quarter results - August 2012
2nd quarter results - November 2012
3rd quarter results - February 2013
4th quarter results - May 2013
Annual Report for 2012/13 - June 2013
Annual General meeting - June 2013

Independent Auditors' Report



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(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300,
Sri Lanka.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NAWALOKA HOSPITALS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Nawaloka Hospitals PLC, the consolidated financial statements of the Company and its subsidiaries as at 31 March 2012 which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 84 of the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its Profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the Profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG
Chartered Accountants
Colombo, Sri Lanka
18 May 2012.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

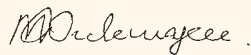
Balance Sheet

As at 31st March		GROUP		COMPANY	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
ASSETS					
Non Current Assets					
Property, Plant and Equipment	2	3,703,343,671	3,458,065,196	1,450,825,003	1,115,632,729
Leasehold Right Over Land	3	236,693,614	239,628,771	52,189,226	53,082,194
Investment in Subsidiaries	4	-	-	945,933,056	945,933,056
Investment in Equity Accounted Investees	5.1	-	-	-	14,000,000
Investment in Joint Venture	6	-	-	2,500,000	2,500,000
Advance for Land	7	765,480,482	703,888,953	-	-
Total Non Current Assets		4,705,517,767	4,401,582,920	2,451,447,285	2,131,147,979
Current Assets					
Inventories	8	182,159,380	164,318,968	52,600,240	45,495,131
Trade and Other Receivables	9	229,400,740	178,117,010	158,975,531	117,505,192
Deposits and Advances		135,907,956	100,418,649	107,742,956	51,983,330
Income Tax Recoverable	18	-	-	6,365,175	444,855
Receivable from Related Parties	10	6,775,211	19,736,244	393,141,441	446,519,565
Cash at Banks and in Hand		102,632,849	24,298,372	35,717,876	9,968,644
Total Current Assets		656,876,136	486,889,243	754,543,219	671,916,717
Total Assets		5,362,393,903	4,888,472,163	3,205,990,504	2,803,064,696
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	11	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
Revaluation Reserve	12	763,760,190	763,760,190	-	-
Retained Earnings		1,199,293,114	999,081,831	288,788,146	206,900,328
Total Equity		3,170,442,180	2,970,230,897	1,496,177,022	1,414,289,204
Non Current Liabilities					
Provision for Retiring Gratuities	13	113,817,121	94,976,998	110,070,203	93,632,020
Deferred Tax	14	295,198,826	236,760,074	101,053,179	61,281,837
Borrowings falling due after one year	15	504,163,718	314,043,228	182,068,060	136,909,572
Finance Leases Payable after one year	16	140,000,000	148,000,000	-	-
Total Non Current Liabilities		1,053,179,665	793,780,300	393,191,442	291,823,429
Current Liabilities					
Trade Creditors and Other Payables	17	378,265,343	381,639,376	332,993,569	313,088,783
Advances and Refundable Deposits		42,137,536	14,210,309	36,380,133	7,863,649
Unclaimed Dividends		1,511,036	1,149,105	1,511,025	1,149,105
Income Tax Payable	18	1,982,491	16,312,847	-	-
Payable to Related Companies	19	31,707,800	83,902,543	455,685,199	307,472,378
Borrowings falling due within one year	15	244,564,853	213,821,527	114,194,864	142,334,858
Finance Leases Payable within one year	16	8,000,000	8,000,000	-	-
Bank Overdrafts		430,602,999	405,425,259	375,857,250	325,043,290
Total Current Liabilities		1,138,772,058	1,124,460,966	1,316,622,040	1,096,952,063
Total Liabilities		2,191,951,723	1,918,241,266	1,709,813,482	1,388,775,492
Total Equity and Liabilities		5,362,393,903	4,888,472,163	3,205,990,504	2,803,064,696
Net Assets Per Share		2.25	2.11	1.06	1.00

Notes form an Integral part of these Financial Statements.

Figures in brackets indicate deductions.


It is certified that the Financial Statements have been prepared and presented in compliance with the requirements of the companies Act No. 07 of 2007.

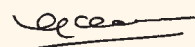


Head of Finance

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

Approved and signed for and on behalf of the Board of Directors;


Chairman/ Chief Executive Officer
 Colombo, 18th May 2012.


Director

Income Statement

For the year ended at 31st March		GROUP		COMPANY	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	20	3,710,878,442	3,233,035,096	1,806,857,492	1,608,036,836
Cost of Services		(1,823,670,511)	(1,645,969,580)	(876,040,195)	(767,116,507)
Gross Profit		1,887,207,931	1,587,065,516	930,817,297	840,920,329
Other Income	21	30,210,657	38,603,398	124,673,860	72,280,970
Staff Costs		(717,949,353)	(588,633,589)	(435,618,402)	(378,027,559)
Administrative Expenses		(723,871,776)	(682,292,331)	(377,621,826)	(362,535,986)
Other Operating Expenses		(16,568,929)	(30,741,270)	(15,433,727)	(24,792,354)
Profit from Operations	22	459,028,530	324,001,724	226,817,202	147,845,400
Profit/(Loss) on Disposal of Equity Accounted Investee	5.2	12,600,000	-	(1,400,000)	-
Share of Loss on Equity Accounted Investees	5.3	-	(2,469,078)	-	-
Profit on Sale of Galadari Shares	5.4	-	904,068,704	-	-
Finance Costs	23	(109,523,910)	(96,010,914)	(30,061,074)	(28,214,486)
Profit before Taxation		362,104,620	1,129,590,436	195,356,128	119,630,914
Taxation	24	(91,418,057)	(58,868,305)	(42,993,030)	(20,807,996)
Profit for the year		270,686,563	1,070,722,131	152,363,098	98,822,918
Net Profit Attributable to Equity Holders of the Company		270,686,563	1,070,722,131	152,363,098	98,822,918
Earnings Per Share	25	0.19	0.76	0.11	0.07

Notes annexed from an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

For the year ended at 31st March 2012	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
GROUP				
Balance as at 01 April 2010	1,207,388,876	732,343,725	(36,402,660)	1,903,329,941
Reversal of Deferred Tax due to decrease in Tax Rate	-	31,416,465	-	31,416,465
Profit for the year	-	-	1,070,722,131	1,070,722,131
Dividend Paid during the year	-	-	(35,237,640)	(35,237,640)
Balance as at 01 April 2011	1,207,388,876	763,760,190	999,081,831	2,970,230,897
Profit for the year	-	-	270,686,563	270,686,563
Dividend Paid during the year	-	-	(70,475,280)	(70,475,280)
Balance as at 31 March 2012	1,207,388,876	763,760,190	1,199,293,114	3,170,442,180
COMPANY				
Balance as at 31 March 2010	1,207,388,876	-	143,315,050	1,350,703,926
Profit for the year	-	-	98,822,918	98,822,918
Dividend Paid during the year	-	-	(35,237,640)	(35,237,640)
Balance as at 01 April 2011	1,207,388,876	-	206,900,328	1,414,289,204
Profit for the year	-	-	152,363,098	152,363,098
Dividend Paid during the year	-	-	(70,475,280)	(70,475,280)
Balance as at 31 March 2012	1,207,388,876	-	288,788,146	1,496,177,022

Notes annexed from an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the year ended at 31st March	GROUP		COMPANY	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash flows from Operating Activities				
Profit before Taxation	362,104,620	1,129,590,436	195,356,128	119,630,914
Adjustments for :				
Depreciation & Amortisation	277,126,192	237,544,113	155,131,276	126,747,661
Finance Cost	109,523,910	96,010,914	30,061,074	28,214,486
Interest Income	(474,820)	(3,121,056)	(148,956)	(68,245)
Share of loss of Equity Accounted Investees	-	2,469,078	-	-
Provision for Retiring Gratuity	29,967,601	18,485,576	27,549,878	17,830,596
Provision for Bad & Doubtful Debts	(2,855,707)	(6,908,969)	(1,407,673)	(5,500,140)
Profit on Sale of Shares in Associate	(12,600,000)	(904,068,704)	1,400,000	-
Profit on disposal of Property, Plant & Equipment	(947,616)	(12,200,000)	-	(12,200,000)
Operating Profit before Working Capital Changes	761,844,180	557,801,388	407,941,727	274,655,272
Changes in Working Capital				
Increase in Inventories	(17,840,413)	(31,844,802)	(7,105,109)	(16,735,841)
Increase in Debtors, Deposits & Advances	(83,917,330)	(16,821,033)	(95,822,293)	(3,704,811)
Increase/Decrease in Related Party Balances	(39,233,710)	(19,323,439)	201,590,945	401,884,032
Increase in Creditors & Other Payables	24,915,127	34,175,139	48,783,191	42,104,033
	(116,076,326)	(33,814,135)	147,446,734	423,547,413
Cash Generated from Operating Activities	645,767,854	523,987,253	555,388,461	698,202,685
Interest Paid	(109,523,910)	(96,010,914)	(30,061,074)	(28,214,486)
Gratuity Paid	(11,127,478)	(9,935,853)	(11,111,695)	(9,935,853)
Income Tax Paid	(47,309,661)	(53,229,631)	(9,142,008)	(20,003,785)
Net cash Generated from Operating Activities	477,806,805	364,810,855	505,073,684	640,048,561
Cash flows from Investing Activities				
Purchase of Property, Plant & Equipment	(519,469,510)	(512,244,777)	(489,430,582)	(463,913,237)
Investment in Land	(61,591,529)	(587,699,873)	-	-
Net Proceeds from Sale of Shares	12,600,000	1,299,596,853	12,600,000	-
Proceeds from Disposal of Property, Plant & Equipment	947,616	12,200,000	-	12,200,000
Net cash (Used in)/ Generated from Investing Activities	(567,513,423)	211,852,203	(476,830,582)	(451,713,237)
Cash flows from Financing Activities				
Proceeds from Long Term Borrowings and Leases	439,363,768	371,478,918	117,561,768	58,648,918
Repayments of Long Term Borrowings and Leases	(226,499,953)	(796,141,569)	(100,543,274)	(92,016,115)
Interest Received	474,820	3,121,056	148,956	68,245
Dividends Paid	(70,475,280)	(35,237,640)	(70,475,280)	(35,237,640)
Net cash Generated from/ (Used in) Financing Activities	142,863,355	(456,779,235)	(53,307,830)	(68,536,592)
Net Increase/(Decrease) in				
Cash & Cash equivalents during the year	53,156,737	119,883,823	(25,064,728)	119,798,732
Cash & Cash equivalents at the beginning of the year	(381,126,887)	(501,010,710)	(315,074,646)	(434,873,378)
Cash and Cash equivalents at the end of the year	(327,970,150)	(381,126,887)	(340,139,374)	(315,074,646)
Analysis of Cash and Cash equivalents at the end of the year				
Cash at Bank & in Hand	102,632,849	24,298,372	35,717,876	9,968,644
Bank Overdrafts	(430,602,999)	(405,425,259)	(375,857,250)	(325,043,290)
	(327,970,150)	(381,126,887)	(340,139,374)	(315,074,646)

