

# YOU





**DURDANS HOSPITAL**

A Heritage Built On Values And Expertise  
[www.durdans.com](http://www.durdans.com)

# YOU

Durdans Hospital has always focused on serving you, our patients, partners and other stakeholders and serving you better. We are passionate about being a preferred healthcare provider and want to retain that position by helping you to stay healthy and by protecting your family as well.

Our pledge to deliver positive outcomes is accomplished through clinical and diagnostic expertise, advanced medical technologies and compassionate care we offer you each day, while our reputation for excellence in every sphere of healthcare is reinforced by the local and international awards we have won. We care about building a value-driven hospital, about making a difference and improving lives.

We do this because, in the end, we are dedicated to you.

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



# About us

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## DURDANS HOSPITAL

A Heritage Built On Values And Expertise



We continually challenge ourselves to look ahead and address the needs of a sophisticated consumer in an evolving world of medicine and medical management.

## Our Vision

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

## Our Mission

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

## Core Values

### Compassion

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

### Innovation

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

### Excellence

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

### Transparency and Integrity

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

### Team Spirit

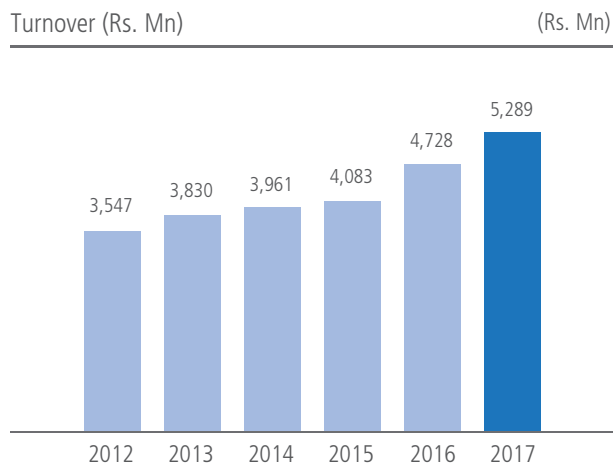
Delivering the best possible outcomes in a synergetic environment with a powerful group of people working cohesively.

### Collective Awareness

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

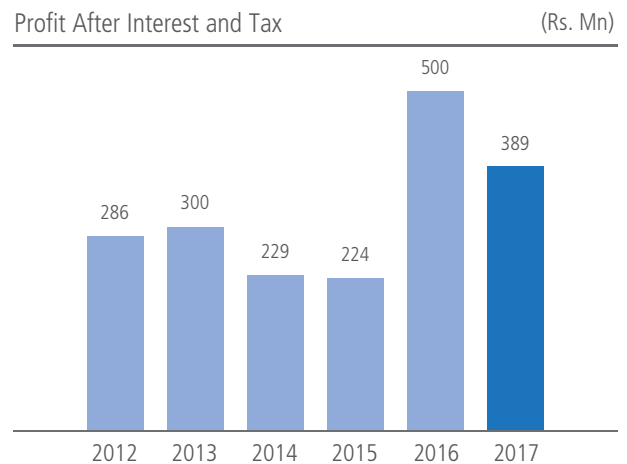
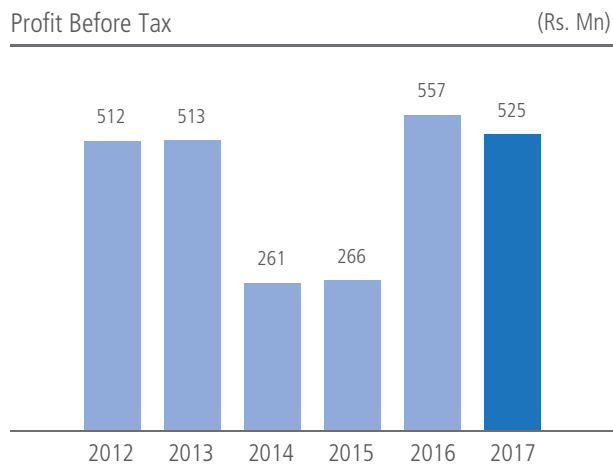
# Financial Highlights

Group	2012	2013	2014	2015	2016	2017
Turnover (Rs. Mn)	3,547	3,830	3,961	4,083	4,728	5,289
Profit Before Tax (Rs. Mn)	512	513	261	266	557	525
Profit After Interest and Tax (Rs. Mn)	286	300	229	224	500	389
Fixed Assets - Net Book Value (Rs. Mn)	4,310	4,239	4,158	4,107	4,286	6,445
Net Assets (Rs. Mn)	2,917	2,256	2,707	2,778	3,087	5,198
Earnings Per Share (Rs.)	7.35	7.81	5.66	5.91	12.67	9.67
Annual Income Growth (%)	16.14	8.00	3.00	3.00	16.00	11.87
Interest Cover (times)	2.73	2.64	2.20	3.10	7.44	6.34
Net Assets Per Share (Rs.)	71.70	66.60	79.92	82.01	91.14	153.45

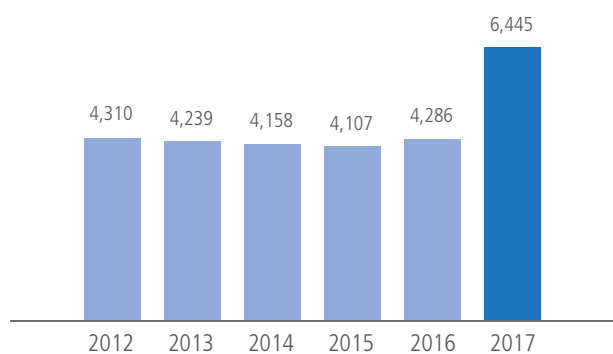


The Group reported a record breaking turnover of Rs 5.3 Bn - a momentous first in its 71 years of operation.

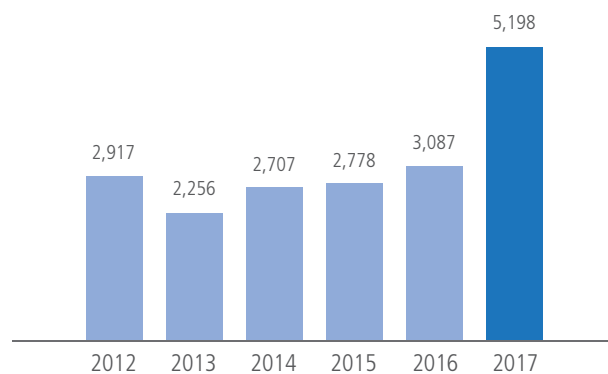
BOI approved subsidiary Durdans Medical and Surgical (Pvt) Ltd became tax liable exerting pressure on the bottomline for the year under review.



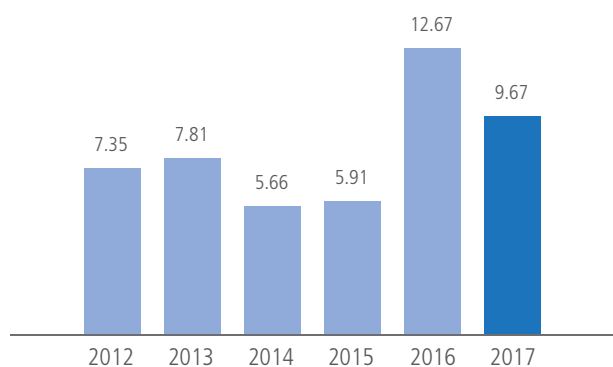
Fixed Assets - Net Book Value (Rs. Mn)



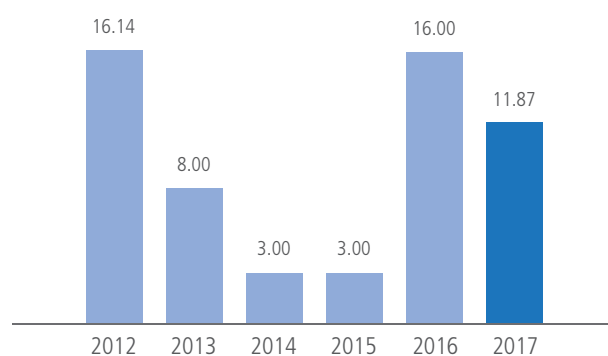
Net Assets (Rs. Mn)



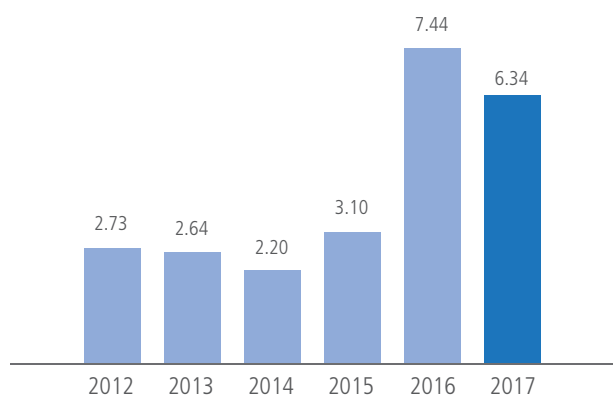
Earnings Per Share (Rs.)



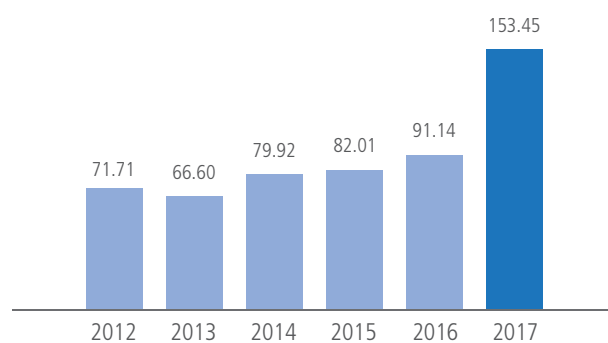
Annual Income Growth (%)



Interest Cover (times)



Net Assets Per Share (Rs.)



# Milestones

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**1939**

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

**1945**

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

**1968**

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

**1982**

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

**1984**

Radiology services were introduced to the public.

**1993**

The Intensive Care Unit (ICU) was formally established.

**1995**

The Endoscopy Unit was set up.

**1996**

The Pathological Laboratory and Blood Bank commenced operations.

**1997**

Durdans established strategic alliances with the 'Escorts Heart Institute and Research Centre' in New Delhi which are renowned institutes in the field of Cardiology.

**1998**

Commenced a five-year remodelling and modernisation program for the hospital.

**1999**

The Heart Command Centre and Heart Station became operational.

**2000**

Cardiovascular surgeries, invasive and interventional cardiac procedures commenced.

**2001**

A formal Emergency Treatment Unit was set up.

**2002**

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

**2003**

Ceylon Hospitals Ltd was listed on the Colombo Stock Exchange.

**2004**

The Neonatal and Dialysis Units were established. The first phase of the expansion project commenced.

**2005**

Commencement of advanced Cochlear Implant Surgery. Implementation of an ERP system for the Group.

**2006**

Phase I of the expansion project completed. An Audiology Unit established.

**2007**

Phase II of the expansion project commenced.



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## 2008

Construction commenced for the new subsidiary Durdans Medical and Surgical Hospital (Pvt) Ltd (Sixth Lane Wing), which was established as a BOI approved entity.

## 2009

Operations relating to Medical and Surgical Hospital (Pvt) Ltd (Sixth Lane Wing) commenced.

A web-based ERP system was successfully implemented.

## 2010

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

## 2011

A quality enhancement project was initiated to obtain international accreditation.

## 2012

Operations relating to the Diabetes & Endocrinology Centre and Durdans Oral Health Centre commenced.

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

A medical centre was launched in Negombo and a new satellite laboratory launched in Ratnapura.

## 2013

The Neuro Centre was established.

## 2014

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

Two mini laboratories in the districts of Kalutara and Gampaha and three collection centres in Chilaw, Kahatagasdigiliya and Kabathigollawa were opened.

## 2015

The "Women's Wellness Centre" was launched.

The Phillips Alluraclarity Cardiac and Angiography System with the advanced Ultrasound Phillips EPIQ 7 was installed.

Sleep Lab Test services and the Autologusplatelet Rich Plasma Liquid Procedure (A-PRP) were introduced.

## 2016

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

A 'Car Park' project to provide more than 200 parking slots was embarked upon.

A satellite laboratory was opened in the Eastern region of Trincomalee.

The Medical Intensive Care Unit was refurbished.

Establishment of the Dietetic and Nutritional Care Centre as well as enhancing Cosmetic Care Centre and the Physiotherapy & Sports Medicine Unit.

Establishment of a dedicated and sophisticated Call Centre equipped with state of the art equipment to support and enhance the level of customer care provided by the hospital.

## 2017

Revived the Renal Transplant Unit and re-commenced renal transplants. The subsidiary Company Durdans Heart Surgical Centre (Pvt) Ltd was renamed to Durdans Heart Centre (Pvt) Ltd and enhanced its scope of business from heart surgical care to preventive cardiac care services through Heart Station operations

A new 20 bed ward including two Deluxe Rooms and one Grand Suite opened to enhance the bed strength.

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

Laboratory operations were reaccredited with the ISO 15189:2012 including the Histopathology Unit during the current year, the latter being a first for a hospital.



2017

# Introductory Information

We remain committed to providing medical excellence, high quality healthcare and continuous innovation within a sustainable framework of operations.

Our laboratory network located island-wide is fully equipped, and manned by qualified and highly skilled technicians to serve you quickly and at your convenience.



5 Medical Centres  
islandwide



6 Satellite and  
15 mini Laboratories

26

Collecting Centres



# Chairman's Review

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Our business model is a customer centric one that is aligned with the need to establish centres of excellence in all our areas of expertise within the framework of sustainable development. In our journey forward, we will create a paradigm shift in how we approach healthcare, reposition ourselves to empower patients, educate and engage them in their own health management thereby creating better value for their money spent.

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In our 71st year of operation, we continue to be passionate about the service that we deliver to help others live happier and healthier lives. Our dedicated patient care and commitment have formed into the foundation of our business and we warmly welcome you to be part of the 'Durdans' experience. As the oldest private medical institution in the country, Durdans Hospital has transformed into one of the leading tertiary healthcare providers within the private sector. We take pride in being the first Healthcare Institution in Sri Lanka to be accredited with the Gold Seal of Approval by the Joint Commission International (JCI).

Our business model is a customer centric one that is aligned with the need to establish centres of excellence in all our areas of expertise within the framework of sustainable development. In our journey forward, we will create a paradigm shift in how we approach healthcare, reposition ourselves to empower patients, educate and engage them in their own health management thereby creating better value for their money spent. While we refine our medical standards and practices, our vision for tomorrow will involve the creation of a state-of-the-art facility that will provide not just a service but essentially an experience for all those who patronise us.

On behalf of the directorate of the Company, it is with much pride that I present to you our Annual Report and its audited Financial Statements for the financial year ended 31st March, 2017.

## Sri Lankan Healthcare Sector - Overview

The healthcare industry in Sri Lanka encountered numerous challenges during the year under review. An ageing population and the corresponding need for geriatric care, coupled with a rise in non-communicable diseases ("NCDs") that accounts for a significant proportion of morbidity and mortality, exerted an increased demand for healthcare services. Sri Lanka has witnessed a sharp decline in fertility rates and an increase in

life expectancy resulting in 8% of our population being over 65 years of age. The rise in NCDs is linked to unhealthy sedentary lifestyles in line with a rise in income levels, while health spending is dominated by communicable diseases at lower income levels.

The flipside of the coin is that the cost of healthcare continues to rise, compounded by the Value Added Tax (VAT) imposed on specialist consultant fees and hospital room charges. This is parallel to the fact that many customers have a high out-of-pocket spend as a percentage of private household expenditure as opposed to medical insurance of which penetration in the country remains significantly low. On the other hand, the senior citizen segment of society does not qualify for medical insurance which poses a financial strain. As a result, the pressure is on the public healthcare sector which continues to face multiple problems of overcrowding, inconsistent service standards, lack of specialist care and in general strained resources to cater to the numbers seeking treatment.

With its state-of-the-art private sector healthcare establishments, sound diagnostic facilities, relatively low costs versus global and regional players, very competent physicians, and nursing staff, Sri Lanka has much potential to become a popular destination for medical tourism and rank itself on the Medical Tourism Index. Although, the country does see an influx of patients seeking treatment from China, Maldives and Africa especially Seychelles, this component is small. With Sri Lanka being a popular tourist destination, there remains much potential to improve the standards of medical tourism within the country.

## Global Healthcare Sector - Overview

On a global front, the developments within the healthcare industry are being fuelled by ageing and growing populations, the proliferation of chronic, communicable and newly



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**5.3 Bn**

Total Revenue

**12%**

Revenue Growth

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emerging diseases, mental illnesses, emerging medical care and rehabilitation requirements as a result of increased natural disasters, war and violence. All of this has led to innovative treatments and technologies, new financial and governmental regulations and a rising cost of healthcare services. Healthcare spend, and associated taxation varies based on region. Majority of developed nations have seen advances in medical innovations. Government partnered medical insurance schemes which also provide for the elderly, have served to improve healthcare access and affordability for the majority. This however is attributable to the economic strength of developed countries which can afford to allocate more resources toward its healthcare.

Many developing countries on the other hand, especially within the Asian and African regions are plagued with struggling economies which are hard pressed to find sources of funding for provision of medical care. Inadequate and poorly developed infrastructure also serves to hamper medical care access in rural areas of some nations, while affordability remains another downside. One of the biggest challenges faced by developing nations in developing Universal Healthcare (UHC) is the lack of sound leadership and management. Very often the health sector is prioritised less especially in relation to financial support,



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**Durdans multi-storied split level car park accommodating approximately 200 parking slots is now nearing completion. This long overdue limiting factor which became one of the key deliverables of the Strategic Roadmap of Durdans for 2022.**

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human resources and the need for sector reform. There is also a disparity between health facilities available to urban and rural areas.

### Value Creation

Strokes have been recognised as one of the highest causes of death. In response to this, Durdans unveiled its Neuro and Stroke Centre which draws on a multidisciplinary team of specialists to provide specialised care for stroke prevention. In yet another innovative step, the Durdans Heart Centre conducted its first two successful stem cell treatments on patients whose heart function did not improve beyond 25% following bypass surgery.

In line with changing lifestyles and rising income levels, it is expected that approximately 50% to 60% of inpatients seeking

treatment may require surgery. In an effort to cater to this and minimise costs incurred by this segment, Durdans enhanced its focus on Orthopaedic procedures and Laparoscopic surgeries, which are gaining popularity.

Durdans multi-storied split level car park accommodating approximately 200 parking slots is now nearing completion. This long overdue limiting factor which became one of the key deliverables of the Strategic Roadmap of Durdans for 2022 will be accomplished by the end of the first quarter of financial year 2017/18, which will further enhance our service delivery and convenience to our valued clientele and prospective customers.

To uplift the quality of its accommodation and service standards certain wards underwent remodelling and refurbishment. On a more strategic scale, your Company relooked at and optimised



## Chairman's Review

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its resource allocation to provide better and faster service and identified its high/low return areas to optimise its bottom line.