Notes annexed from an integral part of these Financial Statements

Figures in brackets indicate deductions

Notes to the Financial Statements

1.1 Reporting Entity

1.1.1 Domicile and Legal Form

- a). Nawaloka Hospitals PLC ("Company") is a Quoted Public Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the new Companies Act No 7 of 2007. The Company does not have an identifiable parent of its own.
- b). New Nawaloka Hospitals (Pvt) Limited is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the new Companies Act No 7 of 2007. The ultimate parent of the company is Nawaloka Hospitals PLC.
- c). New Nawaloka Medical Centre (Pvt) Limited is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the new Companies Act No 7 of 2007. The ultimate parent of the company is Nawaloka Hospitals PLC.
- d). Nawaloka Metropolis Laboratories (Pvt) Limited is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No.17 of 1982 and re-registered under the new Companies Act No 7 of 2007, which is also a 50:50 Joint venture investment between Nawaloka Hospitals PLC and Metropolis Health Services (India) Private Limited.

The "Company", in the Financial Statement, refers to Nawaloka Hospitals PLC and "Group" refers to the Company and all its subsidiaries and joint venture, whose financial statements have been consolidated.

1.1.2 Total Number of employees

Company	1,184	(2011 - 1,313)
Group	1,945	(2011 - 1,923)

1.1.3 Principle Activities and Nature of Operations

The principle activity of the Company and the group is to provide health and laboratory services. There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

1.2 Basis of Preparation

1.2.1 Statement of Compliance

The Consolidated Financial Statements of Nawaloka Hospitals PLC and its subsidiaries have been prepared in accordance with the Sri Lanka Accounting Standards "SLAS" laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and requirements of the Companies Act No. 7 of 2007.

The financial statements were approved by the Board of Directors on 18th May 2012.

1.2.2 Basis of Measurement

The Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement of the Group and the Company have been prepared on the basis that the group and company are going concerns and, except for buildings on leasehold land which have been revalued to fair values, on the historical cost convention, and in accordance with Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting the financial statements.

1.2.3 Functional and presentation currency

These consolidated financial statements are presented in Sri Lankan rupees, which is Company's functional currency. All financial information presented in rupees has been rounded to the nearest rupee.

1.2.4 Use of estimates and Judgments

The preparation of financial statements in conformity with SLAS 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, and have been applied consistently by the Group entities.

1.3. Basis of Consolidation

The consolidated financial statements are prepared on the historical cost basis and unless otherwise stated the accounting policies have been consistently applied by the Group enterprises. Intra group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.3.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The consolidated accounts are prepared to a common financial year end of 31st March.

1.3.2 Associates (Equity Accounted Investees)

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of Associates on the equity method, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

1.3.3 Joint Ventures

Enterprises in which the group has joint control over the financial and operating policies are termed joint ventures. The Group's interest in jointly controlled entities is accounted for on a proportionate consolidate basis. The Group's share of the assets and liabilities of the entities are included in the consolidated balance sheet and the Group's share of their profits and losses are included in the consolidated income statement.

1.3.4 Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Upon transition to revised Sri Lanka Accounting Standard 25 Business Combinations, goodwill will no longer be

amortized. Instead, goodwill will be tested for impairment annually and assessed for any indication of impairment at each reporting date to ensure that its carrying amount does not exceed its recoverable amount. If an impairment loss is identified, it will be recognised immediately in the Income Statement.

Goodwill on acquisition of a subsidiary is presented as an intangible asset and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment. If the Groups interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity (Negative Goodwill), the Group reassess the measurement of the acquiree's identifiable asset and liabilities and the measurement of the cost and recognise the difference immediately in the income statement as per SLAS 25 (Revised 2005).

1.4 Foreign Currency Translation

1.4.1 Transactions arising in foreign currencies are converted into Sri Lankan Rupees at the rate of exchange prevailing at the time the transactions were effected.

1.4.2 Monetary assets and liabilities denominated in foreign currencies are translated into Sri Lankan Rupees at the appropriate exchange rate prevailing at the Balance Sheet date. The resulting gains and losses arising there from have been dealt within the Income Statement.

1.5 Assets and Bases of their Valuation

1.5.1 Property, Plant and Equipment-Owned assets

1.5.1.1 Property, Plant, and Equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses where items of Property, Plant and Equipment are subsequently revalued, any increase in the carrying amount are credited to revaluation reserve in the shareholders' equity. Decreases that off set previous increases of the same asset are charged against the revaluation reserve directly in equity. Any excess and all other decreases are charged to the income statement. Revaluation of Property, Plant and Equipment are undertaken by professionally qualified valuers.

Revaluation model is applied on Buildings on leasehold land owned by the company and the Board has decided to revalue the said Building every 3-5 years thereafter to comply with requirement of Revaluation Model under the

Notes to the Financial Statements

Sri Lanka Accounting Standard 18 (Revised 2005) "Property Plant and Equipment".

Property, plant and equipment other than the Buildings on leasehold land are recorded at cost less accumulated depreciation and impairment losses, in accordance with the "Cost Model" as set out in SLAS 18 - "Property, Plant and Equipment".

1.5.1.2 The cost of an item of Property, Plant and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

1.5.1.3 Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning of the business has been treated as capital expenditure.

1.5.1.4 Depreciation is provided on the straight line method at the following rates per annum, so as to write-off the cost or revaluation of the assets over its effective useful life:

1.5.1.5 The useful life, depreciating methods and residual values are assessed annually or in an earlier date where any circumstance indicates such assessment is required.

	Rate 2011/12	Rate 2010/11
Leasehold Property	over the lease period	over the lease period
Buildings leasehold land	over the lease period	over the lease period
Fixtures & Fittings	10%	5%
Plant & Machinery	20%	10%
Hospital Equipment	10%	10%
Medical Equipment	10%	10%
Motor Vehicles	20%	20%
Furniture and Fittings	10%	5%
Computer Equipment	25%	15%

Depreciation is provided from the date of purchase up to the date of disposal.

1.5.2 Property, Plant and Equipment-Leased assets

Property, plant and equipment on finance leases, which effectively transfer to the Company substantially all the risk

and benefits incidental to ownership of the leased items, are capitalised and disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

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 outstanding 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 pertaining to each financial year is charged to the income statement over the period of lease. The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

1.5.3 Leasehold Right over Land

Leasehold right over land are amortized over the lease term in accordance with the pattern of benefits provided. Leasehold properties are tested for impairment annually and are written down where applicable. The impairment loss if any is recognized in the income statement.

1.5.4 Investments

1.5.4.1 Long Term Investments

In the Parent company's financial statements, the investments in unquoted subsidiaries and associates are carried at cost. The Carrying amounts of long term Investments are reduced to recognize a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.

In the company's financial statements, investments in subsidiaries, joint ventures and associate companies have been accounted for at cost, net of any impairment losses which are charged to the income statement.

1.5.4.2 Short Term Investments

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short-term market movements are accounted for at cost plus the relevant proportion of the discounts or premiums

1.5.4.3 Non-current Assets Held for Sale

Non-current assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the group accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less to sell. Impairment losses on initial classification as held for sale and subsequent gain or losses on remeasurement are recognized in profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

1.5.5 Inventories

Inventories have been valued at lower of cost and net realizable value after making due allowance for obsolete items. The First in First out (FIFO) basis is adopted to arrive at the cost of inventories.

1.5.6 Trade and Other Receivables

Trade and Other Receivables are stated at the amount that they are estimated to be realised net of provision for bad and doubtful receivables. Bad debts are written off as and when those are identified.

1.5.7 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash-in-hand, deposits held at call with the banks net of bank overdraft, short term highly liquid investments, and readily convertible loan amounts subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held in banks and investments in money market instruments, net of short-term loans and bank overdrafts.

1.5.8 Borrowing Costs

Borrowing Costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of Property, Plant and Equipment, that takes a substantial period of time to get ready for its intended use or sale and are capitalised as part of that asset during the period of construction/development.

1.5.9 Impairment of assets

The carrying amount of the company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment and any impairment losses are recognized in profit or loss. An impairment loss is recognised when an assets recoverable amount is less than its carrying amount.

1.6 Liabilities and Provisions

1.6.1 Liabilities

1.6.1.1 Liabilities classified as Current Liabilities in the Balance Sheet are those, which will fall due for payment on demand or within one year from the Balance Sheet date.

1.6.1.2 Liabilities classified as Non Current Liabilities in the Balance Sheet are those, which will fall due for payment after one year from the Balance Sheet date.

1.6.2 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.6.3 Employee Benefits

1.6.3.1 Defined Benefit Plan - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group is liable to pay gratuity in terms of the Payment of Gratuity Act No 12 of 1983. Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 16 - Retirement Benefit Costs which was effective till 1 July 2007. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by SLAS - 16 (Revised 2006), (Employees benefits).

Notes to the Financial Statements

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 13 to the financial statements.

1.6.3.2 Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognized as an expense in the income statement when incurred.

1.7 Income Statement

1.7.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Accordingly, hospital and pharmaceutical revenue is recognized at the point of delivering the service. However, the professional fees of medical specialists which are collected by the Group do not form part of revenue are excluded from the revenue.

1.7.2 Other Income

Other Income is recognised on an accrual basis.

1.7.3 Expenditure

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 revenue in arriving at the profit/Loss for the year.

1.7.4 Income Tax Expenses

1.7.4.1 Current Taxation

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, as amended by subsequent legislation.

- a) The Company is liable for income tax at the rate of 28% (2010/11 -35%) on the taxable profits
- b) New Nawaloka Hospitals (Pvt) Limited is taxed at 2% based on its turnover.
- c) New Nawaloka Medical Centre (Pvt) Ltd is exempt from income tax for a period of ten years commencing from year of assessment 2008/09 in terms of the agreement entered in to with the Board of Investment (BOI) of Sri Lanka.
- d) Nawaloka Metropolis Laboratories (Pvt) Limited ("Joint Venture") is liable for taxation at the rate of 28% (2010/11-35%).

1.7.4.2 Deferred Tax

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax liabilities are not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects both accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to items recognised directly in equity is recognised in equity.

1.7.4.3 Withholding Tax on Dividends Distributed by Subsidiaries and Joint Venture Company

Dividend distributed out of taxable profit of the Subsidiaries and Joint Venture Company attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense of the Subsidiary companies and Joint Venture Company in the Group financial statements as a consolidation adjustment.

1.8 Commitment and Contingencies

All known liabilities are accounted for in the Balance Sheet and contingencies are disclosed in the Notes to the Financial Statements. All material commitments as at the balance sheet date are disclosed in the notes to the Financial Statements.

1.9 Segmental Information

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business segment) or in providing products or services within a particular economic environment (Geographical segment), which is subject to risk and rewards that are different from those of other segments.

However, there are no distinguishable components to be identified as segments for the Group.

1.10 Cash Flow Statement

1.10.1 The Cash Flow Statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard 9 - Cash Flow Statements. Cash and cash equivalents consist of cash in hand and at banks and short term highly liquid investments, readily convertible to loan amounts net of outstanding bank overdrafts.

1.10.2 Interest paid is classified as operating cash flows, while interest received is classified as investing cash flows, for the purpose of presentation of the Cash Flow Statement, reported based on the indirect method.

1.11 Comparative Information

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

1.12 Directors' Responsibility Statement

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

1.13 New Accounting Standards Issued But Not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the year ended 31st March 2012.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Group is currently in the process of evaluating the potential effects of these Standards on its financial statements and the impact on the adoption of these Standards have not been quantified as at Balance Sheet date.

Notes to the Financial Statements

2. Property, Plant and Equipment GROUP

	Buildings Constructed on Lease Hold Land Rs.	Fixtures & Fittings Rs.	Plant & Machinery Rs.	Motor Vehicles Rs.	Leasehold Vehicles Rs.	Hospital Equipment Rs.	Medical Equipment Rs.	Leasehold Medical Equipment Rs.	Computer Equipment Rs.	Furniture Fittings Rs.	Total Rs.
Cost / Valuations											
Balance as at 01/04/2011	2,402,364,285	204,314,364	54,001,945	219,535,114	4,200,000	176,402,782	1,727,894,839	67,282,122	50,367,834	36,014,647	4,942,377,932
Additions	8,240,000	9,641,049	-	26,663,810	-	39,353,661	416,113,757	-	12,066,555	7,390,678	519,469,510
Transfers	-	-	-	4,200,000	(4,200,000)	-	67,282,122	(67,282,122)	-	-	-
Disposal	-	-	-	(6,635,000)	-	-	-	-	-	-	(6,635,000)
Balance as at 31/03/2012	2,410,604,285	213,955,413	54,001,945	243,763,924	-	215,756,443	2,211,290,718	-	62,434,389	43,405,325	5,455,212,442
Accumulated Depreciation											
Balance as at 01/04/2011	62,798,103	85,324,925	22,823,333	89,629,447	4,200,000	97,460,340	1,039,555,442	43,164,480	31,369,128	7,987,538	1,484,312,736
Charge for the year	31,260,284	30,570,904	15,610,700	35,279,997	-	11,893,707	132,543,277	-	11,060,482	5,971,684	274,191,035
Transfers	-	-	-	4,200,000	(4,200,000)	-	43,164,480	(43,164,480)	-	-	-
Disposals	-	-	-	(6,635,000)	-	-	-	-	-	-	(6,635,000)
Balance as at 31/03/2012	94,058,387	115,895,829	38,434,033	122,474,444	-	109,354,047	1,215,263,199	-	42,429,610	13,959,222	1,751,868,771
Written Down Value											
As at 31/03/2012	2,316,545,898	98,059,584	15,567,912	121,289,480	-	106,402,396	996,027,519	-	20,004,779	29,446,103	3,703,343,671
As at 31/03/2011	2,339,566,182	118,989,439	31,178,612	129,905,667	-	78,942,442	688,339,397	24,117,642	18,998,706	28,027,109	3,458,065,196

2.1(a) The Leasehold land and the buildings constructed on leasehold lands of the group were revalued at Rs. 640 Mn by Mr. H R De Silva, Chartered valuer in July 2003 and the value of these assets has been reflected in the Financial Statements at the revalued amounts. The resultant shortfall of revaluation amount below the written down value of the assets revalued amounted to Rs. 243 Mn and this has been debited to Revaluation Reserve Account.

2.1(b) The buildings constructed on leasehold lands of the group were revalued at Rs. 2172.3 Mn by Mr. P. B Kalugalagedara, Chartered valuer in March 2009 and the value of these assets has been reflected in the Financial Statements at the revalued amounts and subsequent depreciation. The resultant shortfall of revaluation amount over the written down value of the assets revalued of the Company amounted to Rs. 24.83 Mn and out of this, Rs. 17.48 Mn has been debited to Revaluation Reserve Account, which reverses the previous revaluation surplus and the remaining Rs. 7.35 Mn has been charged to Income Statement during the year 2008/09. The resultant excess of revaluation amount over the written down value of the assets revalued of the rest of the Group Companies amounted Rs. 752.28 Mn and this has been credited to Revaluation Reserve Account.

Notes to the Financial Statements

2. Property, Plant and Equipment COMPANY

	Buildings Constructed on Lease Hold Land Rs.	Fixtures & Fittings Rs.	Plant & Machinery Rs.	Motor Vehicles Rs.	Leasehold Vehicles Rs.	Hospital Equipment Rs.	Medical Equipment Rs.	Computer Equipment Rs.	Furniture Fittings Rs.	Total Rs.
Cost / Valuations										
Balance as at 01/04/2011	374,952,163	71,292,507	11,332,408	161,665,406	4,200,000	99,677,263	870,511,752	30,087,803	25,346,844	1,649,066,145
Additions	8,240,000	9,357,491	-	15,718,000	-	38,658,216	399,568,409	11,094,292	6,794,175	489,430,583
Transfers	-	-	-	4,200,000	(4,200,000)	-	-	-	-	-
Balance as at 31/03/2012	383,192,163	80,649,998	11,332,408	181,583,406	-	138,335,479	1,270,080,161	41,182,095	32,141,019	2,138,496,728
Accumulated Depreciation										
Balance as at 01/04/2011	10,024,658	17,159,320	11,289,618	43,319,433	4,200,000	60,879,414	360,810,071	19,924,052	5,826,851	533,433,417
Charge for the year	5,076,229	8,342,073	42,790	26,200,336	-	6,035,863	96,897,582	7,132,279	4,511,156	154,238,308
Transfers	-	-	-	4,200,000	(4,200,000)	-	-	-	-	-
Balance as at 31/03/2012	15,100,887	25,501,393	11,332,408	73,719,769	-	66,915,277	457,707,653	27,056,331	10,338,007	687,671,725
Net Book Value										
As at 31/03/2012	368,091,276	55,148,605	-	107,863,637	-	71,420,202	812,372,508	14,125,764	21,803,012	1,450,825,003
As at 31/03/2011	364,927,505	54,133,187	42,790	118,345,973	-	38,797,849	509,701,681	10,163,751	19,519,993	1,115,632,729

2.2(a) The Leasehold land and the buildings constructed on leasehold lands of the Company were revalued at Rs. 252.5 Mn by Mr. H R De Silva, Chartered valuer in July 2003 and the value of these assets has been reflected in the Financial Statements at the revalued amounts. The resultant excess of revaluation amount over the written down value of the assets revalued amounted to Rs. 32 Mn and this has been credited to Revaluation Reserve Account.

2.2(b) The buildings constructed on leasehold lands of the Company were revalued at Rs. 370.8 Mn by Mr. P. B Kalugalagedara, Chartered valuer in March 2009 and the value of these assets has been reflected in the Financial Statements at the revalued amounts and subsequent depreciation. The resultant shortfall of revaluation over the written down value of the assets revalued amounted to Rs. 24.83 Mn and out of this Rs. 17.48 Mn has been debited to Revaluation Reserve Account, which reverses the previous revaluation surplus and the remaining of Rs. 7.35 Mn has been charged to Income Statement during the year 2008/09.

Notes to the Financial Statements

2.3.(a) GROUP

Had the Lease hold assets not been revalued, their carrying value would have been as follows;

	Cost Rs.	Depreciation if assets were carried at cost Rs.	Cumulative net carrying amount Rs.
Building on lease hold land	1,526,097,831	458,641,710	1,067,456,121

2.3.(b) COMPANY

Had the Lease hold assets not been revalued, their carrying value would have been as follows;

	Cost Rs.	Depreciation if assets were carried at cost Rs.	Cumulative net carrying amount Rs.
Building on lease hold land	309,906,963	110,377,822	199,529,141

The Group does not own any Free Hold Land . The Lease Hold Properties with a land extent of 511.80 perches are located in No .23 Deshamanya H K Dharmadasa Mawatha, Colombo - 02.