### Financial Performance

In the backdrop of a challenging economic environment for business, the Durdans Group reported a revenue of Rs. 5,289 Mn, up by 12% from the previous financial year, while post-tax profits dipped by 23% to Rs. 389 Mn. Apart from price revisions, the latter part of the financial year saw increased volumes of business as a result of the H1N1 threat, the island-wide spread of general influenza and the proliferation of Dengue due to the rainy season experienced during the last quarter of the financial year under review. The refurbishment and remodelling of old wards and staff related expenses contributed towards a sizeable overhead cost. In addition to this, was a significant tax liability incurred on account of subsidiary Durdans Medical and Surgical Hospital (Pvt) Ltd, which was originally tax exempt but became liable for income tax in the current financial year. Both of these components impacted post-tax profits.

mortality and mortality under 5 have been met, while the country is also free from a few infectious diseases such as Malaria and Filariasis. Having said this, there remain gaps in terms of access to healthcare in some rural areas, and the estate sector, while certain infections such as Dengue, HIV and Tuberculosis are on the rise and need to be dealt with.

### The Future

The value of the 'Durdans' brand is of paramount importance to our objective of being a preferred healthcare service provider. We have recognised the need to reposition ourselves in line with this and have set in motion multiple initiatives to achieve Centres of Excellence in all that we offer. The new financial year 2017/18 has much in store in terms of a new brand value proposition that will make Durdans a strong contender in the private healthcare services sector. As a means to achieve this, your Company has formulated a Durdans Vision 2022 which would facilitate a paradigm shift in healthcare delivery of which, you would learn more as we move forward.



### Sustainability

In its 2030 Agenda for Sustainable Development Goals ("SDG"), the United Nations introduced 17 goals and 169 targets. Its health related SDG to "ensure healthy lives and promote well-being for all ages" is with the ultimate aim to provide universal healthcare within a country. On the upside, Sri Lanka is well ahead in terms of achieving its basic health outcomes or indicators amongst its regional peers in South Asia and this was highlighted in the 3rd 'Sri Lanka Millennium Goals Development Report'. SDG targets in terms of maternal mortality, neonatal

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The new financial year 2017/18 has much in store in terms of a new brand value proposition.

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As part of our future expansion initiative, we hope to extend our reach across the island creating more access in regions outside of Colombo.

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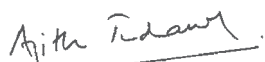
Durdans has identified several key areas that will very likely be top contributors to revenue. Accordingly it intends to increase its volume of Orthopaedic procedures, enhance its focus on Neurological and Neuro-Surgical procedures through the introduction of cutting edge technology.

A capital intensive business, the challenge also lies in the increasing costs year on year. Sourcing skilled human capital is much more difficult than sourcing funding. There is also a need to replace medical equipment every 6 to 8 years considering the technological advancements in medical procedures and innovations. Most private sector hospitals reinvested approximately 38% of their earnings on medical equipment in 2015 which is a significant quantum. On the other hand, VAT on medical services and corporate taxation are also key challenges, as healthcare providers cannot unduly increase their fee considering the nature of the services provided. Having said this, there are many drivers to push the industry in a forward direction while increasing demand for private healthcare. This is especially so considering the state sector will not be able to meet demand with its limited and strained resources.

As part of our future expansion initiative, we hope to extend our reach across the island creating more access in regions outside of Colombo, whilst further enhancing the trust placed in our laboratory services and medical centres.

## Appreciation

We consider our people at every level of the organisation to be our biggest asset and strength. It is due to their efforts that we continue to enjoy progressive success. As we continue to move forward, I would like to express my sincere gratitude to the Board of Directors for their fullest cooperation and support extended during the year under review, the Senior Management team and all of our employees for their hard work, commitment and loyalty to the Company at all times. While remaining confident in the continuity of Durdans Hospital, I also thank our shareholders, visiting consultants for their continued patronage and numerous stakeholder groups for their unwavering support and confidence in us.



Ajith Tudawe  
Executive Chairman

# Board of Directors - Parent Company

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## Ceylon Hospitals PLC

- **Ajith Erandan Tudawe**

*Chairman*

Ajith Tudawe holds a Bachelor's degree in Accounting from the United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in Sri Lanka, a Fellow of the CPA Australia, a Fellow of the Association of Chartered Certified Accountants in the United Kingdom and a Fellow of the Chartered Institute of Marketing in the UK. He is also a past President of the ACCA in Sri Lanka and has participated in executive education programs and professional development programs from universities in Australia, Singapore and the United Kingdom. Ajith Tudawe is a Group Director of Tudawe Brothers (Pvt) Ltd, including all its subsidiaries and associate companies.

He was awarded the fellowship of WONCA at the world conference in November 2016 and became the first Sri Lankan to receive the highest honour offered by this prestigious body. Widely acclaimed as a leader in the field of family medicine in the South Asian region, this award is given to those who have rendered outstanding service to the WONCA organisation and to family medicine globally.

- **Upul Dulip Tudawe**

*Director / Executive Vice President*

Upul Tudawe holds a B.Sc. in Microbiology from Texas Tech University as well as a B.Sc. in Medical Technology from the University of Texas Health Science Centre, Houston, Texas, USA. He is a Member of the American Society of Clinical Pathology (ASCP) and the Australian Institute of Medical Scientists (AIMS). Upul Tudawe acts as a Group Director of Tudawe Brothers (Pvt) Ltd, including all its subsidiaries and associate companies, including Commercial Marketing Distributors (Pvt) Ltd.

- **Sathis Prithiviraj Tudawe**

*Director / Senior Vice President – Administration*

Sathis Tudawe in his capacity as the Senior Vice President – Administration supervises the technical and maintenance aspects of the business. He chairs the technical and maintenance committees including the Hospital Safety and Preparedness Meeting while managing all security and transport related operations in an advisory capacity. He is a Group Director of Tudawe Brothers (Pvt) Ltd, including its subsidiaries and associate companies and counts over 40 years of experience in the construction industry.

- **Y. Nimal Ranjith Piyasena**

*Independent, Non-Executive Director*

Nimal Piyasena is the Managing Partner of Y. R. Piyasena & Company and the Vice Chairman of Hotel Star Dust in Pottuvil. He contributes over 40 years of diversified experience in the fields of finance, healthcare and trade operations.

- **Dr. A. D. Preethiraj Asoka Wijegoonewardene**

*Director / Senior Vice President – Medical*

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

- **Asoka Sriwickrema Abeyewardene**

*Independent, Non-Executive Director*

Asoka Abeyewardene is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Fellow of the Certified Management Accountants of Sri Lanka and a Fellow of the Institute of Directors UK. He is an Executive Director of Continental Insurance Lanka Ltd, a wholly owned Subsidiary of Melstacorp PLC. He is a former partner of Messrs. KPMG Ford, Rhodes, Thornton & Co. Chartered Accountants and serves as the Chairman of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee of the Company.



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- **Ahamed Su-ayid Mohomed Ismail**

*Independent, Non-Executive Director*

Su-ayid M. Ismail is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Chartered Management Accountants of UK and a Member of the Institute of Internal Auditors. He is a Former Partner of Messrs. Ernst & Young Chartered Accountants and served as the Director Risk Management for the Heraymila Investments Group, Dubai. He is the Founder/CEO of BAS Consultants (Pvt) Ltd and has more than 30 years of experience in the fields of financial management, risk management, auditing, consulting and business advisory services. He currently provides consulting advisory services for SMEs and family businesses.

- **Asite Drupath Bandara Talwatte**

*Independent, Non-Executive Director*

Asite Talwatte is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka ("CASL") and the Chartered Institute of Management Accountants of the UK ("CIMA"). He has a Post-Graduate Diploma in Business and Financial Administration awarded by CASL and the University of Wageningen, Holland and holds an MBA from the University of Sri Jayewardenepura, Sri Lanka. Having served his articles at M. N. Sambamurti & Co., he joined Messrs. Ernst & Young Chartered Accountants where he worked in Assurance, Business Risk and Advisory Services for 37 years prior to his retirement in March 2016. At Ernst & Young, he served as the Country Managing Partner for over 10 years.

Asite Talwatte was the President of CASL in 2002 & 2003 and of CIMA in 1995 & 1996. As the President of CASL he chaired several technical committees such as the Accounting Standards Committee, Auditing Standards Committee and the Urgent Issues Task Force to name a few. He co-chaired a committee on Corporate Governance which was set up jointly by CASL and the Securities & Exchange Commission (SEC) in 2012 and currently chairs the committee reviewing the applicability of Integrated Reporting in Sri Lanka and the Corporate Governance Code. He has served as a Non-Executive Director on the boards of listed companies, public companies and state owned enterprises.

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

# Board of Directors - Subsidiary Company

## Durdans Medical and Surgical Hospital (Pvt) Ltd

- **Ajith Erandan Tudawe**

Chairman

Refer Page 14 for the profile.

- **Upul Dulip Tudawe**

Director / Executive Vice President

Refer Page 14 for the profile.

- **Dr. A. D. Preethiraj Asoka Wijegoonewardene**

Director / Senior Vice President – Medical

Refer Page 14 for the profile.

- **Sathis Prithviraj Tudawe**

Director / Senior Vice President – Administration

Refer Page 14 for the profile.

- **Y. Nimal Ranjith Piyasena**

Independent, Non-Executive Director

Refer Page 14 for the profile.

- **Asoka Sriwickrema Abeyewardene**

Independent, Non-Executive Director

Refer Page 14 for the profile.

- **Merrill Joseph Fernando**

Independent, Non-Executive Director

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

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

In recognition of the commitment to his exemplary philosophy of making Business a matter of Human Service, Merrill J Fernando was bestowed with the prestigious Business for Peace Award in Oslo in 2015 by the Nobel Peace Laureates Committee. In November 2016 he was honoured with FIRST Award for Responsible Capitalism for improving the lives of underprivileged children and deprived communities

The FIRST Award summarises the reason for the selection of Dilmah Founder. "The First Award for Responsible Capitalism 2016 is awarded to Merrill Joseph Fernando Founder and Chairman MJF Group who, over more than four decades has been responsible for establishing and enhancing the reputation of Ceylon Tea in an exemplary manner; and in so doing has brought great benefits to his native country, improved immeasurably the conditions of plantation workers and made a particular success of helping to improve the lives and prospects of underprivileged children and deprived communities."

- **Dilhan Chrishantha Fernando**

Independent, Non-Executive Director

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

His efforts have focused on bringing tea to a new generation with innovations like tea gastronomy, tea Lounges and by enhancing knowledge in tea through the Dilmah School of Tea. Dilhan also manages the fulfillment of his father's pledge to make business a matter of human service through the work of the MJF Charitable Foundation and Dilmah Conservation.

Dilhan currently chairs the Business and Biodiversity Platform which was pioneered by Dilmah Conservation together with the Ceylon Chamber of Commerce and International Union for Conservation of Nature (IUCN).

- **Prof. Janaka de Silva**

Independent, Non-Executive Director

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

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- **Dr. Bandula Wijesiriwardena**

Independent, Non-Executive Director

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

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

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

- **Ahamed Su-ayid Mohomed Ismail**

Independent, Non-Executive Director

Refer Page 15 for the profile.

- **Asite Drupath Bandara Talwatte**

Independent, Non-Executive Director

Refer Page 15 for the profile.

# Board of Directors - Subsidiary Company

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## Durdans Heart Centre (Pvt) Ltd

- **Ajith Erandan Tudawe**

Chairman

Refer Page 14 for the profile.

- **Upul Dulip Tudawe**

Director/Executive Vice President

Refer Page 14 for the profile.

- **Dr. A. D. Preethiraj Asoka Wijegoonewardene**

Director / Senior Vice President – Medical

Refer Page 14 for the profile.

- **Sathis Prithiviraj Tudawe**

Director / Senior Vice President – Administration

Refer Page 14 for the profile.

- **Y. Nimal Ranjith Piyasena**

Independent, Non-Executive Director

Refer Page 14 for the profile.

- **Dr. R. Chandrawanse Rajapakse**

Independent, Non-Executive Director

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

Dr. Rajapakse was an officer in the Sri Lanka Army Medical Corps (Vol) and served as its Commanding Officer during the year 1989/91.

- **Dr. A. Neville Dharmawansa**

Independent, Non-Executive Director

Dr. A. N. Dharmawansa holds an MBBS from the University of Ceylon as well as postgraduate qualifications from the UK. He is a Fellow of the Royal College of Physicians in England and is presently a practicing physician in the Sri Lankan private healthcare sector.

- **Sumith Arangala**

Independent, Non-Executive Director

Sumith Arangala is the Director / Chief Executive Officer of LVL Energy Fund Limited ("LEF"). He represents LEF on the Boards of its investee companies and is a Non-Executive Independent Director of Renuka Agri Foods PLC. He served as the Chief Executive Officer of Lanka Ventures PLC ("LVL") from July 2002 to April 2016. Prior to joining LVL in October 2000, he worked at the Capital Development and Investment Company Limited, the pioneer venture capital company in Sri Lanka for over 14 years and held the position of Assistant General Manager at the point of leaving the Company. Being associated with the industry for over 30 years, he has considerable knowledge and experience in investing in private equity, venture capital and capital markets.

He holds a Bachelor of Engineering Degree and a Graduate Diploma in Quality Technology from the Royal Melbourne Institute of Technology, Australia. He is also a Graduate Member of the Institute of Engineers in Australia.

# Senior Management Team

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## **Dr. Wimal Karandagoda**

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

Dr. Wimal Karandagoda joined the Durdans Group of Hospitals in January 2016. He obtained his MBBS in 1981 from the Medical School of the University of Peradeniya, Sri Lanka and his Master of Medical Administration in 1996 from the Post Graduate Institute of Medicine from the University of Colombo. He counts over thirty years of experience as a Medical Officer and a Senior Medical Administrator at the Ministry of Health in Sri Lanka. He worked as the Director of Teaching Hospitals, Regional & Provincial Director of Health Services and the Director - Policy Analysis & Development at the Ministry of Health. Prior to joining Durdans, Dr. Karandagoda worked as the Director Medical Services of Lanka Hospitals PLC since 2009.

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

With the knowledge, experience and accolades earned over the years by successfully implementing the Total Quality Management approach in organisations especially within the healthcare sector, Dr. Karandagoda imparts his knowledge on quality management practices as a visiting lecturer at some of the medical schools in Universities of Sri Lanka, National Productivity Secretariat and at the Directorate of Quality & Safety within the Ministry of Health. He has been a resource person for healthcare quality programs organised and funded by JICA in developing countries.

## **Mahanil Perera**

### **Head of Laboratory Operations**

Mahanil Perera joined the Durdans Hospital Group in 2011 as an Assistant Marketing Manager and was promoted to the senior management team. He counts over 25 years of hands-on experience in management. He holds a Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing and is a Life Member. As a Senior Manager and Head of Laboratory Operations, he oversees the management and efficient functioning of all laboratory operations and services.

## **Aminda Tudawe**

### **Head of Supply Chain**

Aminda Tudawe joined Durdans Hospital in February 2011 as a Management Executive on completion of his Bachelor of Science (Hons) degree in Business Management from the University of Wales, UK. He presently serves as the Head of Supply Chain Management and is actively engaged in directing Durdans entire supply chain operation from procurement to the final delivery of service within the hospital.

## **Dr. Jithendri Perera**

### **Manager Medical Services**

Dr. Jithendri Perera was absorbed into the management team in November 2012 and undertook responsibility as the Deputy Manager Medical Services. She holds an MBBS from Rajiv Gandhi University in Bangalore, India. She obtained her post qualifying experience at two hospitals in India and subsequently in Sri Lanka as an intern at the Base Hospital, Negombo. She joined Durdans in November 2006 and has acquired knowledge of the operations across the Group. In her present capacity as the Manager Medical Services, her responsibilities encompass all functions under the purview of medical services. She was the Senior Manager, in charge of the Quality Assurance Department that coordinated both clinical and non-clinical activities to achieve Joint Commission International (JCI) accreditation for Durdans Hospital.

## Senior Management Team

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### Anagi Karunasena

#### Chief Financial Officer

Anagi Karunasena holds a B.Sc. degree in Management Studies from the University of Sri Jayewardenepura, Sri Lanka, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a member of the Certified Public Accountants of Australia. She holds a Masters Degree in Business Administration from the Post Graduate Institute of Management in Sri Lanka and is also an Associate Member of the Institute of Bankers of Sri Lanka.

She counts over 17 years of post-qualifying experience in the fields of accounting, auditing, finance and banking. Her career spans diverse fields of businesses including audit and advisory services, manufacturing, construction, infrastructure development, hotel and hospitality, printing, venture capital financing, development banking, merchant banking and commercial banking to name a few.

Having joined the Durdans Group as a Finance Manager in 2014, she has over 3 years of direct involvement in financial management of the healthcare industry including two standalone hospitals and a hospital group which has an island-wide network of laboratories.

### Omal Kaluarachchi

#### Head of Human Resources

Omal Kaluarachchi joined Durdans in January 2016 as the Head of Human Resources. Prior to joining Durdans, Omal Kaluarachchi served as the Manager Human Resources at Lanka Hospitals PLC. He was the Business Excellence Champion at Taj Lanka Hotels, attached to Taj Samudra Hotel overseeing the business excellence element of the hotel. He possesses many years of experience in heading human resources in numerous industries and in different markets. He is a professional in hospitality and the service sector with a Masters Degree in Business Administration from Sikkim Manipal University, India. In addition to the human resource management function at Durdans, his responsibilities also encompass the areas of transport and fleet management, security and fire safety.