3. Leasehold Right over Land

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Balance as at beginning of the year	239,628,771	242,563,927	53,082,194	53,975,161
Amortisation for the year	(2,935,157)	(2,935,156)	(892,968)	(892,967)
Balance as at the end of the year	236,693,614	239,628,771	52,189,226	53,082,194

4. Investment in Subsidiaries

New Nawaloka Hospitals (Pvt) Ltd	-	-	245,933,056	245,933,056
New Nawaloka Medical Centre (Pvt) Ltd	-	-	700,000,000	700,000,000
	-	-	945,933,056	945,933,056

Notes to the Financial Statements

5. Investment in Subsidiaries

	% Holding	GROUP		COMPANY	
		31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
5.1 Unquoted Investment					
Ruhunu Hospitals (Pvt) Ltd. (140,000 Ordinary Shares)	36.15%	-	14,000,000	-	14,000,000
Group share of Equity Account Investees		-	(2,901,746)	-	-
Good will		-	(8,629,176)	-	-
Current year's share of Loss		-	(2,469,078)	-	-
		-	-	-	14,000,000

5.2 Ruhunu Hospital (Pvt) Limited shares have been sold during the year 2011/12 at a price of Rs. 12,600,000/=.

Profit on Disposal of Shares

Net Proceeds Received from sale of Rhunu Hospital Shares	12,600,000	-	12,600,000	-
Carrying Value of Investment as at 01 April	-	-	(14,000,000)	-
Profit/(Loss) on Sale of Rhunu Hospital Shares	12,600,000	-	(1,400,000)	-

5.3 Associate share of (Loss)

	GROUP	
	2011/2012 Rs.	2010/2011 Rs.
Ruhunu Hospitals (Pvt) Ltd.	-	(2,469,078)
	-	(2,469,078)

5.4 Profit on Disposal of Shares

	GROUP	
	2011/2012 Rs.	2010/2011 Rs.
Net Proceeds Received from sale of Galadari Shares	-	1,299,596,853
Carrying Value of Investment as at 01 April	-	(395,528,149)
Profit on Sale of Galadari Shares	-	904,068,704

6. Investment in Joint Venture

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Nawaloka Metropolis Laboratories (Pvt) Ltd. 250,000 Ordinary Shares	-	-	2,500,000	2,500,000

Nawaloka Metropolis Laboratories (Pvt) Limited is a joint venture company between Nawaloka Hospitals PLC and Metropolis Health Services (India) Private Limited a company incorporated in India. Nawaloka Metropolis Laboratories (Pvt) Ltd was incorporated to provide laboratory services in Sri Lanka. The Consolidated Financial Statements of the Company includes 50% of the financial results of the Joint Venture Company.

7. Advance for Land

This represents a part payment of Rs.765,480,482/= (2010/11 Rs.703,888,953/=) paid by New Nawaloka Hospitals (Pvt) Ltd to Nawaloka Construction Company (Pvt) Limited which is a Related Party due to common directorship to purchase a Land. Further balance of Rs. 76,965,171/= (2010/11 Rs. 138,556,700/=) to be paid to complete the purchase consideration.

This land was originally meant for the establishment of a Private Medical Training Institution, but due to the delay in obtaining the necessary approval, the Management is now in the process of exploring alternative business opportunities for the property.

Notes to the Financial Statements

8. Inventories	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Pharmaceuticals Items	149,706,443	140,658,180	45,812,847	40,329,633
General Stocks	12,340,715	9,391,814	6,787,393	5,165,498
Reagents Stocks	20,698,139	14,268,974	-	-
Write off of Slow Moving and Obsolete Stocks	(140,346)	-	-	-
Provision for Slow Moving & Obsolete Stocks	(445,571)	-	-	-
	182,159,380	164,318,968	52,600,240	45,495,131

9. Trade and Other Receivables				
Trade Receivables	181,653,556	186,019,777	128,013,756	124,107,541
Provision for Bad & Doubtful Debts	(27,544,384)	(30,400,091)	(19,673,554)	(21,081,227)
	154,109,172	155,619,686	108,340,202	103,026,314
ESC Recoverable	40,800,925	-	36,891,531	-
Other Debtors	34,490,643	22,497,324	13,743,798	14,478,878
	229,400,740	178,117,010	158,975,531	117,505,192

10. Receivables from Related Parties	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Nawakrama (Pvt) Limited.	629,370	629,370	629,370	629,370
Nawaloka Construction Company Ltd.	1,990,611	1,990,611	1,990,611	1,990,611
Nawaloka Industries (Pvt) Ltd.	-	10,019,134	-	1,563,497
New Nawaloka Medical Centre (Pvt) Ltd.	-	-	388,048,921	436,921,649
Nawaloka Aviation (Pvt) Ltd.	2,026,925	1,803,974	344,234	121,283
Ruhunu Hospitals (Pvt) Ltd.	-	2,779,515	-	2,779,515
Nawaloka Medical Centre (Pvt) Ltd.	2,128,305	2,513,640	2,128,305	2,513,640
	6,775,211	19,736,244	393,141,441	446,519,565

11. Stated Capital				
1,409,505,596 Ordinary Shares	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

12. Revaluation Reserve	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Balance as at 01 April	763,760,190	732,343,725	-	-
Revaluation during the year	-	-	-	-
Deferred Tax impact on building revaluation	-	31,416,465	-	-
Balance as at 31 March	763,760,190	763,760,190	-	-

Notes to the Financial Statements

13. Retirement Benefit Obligations

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Balance as at 01 April	94,976,998	86,427,275	93,632,020	85,737,277
Charge for the year (Note 13.2)	29,967,601	18,485,576	27,549,878	17,830,596
Payments made during the year	(11,127,478)	(9,935,853)	(11,111,695)	(9,935,853)
Balance as at 31 March	113,817,121	94,976,998	110,070,203	93,632,020

The Amount recognised in the Balance sheet are as Follows

Present Value of Unfunded obligations	139,698,882	98,784,203	134,397,450	97,082,261
Present Value of Funded obligations	-	-	-	-
Total Present Value of obligations	139,698,882	98,784,203	134,397,450	97,082,261
Fair Value of Plan assets	-	-	-	-
Present value of net obligations	139,698,882	98,784,203	134,397,450	97,082,261
Obligations to be amortised	(103,923)	(155,885)	-	-
Unrecognised actuarial gains	(25,777,838)	(3,651,320)	(24,327,247)	(3,450,241)
Recognised liability for defined benefit obligations	113,817,121	94,976,998	110,070,203	93,632,020

The Gratuity liability is based on the actuarial valuation carried out by Mr. Piyal S Goonetilleke Actuary, on 31 March 2012.

The Key Assumptions used by the actuary include the following;

- | | |
|--|----------|
| i) Discount Rate (the rate of interest used to discount the future cash flows in order to determine the present value) | 12.5% |
| ii) Rate of future Salary Increase | 10% |
| iii) Retirement Age | 55 Years |
| iv) The Company will continue as a going concern | |

13.1 Movement in the present value of defined benefit obligations

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Liability for defined benefit obligation at 1st April 2011	94,976,998	86,427,275	93,632,020	85,737,277
Actuarial Losses	403,628	31,362	-	-
Recognition of Transition Liability /Asset	51,961	51,961	-	-
Recognition of Actuarial Experience	4,354,303	-	4,354,303	-
Benefit paid by the Plan	(11,127,478)	(9,935,853)	(11,111,695)	(9,935,853)
Current Service Costs	10,123,875	7,628,195	8,669,272	7,225,198
Interest Cost	15,033,834	10,774,058	14,526,303	10,605,398
Liability for Defined Benefit Obligation at 31st March 2012	113,817,121	94,976,998	110,070,203	93,632,020

Notes to the Financial Statements

13.2 Amount Recognised in the Income Statement

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Current Service Costs	10,123,875	7,628,195	8,669,272	7,225,198
Interest on Obligation	15,033,834	10,774,058	14,526,303	10,605,398
Actuarial Losses	403,628	31,362	-	-
Recognition of Transition Liability	4,354,303	51,961	4,354,303	-
Expected Return on plan assets	51,961	-	-	-
	29,967,601	18,485,576	27,549,878	17,830,596

14. Deferred Tax

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Deferred tax liability (Other)	169,532,967	111,094,215	101,053,179	61,281,837
Deferred tax liability (Revaluation Reserve)	125,665,859	125,665,859	-	-
	295,198,826	236,760,074	101,053,179	61,281,837
Balance as at 01 April	236,760,074	248,129,951	61,281,837	52,058,486
Originating during the year (Note 24)	58,438,752	48,425,684	39,771,342	24,543,810
Impact on rate decrease	-	(59,795,561)	-	(15,320,459)
Balance as at 31 March	295,198,826	236,760,074	101,053,179	61,281,837

14.1 Deferred tax Provision as at the year end is made up as follows,

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Deferred tax Provision from				
Temporary Differences of PPE	334,925,106	271,865,658	139,861,012	93,401,546
Temporary Differences of Retirement provision on gratuity	(8,104,767)	(26,593,559)	(7,598,377)	(26,216,965)
Temporary Differences of Provision on Bad & Doubtful Debts	(31,621,513)	(8,512,025)	(31,209,456)	(5,902,744)
	295,198,826	236,760,074	101,053,179	61,281,837

Impact Due to Corporate Income Tax Change

The Corporate Income Tax rate has been reduced to 28% commencing from year of assessment 2011/2012. Accordingly deferred tax assets and deferred tax liabilities have been computed based on 28%.