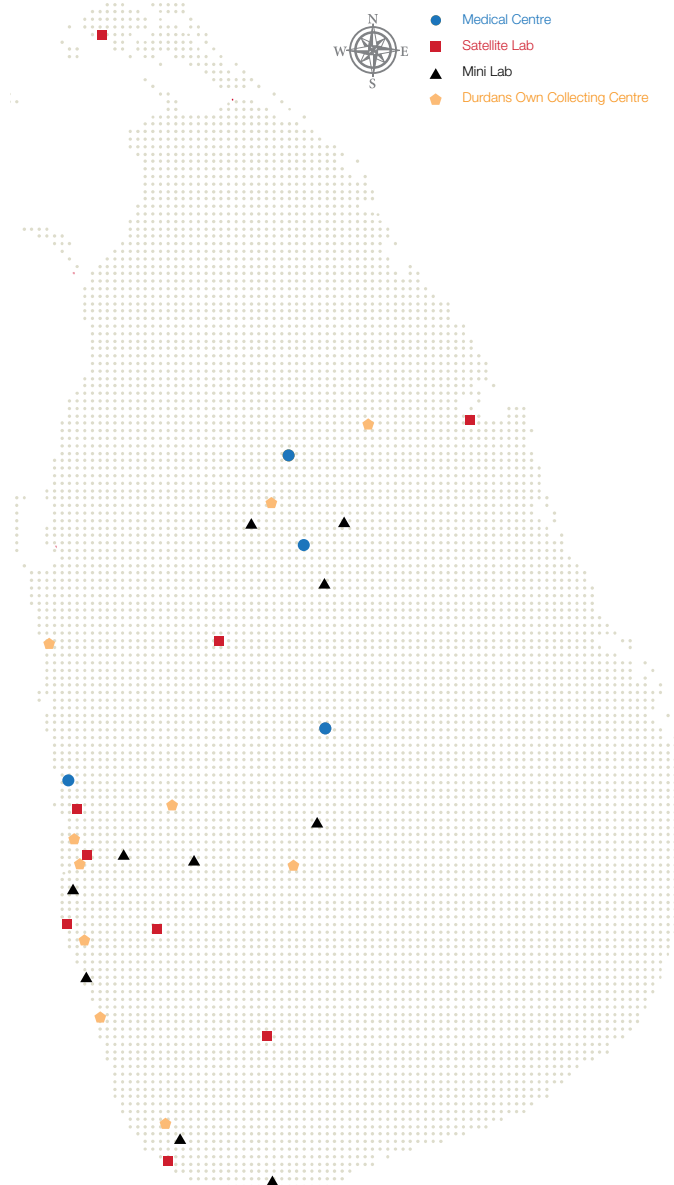
### Rakshitha Tudawe

#### Head of Strategy and Business Development

Rakshitha Tudawe joined Durdans Hospital in January 2016 as a Manager. He holds a B.Sc. (Hons) degree in Business Economics from the School of Economics of the University of East Anglia in Norwich and a M.Sc degree in Management from Loughborough Business School, Loughborough University in the United Kingdom. In 2014 he was selected to attend a program conducted by Ernst & Young at the Insead Business School in Fontainebleau, France. Whilst in the United Kingdom he strengthened his work exposure in Sales and Marketing. He presently serves as the Head of Strategy and Business Development and is actively engaged in developing and overseeing the execution of strategic initiatives to maximize Durdans growth potential.

# Durdans' Islandwide Reach

Durdans has 11 main laboratories which comprise of 5 medical centres in the main towns of Galle, Anuradhapura, Negombo, Kandy and Kurunegala and 6 satellite laboratories in Kalubowila, Maradana, Ratnapura, Ragama, Trincomalee and Jaffna.



<b>Anuradhapura</b>	●
Kahatagasdigiliya	◆
Kebathigollewa	◆
Kekirawa	◆
Thambuttegama	▲

<b>Galle</b>	●
Karapitiya	▲
Matara	▲
Udugama	◆

<b>Jaffna</b>	■
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<b>Kandy</b>	●
Akurana	◆
Katugastota	▲
Kegalle	▲
Nawalapitiya	▲
Wadugodapitiya	◆
Keppetipola Mawatha - Kandy	◆
Anagarika Dharmapala Road - Kandy	◆

<b>Kalubowila</b>	■
Homagama	▲
Horana	▲
Nagoda	▲
Panadura	▲
Wadduwa	▲
Mount Lavinia	◆

<b>Kurunegala</b>	●
Dambulla	▲
Polgahawela	◆
South Circular Road - Kurunegala	◆
Mawathagama	◆

<b>Negombo</b>	●
Chillaw	▲
Wennappuwa	◆
Divulapitiya	◆
Galkanda Junction - Negombo	◆

<b>Colombo 10</b>	■
Castle Street - Colombo 8	◆
Jayewardenepura	▲

<b>Ratnapura</b>	■
Balangoda	◆
Rathnapura - Hospital Road	◆

<b>Ragama</b>	■
Gampaha	▲
Kiribathgoda	◆
Wathupitiwela	▲
Wattala	◆

<b>Trinco</b>	■
Duke Street - Trincomalee	◆

# Management Discussion & Analysis

The new state-of-the-art 'Ward 20' will enhance bed capacity and includes 2 Deluxe Rooms and 1 Grand Suite for a greater level of comfort and bigger experience.

We have renovated, restructured several of our units and brought onboard a team of renowned medical professionals of varying expertise to serve you better.



Split level car park with  
200 parking slots



Channelling Services are now  
available via 'e-Channelling'  
and 'Doc990'.

# 50

New Surgical Packages  
introduced





# Operational Review

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

During the year under review, Durdans obtained the services of 'Doc990' in an effort to provide its customers with a greater convenience of channeling for consultations. Presently, all customers can obtain appointments via 'e-channeling' services and together with 'Doc990' is expected to increase the number of consultations at the hospital. Durdans also uses the services of a leading telemedicine services provider to enhance its convenience to patients. This partnership ties up an online web portal with a mobile application thereby providing customers with easy access to their healthcare requirements.



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## 389 Mn

### Profit After Tax

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all laboratories and medical centres have up-to-date equipment and experienced technicians who operate within a framework of stringent safety and quality standards to meet the ISO 15189 accreditation for over 90 laboratory investigations encompassing Bio-Chemistry, Haematology, Clinical Pathology,

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Armed with the Joint Commission International (JCI) certification, Durdans Hospital continued to demonstrate its dedication to being a leading healthcare provider and partner to the community at large.

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Armed with the Joint Commission International (JCI) certification, Durdans Hospital continued to demonstrate its dedication to being a leading healthcare provider and partner to the community at large. While being endorsed for patient safety and quality of care Durdans continued to focus on clinical care as an essential service offered by a tertiary healthcare service provider.

#### Laboratory Operations

A key strength is the trust that clinicians and patients have placed in our diagnostic laboratory services for decades. Focused to ensure accuracy and reliability of results provided,



Introduction of DEXA Scanner to the radiology unit.



Dental and ophthalmology units re-vamped and reorganised.



Laboratory services of the Hospital re-affirmed with ISO 15189:2012 accreditation.

Endocrinology, Microbiology, Immunology, Serology and Histopathology. Staff training is of paramount importance to minimise pre-analytical errors which account for 80% of errors. Barcoding of all samples ensures the accuracy of sample collection and identification. Results of all investigations are certified by a panel of consultant pathologists to ensure the accuracy and reliability whilst it is uploaded online to the ERP permitting authorised staff to access from anywhere within the hospital. The hospital also houses its own Molecular Biology Research and Development arm which develops new investigations. A mobile collection unit offers convenience to our customers by reaching out to those who are unable to travel to or reach a laboratory. Staff is adequately trained to carry out on-the-go procedures with efficiency and in adherence to quality standards.

Durdans has 11 main laboratories which comprise of 5 medical centres in the main towns of Galle, Anuradhapura, Negombo,

Kalubowila and Negombo together with the replacement of its older equipment, primarily analysers with newer and up-to-date versions of same.

This segment of operations experienced a year on year revenue growth of 14% due to an increase in its business volumes and partially due to price increases. On the other hand profitability remained stagnant due to an increase in expenditure on direct consumables as well as the impact of the exchange rate fluctuation of the US Dollar on import of reagents, the annual increase in staff related costs and the payment in arrears of budgetary relief allowances as per Government regulations.

### Diagnostics

Durdans Pathology and Radiology laboratories are equipped with advanced and up-to-date equipment including clinical analysers, high-end ultrasound equipment and scanners, while being managed by a proficient and competent technical team.



Kandy and Kurunegala as well as 6 satellite laboratories in Kalubowila, Maradana, Ratnapura, Ragama, Trincomalee and Jaffna. The network of 15 mini laboratories undertakes routine laboratory services. 26 Durdans owned Collection Centers are located islandwide. The year saw the addition of new collection centres in Bambalapitiya and Divulapitiya. In an effort to streamline laboratory operations for a faster and more efficient service, a new lab software system was installed in the main laboratory of the hospital in Colombo. This is to be extended to all of the laboratories outstation in the next financial year. Other developments included the refurbishment of laboratories in

Durdans Hospital has the capability and expertise to conduct a range of diagnostic investigations relating to Endoscopy. All of Durdans diagnostic services are offered at the main hospital in Colombo with a few mini labs that undertake radiological, imaging and ECG services. The year under review saw the introduction of Hologic's Horizon W DEXA Scanner, a bone densitometry machine which was a first in South Asia. The introduction of this will allow more advanced diagnostic analyses and assessments to be made in relation to osteoporosis, diabetes and cardiovascular disease.



Durdans offers a range of preventive health packages under the categories of 'Comprehensive', 'Executive', 'Regular' and 'Basic'. All of these comprise a gamut of key screenings and tests for those who would like to monitor and maintain good health. The year under review saw the introduction of additional health and promotional packages to the corporate sector which included diagnostic services such as X-rays, MRI scans, Mammograms and Endoscopies. CT scan volumes declined by 9% year on year mainly due to consultants opting for MRI scans as a more accurate tool for decision making. Together with a general increase in business volumes, the diagnostics division reflected a satisfactory performance for the year.

### Medical Services

The primary focus of medical services was to improve the level of surgical care provided by the hospital. Significant attention was directed towards restructuring and reorganising the staff at the surgical theatres and at the Intensive Care Units. Two wards were designated as surgical wards with a team of competent staff assigned to each. Nurses were provided with on the job and classroom training to enhance their ability to manage surgical cases more efficiently. As a means to improve internal efficiencies, Durdans commenced monitoring its usage of time as well as the utilisation of the theatre in general.

Since setting up its Heart Centre, Durdans has established itself as a centre of excellence in cardiology and all related investigative procedures both interventional and non-interventional. With the completion of over 35,000 procedures using state-of-the-art equipment, Durdans is home to a rich concentration of the best cardiologists and cardiac surgeons.



A notable feature is the 'Minimally Invasive Cardiac Surgery', a surgical procedure carried out on the heart where small incisions are made as opposed to open heart surgery. This type of procedure serves to reduce blood loss, risk of infection, discomfort post-procedure, resulting in faster recovery while opening up the possibility of heart surgery to those who were originally considered high risk for traditional heart surgical procedures due to age and medical history. The year under review saw Durdans subsidiary 'Durdans Heart Surgical Centre (Pvt) Ltd' change its name to 'Durdans Heart Centre (Pvt) Ltd', with the intention of increasing its scope of business from heart surgical care to preventive cardiac care.

In its successful adaptation of stem cell therapy to treat heart failure, Durdans undertook two successful procedures in which the patient's bone marrow derived stem cells were used to treat their heart conditions in order to enhance and repair the dying heart muscle – a revolutionary step which was previously thought to be impossible. The last quarter of 2016/17 saw Durdans undertake more than 5 stem cell procedures.

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With the completion of over 35,000 procedures using state-of-the-art equipment, Durdans is home to a rich concentration of the best cardiologists and cardiac surgeons.



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Durdans undertook two successful procedures in which the patient's bone marrow derived stem cells were used to treat their heart conditions in order to enhance and repair the dying heart muscle.

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

The Nephrology unit of Durdans which provided dialysis services recommenced its kidney transplant procedures after a considerable period of time. The original regulatory concerns and Government decision to not allow hospitals to perform kidney transplants on foreign patients affected the potential to treat kidney patients. However, Durdans was able to successfully



complete 4 kidney transplants during the year under review and intends improving and expanding this area of operation in the years to come. As added value, this division will continue to educate the public on preventing kidney failure especially in relation to those with Diabetes and Hypertension.

In line with World Diabetes Day, Durdans launched a public awareness campaign 'Eye Am Healthy' to enhance awareness of a diabetic complication known as 'Diabetic Retinopathy'. A condition whereby high sugar levels affect the back of the





retina, leading to possible blindness, it can easily be treated if detected and diagnosed early. The campaign served to raise awareness and encouraged individuals to get a screening done sooner rather than later. It also invited the general public to share recipes relating to eye health on the hospital's social media presence. Durdans provided eye screening services, as well as specific Diabetic Retinopathy screening to people diagnosed with diabetes at its Eye Care Unit during the week.

The Ophthalmology unit underwent a revamp with the addition of consultation rooms, the introduction of new consultants who are specialists in their area of expertise in order to establish a fully-fledged Eye Care Centre. New and up-to-date equipment including a Fundus Camera System, a Biometric System and a Multipoint 532 Laser System were procured to support new ophthalmological procedures including Focal Laser Treatment, Pan Retinal Photocoagulation (PRP), Fundus Fluorescein Angiography (FFA) and Indocyanin Green Angiography (ICGA). The changes were effected in order to improve our levels of service, offer more procedures to our customers, increase the number of consultations and become a centre of excellence in eye care.



Durdans introduced more than 50 general surgical packages during the year for the purpose of convenience and affordability to its customers. Four Orthopedic and Laparoscopic consultants were added to the resource panel of the Surgical Care Centre. Durdans also obtained the services of an excellent team of Consultant Neurologists and Neuro Surgeons to provide treatment for strokes and neuro-related illnesses. A team of nurses underwent training to provide high quality support services in surgical care. Durdans Hospital continues to be a preferred centre for Orthopaedic surgeries with more than ten eminent surgeons serving at Durdans Hospital in this field of operation.

The Dental Unit was restructured and saw the introduction of new consultant Oro Maxio Facial surgeons. The Oncology Unit also underwent infrastructural renovations during the year and is in the process of introducing new oncological services to those afflicted with varying types of cancer.

### Infrastructure

Being strategically located in central Colombo has provided better accessibility to many requiring healthcare. The construction of a new multi storey car park is due to be completed shortly. This will address the lack of parking facilities available for many who patronise Durdans Hospital including new patients and medical specialists. The hospital is committed to ensuring that all of its equipment used is up-to-date and in line with the latest advancements in medical technology.

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# 624 Mn

## Earnings Before Interest & Tax

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While providing the best in healthcare Durdans also ensures that its patients receive a superior level of comfort and an overall satisfactory experience during their stay. For this purpose and in order to increase its bed capacity, Durdans introduced a new, state-of-the-art 20-bed ward, 'Ward 20'. This section of the hospital was revamped with added comforts and includes Deluxe Rooms and one Grand Suite.

Durdans is in the process of evaluating its systems for a better integrated and accessible network, manage the medical records of its patients for faster and more informed decisions, increased productivity, reduce operational expenses through reliable network availability, scalability and rapid system diagnosis and repair. Rather than have disparate systems, Durdans intends strengthening its system infrastructure to build efficiency across the organisation.

# Financial Review

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Durdans accomplished another momentous year of impressive performance achieving its highest recorded revenue in history of Rs. 5.3 Bn, further establishing the public trust placed on Durdans medical excellence and expertise. The Group recorded healthy achievements amid increasing regulatory pressure and challenging economic conditions.

## Sri Lankan Economy

Industry and service sectors in the economy grew by 6.7% and 4.2% respectively, while agriculture segment declined by 4.2%, leading to an overall economic growth of 4.4% for 2016 compared to the 4.8% growth in previous year.

Increasing deficit on balance of payments has put pressure on the strength of rupee, resulting increased import costs and tighter economic policies from central bank, causing a rise in borrowing costs.

In spite of less vibrant performance in the economy, Group managed to adapt to changing conditions and maximise benefits to its key stakeholders.

## Revenue and Profits

The Group recorded a strong revenue growth of 12% year to year to achieve impressive Rs. 5.3 Bn revenue for the financial year, setting a new record as the highest revenue reported in Group's history.

Post-tax profit of the group declined to Rs. 389 Mn compared to last year Rs. 500 Mn, a shortfall of 22%. Majority of the decline was a resultant of the increased tax liability, due to subsidiary company Durdans Medical and Surgical Hospital (Pvt) Ltd becoming tax liable from the year under concern. Previously the Company was under a tax holiday as it was set up as a BOI venture.

The revenue of the Company was Rs. 3.2 Bn during the year under review, against Rs. 3 Bn last year. The post-tax profit of the company for the year was Rs. 212 Mn against previous year's Rs. 217 Mn.

## Gross Profit Margin

The gross profit margin of the group marginally declined to 59% compared to the 60% of last year. Gross profit margin of the company remained at 60% against previous year's 61%.

## Earnings Before Interest and Tax (EBIT)

For the Financial Year 2016/17, EBIT at group level decreased to Rs. 624 Mn (2015/16 - Rs. 643 Mn). The combined administrative and other operating expenses were Rs. 2.6 Bn as against Rs. 2.3 Bn in the previous year. The increase in costs mainly due to annual increments in personnel costs and clearance of the budgetary relief allowance arrears.

## Finance Expense

In the year under review the finance expense of the Group increased by 14% compared to the last year, resulting from an increase in term loans for the purchase of equipment and rise in the market interest rates. The Group settled term loans amounting to Rs. 486 Mn against previous year's loan settlement of Rs. 443 Mn.

Interest cover of the group reduced to 6.3 times compared with last year's 7.4 times due to increase in interest rates and added borrowings.

## Taxation

Group tax expense increased to Rs. 136 Mn (2015/16 - Rs. 57 Mn) mainly due to the expiration of tax holiday of its subsidiary Durdans Medical and Surgical Hospital. The effective tax rate on group profits was 26% compared to 10% in the previous year.

## Return on Capital Employed

Return on capital employed for the Group was 10% as against 15% in the previous year.

## Capital Expenditure

The investment in acquiring capital assets in the Group was Rs. 529 Mn. This consists of Rs. 140 Mn made on revenue generating medical equipment and Rs. 194 Mn on car park project.



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## Cash Flow

Net cash flow from operating activities of Group decreased to Rs. 709 Mn as against Rs. 849 Mn in 2015/16. The reduction caused primarily due to decrease in profits and increase in the amounts of tax paid. Net cash utilised for investing activities at the Group level were increased to Rs. 678 Mn as against Rs. 590 Mn reported in the year before as a result of increased investments made to acquire Property, Plant and Equipment.

There have been no defaults under any covenants given on loans or borrowings in the year under review.

## Revaluation of Assets

The Group conducted its revaluation on land and buildings in accordance with Group policies. The methodology used for the valuation is Current Market Price.

As a result, Groups revaluation reserve increased to Rs. 2.4 Bn against last year's Rs. 0.5 Bn and reported comprehensive income improved to Rs. 2.4 Bn (2015/16 - Rs. 0.5 Bn).

## Share Price, Net Assets and Total Equity

Basic earnings per share of the Group decreased to Rs. 9.67 from Rs. 12.67 in the previous year and the company's earnings per share decreased to Rs. 6.25 from Rs. 6.41 last year.

The share price of Durdans ranged from a low of Rs. 75 to a high of Rs. 110 during the year for the voting shares and low of Rs. 60.20 to a high of Rs. 86.50 during the year for the non-voting shares.

The net asset per share of the Group was increased by 68% to Rs. 153 from Rs. 91 in the previous year of the Group. The growth is largely attributable to revaluation of assets. When revaluation for the year under review excluded, net asset per share of the Group was at Rs. 97.

The increase in Group total equity amounted to Rs. 5,198 Mn from Rs. 3,087 Mn compared to previous year.

# Sustainability Report

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Our strategic initiatives and corporate objectives are centered around creating value for our stakeholders in the short, medium and long term. As an organisation employing in excess of 2,000 employees and providing healthcare to over 18,850 inpatients and 466,500 outpatients, we have understood our key needs to provide responsibility, safety, security and essentially high quality healthcare services. We have structured our processes accordingly and our new guiding concept 'You' epitomises this. While our focus is to be a leading healthcare provider, Durdans also ensures that its vision and performance is aligned with the need to be financially, socially and environmentally sustainable at all times. This report reflects our commitment towards being a responsible corporate entity.