Notes to the Financial Statements

15. Borrowings	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Amana Bank	80,858,173	56,990,700	80,858,173	56,990,700
DFCC Bank Loan	136,909,573	222,253,730	136,909,573	222,253,730
BOC	78,495,178	-	78,495,178	-
Seylan Bank Loan	86,666,667	114,833,333	-	-
Hatton National Bank Loans	364,521,988	132,510,000	-	-
Metropolis Health Services (India) Pvt Ltd.	1,276,992	1,276,992	-	-
	748,728,571	527,864,755	296,262,924	279,244,430
Borrowings falling due within one year	(244,564,853)	(213,821,527)	(114,194,864)	(142,334,858)
Borrowings falling due after one year	504,163,718	314,043,228	182,068,060	136,909,572

15.1 Borrowings	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Opening Balance as at 1st of April	527,864,755	939,513,652	279,244,430	307,597,873
Loans Obtained during the year	439,363,768	371,478,918	117,561,768	58,648,918
Loans Paid during the year	(218,499,952)	(783,127,815)	(100,543,274)	(87,002,361)
Closing Balance as at 31st March	748,728,571	527,864,755	296,262,924	279,244,430

Notes to the Financial Statements

15.2 Details of Loans obtained by the Group are set out below

15.2.1 Long Term Loan Nawaloka Hospitals PLC

Financial Institution	Repayment Terms	Principal	Interest Rate	Security	Annual Repayment Rs.	Balance as at 31.03.12 Rs.
DFCC	60 equal monthly installments of Rs 1,333,334	80,000,000	11.00%	A Primary mortgage over one Angiography unit and accessories, to be kept at 23, Sri Saugatodaya Mawatha, Colombo 02. A Joint and Several Personal guarantee from Mr. Hewa Komanage Jayantha Dharmadasa and Mr Anisha Givantha Dharmadasa.	16,000,008	3,999,962
DFCC	60 equal monthly installments of Rs 5,778,679	346,720,734	11.00%	A sum of Rs 300,000,000/= by a Primary mortgage over all shares of New Nawaloka Medical Centre Private Limited to the Value of Rs.300,000,000/= held by the shareholders. A sum of Rs.50,000,000/-by an assignment of 80,000,000 Ordinary shares of Nawaloka Hospitals PLC held by Nawaloka Construction Company Limited together with a joint and Several Personal Guarantee from Mr. H K J Dharmadasa and Mr. Anisha Givantha Dharmadasa.	69,344,148	132,909,573
AMANA BANK	To be repaid in equal monthly installments	96,057,290	14.00%	Primary legal mortgage over the machineries for the total value of the repayment obligation over the Medical Equipments to be imported and financed through Amana Bank. Corporate Guarantees for Rs.132 Mn from each company of M/s.New Nawaloka Hospital (Pvt) Ltd. and M/s New Nawaloka Medical Center (Pvt) Ltd.	15,199,117	80,858,173
BANK OF CEYLON	5 years with 4 months grace period	78,495,178	AWPLR	Joint & several Guarantees of Directors-Mr H.K.Jayantha Dharmadasa,Mr.Ugitha Harshith Dharmadasa and Mr. Anisha Givantha Dharmadasa.	-	78,495,178

New Nawaloka Hospitals (Pvt) Ltd.

SEYLAN	To be repaid in equal monthly installments of Rs 2.16 Mn	130,000,000	15%	Primary Concurrent mortgage with HNB over land & buildings of Nawaloka Hospitals Ltd for Rs. 390 Mn.HNB portion- Rs. 260 Mn and SBK portion Rs. 130 Mn.	28,166,667	86,666,667
HNB	To be repaid in 48 equal monthly installments of Rs 2.16 Mn each	130,000,000	AWPLR+2.5%	Tertiary Floating Mortgage Bond for Rs.170 Mn over leasehold Nawaloka Hospital premises.	25,920,000	84,640,000
HNB	To be repaid in 12 equal monthly installments of Rs 1.45 Mn each	35,000,000	AWPLR+2.5%	Tertiary Floating Mortgage Bond for Rs.170 Mn over leasehold Nawaloka Hospital premises.	17,400,000	4,550,000
HNB	To be repaid in 13 equal monthly installments of Rs 1.04 Mn each	25,000,000	AWPLR+2.5%	Primary Concurrent mortgage with HNB over land & building of Nawaloka Hospitals Ltd for Rs. 390 Mn. HNB portion-Rs. 260 Mn and SBK portion-Rs. 130 Mn.	11,440,000	4,562,000
HNB	To be repaid in 23 equal monthly installments of Rs 1.67 Mn each	40,000,000	AWPLR+2.5%	Primary Concurrent mortgage with HNB over land & building of Nawaloka Hospitals Ltd for Rs. 390 Mn.HNB portion-Rs. 260 Mn and SBK portion-Rs. 130 Mn.	15,030,000	24,970,000
HNB	To be repaid in 24 equal monthly installments of Rs 2.5 Mn each	60,000,000	AWPLR+2.5%	Existing Primary Concurrent Mortgage Bond for Rs.390 Mn (HNB Rs.260 Mn, Seylan-Rs 130 Mn) over Leasehold Nawaloka Hospital Premises.	20,000,000	40,000,000

Notes to the Financial Statements

HNB	To be repaid in 71 equal monthly installments of Rs 2.056 Mn each	148,000,000	AWPLR+2.5%	Primary Floating Mortgage Bond for Rs.148 Mn over the "Tesla" MRI Scanner.	-	148,000,000
HNB	To be repaid in 71 equal monthly installments of Rs 803,000/= each	57,800,000	AWPLR+2.5%	Existing Primary Concurrent Mortgage over leasehold Nawaloka Hospital premises for Rs.390 Mn with Seylan Bank.(HNB Share Rs.260 Mn).	-	57,800,000

Bank Over Draft

Nawaloka Hospitals PLC

	Closing Balance	Principal	Interest Rate	
HNB Current Account	210,832,468	-	-	
State Bank of India	125,532,943	125,000,000	AWPLR +1.5%	Mortgage of 65,565,290 shares of Nawaloka Hospitals Limited.
Sampath Bank	39,491,839	50,000,000	13.00%	Overdraft Agreement for Rs. 50,000,000/=.
				Join & Several Guarantee of H K J Dharmadasa,U H Dharmadasa & G A Dharmadasa - Directors of the Company for Rs. 50,000,000/=.

New Nawaloka Hospitals (Pvt) Limited

HNB	39,059,340	55,000,000	AWPLR+2.5%	Existing Primary Concurrent Mortgage Bond for Rs. 390 Mn (HNB Rs. 260 Mn, Seylan- Rs 130 Mn) Over Leasehold Nawaloka Hospitals premises.
				Tertiary Floating Bond for Rs. 170.0Mn over leasehold Nawaloka Hospital premises.(Secures this facility up to 5.0 Mn) to be executed.

16. Finance Leases

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Finance Lease Liability (Note 16.1)	148,000,000	156,000,000	-	-
Interest in Suspense	-	-	-	-
	148,000,000	156,000,000	-	-
Finance Leases Payables within one year	(8,000,000)	(8,000,000)	-	-
Finance Leases Payables after one year	140,000,000	148,000,000	-	-

16.1 Finance Leases

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Opening Balance as at 1st of April	156,000,000	169,013,754	-	5,013,754
Lease Obtained During the Year	-	-	-	-
Lease Paid During the Year	(8,000,000)	(13,013,754)	-	(5,013,754)
Closing Balance as at 31st March	148,000,000	156,000,000	-	-

Notes to the Financial Statements

17. Trade and Other Payables

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Trade Payables	262,155,533	241,162,208	240,761,738	216,254,327
Doctors Payable	62,365,621	84,480,768	43,400,300	55,769,592
Other Payables	53,744,189	55,996,400	48,831,531	41,064,864
	378,265,343	381,639,376	332,993,569	313,088,783

18. Income Tax Payable

Balance as at 1 April	16,312,847	18,087,669	(444,855)	4,787,859
Provision for the year	29,174,760	34,635,502	21,688	7,398,430
Income Tax/SRL paid during the year	(13,246,867)	(17,968,294)	(93,889)	(58,706)
Prior year ESC payment	(30,258,249)	(18,442,030)	(5,848,119)	(12,572,438)
Balance as at 31 March	1,982,491	16,312,847	(6,365,175)	(444,855)

19. Payable to Related Parties

New Nawaloka Hospitals (Pvt) Ltd	-	-	407,004,176	159,264,255
Nawaloka Construction (Pvt) Limited	813,630	813,630	-	-
Nawaloka Metropolis Laboratories (Pvt) Ltd.	30,341,839	65,353,355	48,362,847	130,706,710
New Ashford (Pvt) Limited	234,155	234,155	-	-
Chairman's Current Account	318,176	17,501,403	318,176	17,501,413
	31,707,800	83,902,543	455,685,199	307,472,378

20. Revenue

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Hospital Revenue	2,627,653,476	2,293,127,912	1,351,865,124	1,202,923,237
Pharmacy Revenue	1,083,224,966	939,907,184	454,992,368	405,113,599
	3,710,878,442	3,233,035,096	1,806,857,492	1,608,036,836

21. Other Income

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Dividend Income	-	-	104,250,003	41,862,040
Savings Interest	474,820	3,121,056	148,956	68,245
Profit on sale of Property, Plant and Equipment	947,616	12,200,000	-	12,200,000
Sundry Income	24,579,443	17,069,676	16,066,123	14,202,482
Rent	4,208,778	6,212,666	4,208,778	3,948,203
	30,210,657	38,603,398	124,673,860	72,280,970

Notes to the Financial Statements

22. Profit from Operations

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
The operating profit has been arrived after charging all expenses including the following.				
Emoluments of the Directors	35,120,050	30,813,000	30,956,050	27,381,000
Auditor's Remuneration - Audit Services	1,095,000	995,000	448,000	407,000
- Non Audit Services	-	862,455	-	712,335
Depreciation & Amortisation	277,126,192	237,544,113	155,131,276	126,747,661
Staff Costs	715,073,619	527,971,697	389,432,169	338,892,134
EPF	60,803,787	48,514,718	36,863,003	31,308,340
ETF	15,308,937	12,147,174	9,323,227	7,827,085
Charge/(Reversal) of Provision for Bad Debts	(2,855,707)	(6,908,969)	(1,407,673)	(5,500,140)
Charity and Donation	3,972,264	3,496,312	3,972,264	3,246,312

23. Finance Costs

Overdraft Interest	49,463,236	25,215,454	19,941,516	19,350,972
Interest on Lease	18,487,289	386,638	-	386,638
DFCC Loan Interest	1,355,722	36,592,364	1,355,722	3,861,086
Seylan Loan Interest	12,656,509	9,848,370	-	-
BOC	1,343,976	-	1,343,976	-
HNB Loans' Interest	18,669,619	19,352,298	-	-
Amana Bank	7,419,860	4,615,790	7,419,860	4,615,790
Loan- Metropolis Health Service(India)	127,699	-	-	-
	109,523,910	96,010,914	30,061,074	28,214,486