## Patient Care

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

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

We ensure that our workforce competency levels are adequate to carry out their functions. Training is provided to stay up-to-date with the latest in procedures and practices. Credentials of our staff are always checked carefully, while specific education and skill requirements are in place for every specialised discipline. Employees are also updated regularly on any new development within the hospital in relation to processes, policies and systems. All customer complaints, positive and negative feedback are managed in a timely and effective manner to better the levels of service provided. Patient

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**As an organisation employing in excess of 2,000 employees and providing healthcare to over 18,850 inpatients and 466,500 outpatients, we have understood our key need to provide responsibility, safety, security and essentially high quality healthcare services.**

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Our team of physicians and specialists comprise experts in their respective fields and we pride ourselves in providing clinical excellence and an individualised approach to all our patients. Many of our patients undergo complex treatments and it is the safe and effective coordination of all the elements that contributes to the success in our patient care. In place is a comprehensive clinical governance framework wherein clinical risk, clinical effectiveness, workforce effectiveness and the level of consumer participation is measured. The Clinical Governance Unit works closely with the Risk Management Committee through which the Board of Directors is kept up-to-date.

Clinical risk is concerned with the safety of clinical processes and how best the risk of error could be minimised. Policies are

satisfaction survey data is extracted for business and strategy planning.

The Joint Commission International accreditation in place has enabled Durdans to assess and benchmark its level of performance with international standards, while assisting to improve levels of safety and quality.

Non Communicable Diseases ("NCDs") and mental health issues account for approximately 75% of deaths in Sri Lanka, while 14% of mortality is due to injuries. It is anticipated that NCDs will increase in the future due to multiple high risk factors including the increased use of alcohol, tobacco, unhealthy eating habits, stress stemming from increased urbanisation

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as well as exposure to agricultural and industrial chemicals. In an effort to address this, Sri Lanka has implemented a NCD National Policy and National Multi-Sectoral Action Plan for the Prevention and Control of NCDs 2016-2020.

## Human Resources

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

An Employee Satisfaction Survey and Culture Audit were conducted during the year to better understand and analyse employee retention, employee satisfaction and productivity. Based on the survey, the satisfaction level of Durdans staff ranked at 75% during the financial year under review versus 66% in the preceding year. In response to this, action steps were formulated to improve levels of employee engagement while a series of structured meetings were held to address all employee concerns. The year under review saw the organisation of several staff events. A Durdans Family/Sports day, 'Poson Dansala' in June, 'Bakthi Geetha' for Vesak, 'X-mas Carols' and an event to invoke multi religious blessings at the hospital premises served to better engage our employees on an informal basis.

We invest substantially in our workforce to ensure that staff retention is maximized in order to maintain our operational



Recruitment at every level pays attention to the respective levels of skill and experience to ensure that the right person is recruited for the right job. All medical professionals, resident doctors and consultants have to be credentialed and privileged by the hospital prior to them practicing at Durdans for which a 'Credentialing and Privileging Committee' is in place. All other staff are recruited based on pre-defined job specifications and qualifications. Durdans employed a total of 2,138 employees during the year under review with a predominantly female workforce. Of Durdans employees, 89% were in the 'below 50' age category.

efficiencies and achieved a retention rate of 77.8% which is a sound indicator of our employee satisfaction and morale. Durdans success is a result of the sound performance of its people and therefore we continue to equip our employees with adequate and relevant training to enhance their performance levels in line with the dynamic needs of the industry and the long term objectives of the organisation. By investing in our human resources in this manner, we aim to better engage our employees, keep them motivated and effectively carry out their responsibilities. The year under review saw a range of training programs being offered encompassing patient care, health and safety as well as customized programs for the Senior and Corporate Management.



Durdans has in place several committees to oversee the health and safety aspects in relation to its patients and staff within the hospital.

The Durdans Nurses Training School is an institute that provides a three year residential program with State approved curriculum and exams. It is highly respected for its level of teaching and brings forth a high standard of nursing capability. The financial year saw 49 students complete their program while the Nursing School had a total of 74 students as at financial year end.

### Health and Safety

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

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

All employees are provided with routine fire safety training procedures and protocols, while fire wardens are appointed for each unit to lead evacuations should the need arise. All medical equipment is subject to preventive maintenance whereby all equipment is serviced on a routine basis and labelled to ensure that service is periodically carried out. Hygiene is of paramount importance. All staff members are provided with surgical gloves and masks to minimise the risk of infection as well as regular training on the need to ensure high standards of health at all times.

### Environment

As community leaders and stewards of community, providing healthcare generates a large quantum of waste material that could contribute towards environmental hazards. While carrying out our operations, we focus on waste and water management and energy efficiency as part of our initiatives to give back and protect the environment. All waste material is disposed of in a manner conducive to the environment and a proper garbage disposal system is in place for a safe and responsible disposal. Food waste is subjected to decomposition, while infectious waste that is generated in large amounts on a daily basis is incinerated in accordance with the Central Environmental

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All employees are provided with routine fire safety training procedures and protocols, while fire wardens are appointed for each unit to lead evacuations should the need arise.

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Infectious waste that is generated in large amounts on a daily basis is incinerated in accordance with the Central Environmental Authority regulations.





Authority regulations. Employees are especially trained to dispose of all hazardous waste including clinical and laboratory material. Plastic and paper waste on the other hand is routed to recycling plants.

Considering that hospitals are energy intensive for a variety of reasons including space heating, powering diagnostic equipment as well as other electricity generating uses, Durdans ensures that it uses its energy sources efficiently in order to better manage its operating costs and minimize the rate of air emissions. Energy saving lighting, LED televisions and the choice of air conditioners used within the building premises are in line with this objective of energy conservation. Water consumption on the other hand is also a significant component being used in sanitation, heating, ventilation, cooking and washing amongst many others. Internal measures have been adopted to optimise usage and minimise wastage of this resource.

### Corporate Social Responsibility Initiatives

Durdans organised an emergency flood relief campaign for those afflicted by the severe floods in Colombo during May 2016. It distributed emergency relief goods and essential items including dry rations, bottled water and clothing in its efforts to provide relief. As an ongoing Corporate Social Responsibility initiative, the Durdans Cardiac Forum conducted a seminar for the general public in order to educate and create awareness on the need for a healthier lifestyle. The forum brought together a team of expert cardiac surgeons, cardiologists and nutritionists to impart their knowledge and advice on the latest trends in cardiac care and innovative therapies.

Durdans also featured its monthly parent crafting program which comprised of a specially designed seminar for expecting parents in their third trimester and was conducted in all three languages by the in-house Visiting Obstetrician & Gynecologist and senior nursing staff. As means to give back to those afflicted by numerous forms of cancer, Durdans made a monetary donation towards the 'TRAIL' campaign, a 670 km walk along the length of Sri Lanka to honour and help those fighting cancer.

In line with the 'World Diabetes Day' theme 'Eyes on Diabetes', Durdans hospital launched a public awareness campaign called 'eye am healthy' to raise awareness on diabetic retinopathy, a complication of diabetes. It also participated at the 'World Diabetes Day Walk' at the Independence Square to reaffirm its commitment to fighting the disease.



# What Our Patients Say...

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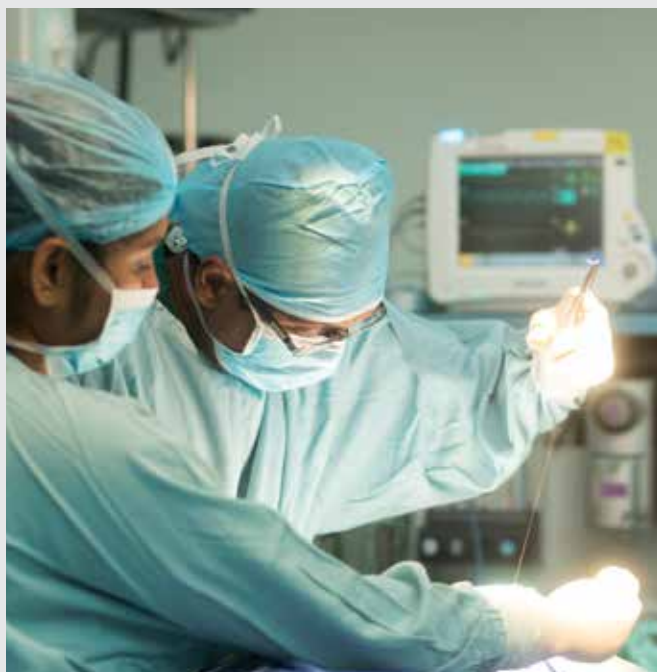


"Dear Mr. Tudawe,

I would like to extend a heartfelt thank you for the professional service and level of care rendered during my stay at hospital. The staff was very helpful, attended to all my needs, while everything was well organised and operated like clockwork. I was especially impressed by the efficiency with which the hospital was being managed and would like to thank in particular Dr. Karadagoda, Dr. Jithendri Perera, Rukshan, the Assistant Manager, Customer Care and Ashira, the Secretary to the Chairman for their assistance and ensuring that every procedure was managed well."

*Mr. Naveen Sooriyarachchi*

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"I thought I had a severe chest cold and felt as if I could not get enough air. My breathing was very bad that day. I got scared and went to Durdans where they diagnosed heart failure and a mini stroke. I underwent a bypass surgery when they cleared blockages in my carotid artery. I felt no pain and discomfort post-surgery thanks to Dr. Kesava Dev, my cardiothoracic surgeon and the rest of the team at the Durdans Heart Centre who worked together with me. I'm feeling TERRIFIC now! It's still a little surprising that all this happened as I wasn't a smoker or a drinker. Thanks to Durdans, they didn't waste a moment and gave me the rest of my life."

*Mr. Albert*

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"I was impressed by the exceptional and compassionate care I received during my stay at Durdans. I feel I'm a pretty good judge of that too since I've stayed at other hospitals as well. The cleanliness, the food are part of the little things that added up to a wonderful (yes, wonderful) experience! One of the biggest pluses for me was the lack of stress. I've always felt the opposite elsewhere – at Durdans I could actually RELAX!"

*Mr. Farouk D.*



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- ★ “My family was very impressed by the high quality of care my uncle received from check-in to check-out at Durdans.”

A family member of a patient from the Maldives

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- ★ “My care at Durdans was EXCELLENT. I have nothing but the highest regard for everyone there, especially Dr. Kesava Dev.”

*Mr. W. Ferdinands*

A family member of a patient from the Maldives

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- ★ “Dear Mr. Tudawe,  
Thank you for the services rendered during my surgery and stay at Durdans Hospital as well as the care I received soon after. I would like to state on record that I recovered quickly thanks to the excellent treatment I received from your team of professionals. I would like to extend my sincere acknowledgement and gratitude to the Management, Dr. K. K. Dev and his team, the nursing and support staff for their exceptional service” .

*Mr. D. C. Dissanayake*

Secretary to the Minister of Higher Education and Highways

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- ★ “Dear Mr. Tudawe,  
The more I read and understand the heart condition I was afflicted with, the more I realise how lucky I was to receive timely medical attention and how lucky I am to be alive. I was hospitalised thrice between the period of November 2016 and January 2017 during which time I underwent two emergency surgeries, an aortic dissection and repair for a twisted valves. I am grateful to the staff at your hospital for providing me with the treatment I needed and the financial concessions during troubled times. I would like to extend a warm thank you to Dr. Kesava Dev, Dr. M. Malik, the team at the Cardiac Surgical ICU and the staff at Ward 8 for the care post my aortic dissection. I need to make special mention of Dr. Dev for being a patient and diligent surgeon who promptly responded to all my queries months after surgery and Dr. Malik for his positive outlook and follow up thereafter. Illnesses and hospitalizations are traumatic times for a patient and doctors like Dr. Dev make difficult times better.

*Mr. Basheer Ismail*

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## What Our Patients Say...

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"Dear Mr. Tudawe,

My husband was hospitalised between mid-December 2016 and mid-January 2017. Dr. Chitrnananee who is my husband's physician is a rare model of caring and curing, taking the time to explain his medical position and answer all of our questions. Dr. Ajith Kumara of the ETU is an asset and his attitude towards life and medicine is admirable. I would like to extend my best wishes to the hospital to move towards greater heights."

*Mrs. Dhammeswari Wickramasinghe*







"Dear Mr. Tudawe,

This is a short note to acknowledge and appreciate the treatment provided to my Dad – G.S.Rao when he was admitted for his hip replacement surgery in July 2016. Dr. S. D. Karunaratne performed the surgery as planned while Dr. Harsha Sathischandra was the attending physician. Both of them were clear in their course of treatment and contributed towards my Dad's recovery together with the nurses and doctors on duty – thanks to them my Dad is recovering well.

I need to make special mention of Dr. Nirosha and her super team at the SICU who did a fantastic job in ensuring the post-operative care was the best we could hope for, the positive attitude and the level of empathy which relieved our stress and anxieties. Despite her busy schedule, Dr. Nirosha answered all our questions patiently, and checked up on my father every morning, evening and even on weekends. My mother and I are grateful to her for going that extra mile. I would not hesitate to recommend Durdans to anyone and empanel it in to our list of preferred partners for our guests and associates."

*Mr. Sujeet Kumar*

General Manager, Sheraton Hotels, Colombo



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# Governance Reports

A Corporate Governance model centered around sustainable value creation in the best interests of its stakeholders.

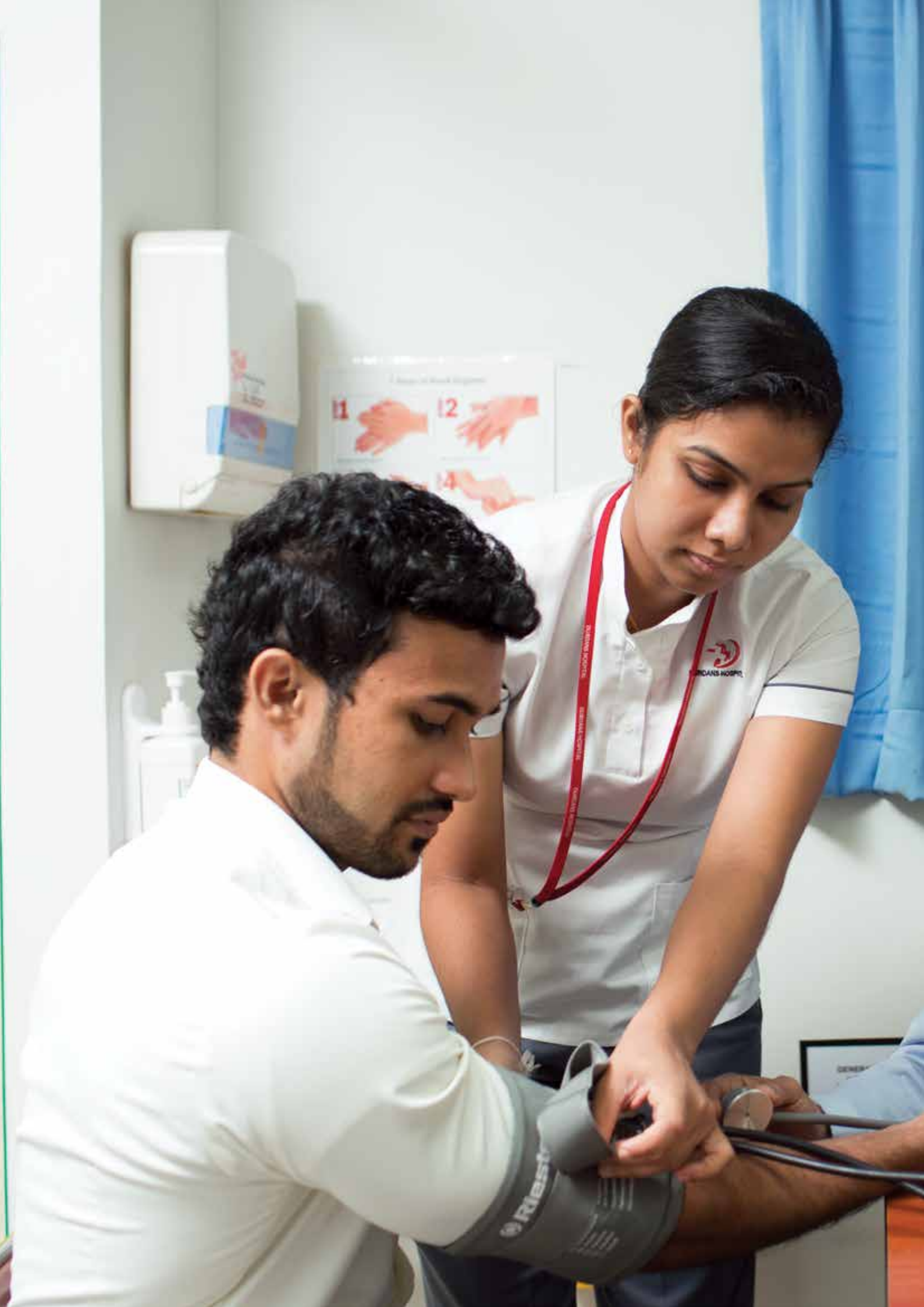
A competent and professional Directorate and Senior Management team guide the business operation.



Our strong Corporate Governance mechanism enhances stakeholder interest (which is you)



We are in compliance with CSE and CASL rules & guidelines on Corporate Governance



# Corporate Governance

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

## The Composition of the Board

The Board comprises eight Directors, of which two are executive members. The number of Executive Directors do not exceed one third of the total number of Directors on the Board.

The profiles of the Directorate are given from pages 14 to 18.

## The Chairman

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

## Responsibilities of the Board

The Board of Directors is responsible for ensuring the stability and resilience of the Company while overseeing its growth and success within a dynamic environment. It is engaged in approving, and monitoring the execution of the overall business strategy, strategic objectives, corporate values and policies. Board meetings are held quarterly to review the performance of the Company and its subsidiaries as well as other relevant matters reported to the Board by the Heads of the respective divisions. Directors do not participate in making decisions relating to matters in which they have a conflict of interest with the Company.

## Effectiveness of the Board

The Board of Directors safeguard the going concern and successful continuity of the business. Comprising members who represent the key operational areas namely Medical Services, Finance, Human Resources, Marketing and Supply Chain, the Directors are able to manage its operations more efficiently and effectively thereby contributing to the betterment of the organisation's performance as a whole. Systems and controls are also in place to facilitate the effective discharge of the functions of the Board. A pre-defined agenda of meetings ensure that the Management of the Company is firmly under the Board's control and authority.

## Committees under the purview of the Board.

### (a) Remuneration Committee

This committee comprises of two independent Non-Executive Directors. Mr. A. S. Abeyewardene serves as the Chairman of the committee who acts as an observer.

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

### (b) Audit Committee

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

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

## Enterprise Governance Framework at Durdans

The diagram illustrates the Enterprise Governance Framework at Durdans, showing the hierarchy of committees and their reporting lines. The framework is organized into several layers, with Shareholders at the top, followed by the Board of Directors. The Board of Directors oversees the Executive Chairman, who in turn oversees the Executive Director. The Executive Director oversees the Executive Management Committee, which oversees the Chief Operating Officer/Director Medical Services. The Chief Operating Officer/Director Medical Services oversees the Senior Management Team, which oversees the Risk Management Committee. The Executive Management Committee also oversees the Group Management Committee. The Executive Management Committee oversees several committees: Audit Committee, Remuneration Committee, Related Party Transactions Review Committee, External Auditor, Internal Auditor, Legal Compliance Committee, Procurement Committee, Business Development Committee, and the Chief Operating Officer/Director Medical Services. The Chief Operating Officer/Director Medical Services oversees the Senior Management Team, which oversees the Risk Management Committee. The Executive Management Committee also oversees the Group Management Committee. The Group Management Committee oversees the Group Medical Services Committee, which oversees the Medical & Critical Care Services Committee and the Technical Committee. The Medical & Critical Care Services Committee oversees the Medical Ethics Committee, the Pharmacotherapy Committee, the Infection Control & Prevention Committee, and the Hospital Safety & Emergency Preparedness Committee. The Technical Committee oversees the Medical Audit Committee, which oversees the Quality Assurance Committee. The Medical Audit Committee also oversees the Credentiailling & Privileging Committee. The Medical Ethics Committee, Pharmacotherapy Committee, Infection Control & Prevention Committee, and Hospital Safety & Emergency Preparedness Committee all have direct reporting lines to the Medical & Critical Care Services Committee. The Medical Audit Committee has a direct reporting line to the Technical Committee. The Quality Assurance Committee has a direct reporting line to the Medical Audit Committee. The Credentiailling & Privileging Committee has a direct reporting line to the Medical & Critical Care Services Committee. The Medical Ethics Committee, Pharmacotherapy Committee, Infection Control & Prevention Committee, and Hospital Safety & Emergency Preparedness Committee all have indirect reporting lines to the Medical & Critical Care Services Committee. The Medical Audit Committee has an indirect reporting line to the Technical Committee. The Quality Assurance Committee has an indirect reporting line to the Medical Audit Committee. The Credentiailling & Privileging Committee has an indirect reporting line to the Medical & Critical Care Services Committee. The Medical Ethics Committee, Pharmacotherapy Committee, Infection Control & Prevention Committee, and Hospital Safety & Emergency Preparedness Committee all have indirect reporting lines to the Medical & Critical Care Services Committee.

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graph TD; Shareholders[Shareholders] -.-> Board[Board of Directors]; Board -.-> ExecutiveChairman[Executive Chairman]; Board -.-> ExecutiveDirector[Executive Director]; Board -.-> ExecutiveManagementCommittee[Executive Management Committee]; ExecutiveChairman -.-> ExecutiveDirector; ExecutiveChairman -.-> ExecutiveManagementCommittee; ExecutiveDirector -.-> ExecutiveManagementCommittee; ExecutiveManagementCommittee -.-> AuditCommittee[Audit Committee]; ExecutiveManagementCommittee -.-> RemunerationCommittee[Remuneration Committee]; ExecutiveManagementCommittee -.-> RelatedPartyTransactionsReviewCommittee[Related Party Transactions Review Committee]; ExecutiveManagementCommittee -.-> ExternalAuditor[External Auditor]; ExecutiveManagementCommittee -.-> InternalAuditor[Internal Auditor]; ExecutiveManagementCommittee -.-> LegalComplianceCommittee[Legal Compliance Committee]; ExecutiveManagementCommittee -.-> ProcurementCommittee[Procurement Committee]; ExecutiveManagementCommittee -.-> BusinessDevelopmentCommittee[Business Development Committee]; ExecutiveManagementCommittee -.-> ChiefOperatingOfficerDirectorMedicalServices[Chief Operating Officer/Director Medical Services]; ExecutiveManagementCommittee -.-> GroupManagementCommittee[Group Management Committee]; ChiefOperatingOfficerDirectorMedicalServices -.-> SeniorManagementTeam[Senior Management Team]; SeniorManagementTeam -.-> RiskManagementCommittee[Risk Management Committee]; GroupManagementCommittee -.-> GroupMedicalServicesCommittee[Group Medical Services Committee]; GroupMedicalServicesCommittee -.-> MedicalCriticalCareServicesCommittee[Medical & Critical Care Services Committee]; GroupMedicalServicesCommittee -.-> TechnicalCommittee[Technical Committee]; MedicalCriticalCareServicesCommittee -.-> MedicalEthicsCommittee[Medical Ethics Committee]; MedicalCriticalCareServicesCommittee -.-> PharmacotherapyCommittee[Pharmacotherapy Committee]; MedicalCriticalCareServicesCommittee -.-> InfectionControlPreventionCommittee[Infection Control & Prevention Committee]; MedicalCriticalCareServicesCommittee -.-> HospitalSafetyEmergencyPreparednessCommittee[Hospital Safety & Emergency Preparedness Committee]; MedicalCriticalCareServicesCommittee -.-> MedicalAuditCommittee[Medical Audit Committee]; MedicalAuditCommittee -.-> QualityAssuranceCommittee[Quality Assurance Committee]; MedicalAuditCommittee -.-> CredentiaillingPrivilegingCommittee[Credentiailling & Privileging Committee]; MedicalEthicsCommittee -.-> MedicalCriticalCareServicesCommittee; PharmacotherapyCommittee -.-> MedicalCriticalCareServicesCommittee; InfectionControlPreventionCommittee -.-> MedicalCriticalCareServicesCommittee; HospitalSafetyEmergencyPreparednessCommittee -.-> MedicalCriticalCareServicesCommittee; QualityAssuranceCommittee -.-> MedicalAuditCommittee; CredentiaillingPrivilegingCommittee -.-> MedicalCriticalCareServicesCommittee; ExternalAuditor -.-> AuditCommittee; InternalAuditor -.-> AuditCommittee; LegalComplianceCommittee -.-> AuditCommittee; ProcurementCommittee -.-> AuditCommittee; BusinessDevelopmentCommittee -.-> AuditCommittee; RiskManagementCommittee -.-> Board; GroupMedicalServicesCommittee -.-> Board; MedicalCriticalCareServicesCommittee -.-> Board; TechnicalCommittee -.-> Board; MedicalEthicsCommittee -.-> Board; PharmacotherapyCommittee -.-> Board; InfectionControlPreventionCommittee -.-> Board; HospitalSafetyEmergencyPreparednessCommittee -.-> Board; MedicalAuditCommittee -.-> Board; QualityAssuranceCommittee -.-> Board; CredentiaillingPrivilegingCommittee -.-> Board;
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(c) Related Party Transaction Review Committee  
("RPTRC")

As a subcommittee to the Board, the primary duty is to review all related party transactions entered into by the Company. The RPTRC meets once every quarter and comprises four Directors all of whom are of non-executive, independent capacity. The RPTRC is chaired by an Independent Non-Executive Director Mr. A. S. Abeyewardene.

(d) Group Management Committee ("GMC")

The Group Management Committee has the overall responsibility in overseeing strategic and operational functions and is only preceded by the Board. The Committee comprises of the Chairman, Executive Vice President, Senior Vice President - Administration, Senior Vice President - Medical, Chief Operating Officer / Director - Medical Services, Manager - Medical Services, Head of Human Resources, Head of Marketing, Head of Laboratory Services, Head of Supply Chain, Chief Financial Officer and Chief Information Officer.

The GMC serves as an intermediary body to validate strategic decisions that need to be made by the Executive Management Committee. The GMC may seek Board approval when necessary on macro level matters.

(e) Executive Management Committee (“EMC”)

The Executive Management Committee comprises of the Chairman, Executive Vice President, Chief Operating Officer / Director - Medical Services, Manager - Medical Services, Head of Human Resources, Head of Marketing, Head of Laboratory Services, Head of Supply Chain, Chief Financial Officer and Chief Information Officer. This Committee meets weekly to discuss matters that require collective decision making to streamline operational issues.



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

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

The Committee meets once a month or as and when required to address all issues pertaining to the medical management within the hospital. The Committee also addresses the topics of Continuous Professional Development and Continuous Medical Education in relation to doctors and nurses. The Critical Care Committee was amalgamated with the MSC for operational efficiency with effect from January 2016. All pertinent issues relating to the Critical Care Units and infection control are taken up for discussion, while the MSC observations are reported to the GMC.

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

### (g) Procurement Committee

This Committee is set up to ensure that procurement controls are in place for efficient purchasing within the Group. Operating as a subcommittee is the Condemnation Committee which oversees the process of disposing condemned items as well as selling items that are identified as scrap. It monitors, identifies, evaluates and disposes of expired medication, medical equipment and accessories such as engineering items, furniture and fittings, computers and computer peripherals which can no longer be used thereby clearing the premises of unwanted debris.

This Committee is chaired by the Chief Operating Officer / Director - Medical Services. Their key function is to streamline the condemnation process and ensure that ethical and safe measures are adopted in disposing all condemned items.

The Procurement Committee meets monthly and comprises the Chairman, Executive Vice President, Chief Operating Officer / Director - Medical Services, Manager - Medical Services, Head of Supply Chain, Head of Marketing, Head of Laboratory Services, Head of Human Resources, Chief Financial Officer and Chief Information Officer.

### (h) Credentialing and Privileging Committee

Armed with prestigious recognition for quality care and patient safety from the Joint Commission International (JCI), the Company continues to improve and upgrade the quality standards of its operations. In doing so, the Company pays attention to the skill levels of the medical professionals it employs to ensure that the Company's business operations are conducted effectively and efficiently. Therefore, the objective of this Committee is to screen all specialist consultants and medical officers, allied medical and nursing staff who work within the hospital to ensure their credentials are on par with the service they undertake to deliver.

This Committee comprises of the Consultant Microbiologist, Senior Vice President - Medical, Chief Operating Officer / Director - Medical Services, Manager - Medical Services and other competent team members who are adequately experienced in carrying out their respective duties within the Committee.

### (i) Quality Assurance Committee ("QAC")

The Committee meets every fortnight and is chaired by the Chief Operating Officer / Director - Medical Services. This Committee is responsible for ensuring that all quality parameters identified in the Standard Operating Procedures are assessed against the established Key Performance Indicators and timely attention is given to any deviations. All quality processes adopted by the organisation have been benchmarked against world class standards.

As a subcommittee to the QAC, the Medical Audit Committee independently monitors, reviews and reports on clinical governance issues to the Chairman of the Company. It also facilitates and supports the effective implementation of processes and clinical care protocols. The Committee is chaired by the Chief Operating Officer / Director - Medical Services.

### (j) Infection Control and Prevention Committee

Chaired by the Consultant Microbiologist, this Committee comprises of the Executive Vice President, Director / Senior Vice President - Medical, Chief Operating Officer / Director - Medical Services, Manager - Medical Services, Chief Nursing Officer, and all Resident Consultants. The Committee meets once a month to establish the scope of the functional and critical measurements that require monitoring on a routine basis. The key objective of the Committee is to ensure that all parameters are kept within the acceptable norms and in line with international benchmarks.

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

This Committee is responsible for providing a safe and secure environment for both patients and staff in the hospital. Chaired by the Director / Senior Vice President – Administration, the Committee meets quarterly to discuss and resolve all issues in relation to hospital safety and emergency protocols with the relevant heads of departments.

(l) **Medical Ethics Committee**

In an advisory capacity to the Management, this Committee facilitates good governance and ethical practices within the organisation. Comprising the Director / Senior Vice President - Medical, Chief Operating Officer / Director - Medical Services, Manager - Medical Services, Consultant Physicians, Chief Nursing Officer and others representing the medical and nursing profession along with external support from a member of the public, this Committee meets on a quarterly basis.

(m) **Pharmacotherapy Committee**

All pharmacotherapy issues across the organisation including setting up of best practices and conducting regular audits to ensure adherence to the established processes are undertaken by this Committee. With the objective of streamlining the systems and processes relating to pharmacotherapy, the Committee is chaired by the Director / Senior Vice President - Medical and is held on a quarterly basis.

(n) **Accountability and Audit**

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

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

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



## Corporate Governance

Rule No.	Disclosure Requirements	Section / Reference	Page(s)
7.6 (i)	Names of persons who held the position of Director during the financial year	Board of Directors	55
7.6 (ii)	Principal activities of the Company and its subsidiaries during the financial year and any changes thereon	Note 1.3 of the Accounting Policies Group Structure	68
7.6 (iii)	The names and the number of shares held by the 20 largest shareholders of voting and non-voting shares and the percentage of such shares held as at financial year-end	Shareholder Information	110
7.6 (iv)	The public holding percentage	Shareholder Information	111
7.6 (v)	Directors' and Chief Executive Officer's holding in shares at the beginning and at the end of the financial year	Annual Report of the Board of Directors	56
7.6 (vi)	Information pertaining to material and foreseeable risk factors	Enterprise Risk Management	49
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Note 29 to the Financial Statements	98
7.6 (viii)	Extents, locations, valuations and the number of buildings on the Company's land holdings and investment properties as at the end of the financial year	Note 10 to the Financial Statements	82
7.6 (ix)	Number of shares representing the stated capital as at the financial year-end	Note 16 to the Financial Statements	85
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as at the financial year-end	Share Information	111
7.6 (xi)	Ratios and market price information: Equity, dividend per share, dividend payout ratio, net asset value per share, market value per share	Share Information	111
7.6 (xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Note 10 to the Financial Statements	83
7.6 (xiii)	Details of funds raised through public issues, rights issues and private placements during the financial year	Not Applicable	-
7.6 (xiv)	Information in respect of Employee Share Option Schemes	Not Applicable	-
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c), 7.10.6 (c), of Section 7 of the Listing Rules		47 and 48
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower	Annual Report of the Board of Directors on the Affairs of the Company	56

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

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	Two or one third of the total number of Directors whichever is higher should be Non-Executive	Compliant	Six out of eight Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent	Compliant	Four out of six Non-Executive Directors are Independent
7.10.2 (b)	Non-Executive Directors	Each Non-Executive Director should submit a declaration of independence / non-independence	Compliant	All Non-Executive Directors have submitted the declaration in the prescribed format
7.10.3 (a)	Disclosures relating to Directors	The names of the Directors determined to be Independent will be set out in the Annual Report	Compliant	
7.10.3 (b)	Disclosures relating to Directors	A determination has to be made by the Board as to the independence or the non-independence of Non-Executive Directors	Compliant	
7.10.3 (c)	Disclosures relating to Directors	Brief résumé of each independent Director should be disclosed in the Annual Report	Compliant	Pages 14 and 15 to the Annual Report
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Page 42 to the Annual Report
7.10.5 (a)	Remuneration Committee Composition	i) Remuneration committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher	Compliant	The Remuneration Committee comprise of two Independent Non-Executive Directors
		ii) A Non-Executive Director shall be appointed as Chairman of the Committee by the Board.	Compliant	Mr. A. S. Abeyewardene, Independent Non-Executive Director functions as the Chairman of the Committee
7.10.5 (b)	Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer Remuneration Committee Report on Page 42

## Corporate Governance

Rule No.	Area Covered	Requirement	Compliance Status	Details
7.10.5 (c)	Remuneration Committee	The Annual Report shall set out:		
		i) Names of Directors comprising the Remuneration Committee	Compliant	Page 42 to the Annual Report
		ii) Statement of Remuneration Policy	Compliant	Page 42 to the Annual Report under Remuneration Committee
		iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Page 42 to the Annual Report
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer Audit Committee Report on Page 61
7.10.6 (a)	Audit Committee	The Audit Committee shall comprise of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher	Compliant	Audit Committee comprises of four Independent Non-Executive Directors
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	The Chairman of the Company and the Chief Financial Officer of the Company attends Committee meetings on invitation
		One Non-Executive Director who is a member of a professional accounting body shall be appointed as Chairman of the Audit Committee by the Board	Compliant	Mr. A. S. Abeyewardene functions as the Chairman of the Audit Committee
7.10.6 (b)	Audit Committee	Audit Committee shall have functions as set out in section 7.10.6 of the listing rules	Compliant	Refer Audit Committee report on Page 61
7.10.6 (c)	Audit Committee	The Annual Report shall:		
		i) Set out the names of Directors that comprises the Audit Committee	Compliant	Page 61 to the Annual Report
		ii) Make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Page 61 to the Annual Report
		iii) Contain a report of the Audit Committee setting out the manner of compliance of its functions	Compliant	Pages 61 and 62 to the Annual Report

# Enterprise Risk Management

Durdans recognises the need to manage business risk effectively as a means to reduce its impact on the Company's capital and earnings. Our commitment to ensuring this is in line with our vision to ensure the entity's continuous growth and success. Accordingly, our risk management strategy aims to enhance the organisation's value and assist in achieving its objectives by way of risk adjusted business decisions.

## Risk Management Process at Durdans

The Company's risk management process adopts a system of mitigation, minimisation, acceptance and/or transfer of risk. In accordance with this, it has in place a set of management and operational controls, mitigation plans and checks all of which are monitored, verified independently and regularly by the internal audit team. Mitigation mechanisms such as business continuity plans, disaster recovery plans and insurance to cover residual non-systematic risk are also in place as prudent measures.

The management undertakes complete responsibility in formulating and implementing an effective Risk Management Strategy for the Company. Identified risks and the means to manage them are reported to the Group Management Committee (GMC) who review same for effectiveness, while monitoring the implementation thereafter. As an integral part of risk management, the Audit Committee oversees the adequacy and efficiency of internal controls across the Group by way of internal audit reports and compliance statements.

The impact of an event is estimated by ascertaining the possible loss that would be incurred by the Company in the event a risk occurs, while classifying same based on dual parameters of the likelihood of occurrence and the impact on the business.

The likelihood of occurrence is categorised based on whether the risk is 'rare', 'unlikely', 'possible', 'likely' or 'almost certain', while the probability of occurrence is decided upon based on the extensive experience of the team in business. The gravity or impact on the other hand is classified using a five point ranking of 'Very High Risk', 'High Risk', 'Moderate Risk', 'Minor Risk' and 'Insignificant Risk'.

The corporate risk profile of Durdans incorporates the key risks identified, along with the status and action plans for mitigation of each type of risk.

## Clinical Risk

Patient safety has increasingly become a matter of interest to governments, health professionals and scholars. Clinical Risk Management (CRM) involves identifying, containing, and managing risks relating to patient care. In the backdrop of complex forms of illnesses, advancements in treatment and medicine, the level of risk pertaining to patients are diverse and equally high. The need to identify clinical risk and mitigate/ minimise same to a large extent is essential so as to improve patient care, ensure their safety, reduce the likelihood of complaints and litigation, and avoid adverse outcomes. Durdans' fundamental business philosophy revolves around the excellent medical, clinical and aftercare services extended to its patients. In addition to this, the CRM processes adopted include:

## Durdans Risk Matrix

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

# Enterprise Risk Management

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- Credentialing medical staff
- Monitoring and tracking incidents
- Monitoring and tracking complaints
- Controlling infection
- Documenting medical records accurately

## Operational Risk

We ensure that our internal processes and business systems are aligned with preserving our reputation and minimising probable financial damage. We do acknowledge the fact that, people and processes can create errors which will undoubtedly render operations ineffective. In order to ensure transparency, an annual review of Durdans' operational risks is conducted by an external risk management organisation, the results of which are reported to the Board of Directors for their feedback and appropriate response. Our operational risk mitigation procedures include:

- Ensuring backup arrangements for utility services and critical medical equipment are in place
- Ensuring a proper HRM framework with clear policies and procedures for selection, recruitment, training and development
- Periodic reviews and calibrations of medical equipment by a bio-medical engineering team to ensure optimal performance
- Backup arrangements for data and IT system security
- Effective supply chain management coupled with detailed stock management procedures to avoid stock outs, eliminate wastage, pilferage and minimise the value of expired stocks

## Economic Risk

The Company operates in a dynamic environment where various factors of the economy including Government policy changes can have an impact on the business. Although healthcare being an essential service is insulated against economic shocks to a better extent than most industries, Durdans remains prudent in terms of anticipating this level of risk while it has in place proactive measures to mitigate same. The Company follows a detailed management review process enabling the team to anticipate change, respond to it appropriately and take prompt action so as to reverse any negative impact quickly and minimise the impact to the business.