24. Taxation

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Income Tax on Current Year Profit (Note 24.1)	29,779,305	40,286,863	21,688	13,452,305
Under/(Over) provision during Prior Year	-	(6,255,668)	-	(6,255,660)
(Reversal from)/transfer to Deferred Taxation (Note 14)	58,438,752	48,425,684	39,771,342	24,543,810
Impact on rate decrease in Deferred Taxation	-	(28,379,096)	-	(15,320,459)
Dividend Tax on Inter Company Dividend	3,200,000	4,186,215	3,200,000	4,186,215
Social Responsibility Levy @ 1.5%	-	604,307	-	201,785
	91,418,057	58,868,305	42,993,030	20,807,996

Notes to the Financial Statements

24.1 Reconciliation of Accounting Profit and Taxable Profit

	GROUP		COMPANY	
	31.03.2012 Rs.	31.03.2011 Rs.	31.03.2012 Rs.	31.03.2011 Rs.
Profit before Taxation	362,104,621	1,129,590,382	196,213,344	119,630,914
Profit/(Loss) taxed based on turnover	(157,413,629)	(112,086,490)	-	-
Results of Associate Companies	-	2,469,078	-	-
Profit On Sale of Shares	(12,600,000)	(904,068,704)	1,400,000	-
Aggregate expenses Disallowed for Tax	220,053,558	216,486,835	214,548,497	177,496,839
Inter Company Dividend	104,250,003	41,862,040	-	-
Aggregate Income not liable for Tax	(104,173,959)	(41,930,296)	(104,173,959)	(41,930,296)
Aggregate Income liable for Tax	2,254,154	68,256	77,457	68,256
Aggregate deductible expenses for Tax	(372,463,488)	(366,360,382)	(361,949,333)	(216,830,557)
Adjustments for Tax Losses	54,818,667	-	54,818,667	-
(Profit) / Loss exempt from tax	(65,536,185)	97,157,537	-	-
Taxable Income for the year	31,293,742	63,188,311	77,457	38,435,156
Income Tax @ 28%	8,762,247	22,115,909	21,688	13,452,305
Income Tax based on 2% of Turnover	21,017,058	18,170,954	-	-
	29,779,305	40,286,863	21,688	13,452,305

25. Earnings Per Share

The Company's earnings per share is based on the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

	GROUP		COMPANY	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Profit attributable to the Ordinary Shareholders (Rs.)	270,686,563	1,070,722,131	152,363,098	98,822,918
Weighted Average number of Ordinary Shares in issue during the year	1,409,505,596	1,409,505,596	1,409,505,596	1,409,505,596
Earnings per Share (Rs.)	0.19	0.76	0.11	0.07

26. 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 30 "Related Party disclosures (Revised 2005)", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the company and is comparable with what is applied to transactions between the company and its unrelated customers.

Notes to the Financial Statements

26.1 Transactions with Subsidiaries - Company

Name of the Company	Name of the Director	Nature of Transaction	2011/12	2010/11
			Rs. Mn Received/(Paid)	Rs. Mn Received/(Paid)
New Nawaloka Hospitals (Pvt) Limited	Mr.H.K.Jayantha Dharmadasa	Provision of Services	103.81	42.32
	Mr. H.K.U. Harshith Dharmadasa	Cost of Pharmaceutical &		
	Mr. A Givantha Dharmadasa	General stores items	451.43	409.13
		Drugs income Transferred	(124.63)	(92.17)
		Fund Transfer	(678.98)	(693.47)
New Nawaloka Medical Centre (Pvt) Limited	Mr.H.K.Jayantha Dharmadasa	Provision of Services	18.5	83.08
	Mr. A Givantha Dharmadasa	Cost of Pharmaceutical &		
	Mrs. C.S. Dharmadasa	General stores items	228.5	200.98
		Drugs income Transferred	(22.50)	(22.37)
		Fund Transfer	(273.14)	(260.33)

Date of Transactions

The transactions have been recorded on daily or monthly basis throughout the year.

Rationale of the Transactions

New Nawaloka Hospitals (Pvt) Limited and New Nawaloka Medical Centre (Pvt) Limited are fully owned subsidiaries of Nawaloka Hospitals PLC.

26.2 Transactions with Joint Venture Company - Company

Name of the Company	Name of the Director	Nature of Transaction	2011/12	2010/11
			Rs. Mn Received/(Paid)	Rs. Mn Received/(Paid)
Nawaloka Metropolis Laboratories (Pvt) Ltd.	Mr.H.K.Jayantha Dharmadasa	Provision of Services	79.51	41.83
	Prof. Lal Chandrasena	JV Co. collection Transfer	357.20	263.46
	Mr. H.K.U. Harshith Dharmadasa	Transfer Revenue	(386.64)	(312.60)

Date of Transactions

The transactions have been recorded on daily or monthly basis throughout the year.

Rationale of the Transactions

Nawaloka Metropolis Laboratories (Pvt) Ltd. Is a joint venture of the Nawaloka Hospitals PLC and principal activities of the company is to provide Laboratory Services.

Notes to the Financial Statements

26.3 Transactions with other Related Companies - Group

Name of the Company	Name of the Director	Nature of Transaction	2011/12 Rs. Mn Received/(Paid)	2010/11 Rs. Mn Received/(Paid)
Nawaloka Construction Company (Pvt) Limited	Mr.H.K.Jayantha Dharmadasa Mr. H.K.U. Harshith Dharmadasa Mr. A. Givantha Dharmadasa	Advance paid to Land	(61.59)	(587.69)
Advance payment to land, further details are given in Note 07.				
DFCC Bank	Mr. Tissa Bandaranayake	Payment of Interest Loan Repayment	(19.84) (85.34)	(36.59) (85.34)

This note should be read in conjunction with note 10, note 15.2 and note 19 receivable from related parties, mortgage details and payable to related parties respectively.

26.4 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures", Key Management personnel, are those having authority and responsibility for planning, directing and controlling the 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.

The details of the compensation paid to Key Management Personal are disclosed in Note No. 22 to the Financial Statements.

27 Changes in Classification

To facilitate comparison, relevant balances pertaining to the previous year, have been re-classified to conform to current year's classification and presentation.

28 Capital Commitments

There are no material capital commitments as at the Balance Sheet date other than the matter detailed in Note No. 07.

29 Contingent Liabilities

There are no material Contingent Liabilities as at the Balance Sheet date which require adjustment to or disclosure in the Financial Statements other than the following:

Claims for damages have been made by patients in case No. 36347 , No. 41441 and No. DMR/3972-10 at the District Court, Colombo.

Based on the above information and current status of the above Cases, the Company is not in a position to quantify the potential financial impact if any, as at the Balance sheet date and Management does not expect any significant outflow to arise from these cases.

30 Events occurring after the Balance Sheet Date

There are no events that have occurred after the balance sheet date, which would require adjustments to, or disclosure in the Financial Statements.

31 Directors Responsibilities

The Board of Directors is responsible for the preparation and presentation of these financial Statements according to the Sri Lanka Accounting Standards and Companies Act No. 07 of 2007.

Share Information

1. Twenty Largest Shareholders

As at 31st March No.		2012		2011	
		No. of Shares	%	No. of Shares	%
1	MR. H.K.J. DHARMADASA	460,736,182	32.69%	460,736,182	32.69%
2	NAWALOKA CONSTRUCTION COMPANY LIMITED	441,778,880	31.34%	441,778,880	31.34%
3	DR. T. SENTHILVERL	305,256,954	21.66%	153,432,200	10.89%
4	NATIONAL SAVINGS BANK	17,789,400	1.26%	17,789,400	1.26%
5	MISS AG DHARMADASA	5,066,686	0.36%	5,066,686	0.36%
6	MRS P NANAYAKKARA	5,066,666	0.36%	5,066,666	0.36%
7	MR. D.M. RAJAPAKSE	4,496,400	0.32%	4,516,400	0.32%
8	SEYLAN BANK PLC. - A/C NO. 3	4,000,000	0.28%	4,000,000	0.28%
9	MR. V.R. RAMANAN	3,400,000	0.24%	3,400,000	0.24%
10	NAWALOKA DEVELOPMENTS (PVT) LTD	2,814,932	0.20%	2,814,932	0.20%
11	MR. A.G. DHARMADASA	2,704,026	0.19%	2,704,026	0.19%
12	MRS C S DHARMADASA	2,542,666	0.18%	N/A	0.00%
13	MR. K.S. WARUSAVITARANA	2,500,066	0.18%	N/A	0.00%
14	MRS. N.H. ABDUL HUSEIN	2,324,066	0.16%	N/A	0.00%
15	CEYLEASE FINANCIAL SERVICES LIMITED	2,000,000	0.14%	N/A	0.00%
16	MRS. P. GANESHAN	2,000,000	0.14%	N/A	0.00%
17	BANK OF CEYLON A/C CEYBANK UNIT TRUST	1,838,700	0.13%	N/A	0.00%
18	EMPLOYEES TRUST FUND BOARD	1,750,800	0.12%	2,700,800	0.19%
19	MR. L. HETTIARACHCHI	1,707,466	0.12%	N/A	0.00%
20	MR. U. H. PALIHAKKARA	1,656,766	0.12%	N/A	0.00%
Total		1,271,430,656	90.20%	1,198,755,302	85.05%
Balance held by 8,301 Shareholders (2010/11-9,007)		138,074,940	9.80%	210,750,294	14.95%
Total No. of shares		1,409,505,596	100%	1,409,505,596	100%