## Regulatory Risks

The regulatory environment continues to remain volatile which poses a challenge when devising the hospital's strategy and course of action in the medium to long term. As a means to be more proactive, Durdans participates in various industry

associations, and Government related forums to anticipate probable regulatory changes that could affect its business, while networking and obtaining the necessary support of the key decision makers for clarity, better compliance, and to be ahead in terms of anticipating regulatory change and its associated risks.

## Financial Risk

Durdans pays close attention to management of its key financial parameters in the course of doing business. As a hospital operating in a dynamic environment, Durdans ensures it invests in up to date technology to stay ahead of its competition while aiming to provide the best in healthcare and service to its customers. Its leverage is monitored closely with all borrowings being managed with due care and financial obligations are met in a timely manner. A dedicated management team monitors key market indicators, and their fluctuations, while all funds are invested wisely to ensure maximum returns to the Company. The liquidity position of the Company is monitored closely and cash flows managed on a daily basis. Any potential investment opportunity is always preceded by a detailed feasibility study in order to ensure its potential, and Return on Investment (ROI).

## Credit Risk

A detailed and stringent credit evaluation process and system is in place to ensure minimal default from hospital debtors. All receivables are closely monitored to ensure that those provided with credit do not exceed their respective limits and repayments are made in a timely manner. Credit limits and the period of credit are decided upon by the Executive Management Committee of the Company. As a control measure, internal operating procedures have been developed to avoid any unauthorised credit limit being entered into the operating system without the knowledge and approval of the Management.

## Reputation Risk

Damage to the reputation of the Company can in turn cause irreparable damage to its credibility, brand and brand image. In an effort to safeguard this, Durdans places significant emphasis on maintaining strong and sound relationships with all of its stakeholders to build trust and confidence, create an environment of transparency, improve its internal efficiencies while conforming to international best practices. All customer grievances are managed closely and responded to in a timely manner so that every experience with Durdans is a memorable one.

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## Patient and Staff Safety

This element is of paramount importance to the Company and the international accreditation bestowed on the 'Durdans Brand'. Staff is trained to ensure the safety of every patient in all aspects of treatment at all times. Vaccinations against infections such as Hepatitis B are administered to staff members who are exposed to such diseases. Regular screening tests are conducted for staff of critical care units to minimise hospital borne infections. Awareness programs are also conducted for medical and clinical staff as well as for the healthcare professionals to mitigate some of the more challenging issues.

## Human Resources

The Company considers its people to be its biggest asset and continues to invest in same to create a more conducive environment for them to work in. Ensuring greater employee engagement, while providing comprehensive levels of training has helped to minimise the level of operational risk in the Company that could arise from conflict of interest, fraud and mismanagement or due to poorly trained employees. During the past several years, the Company has taken many steps to transform its organisational culture in to a team oriented environment. Continuous efforts are being taken to improve communication between management and staff and team leaders and their units to disseminate information across the organisation in a more effective and an efficient manner. Results of the annual employee satisfaction survey carried out by the Human Resources Department are collated carefully and corrective action taken to improve/address the concerns of employees where necessary.

## Information Security

Durdans uses a fully-fledged, robust ERP system, developed in-house to carry out its daily business. We understand the need for information security, ensuring privacy and confidentiality of information provided, minimising system failures, frauds, and processing errors. The loss of data due to technical failures, system down times, threat of viruses and data security are some of the key concerns the Company has identified and addressed to minimise risk from same. Our internal systems operate using a high end VMware vSphere 4 server which ensures a zero system downtime. The Company has in place 'backup software' and has taken measures for online and offline back up to minimise the loss of data in its servers.

Patient data is handled confidentially and securely at all times. The installation of firewalls prevent unauthorised access to sensitive information while spam controls and mail firewalls also protect the system which would otherwise get affected. External laboratories are also connected to the main office system via a secure IP-VPN connection.



# Financial Information

Record breaking Group turnover of  
Rs. 5.3 Bn for the financial year.

Increased investment in capital expenditure and advances obtained for  
infrastructural development.



Rs. 140 Mn spent on  
Medical Equipment



Rs. 194 Mn spent for the  
car park project



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

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## General

The Directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 31st March 2017 and the auditor's report on the Consolidated Financial Statements.

This report provides the information as required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This report was approved by the Board of Directors on 16th May 2017.

## 1. Principal activities and business review

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

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

The measures taken by the Company to manage its risks are detailed in the report titled Enterprise Risk Management on Page 49 of this report.

## 2. Future Developments

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

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

## 3. Financial Statements of the Company and the Group

The Financial Statements of both the Company and the Group duly certified by the Chief Financial Officer and approved by two directors in compliance with sections 152, 153 and 168 of the Companies Act No. 07 of 2007 are given from Pages 63 to 106 of the Annual Report.

## 4. Auditors Report

The Company's external auditors, Messrs. B. R. De Silva & Co. Chartered Accountants performed the audit on the financial statements for the year ended 31st March 2017. The Auditor's report on the Financial Statements is given on Page 63 of the Annual Report as required by Section 168 (l) (c) of the Statutes.

## 5. Accounting Policies

A summary of the significant accounting policies adopted in the preparation of the Financial Statements is given on Page 68 of the Annual Report as required by Section 168 (l) (d) of the Companies Act No. 07 of 2007. The policies adopted are consistent with those adopted in the previous financial year.

## 6. Results and dividends

### 6.1 Gross Revenue

The total revenue of the Group for the year ended 31st March 2017 was Rs. 3 Bn (2015/16 – Rs. 7 Bn). An analysis of the income is given in Note 3 to the Financial Statements on Page 79 to this Annual Report.

### 6.2 Profit and Appropriations

The profit before income tax of the Group for the year ended 31st March 2017 was Rs. 525 Mn (2015/16 – Rs. 557 Mn) and the profit after tax for the year ended 31st March 2017 was Rs. 389 Mn (2015/16 – Rs. 500 Mn). The details of profit relating to the Group are given on Page 80 to this report.

### 6.3 Dividend on Ordinary Shares

The Directors recommended an interim dividend of Rs. 3.60 per ordinary share for the year ended 31st March 2017 to be paid in the month of June 2017. No further dividends have been recommended.

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

### 6.4 Provision for Taxation

Income tax for 2016/17 has been provided on taxable income arising from the operations of the Group and has been disclosed in accordance with Sri Lanka Accounting Standards.

The Group has also provided deferred tax on all known temporary differences using the liability method as permitted by the Sri Lanka Accounting Standard (LKAS 12) on Income Tax.

Information on income tax expenses and deferred taxes is given in the Notes to the Financial Statements on Page 81 of this Annual Report.

## 6.5 Reserves

The Group's total reserves as at 31st March 2017 amounted to Rs. 4.3 Bn (2015/16 – Rs. 2.2 Bn). The movement of the reserves are given on Page 66 under 'Statement of Changes in Equity' and in the Notes to the Financial Statements of this Annual Report

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

Details of capital expenditure incurred on property plant & equipment are given in the Notes to the Financial Statements from Pages 82 and 83.

## 7. Creditor Payment

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

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

## 8. Directors

### 8.1 List of Directors

The Board of Directors of the Company as at the date of this report comprises of eight Directors having extensive medical, financial and commercial knowledge and expertise. The qualifications and experience of the directors are given in the 'Board of Directors' section from Pages 14 to 18 of this Annual Report.

Names of the persons who held office as Directors of the Company as at 31st March 2017 and the names of the persons who ceased to hold office as Directors of the Company at any time during the year 2016/17, as required by Section 168 (l) (h) of the Companies Act No. 07 of 2007 are given below.

Mr. A. E. Tudawe	Chairman – Executive Director
Mr. U. D. Tudawe	Executive Director
Mr. S. P. Tudawe	Non-Executive Director
Dr. A. D. P. A. Wijegoonewardene	Non-Executive Director
Mr. Y. N. R. Piyasena	Independent, Non-Executive Director
Mr. A. S. Abeyewardene	Independent, Non-Executive Director
Mr. Su-ayid M. Ismail	Independent, Non-Executive Director
Mr. A. D. B. Talwatte	Independent, Non-Executive Director

### 8.2 Independence of Directors

The Board has made a determination as to the independence of each non-executive director and confirms that four of the non-executive directors meet the criteria of independence in terms of rule 7.10.4 of Listing Rules.

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

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

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

### 8.3 Re-election of Directors

In Accordance with the Articles of Association of the Company and the Corporate Governance Code Mr. Su-ayid M. Ismail will retire by rotation at the Annual General Meeting in June 2017 and being eligible, will offer himself for re-election with the unanimous consent of the Directors.

### 8.4 Recommendation for re-election

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

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

## 8.5 Disclosure of Directors Dealings in Shares

Directors' Interest in Ordinary Shares of the Company

	31st March 2017		31st March 2016	
	No. of Shares		No. of Shares	
	Voting	Non-Voting	Voting	Non-Voting
Mr. A. E. Tudawe	205,052		205,052	
Dr. A. D. P. A. Wijegoonewardene	199,462		199,462	
Mr. S. P. Tudawe	307,936		307,936	
Mr. U. D. Tudawe	170,616		170,616	
Mr. Y. N. R. Piyasena	553,134		553,134	
Mr. A. S. Abeyewardene	1,440	1,200	1,440	1,200
Mr. Su-ayid. M. Ismail	100		100	

## 8.6 Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31st March 2017 is given in Note 31.5 to the Financial Statements on Page 101 of this Annual Report as required by Section 168 (l) (f) of the Companies Act No. 07 of 2007.

## 8.7 Directors' interests in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended 31st March 2017 other than those disclosed on Page 100 and 101 of this Annual Report.

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

## 8.8 Related Party Transaction

### 8.8.a Non-recurrent Transactions

In terms of the Code of Best Practice on related party disclosures the non-recurrent related party transaction entered into during the course of the financial year, where the lower of the aggregate value exceeding 10.0% of the Equity or 5.0% of the assets was, the construction contract entered into with Tudawe Brothers (Pvt) Ltd for the construction of the multistorey car park.

### 8.8.b Recurrent Transactions

Recurrent related party transactions, the aggregate value of which exceeds 10.0% of the gross Revenue/Income, that has been carried out during the financial year ended 31st March

2017 together with all related party transactions carried out during the year are disclosed on Page 100 to this Report. The Directors declare that they have complied with the provisions of the Code relating to full disclosure of related party transactions entered into during the financial year ended 31st March 2017.

## 9. Articles of Association

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

## 10. Stated Capital

The stated capital of the Company as at 31st March 2017 was Rs. 916 Mn comprising 33,872,726 voting and non-voting ordinary shares. (2015/16 - Rs. 916 Mn comprising 25,527,272 voting shares and 8,345,454 non-voting shares). Details of the stated capital are given in Note 16 to the Financial Statements on Page 85 to the Annual Report. The rights and obligations attached to the ordinary shares are set out in the Articles of Association of the Company a copy of which can be obtained from the Secretaries upon request.

## 11. Share Information

Details of share-related information are given on Page 110 to this Annual Report and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on Page 4 of this Annual Report

## 12. Public Holding of Shares in the Company

The public shareholding as at 31st March 2017 for voting and non-voting shares was 23.1% and 95.2% respectively.

## 13. Substantial Shareholding

Substantial shareholders are required to notify their interests in accordance with Section 200 of the Companies Act and



oblige shareholders to comply with the notification obligations to the Company contained in the rules of the Colombo Stock Exchange.

The Twenty Largest Shareholders of the Company as at 31st March 2017 are indicated on Page 112 and 113 of this Annual Report.

#### **14. Equitable Treatment to Shareholders**

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

#### **15. Corporate Donations**

During the year, the Company made donations to charity amounting to Rs. 0.95 Mn (2015/16 - Rs. 1.0 Mn). The information given above on donations form an integral part of the Report of the Board of Directors as required by the Section 168 (l) (g) of the Companies Act No. 07 of 2007.

#### **16. Environmental Protection**

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

#### **17. Statutory Payments**

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

#### **18. Events after the Reporting Period**

There have been no material events occurring after the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements other than as disclosed in Note 28 to the Financial Statements on Page 98 to this Annual Report.

#### **19. Going Concern**

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

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

### **20. Risk Management and System of Internal Control**

#### **20.1 Risk Management**

Specific steps that have been taken by the Company are detailed on Pages 49 to 51 to this Annual Report.

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

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

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen on Page 61 of this Annual Report.

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

#### **20.3 Audit Committee**

The composition of the Audit Committee and their Report is given on Page 61 of this Annual Report.

### **21. Corporate Governance**

The Company is committed to high standards of Corporate Governance. The main Corporate Governance practices of the Company are set out from Pages 42 to 48 of this Annual Report. The Directors acknowledge their responsibility for the Group's Corporate Governance and the system of internal control.

### **22. Operational Excellence**

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

### **23. Appointment of External Auditors**

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

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

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## **24. Auditor's Remuneration and Interest in Contracts with the Company**

The Group audit fees paid for the year 2016/17 amounted to Rs. 1.4 Mn. Apart from that, the Company has engaged Messrs. B. R. De Silva & Co. Chartered Accountants, the external auditors to advice on taxation and accounting matters for the year under consideration. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

## **25. Annual General Meeting**

The 71st Annual General Meeting of the Company will be held at the 'Auditorium' 11th Floor, Durdans Hospital, Colombo 03 at 9.00 a.m. on Thursday 29th June 2017.

## **26. Notice of Meeting**

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

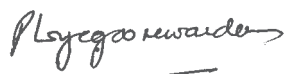
## **27. Acknowledgement of the Contents of the Report**

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

For and on behalf of the Board,



A. E. Tudawe  
Executive Chairman



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

16th May 2017

# Statement of Directors' Responsibility

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

Section 150, 152 (1) and 153 (1) of the Companies Act No. 07 of 2007 require that the Directors prepare the financial statements and circulate it among the shareholders. These financial statements comprise a Statement of Comprehensive Income, which presents a true and fair view of the profit or loss of the Company for its financial year as well as a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of its financial year.

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

In preparing the financial statements as disclosed on Pages 68 to 106, the Directors consider that the Company and its subsidiaries have used appropriate accounting policies that have been applied consistently and supported by reasonable and prudent judgment and estimates, while all accounting standards considered to be applicable and relevant have been followed.

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

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

## Compliance Report

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

By order of the Board

*Sgd.*

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

16th May 2017

# Report of the Related Party Transactions Review Committee (RPTRC)

The Related Party Transactions Review Committee was constituted on 25th February 2016 as a subcommittee under the Board of Directors of the Company. The Committee as listed below comprises 4 Independent, Non-Executive Directors.

- ★ Mr. Asoka Abeyewardene - Chairman
- ★ Mr. Su-ayid M. Ismail
- ★ Mr. Y. N. R. Piyasena
- ★ Mr. A. D. B. Talwatte (w.e.f. 04th April 2016)

The Chief Financial Officer of the Company and Accountant of Ceylon Hospitals PLC (CHPLC) attends to meetings by invitation.

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

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

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

- ★ Definition and establishment of threshold values for every RPT.
- ★ Established and differentiated between RPTs which have to be pre-approved by the Board, requiring immediate market disclosure, requiring shareholder approval, and requiring disclosure in the Annual Report.
- ★ Established principles that determine the RPTs requiring pre-approval of the Board and those that do not require prior Board approval, which can be reviewed retrospectively.
- ★ Established a process to identify recurring RPTs.
- ★ Established guidelines the Senior Management need adhere to in dealing with Related Parties including conformance with transfer pricing regulations and listing rules and identifying instances where immediate market disclosure of a RPT is required in line with transfer pricing regulations and listing rules.

- ★ Introduction of a standard document to be used by the Company when presenting RPT information to the Committee.
- ★ Established criteria for identifying the Group's Key Management Personnel (KMP)
- ★ Concluded that all Executive and Non-Executive Directors of the Board, as well as members of the Senior Management Team are to be identified individually as KMP in order to establish greater transparency and governance.

Based on the criteria established for identifying and reporting RPTs for the year under review the RPT Review Committee:

- ★ Identified the existing RPTs as per the rules set out under Section 9 of the CSE listing rules.
- ★ Submitted Agreements / Memorandums of Understanding already entered into with related parties to the Board for their information and approval.
- ★ Communicated the minutes of the RPT Review Committee Meeting to the Board, together with other relevant documents.

The RPT Review Committee was satisfied that there were no transactions to report in the Annual Report for the year ended 31st March 2017 other than those disclosed in the report under Financial Statements Note 31. RPT disclosures are made in the Financial Statements as required by the Sri Lanka Accounting Standard (LKAS 24) on Related Party Disclosures.

## Conduct of Meetings

The Committee held four meetings during the financial year ended 31st March 2017. The attendance of the respective committee member is tabulated below.

Name of the Member	Attendance
Mr. Asoka Abeyewardene	4/4
Mr. Su-ayid M. Ismail	4/4
Mr. Y. N. R. Piyasena	3/4
Mr. A. D. B. Talwatte	4/4

Sgd.

**A. S. Abeyewardene**

Chairman, Related Party Transactions Review Committee

05th May 2017

# Audit Committee Report

## Composition of the Audit Committee

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

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

Profiles of the Chairman and Members are given on Pages 14 and 15.

## The Objective and Role

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

In this regard the Committee is empowered to:

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

- ★ Examine matters relating to financial reporting and other financial aspects of the Company.

## Conduct of Meetings

The Committee held 5 meetings during the financial year ended 31st March 2017. The proceedings and all relevant detail of the meeting were reported to the Board of Directors regularly. Attendance of the Committee members is given below.

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

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

## Internal Audit and Inspection

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

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

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



# Audit Committee Report

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

## Financial Reporting

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

## Oversight on Regulatory Compliance

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

## External Audit

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

The Audit Committee has reviewed and discussed the annual audited Financial Statements and the Management Letters of the Company at its meeting with the External Auditors and Internal Management on 09th May 2017.

## Reappointment of the External Auditors

On evaluation of the independence and performance of the External Auditors, the Committee has recommended to the Board that Messrs. B. R. De Silva & Co. Chartered Accountants be reappointed for the financial year ending 31st March 2018.

*Sgd.*

**A. S. Abeyewardene**

Chairman - Audit Committee

09th May 2017

# Independent Auditor's Report

Private & Confidential

B.R.DE SILVA & CO.

Chartered Accountants



## 1. Report on the Financial Statements

We have audited the accompanying Financial Statements of Ceylon Hospitals PLC, the Consolidated Financial Statements of the Company and its subsidiaries as at that date, which comprise the Statement of Financial Position as at 31st March 2017 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

## 2. Board's Responsibility for the Financial Statements

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

## 3. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

## 4. Opinion

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31st March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## 5. Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - We have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of section 151 and 153 of the Companies Act.

B. R. DE SILVA & CO.

Chartered Accountants  
Colombo 05.

16th May 2017

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

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

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March,	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	3	5,289,462,423	4,728,334,594	3,211,900,279	2,988,760,106
Cost of Sales		(2,142,503,541)	(1,882,498,866)	(1,271,304,005)	(1,151,433,268)
Gross Profit		3,146,958,882	2,845,835,728	1,940,596,274	1,837,326,839
Other Operating Income	4	33,787,043	38,059,961	13,407,331	16,374,089
<b>Overheads</b>					
Administration Expenses		(2,181,748,636)	(1,897,893,154)	(1,495,539,185)	(1,353,227,680)
Other Operating Expenses		(413,117,128)	(360,721,346)	(298,966,001)	(272,240,824)
Finance Cost	5	(98,419,874)	(86,492,407)	(83,777,966)	(67,001,110)
Finance Income	5.1	36,809,630	17,601,264	155,049,021	95,549,796
		(2,656,476,008)	(2,327,505,643)	(1,723,234,131)	(1,596,919,818)
Share of Profit of an Equity Accounted Investee	6	952,708	350,521	-	-
Profit Before Taxation	7	525,222,625	556,740,567	230,769,473	256,781,109
Taxation	8	(136,250,982)	(56,694,579)	(18,954,245)	(39,625,856)
Net Profit After Taxation		388,971,643	500,045,989	211,815,228	217,155,253
<b>Items that will not be reclassified to Profit or Loss</b>					
Net Gain / (Loss) on Gratuity Valuation		3,243,584	(28,623,715)	(1,239,524)	(26,408,952)
Net Gain / (Loss) on Revaluation of Property, Plant and Equipment		1,998,362,809	-	1,429,442,296	-
		2,001,606,393	(28,623,715)	1,428,202,773	(26,408,952)
<b>Items that will or may be reclassified to Profit or Loss</b>					
Net Gain / (Loss) on Available-for-Sale Financial Assets		(1,927,666)	(1,896,778)	(140,000)	(312,000)
		(1,927,666)	(1,896,778)	(140,000)	(312,000)
Other Comprehensive Income for the Year		1,999,678,726	(30,520,493)	1,428,062,773	(26,720,952)
<b>Total Comprehensive Income for the Year</b>		<b>2,388,650,370</b>	<b>469,525,497</b>	<b>1,639,878,001</b>	<b>190,434,301</b>
<b>Profit Attributable to:</b>					
Equity Holders of the Parent		327,703,021	429,132,953	211,815,228	217,155,253
Non Controlling Interest		61,268,623	70,913,036	-	-
		388,971,643	500,045,989	211,815,228	217,155,253
<b>Total Comprehensive Income Attributable to:</b>					
Equity Holders of the Parent		2,257,004,410	399,370,959	1,639,878,001	190,434,301
Non Controlling Interest		131,645,960	70,154,538	-	-
		2,388,650,370	469,525,497	1,639,878,001	190,434,301
Earnings Per Share - Basic	9	9.67	12.67	6.25	6.41

The Significant Accounting Policies and the notes from Pages 68 to 106 form an integral part of these Financial Statements.

# Consolidated Statement of Financial Position

As at 31st March,	Note	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	10	6,445,478,091	4,285,885,136	3,739,605,802	2,128,124,026
Investments in Subsidiaries	11	-	-	1,457,591,424	1,441,831,424
Investment in an Equity Accounted Investee	6	3,982,696	3,029,988	229,960	229,960
Other Financial Assets	20	43,206,054	41,468,988	29,622,971	27,725,971
Prepaid Rent		1,800,000	460,000	-	-
		6,494,466,841	4,330,844,112	5,227,050,157	3,597,911,381
Current Assets					
Inventories	12	319,092,093	256,093,995	249,233,952	200,545,015
Trade and Other Receivables	13	324,255,064	147,008,310	173,353,083	88,876,642
Prepayments	13.1	130,691,668	125,214,591	111,825,803	104,873,780
Amounts Due from Related Parties	14	3,096,142	2,930,884	160,733,502	88,038,229
Other Financial Assets	20	529,149,712	338,036,493	81,297,055	99,668,570
Tax Refund Due	25	-	-	8,346,565	-
Cash and Cash Equivalents	15	138,134,398	165,675,305	81,258,010	94,185,582
		1,444,419,077	1,034,959,578	866,047,970	676,187,818
Total Assets		7,938,888,918	5,365,803,690	6,093,098,127	4,274,099,199
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	16	916,366,104	916,366,104	916,366,104	916,366,104
Revaluation Reserve	17	2,436,472,139	532,338,890	1,961,781,186	532,338,890
Available-for-Sale Reserve		3,637,773	5,228,585	520,000	660,000
Revenue Reserves	18	1,841,612,639	1,633,458,629	1,388,316,670	1,299,682,779
		5,198,088,655	3,087,392,208	4,266,983,960	2,749,047,773
Non-Controlling Interests	19	529,100,567	408,108,716	-	-
		5,727,189,222	3,495,500,924	4,266,983,960	2,749,047,773
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	20.3	435,664,591	437,283,807	404,248,872	349,760,836
Other Financial Liabilities	20.2	-	8,562,550	-	8,562,550
Deferred Revenue	21	-	-	40,086,886	26,004,600
Retirement Benefit Obligation	22	166,564,931	159,870,988	147,596,076	136,505,745
Deferred Tax Liabilities	23	200,535,263	123,731,899	56,964,854	64,537,719
		802,764,785	729,449,243	648,896,688	585,371,450
Current Liabilities					
Bank Overdraft		369,975,743	285,759,871	307,126,818	241,543,734
Interest Bearing Loans & Borrowings	20.3	419,704,825	401,714,527	358,038,957	298,317,346
Other Financial Liabilities	20.2	8,562,550	30,000,000	8,562,550	30,000,000
Trade and Other Payables	24	578,242,365	409,156,027	316,040,090	262,987,403
Taxation Payable	25	32,446,428	13,126,141	-	14,022,372
Amounts Due to Related Parties	14	-	1,096,957	187,449,064	92,809,121
		1,408,931,911	1,140,853,523	1,177,217,479	939,679,976
Total Equity and Liabilities		7,938,885,918	5,365,803,692	6,093,098,127	4,274,099,199

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



Anagi Karunasena  
Chief Financial Officer

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

Signed for and on behalf of the Board by,



A. E. Tudawe  
Chairman

16th May 2017



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

# Statement of Changes in Equity

	Stated Capital	Revaluation Reserve	General Reserve	Available for Sale Reserve	Accumulated Profits	Total	Non-Controlling Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>GROUP</b>								
Balance as at 01st April 2015	916,366,104	532,338,890	4,822,163	6,776,981	1,317,368,823	2,777,672,961	361,828,865	3,139,501,826
Net Profit for the Year	-	-	-	-	429,132,953	429,132,953	70,913,036	500,045,989
<b>Other Comprehensive Income</b>								
Net Gain / (Loss) on Gratuity Valuation	-	-	-	-	(26,408,952)	(26,408,952)	(2,214,763)	(28,623,715)
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	(1,548,396)	-	(1,548,396)	(348,382)	(1,896,778)
Dividend Paid - Ordinary Shares	-	-	-	-	(91,456,360)	(91,456,360)	(22,070,038)	(113,526,398)
Balance as at 31st March 2016	916,366,104	532,338,890	4,822,163	5,228,585	1,628,636,465	3,087,392,208	408,108,716	3,495,500,923
Net Profit for the Year	-	-	-	-	327,703,021	327,703,021	61,268,623	388,971,643
<b>Other Comprehensive Income</b>								
Gain on Revaluation of Property, Plant & Equipment	-	1,925,849,624	-	-	-	1,925,849,624	97,699,045	2,023,548,669
Deferred Tax Effect on Revaluation Gain	-	(21,716,375)	-	-	-	(21,716,375)	(3,469,485)	(25,185,860)
Net Gain / (Loss) on Gratuity Valuation	-	-	-	-	2,392,804	2,392,804	850,780	3,243,584
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	(1,590,812)	-	(1,590,812)	(336,854)	(1,927,666)
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)	(35,020,257)	(156,962,071)
Balance as at 31st March 2017	916,366,104	2,436,472,139	4,822,163	3,637,773	1,836,790,476	5,198,088,655	529,100,567	5,727,189,222

	Stated Capital	Revaluation Reserve	General Reserve	Available-for-Sale Reserve	Accumulated Profits	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>COMPANY</b>						
Balance as at 01st April 2015	916,366,104	532,338,890	4,822,163	972,000	1,195,570,675	2,650,069,832
Net Profit for the Year	-	-	-	-	217,155,253	217,155,253
<b>Other Comprehensive Income</b>						
Net Gain / (Loss) from Gratuity Valuation	-	-	-	-	(26,408,952)	(26,408,952)
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	(312,000)	-	(312,000)
Dividend Paid - Ordinary Shares	-	-	-	-	(91,456,360)	(91,456,360)
Balance as at 31st March 2016	916,366,104	532,338,890	4,822,163	660,000	1,294,860,616	2,749,047,773
Net Profit for the Year	-	-	-	-	211,815,228	211,815,228
<b>Other Comprehensive Income</b>						
Gain on Revaluation of Property, Plant & Equipment	-	1,433,680,791	-	-	-	1,433,680,791
Deferred Tax Effect on Revaluation Gain	-	(4,238,495)	-	-	-	(4,238,495)
Net Gain / (Loss) from Gratuity Valuation	-	-	-	-	(1,239,524)	(1,239,524)
Net Gain / (Loss) on Available-for-Sale Financial Assets	-	-	-	(140,000)	-	(140,000)
Dividend Paid - Ordinary Shares	-	-	-	-	(121,941,814)	(121,941,814)
Balance as at 31st March 2017	916,366,104	1,961,781,186	4,822,163	520,000	1,383,494,507	4,266,983,960



# Statement of Cash Flows

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Cash Flows from / (used in) Operating Activities</b>				
Net Profit Before Income Tax Expenses	525,222,625	556,740,567	230,769,473	256,781,109
<b>Adjustments for :</b>				
Inventory Write-off	1,868,332	7,045,052	790,420	4,085,801
Bad Debts Write-off	6,712,195	4,454,702	1,239,902	4,394,233
Depreciation Charge for the Year	350,280,110	311,233,112	180,118,591	158,822,326
Impairment of Investment	-	2,612,910	-	2,612,910
Finance Income	(36,809,630)	(17,601,264)	(155,049,021)	(95,549,796)
Finance Costs	98,419,874	86,492,407	83,777,966	67,001,110
Amortisation of Deferred Rent	100,000	100,000	(1,677,714)	(1,340,000)
Profit / (Loss) on Disposal of Property, Plant & Equipment	(5,064,790)	(6,757,611)	542,083	(1,082,126)
(Increase) / Decrease in Financial Instruments	259,635	(152,451)	259,635	-
Share of Profit of an Equity Accounted Investee	(952,708)	(350,521)	-	-
Provision for Defined Benefit Plans	34,139,599	28,899,411	28,798,540	23,716,909
Operating Profit / (Loss) Before Working Capital Changes	974,175,243	972,716,314	369,569,876	419,442,476
(Increase) / Decrease in Inventories	(62,998,097)	(26,319,081)	(48,688,935)	(22,555,587)
(Increase) / Decrease in Trade and Other Receivables	(197,896,912)	(47,587,328)	(94,809,477)	(28,629,728)
Increase / (Decrease) in Trade and Other Payables	169,086,338	72,036,398	53,052,688	45,562,271
Increase / (Decrease) in Related Party Dues	(1,262,216)	1,811,800	21,944,669	58,421,151
Cash Generated from Operations	881,104,357	972,658,103	301,068,821	472,240,583
Finance Costs Paid	(98,419,874)	(86,492,407)	(83,777,966)	(67,001,110)
Defined Benefit Plan Costs Paid	(23,590,742)	(16,522,435)	(18,947,734)	(14,189,850)
Tax Paid	(49,604,471)	(20,986,535)	(40,360,654)	(17,168,590)
Net Cash from / (used in) Operating Activities	709,489,270	848,656,726	157,982,467	373,881,032
<b>Cash Flows from / (used in) Investing Activities</b>				
Acquisition of Property, Plant & Equipment	(529,259,820)	(500,599,690)	(395,247,880)	(379,489,407)
Proceeds from Sale of Property, Plant & Equipment	16,700,000	17,536,739	6,200,000	5,726,400
(Acquisition) / Disposal of Other Investments	(189,093,039)	(117,661,909)	21,049,734	(19,081,088)
Income from Investments	24,035,741	10,426,169	142,275,133	88,374,700
Net Cash Flows from / (used in) Investing Activities	(677,617,117)	(590,298,691)	(225,723,013)	(304,469,396)
<b>Cash Flows from / (used in) Financing Activities</b>				
Receipts from Interest Bearing Loans & Borrowings	776,239,868	607,911,104	776,239,868	522,911,104
Repayment of Interest Bearing Loans & Borrowings	(762,906,729)	(638,196,276)	(665,068,164)	(505,147,733)
Dividends Paid	(156,962,071)	(113,526,398)	(121,941,814)	(91,456,360)
Net Cash Flows from / (used in) Financing Activities	(143,628,931)	(143,811,570)	(10,770,109)	(73,692,989)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	(111,756,779)	114,546,464	(78,510,656)	(4,281,354)
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	(120,084,566)	(234,631,031)	(147,358,152)	(143,076,798)
<b>Cash and Cash Equivalents at the End of the Year</b>	(231,841,345)	(120,084,566)	(225,868,808)	(147,358,152)
<b>Analysis of Cash &amp; Cash Equivalents</b>				
Bank Overdraft	(369,975,743)	(285,759,871)	(307,126,818)	(241,543,734)
Cash in Hand and at Bank	138,134,398	165,675,305	81,258,010	94,185,582
	(231,841,345)	(120,084,566)	(225,868,808)	(147,358,152)

# Notes to the Financial Statements

## 1. Corporate Information

### 1.1 General

Ceylon Hospitals PLC is a Limited Liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office and the principal place of business are situated at No. 03, Alfred Place, Colombo 03.

### 1.2 Parent Enterprise and Ultimate Parent Enterprise

The consolidated financial statements of the Company for the year ended 31st March 2017 comprise the Company and its

subsidiaries. (together referred to as the 'Group'). The ultimate holding company is Durdans Management Services Limited.

### 1.3 Principal Activities and Nature of Operations

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

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

### 1.4 Date of Authorisation for Issue

The financial statements for the year ended 31st March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 16th May 2017.

### 1.5 Companies in the Group

Subsidiaries and Equity Accounted Investee

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

## 2. Summary of Significant Accounting Policies

### 2.1 General Accounting Policies

#### 2.1.1 Basis of Preparation of Financial Statements

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

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

Company Name	Year of Incorporation	Ownership Percentage
<b>Subsidiary Companies</b>		
Durdans Heart Centre (Pvt) Ltd	1999/00	81.16%
Durdans Medical and Surgical Hospital (Pvt) Ltd	2007/08	81.40%
<b>Equity Accounted Investee</b>		
Ceygen Biotech (Pvt) Ltd	2009/10	46.00%

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have been measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the financial statements.

#### 2.1.2 Statement of Compliance

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

#### 2.1.3 Going Concern

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

#### 2.1.4 Materiality and Aggregation

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

#### 2.1.5 Consolidation Policy

##### (a) *Basis of Consolidation - Subsidiaries*

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

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

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

##### (b) *Financial Year*

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

##### (c) *Goodwill*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net

identifiable assets acquired and liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

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

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

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

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

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

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

The share of profit of an Equity Accounted Investee is shown on the Consolidated Statement of Profit or Loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

# Notes to the Financial Statements

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its Equity Accounted Investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the Equity Accounted Investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Equity Accounted Investee and its carrying value and recognises the amount in the 'Share of Profit from Equity Accounted Investee' in the income statement.

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

## 2.1.6 Foreign Currency Transactions

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

## 2.1.7 Comparative Information

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

## 2.1.8 Taxation

### 2.1.8.1 Current Taxes

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

### 2.1.8.2 Deferred Taxation

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

The carrying amount of Deferred Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred Tax Asset to be utilised. Unrecognised Deferred Tax Assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the Deferred Tax Assets to be recovered.

## 2.1.9 Events after the Reporting Date

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

## 2.2 Valuation of Assets and their Measurement Bases

### 2.2.1 Inventories

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

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

### 2.2.2 Cash and Cash Equivalents

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

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

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

#### 2.2.2.1 The Statement of Cash Flows

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

### 2.2.3 Property, Plant & Equipment

#### (a) Cost and Valuation

Property, plant & equipment are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant & equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant & equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

#### Cost and Valuation

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation

decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Any balance remaining in the revaluation surplus in respect of an asset is transferred directly to accumulated profits on retirement or disposal of the assets.

The Company policy is to revalue the Company land and building between 3 to 5 years.

#### (b) Depreciation

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

Buildings	@	2.5%
Plant & Machinery	@	10%
Electrical Equipment	@	10%
Furniture & Fittings	@	10%
Sundry Equipment	@	10%
Communication Equipment	@	20%
Electrical Power Plant & Transformer	@	10%
Air Conditioners	@	10%
Motor Vehicles	@	10%
Linen	@	50%
Computer Equipment	@	10%

#### Durdans Heart Centre (Pvt) Ltd

Cardiac Catheterisation Laboratory	@	10%
Theatre & SICU Equipment	@	10%
Furniture & Fittings	@	20%
Computer Equipment	@	25%
Electrical & Other Equipment	@	20%
Motor Vehicles	@	20%

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

Buildings	@	2.5%
Computer Equipment	@	10%
Medical Equipment	@	10%
Furniture & Fittings	@	5%
Curtaining & Linen	@	50%
Motor Vehicles	@	10%
Other Equipment	@	10%

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



# Notes to the Financial Statements

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## (c) *Restoration Cost*

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

## (d) *Derecognition*

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

## 2.2.4 Leases

### (a) *Finance Leases*

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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

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

### (b) *Operating Leases*

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

## 2.2.5 Capital Work-In-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure incurred on capital work-in-progress of permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital work-in-progress is transferred to the respective asset accounts at the time of the first utilisation or at the time the asset is commissioned.

## 2.2.6 Intangible Assets

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

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

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

## 2.2.7 Financial Instruments — Recognition and Measurement

### (a) *Financial Assets*

#### *Initial Recognition and Measurement*

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

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

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

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

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### *Subsequent Measurement*

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

#### *Financial Assets at Fair Value through Profit or Loss*

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium

on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

#### *Held to Maturity Investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs. The Group did not have any held-to-maturity investments during the year ended 31st March 2017.