2. Range of Shareholders

			2012			2011		
			No. of Share Holders	No. of Shares	% of Share holding	No. of Share Holders	No. of Shares	% of Share holding
1	-	500	1987	355,486	0.02	1772	326,135	0.02
501	-	5,000	3279	7,643,218	0.54	3482	8,304,213	0.59
5,001	-	10,000	1017	7,903,539	0.56	1185	9,368,298	0.66
10,001	-	20,000	799	12,446,251	0.88	979	15,495,073	1.01
20,001	-	30,000	382	10,048,260	0.72	442	11,641,481	0.82
30,001	-	40,000	206	7,313,722	0.52	269	9,669,228	0.67
40,001	-	50,000	153	7,236,356	0.52	208	9,907,852	0.7
50,001	-	100,000	252	19,297,344	1.37	345	27,058,828	1.91
100,001	-	1,000,000	215	56,944,694	4.04	294	82,494,680	5.85
1,000,001 & above			31	1,280,316,726	90.83	51	1,235,239,808	87.63
Total			8321	1,409,505,596	100	9027	1,409,505,596	100

Share Information

3. Composition of Shareholders

	2012			2011		
	No. of Shareholders	Total Holding	%	No. of Shares as	Total Holding	%
Institutional Shareholders	145	1,004,866,259	71.30	111	528,991,330	55.07
Individual Shareholders	8176	404,639,337	28.70	8916	880,466,266	44.93
Total	8321	1,409,505,596	100	9027	1,409,457,596	100
Resident Shareholders	8296	1,408,323,566	99.92	9006	1,407,015,098	99.51
Non-resident Shareholders	25	1,182,030	0.08	21	2,490,498	0.49
Total	8321	1,409,505,596	100	9027	1,409,505,596	100

4. Market Activity

	2011/2012	2010/2011
Highest Price (Rs.)	4.90	4.60
Lowest Price (Rs.)	2.90	3.60
Year End Price (Rs.)	3.10	4.00
No. of Shares Traded	12,760,894	205,149,300
No. of Share Transactions	1,323	8,311
Share Turnover (Rs.)	42,275,266	859,212,390
Shares held by public	12.95%	24.08%

Five Year Statistical Summary

	Group					Company				
	2011/12 Rs	2010/11 Rs	2009/10 Rs	2008/09 Rs	Restated 2007/08 Rs	2011/12 Rs	2010/11 Rs	2009/10 Rs	2008/09 Rs	2007/08 Rs
Income Statement Data										
Revenue	3,710,878,442	3,233,035,096	2,884,449,093	2,512,350,553	2,244,462,718	1,806,857,492	1,608,036,836	1,459,181,099	1,607,719,271	1,482,115,865
Cost of Services	(1,823,670,511)	(1,645,969,580)	1,442,227,937	(1,306,238,370)	(1,230,247,634)	(876,040,195)	(767,116,507)	(747,982,289)	(837,431,514)	(820,592,033)
Gross Profit	1,887,207,931	1,587,065,516	1,442,221,156	1,206,112,183	1,014,215,084	930,817,297	840,920,329	711,198,810	770,287,757	661,523,832
Other Operating Income	30,210,657	38,603,398	19,811,729	10,337,940	8,121,944	124,673,860	72,280,970	19,388,776	9,247,622	6,524,720
Profit from operations	459,028,530	324,001,074	415,343,605	294,511,337	270,011,694	226,817,202	147,845,400	115,917,282	81,389,336	68,802,898
Net profit after taxation	270,686,563	1,070,722,130	97,411,122	(108,502,591)	(71,889,064)	152,363,098	98,822,914	19,315,469	8,694,800	17,939,751
Balance Sheet Data										
Shareholders Fund	3,170,442,180	2,970,230,897	1,903,249,516	1,963,001,144	1,309,669,676	1,496,177,022	1,414,289,204	1,350,703,926	1,331,388,457	1,330,619,252
Financial Ratios										
Gross Profit Ratio (%)	50.86	49.09	50.00	48.01	45.19	51.52	52.29	48.74	47.91	44.63
Net Profit Ratio(%)	7.29	33.12	3.38	(4.32)	(3.20)	8.43	6.15	1.32	0.54	1.21
Increase in Revenue(%)	14.78	12.09	14.81	11.94	12.97	12.36	10.20	-9.24	8.47	5.03
Return on Capital Employed (%)	8.54	36.05	5.12	(5.53)	(5.49)	10.18	6.99	1.43	0.65	1.35
Current Asset Ratio	0.58	0.43	0.74	0.62	0.79	0.57	0.61	0.92	1.03	0.75
Quick Asset Ratio	0.42	0.29	0.63	0.51	0.68	0.53	0.57	0.89	1.00	0.68
Return on assets (Rs)	0.05	0.24	0.03	(0.03)	(0.03)	0.05	0.05	0.01	0.01	0.01
Debt/ Equity Ratio	0.28	0.23	0.58	0.69	0.58	0.20	0.20	0.23	0.31	0.08
Earnings/(Loss) per share	0.19	0.76	0.07	(0.15)	(0.10)	0.11	0.07	0.01	0.01	0.02
(After share split)										
Net Assets Per share (Rs)	2.25	2.11	1.35	2.79	1.86	1.06	1.00	0.96	1.89	1.89
(After share split)										
Dividend per share (Rs)	0.05	-	0.05	-	0.07	0.05	-	0.05	-	0.07

Quarterly Statistics

	2011/12				2010/11				
	Rs'000				Rs'000				
	31.03.2012	31.12.2011	30.09.2011	30.06.2011	31.03.2011	31.12.2010	30.09.2010	30.06.2010	
Balance Sheet Data									
Fixed Assets	3,940,038	3,899,990	3,922,971	3,695,525	3,697,694	3,724,016	3,562,534	3,432,423	
Shareholders Fund	3,170,442	3,077,268	2,978,417	2,972,411	2,970,231	2,915,144	2,853,780	2,769,828	

For the three months ended	2011/12					2010/11				
	Rs. '000					Rs. 000				
	Total	31.03.2012	31.12.2011	30.09.2011	30.06.2011	Total	31.03.2011	31.12.2010	30.09.2010	30.06.2010
Revenue	3,710,878	992,866	973,137	939,746	805,129	3,233,035	833,262	841,834	814,246	743,693
Gross Profit	1,887,208	564,691	479,140	476,722	366,655	1,587,065	425,489	404,564	412,343	344,669
Net Profit from Operation										
less Finance Cost	362,105	98,250	119,059	127,916	16,880	1,129,590	43,337	74,734	93,945	917,574

Ordinary Share Information

Nominal Value per share Rs. 1.00

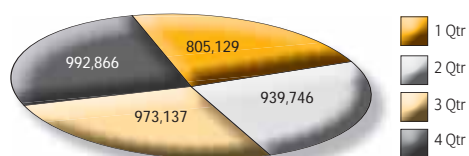
Market Price per share (Rs.)

High	4.10	4.20	4.90	4.30	4.60	10.00	9.20	8.00	
Low	2.90	3.40	3.50	3.80	3.60	3.60	7.00	4.50	
Closing	3.10	3.90	4.10	4.00	4.00	3.70	8.40	7.50	

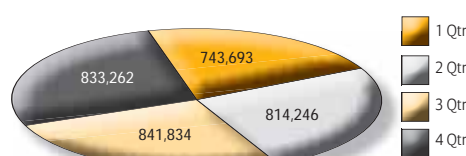
Financial Measures

Return on Shareholders Fund (%)	3.10	3.87	4.29	0.57	1.46	2.56	3.29	33.13	
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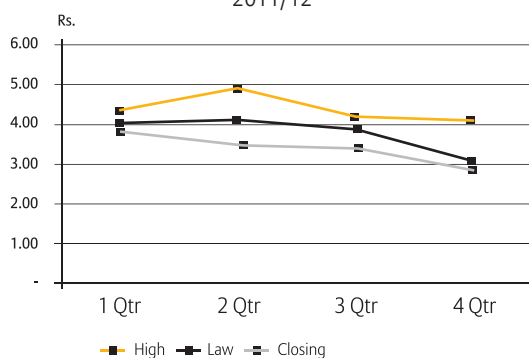
Revenue 2011/12



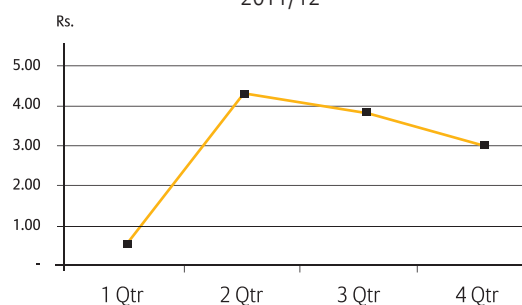
Revenue 2010/11



Market Price per share
2011/12



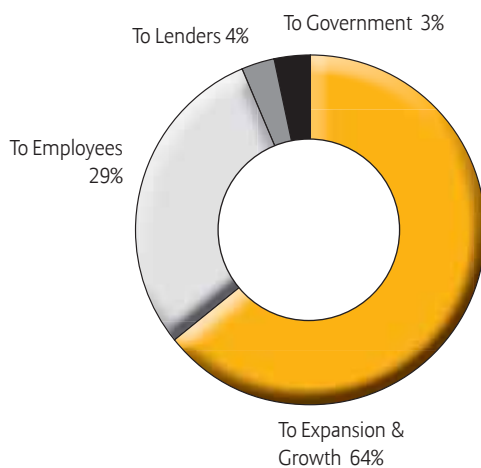
Return on Shareholders Fund (%)
2011/12



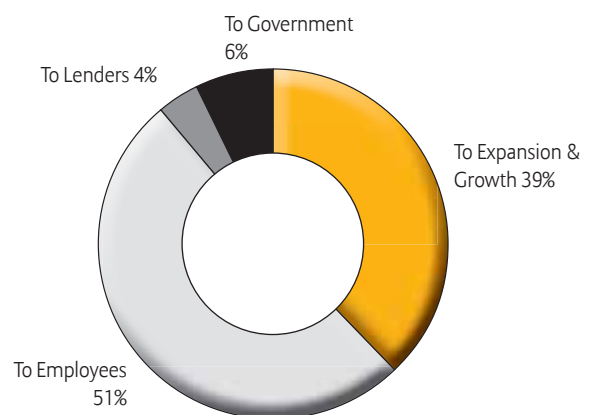
Value Added Statement

For the year ended at 31st March	GROUP		COMPANY	
	2011/12 Rs.	2010/11 Rs.	2011/12 Rs.	2010/11 Rs.
Value Added				
Revenue	3,710,878,442	3,233,035,096	1,806,857,492	1,608,036,836
Less: Cost of Materials & Services Obtained	(2,323,975,959)	(1,254,937,569)	(1,135,305,992)	(1,065,956,967)
Add: Other Income	30,210,657	38,603,398	124,673,860	72,280,970
	1,417,113,140	2,016,700,925	796,225,360	614,360,839
Distribution Value Added				
To Employees				
Salaries, Wages, Incentive and other benefits	717,949,353	588,633,589	435,618,402	378,027,559
To Lenders				
Interest on Loans & Leases	59,932,975	71,178,841	10,119,558	8,863,514
To Government				
Taxation	91,418,057	58,868,305	42,993,030	12,572,159
To Provision				
Results of Associate Companies	-	2,469,078	-	-
Impairment Profit/loss	-	-	-	-
Revaluation deficit	-	-	-	-
To Expansion & Growth				
Excess on Acquisition				
Depreciation	277,126,192	224,828,956	155,131,276	116,074,693
Retained Profit/(Loss)	270,686,563	1,070,722,131	152,363,098	98,822,918
	1,417,113,140	2,016,700,925	796,225,360	614,360,839

2010/11



2011/12



Notice of Meeting

Notice is hereby given that the 23rd Annual General Meeting of NAWALOKA HOSPITALS PLC will be held at the AUDITORIUM of the Institute of Chartered Accountants of Sri Lanka at No. 30A, Malalasekera Mawatha, Colombo 07, on Thursday the 28th day of June 2012, at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive and consider the Report of the Board of Directors on the affairs of the Company and the Financial Statement for the year ended 31st March 2012, together with the Report of Auditors thereon;
2. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint / re-appoint Mr. R. T. Wijetilleke (who is currently 72 years) and who retires at the end of the Annual General Meeting, as a Director until the next Annual General Meeting, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;
3. To re-elect Directors as follows :
 - (a) Re-elect, as a Director, in terms of Article 74, Deshabandu Tilak de Zoysa who retires by rotation and offers himself for re-election;
 - (b) Re-elect, as a Director, in terms of Article 74, Mr. Anisha Givantha Dharmadasa who retires by rotation and offers himself for re-election;
 - (c) Re-elect, as a Director, in terms of Article 74, Mr. Tissa K. Bandaranayake who retires by rotation and offers himself for re-election;
 - (d) Re-elect as a Director, in terms of Article 81, Dr. Thirugnanasambandar Senthilvel who ceases to be a Director at the conclusion of the Annual General Meeting but offers himself for re-election;
 - (e) Re-elect as a Director, in terms of Article 81, Mr. Damian Sunil Abeyratna who ceases to be a Director at the conclusion of the Annual General Meeting but offers himself for re-election;
4. To authorise the Board of Directors to determine and make donations to charities;
5. To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration; and
6. To transact any other business of which due notice has been given.

By Order of the Board

EM & EN AGENTS AND SECRETARIES (PRIVATE) LIMITED

Company Secretaries

18th May 2012

NOTES

- 1) A member is entitled to appoint a proxy to attend and vote instead of himself/herself. A proxy need not be a member of the Company. A form of proxy accompanies this notice.
- (2) The completed form of proxy must be deposited at the Registered Office, No. 23, Deshamanya H. K. Dharmadasa Mawatha, Colombo 02, Sri Lanka, not later than 10.00 a.m on 26th June 2012 (Forty Eight hours prior to the meeting).
- (3) A person representing a Corporation is required to carry a certified copy of the Resolution authorizing him/ her to act as the Representative of the Corporation. A representative need not be a member.
- (4) A person representing a shareholder as the Attorney (Power of Attorney) is required to carry the original or a certified copy of the said Power of Attorney.
- (5) The Transfer books of the Company will be kept open.

Form of Proxy

I/We
of
being a member / members of NAWALOKA HOSPITALS PLC hereby appoint :

Mr. H. K. J. Dharmadasa	or failing him
Mr. R.T. Wijetilleke	or failing him
Deshabandu Tilak de Zoysa	or failing him
Prof. L. G. Chandrasena	or failing him
Mr. Tissa Kumara Bandaranayake	or failing him
Mr. U.H. Dharmadasa	or failing him
Mr. A.G. Dharmadasa	or failing him
Ms. A.G. Dharmadasa	or failing her
Dr. T. Senthilverl	or failing him
Mr. Sunil Abeyratna	or failing him

as *my /our Proxy to ** vote as indicated hereunder for me* /us on my* /our behalf at the Annual General Meeting of the Company to be held on the 28th day of June 2012 at 10.00 a.m. at the Auditorium of the Institute of Chartered Accountants of Sri Lanka at No. 30A, Malalasekera Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
(i) To receive and consider the Report of the Board of Directors and the Financial Statements for the year ended 31st March 2012 together with the Report of Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To appoint R.T. Wijetilleke on to the Board of Directors until the next AGM notwithstanding him having attained the age of 70	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Directors :-		
(a) To re-elect Deshabandu Tilak de Zoysa who retires by rotation and who comes up for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(b) To re-elect Mr. A. G. Dharmadasa who retires by rotation and who comes up for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(c) To re-elect Mr. Tissa K. Bandaranayake who retires by rotation and who comes up for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(d) To re-elect Dr. T. Senthilverl who ceases to be a Director at the conclusion of the AGM but comes up for re-election	<input type="checkbox"/>	<input type="checkbox"/>
(e) To re-elect Mr. Sunil Abeyratna who ceases to be a Director at the conclusion of the AGM but comes up for re-election	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To authorize the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-appoint KPMG (Chartered Accountants) as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To transact any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

In witness * my/our hands this day of Two Thousand and Twelve

Signature of Shareholder/s

- Note: (a) * Please delete the inappropriate words.
(b) ** If you wish your Proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with and initial such interpolation.

Form of Information

INSTRUCTIONS AS TO COMPLETION

1. In terms of Articles 40(a) of the Articles of Association of the Company :-

The instrument appointing a proxy shall be in writing and

- (1) in the case of an individual, shall be signed by the appointer or his Attorney (if signed by the Attorney the Company reserves the right to request to be furnished with a copy of the said Power of Attorney); and
- (2) in the case of a corporation or company shall be either under its common seal or signed by its Attorney or by an Officer on behalf of the company.

The Company may, but shall not be bound to, furnish evidence of the authority of any such Attorney or Officer. A proxy need not be a member of the Company.

2. Kindly perfect the Form of Proxy by filling it legibly with your full name and address and it must be signed at the space provided. Please fill in the date of signature and indicate with an "X" in the space provided, as to how your proxy is to vote on each resolution. If no indication is given, the proxy, in his/her discretion may vote as he/she thinks fit.
3. In terms of Article 52 of the Articles of Association of the Company in the case of joint-holding of a share, the Senior tenders a vote, whether in person or by proxy or by Attorney or by representative and that vote shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
4. In case of a Joint holding only one member or his duly appointed proxy may attend.
5. To be valid, the completed form of Proxy should be deposited at the Registered Office of the Company situated at No. 23, Deshamanya H. K. Dharmadasa Mawatha, Colombo - 02 not later than 48 hours of the date and time appointed for the meeting.

Corporate Information

Name of the Company	:	Nawaloka Hospitals PLC
Company Registration No	:	PQ 78
Registered Office	:	No. 23, Deshamanya H. K. Dharmadasa Mawatha, (formerly known as Sri Sugathodaya Mawatha), Colombo – 00200, Sri Lanka.
Telephone	:	[+94 11] 2544444-56, 2305051-79
Telefax	:	[+94 11] 2430393
E-mail/Website	:	<nawaloka@slt.lk>/www.nawaloka.com
Legal Form	:	Quoted Public Company with limited liability incorporated in Sri Lanka under the Companies Ordinance 1938 and re-registered under the Companies Act No. 07 of 2007.
Board of Directors	:	<ol style="list-style-type: none">1. Deshamanya H. K. Dharmadasa (Deceased on 10.08.2011)2. Mr. H. K. Jayantha Dharmadasa (Appointed as Chairman w.e.f. 18.08.2011 & Chief Executive Officer)3. Mr. H. K. Upali Dharmadasa (Resigned w.e.f. 22.11.2011)4. Mr. Rienzie T. Wijetilleke (Appointed as Vice Chairman w.e.f 18.08.2011)5. Deshabandu Tilak de Zoysa6. Prof. Lal G. Chandrasena (Director / General Manager)7. Mr. Tissa Kumara Bandaranayake8. Mr. U. Harshith Dharmadasa9. Mr. A. G. Dharmadasa10. Ms. A. G. Dharmadasa11. Dr. T. Senthilverl (Appointed w.e.f. 28.02.2012)12. Mr. Damian Sunil Abeyratna (Appointed w.e.f. 28.02.2012)
Secretaries to the Company	:	EM & EN Agents and Secretaries (Private) Limited, M & N Building (Level 5), No. 2, Deal Place, Colombo - 3.
Auditors	:	KPMG Chartered Accountants, No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.
Lawyer(s)	:	(1) Mr. H. Chandrakumar de Silva, Attorney-at-Law, No. 7, Hedges Court, Colombo 01000. (2) Murugesu & Neelakandan, Attorneys-at-Law & Notaries Public, M & N Building (Level 5), No. 2, Deal Place, Colombo 00300.
Bankers	:	Hatton National Bank Plc Sampath Bank Plc Peoples Bank Seylan Bank Plc State Bank of India Commercial Bank Bank of Ceylon Deutsche Bank DFCC Bank
Subsidiaries	:	New Nawaloka Hospitals (Private) Limited New Nawaloka Medical Centre (Private) Limited
Joint Venture	:	Nawaloka Metropolis Laboratories (Pvt) Limited



Nawaloka Hospitals PLC

23, Deshamanya H K Dharmadasa Mawatha, Colombo 2, Sri Lanka.
+94 (011) 5777777, 5577111, 2544444 - 56, 2305051 - 79
nawaloka@slt.lk / www.nawaloka.com