#### *Available for Sale Financial Investments*

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

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

#### *Reclassification*

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans

## Notes to the Financial Statements

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and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

### *Derecognition*

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

#### *The rights to receive cash flows from the asset have expired*

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

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

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

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

### *(b) Impairment of Financial Assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Financial Assets Carried at Amortised Cost*

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of

future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

#### *Available-for-Sale Financial Investments*

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

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

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

#### *(c) Financial Liabilities*

##### *Initial Recognition and Measurement*

Financial liabilities within the scope of Sri Lanka Accounting Standard (LKAS 39) on Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

##### *Subsequent Measurement*

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

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

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

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

##### *Loans and Borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

##### *Financial Guarantee Contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

## Notes to the Financial Statements

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### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

### *Offsetting of Financial Instruments*

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

### *Fair Value of Financial Instruments*

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

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

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

### *Impairment of Non-Financial Assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Units ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their

present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

## 2.3 Liabilities and Provisions

Liabilities classified as current liabilities on the reporting date are those, which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying



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economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

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

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

#### *Estimates and Assumptions*

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

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

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

Note 22 - Measurement of Employee Benefits

Note 23 - Deferred Tax Asset / Liability

Note 27 - Contingent Liabilities

#### **2.3.1 Deferred Revenue**

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

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

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

A rental fee of Rs. 156,700,000 which was paid in 2016/17 is being amortised over such period commencing from financial year 2016/17 to 2051/52 by Rs. 450,286 per annum.

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

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

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

The actuarial gains and losses are charged or credited to Other Comprehensive Income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined as at 31st March 2017, are given below. However, according to the Payment of Gratuities Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

- Average Rate of Interest - 12% (Per annum)
- Average Rate of Salary Increase - 9%
- Average Retirement Age - 55 years
- The Company will continue in business as a going concern

The liability is not externally funded.

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

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

#### **2.4 Statement of Comprehensive Income**

##### **Revenue Recognition**

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

## Notes to the Financial Statements

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### (a) *Rendering of Services*

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

### (b) *Interest*

Interest Income is recognised on an accrual basis.

### (c) *Dividends*

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

### (d) *Rental Income*

Rental income is recognised on an accrual basis.

### (e) *Deferred Revenue*

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

### (f) *Others*

Other Income is recognised on an Accrual Basis.

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

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

### *Expenditure Recognition*

- (a) Expenses are recognised in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- (b) For the purpose of presentation of the Statement of Comprehensive Income, the Directors are of the opinion that the function of expenses method, presents fairly the elements of the Company's performance and hence, such presentation method is adopted.

### 2.4.1 *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.4.2 *Dividend on Ordinary Shares*

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

### 2.4.3 *Effect of Sri Lanka Accounting Standards Issued but Not Yet Effective*

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

#### (a) *SLFRS 9*

##### *Financial Instruments: Classification and Measurement*

Effective for annual periods beginning on or after 1st of January 2018

#### (b) *SLFRS 15*

##### *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1st of January 2018

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

### 3. REVENUE

Revenue	5,289,462,423	4,728,334,594	3,211,900,279	2,988,760,106
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### 4. OTHER OPERATING INCOME

Adjustment for Impairment Allowance of Receivables	-	152,451	-	-
Deferred Income of Residential Fees	-	-	1,677,714	1,340,000
Sundry Income	28,722,253	31,149,899	12,271,700	13,951,963
Profit / (Loss) on Disposal of Property Plant & Equipment	5,064,790	6,757,611	(542,083)	1,082,126
	33,787,043	38,059,961	13,407,331	16,374,089

### 5. FINANCE COST

Loan Interest	68,714,554	63,727,046	54,611,631	47,106,677
Debenture Interest	3,037,500	6,562,500	3,037,500	6,562,500
Interest Expenses on Overdrafts	23,728,719	15,760,318	23,649,999	12,921,892
Other Interest	223,702	320,393	223,702	317,891
Bank Charges	2,351,917	-	1,891,653	-
Loan Processing Expenses	363,483	122,150	363,483	92,150
	98,419,874	86,492,407	83,777,966	67,001,110

#### 5.1 FINANCE INCOME

Interest Income	36,306,775	17,012,663	5,618,459	7,396,592
Dividend Income	502,855	588,601	149,430,562	88,153,204
	36,809,630	17,601,264	155,049,021	95,549,796

## Notes to the Financial Statements

### 6. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

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

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

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Current Assets	5,591,463	4,229,613	-	-
Non-Current Assets	6,132,078	7,095,013	-	-
Current Liabilities	(3,077,364)	(4,609,134)	-	-
Non-Current Liabilities	-	-	-	-
<b>Equity</b>	<b>8,646,178</b>	<b>6,715,492</b>	<b>-</b>	<b>-</b>
Profit for the Year	2,071,050	858,359		
Share of the Profit from Equity Accounted Investee	952,708	350,521	-	-
Carrying Amount of the Investment (Note 6.1)	3,982,696	3,029,988	-	-
<b>6.1</b> Balance at the beginning of the Year	3,029,988	2,679,467	-	-
Share of Profit from Equity Accounted Investee	952,708	394,855	-	-
Dividend Income	-	(44,334)		
Balance at the end of the Year	3,982,696	3,029,988	-	-

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

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

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Directors' Emoluments	34,241,123	28,446,324	30,226,523	25,287,054
Auditors' Remuneration				
- Internal	1,677,668	1,673,319	899,208	948,741
- External	1,434,678	1,408,159	770,000	700,000
Depreciation	350,994,111	311,233,111	180,118,591	158,822,326
Defined Benefit Plan Costs	34,139,599	28,899,411	28,798,541	23,716,909
Legal Fees	2,230,987	2,149,281	1,700,487	1,227,357
Salaries	1,014,297,560	924,981,323	653,820,335	654,987,788
Employees' Provident Fund	76,260,511	66,842,820	61,200,665	54,579,127
Employees' Trust Fund	19,670,012	17,167,590	15,305,004	13,644,539

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 8. INCOME TAX EXPENSES

Income Tax (Note 8.1)	85,244,812	41,511,955	30,765,605	32,824,536
Deferred Tax	51,006,170	15,182,623	(11,811,360)	6,801,320
	136,250,982	56,694,578	18,954,245	39,625,856

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

Accounting Profit Before Taxation	525,222,625	556,740,568	230,769,473	256,781,108
Aggregated Disallowed Items	503,887,882	380,370,681	319,643,077	215,984,507
Aggregated Allowed Items	(331,031,475)	(373,598,320)	(109,797,126)	(182,604,801)
Income not Subject to Taxation	(178,426,715)	(18,875,052)	(297,856,153)	(93,674,195)
Taxable Profit	519,652,317	544,637,877	142,780,271	196,486,619
Statutory Tax Rate - Business Income	12%	24,172,411	27,878,465	16,418,548
Statutory Tax Rate - Other Income	28%	48,298,512	6,458,394	1,573,169
Dividend Tax	10%	12,773,888	7,175,096	12,773,888
Income Tax Provision		85,244,812	41,511,955	30,765,605

#### Parent Company - Ceylon Hospitals PLC

The Company is liable for Income Tax for the year of assessment 2016/17 at the rate of 12%.

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

The Company is liable for Income Tax for the year of assessment 2016/17 at the rate of 12%.

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

The Company is liable for Income Tax for the year of assessment 2016/17 at the rate of 12%.

## Notes to the Financial Statements

### 9. EARNINGS PER SHARE

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

For the Year Ended 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Profit Attributable to Equity Holders of the Parent	327,703,021	429,132,953	211,815,228	217,155,253
Weighted Average Number of Shares Outstanding during the Year	33,872,726	33,872,726	33,872,726	33,872,726
Earnings Per Share	9.67	12.67	6.25	6.41

### 10. PROPERTY , PLANT & EQUIPMENT

#### GROUP

	Freehold Land & Buildings Rs.	Medical & Other Equipment Rs.	Furniture & Fittings Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Motor Vehicles on Finance Lease Rs.	Capital WIP Rs.	Total Rs.
<b>Cost / Valuation</b>								
Balance as at 31st March 2015	2,980,144,929	2,186,079,290	192,855,321	131,848,763	91,014,091	7,050,000	-	5,588,992,394
Additions	34,937,484	232,055,330	13,614,472	22,619,439	23,379,980	-	173,992,985	500,599,690
Disposals	-	(4,495,939)	-	-	(19,259,827)	-	-	(23,755,766)
Balance as at 31st March 2016	3,015,082,413	2,413,638,681	206,469,793	154,468,202	95,134,244	7,050,000	173,992,985	6,065,836,318
Additions	20,023,796	240,840,899	18,086,389	17,296,837	29,158,499	-	203,853,399	529,259,820
Transfer to Revaluation	1,769,411,935	-	-	-	-	-	-	1,769,411,935
Disposals	-	(47,673,754)	(2,145,915)	(797,896.96)	(19,579,924)	-	-	(70,197,491)
Balance as at 31st March 2017	4,804,518,145	2,606,805,826	222,410,267	170,967,142	104,712,819	7,050,000	377,846,384	8,294,310,583
<b>Accumulated Depreciation</b>								
Balance as at 01st April 2015	167,630,754	1,130,622,266	84,763,584	66,321,679	26,170,133	6,014,027	-	1,481,522,444
Depreciation Charge for the Year	46,988,406	221,234,929	16,341,707	14,676,760	11,641,310	350,000	-	311,233,112
Disposals	-	(2,710,823)	-	-	(10,093,549)	-	-	(12,804,372)
Balance as at 31st March 2016	214,619,160	1,349,146,372	101,105,291	80,998,439	27,717,895	6,364,027	-	1,779,951,184
Depreciation Charge for the Year	52,625,096	251,124,493	17,681,175	16,961,278	12,157,069	445,000	-	350,994,111
Transfer to Revaluation	(254,136,736)	-	-	-	-	-	-	(254,136,736)
Disposals	-	(17,181,888)	(1,420,788)	(451,523)	(8,921,869)	-	-	(27,976,068)
Balance as at 31st March 2017	13,107,520	1,583,088,977	117,365,678	97,508,195	30,953,095	6,809,027	-	1,848,832,491
<b>Net Book Value</b>								
At 31st March 2017	4,791,410,625	1,023,716,850	105,044,589	73,458,948	73,759,724	240,973	377,846,384	6,445,478,091
At 31st March 2016	2,800,463,254	1,064,492,309	105,364,502	73,469,763	67,416,349	685,973	173,992,985	4,285,885,136



## COMPANY

	Freehold Land & Buildings Rs.	Medical & Other Equipment Rs.	Furniture & Fittings Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Motor Vehicles on Finance Lease Rs.	Capital WIP Rs.	Total Rs.
<b>Cost / Valuation</b>								
Balance as at 31st March 2015	1,322,630,840	1,063,698,911	121,647,844	124,901,817	51,697,902	3,150,000	-	2,687,727,315
Additions	29,870,444	141,536,861	8,671,477	20,167,640	5,250,000	-	173,992,985	379,489,407
Disposals	-	(1,516,739)	-	-	(6,448,450)	-	-	(7,965,189)
Balance as at 31st March 2016	1,352,501,286	1,203,719,033	130,319,321	145,069,457	50,499,452	3,150,000	173,992,985	3,059,251,533
Additions	17,462,212	140,408,405	11,458,600	15,515,264	6,549,999	-	203,853,399	395,247,880
Transfer to Revaluation	1,383,114,477	-	-	-	-	-	-	1,383,114,477
Disposals / Transfers	-	(46,556,754)	(2,145,915)	(797,897)	(8,900,000)	-	-	(58,400,567)
Balance as at 31st March 2017	2,753,077,975	1,297,570,684	139,632,006	159,786,825	48,149,451	3,150,000	377,846,384	4,779,213,324
<b>Accumulated Depreciation</b>								
Balance as at 31st March 2015	28,831,592	618,903,142	62,812,803	56,828,967	7,736,076	341,250	-	775,453,830
Depreciation Charge for the Year	13,951,167	113,388,710	12,607,941	13,458,417	5,101,092	315,000	-	158,822,326
Disposals	-	(1,344,472)	-	-	(1,804,176)	-	-	(3,148,648)
Balance as at 31st March 2016	42,782,759	730,947,380	75,420,744	70,287,384	11,032,992	656,250	-	931,127,508
Depreciation Charge for the Year	18,766,868	127,486,643	13,481,711	15,309,675	4,758,694	315,000	-	180,118,591
Transfer to Revaluation	(50,566,316)	-	-	-	-	-	-	(50,566,316)
Disposals / Transfers	-	(17,042,034)	(1,420,788)	(451,523)	(2,157,917)	-	-	(21,072,262)
Balance as at 31st March 2017	10,983,311	841,391,989	87,481,667	85,145,537	13,633,769	971,250	-	1,039,607,522
<b>Net Book Value</b>								
At 31st March 2017	2,742,094,663	456,178,695	52,150,339	74,641,288	34,515,683	2,178,750	377,846,384	3,739,605,802
At 31st March 2016	1,309,718,527	472,771,653	54,898,577	74,782,073	39,466,461	2,493,750	173,992,985	2,128,124,026

## Revaluation of Land and Buildings

The Company uses the revaluation model of measurement to account for land and buildings. In this regard the Company engaged Mr. P. B. Kalugalgedera, an independent, Chartered Valuation Surveyor to determine the fair value of its land and buildings. Valuation is as defined in the Sri Lanka Accounting Standard (SLFRS 13) on Fair Value Measurement. The valuation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of motor vehicles held under finance leases as at 31st March 2017 was Rs. 2,178,750 (2015/16 - Rs. 2,493,750). No additions made during the year under finance leases. Leased assets are pledged as securities for the related finance lease.

The carrying value of the assets if revaluation has not been carried out would be as follows.

As at 31st March, Description	Address	Extent	Company	
			2017 Rs.	2016 Rs.
Land 01	No 03, Alfred Place, Colombo 03	0A-3R-30.24P	494,400,237	494,400,237
Land 02	No 05, Alfred Place, Colombo 03	0A-0R-32.68P	118,750,000	118,750,000
Building	No 03, Alfred Place, Colombo 03	93,954 sq ft	468,421,377	482,758,521
Total			1,081,571,614	1,095,908,758

# Notes to the Financial Statements

## 11. INVESTMENTS IN SUBSIDIARIES

As at 31st March,	2017				2016			
	Number of Shares	Holding %	Carrying Value Rs.	Directors Valuation Rs.	Number of Shares	Holding %	Carrying Value Rs.	Directors Valuation Rs.
Durdans Heart Centre (Pvt) Ltd	11,362,035	81.16	130,091,410	130,091,410	9,362,035	78.02	114,331,410	114,331,410
Durdans Medical and Surgical Hospital (Pvt) Ltd	120,896,033	81.40	1,327,500,014	1,327,500,014	120,896,033	81.40	1,327,500,014	1,327,500,014
	132,258,068		1,457,591,424	1,457,591,424	130,258,068		1,441,831,424	1,441,831,424

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 12. INVENTORIES

Drugs & Dressings	111,473,194	90,207,507	45,921,450	34,658,528
Lab Reagents & Consumables	186,305,793	144,155,476	181,999,396	144,155,477
Pantry Stocks	1,740,573	1,300,946	1,740,573	1,300,974
General Stocks	19,572,533	20,430,036	19,572,533	20,430,036
	319,092,093	256,093,995	249,233,952	200,545,015

## 13. TRADE & OTHER RECEIVABLES

Trade Debtors	237,404,912	137,322,354	158,031,005	79,762,007
Other Receivables	96,771,471	16,475,876	22,379,197	15,412,118
Less: Impairment Allowance for Bad Debts	(9,921,319)	(6,789,920)	(7,057,119)	(6,297,484)
	324,255,064	147,008,310	173,353,083	88,876,642

### 13.1 Advances and Prepayments

Advances	84,745,064	34,982,173	78,070,840	76,348,969
Prepayments	45,946,604	90,232,418	33,754,964	28,524,811
	130,691,668	125,214,591	111,825,804	104,873,780

## 14. RELATED PARTY TRANSACTIONS

### 14.1 Amounts Due from Related Parties

Durdans Heart Centre (Pvt) Ltd	-	-	48,496,514	26,769,082
Durdans Medical and Surgical Hospital (Pvt) Ltd	-	-	109,140,846	58,338,263
Durdans Management Services Ltd	1,638,460	1,608,250	1,638,460	1,608,250
Ceygen Biotech (Pvt) Ltd	1,457,682	1,322,634	1,457,682	1,322,634
	3,096,142	2,930,884	160,733,502	88,038,229

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

#### 14.2 Amounts Due to Related Parties

Durdans Heart Centre (Pvt) Ltd	-	-	14,913,622	1,187,339
Durdans Medical and Surgical Hospital (Pvt) Ltd	-	-	172,535,442	90,524,825
Durdans Management Services Ltd	-	1,096,957	-	1,096,957
	-	1,096,957	187,449,064	92,809,121

#### 15. CASH & CASH EQUIVALENTS

Favourable Cash & Cash Equivalent Balance	138,134,398	165,675,305	81,258,010	94,185,582
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#### 16. STATED CAPITAL

33,872,726 Shares (2015/16 - 33,872,726)	916,366,104	916,366,104	916,366,104	916,366,104
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#### 17. REVALUATION RESERVE

Revaluation Reserve	2,436,472,139	532,338,890	1,961,781,186	532,338,890
	2,436,472,139	532,338,890	1,961,781,186	532,338,890

#### 18. REVENUE RESERVES

General Reserves	4,822,163	4,822,163	4,822,163	4,822,163
	4,822,163	4,822,163	4,822,163	4,822,163

#### Accumulated Profits

Balance as at the beginning of the year	1,628,636,465	1,317,368,823	1,294,860,616	1,195,570,675
Profit for the year	302,703,021	429,132,953	211,815,228	217,155,253
Dividend Paid - Ordinary Shares	(121,941,814)	(91,456,360)	(121,941,814)	(91,456,360)
Other Comprehensive Income				
- Net Gain / (Loss) from Gratuity valuation	2,392,804	(26,408,952)	(1,239,524)	(26,408,952)
Balance as at the end of the year	1,836,790,476	1,628,636,465	1,383,494,507	1,294,860,616
<b>Total</b>	<b>1,841,612,639</b>	<b>1,633,458,629</b>	<b>1,388,316,670</b>	<b>1,299,682,779</b>

## Notes to the Financial Statements

As at 31st March,	Group	
	2017 Rs.	2016 Rs.

### 19. NON CONTROLLING INTEREST

Balance at the beginning of the year	408,108,716	361,828,865
Profit for the Year	61,268,623	70,913,036
Increase / (Decrease) in the Share of Minority Interest	-	-
Other Comprehensive Income		
- Net Gain / (Loss) from Revaluation of Property, Plant & Equipment	94,229,560	-
- Net Gain / (Loss) from Gratuity Valuation	850,780	(2,214,763)
- Net Gain / (Loss) on Available-for-Sale Financial Assets	(336,854)	(348,382)
Dividend Paid	(35,020,257)	(22,070,039)
Balance at the end of the year	529,100,567	408,108,716

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

### 20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 20.1 Other Financial Assets

##### Loans and Receivables

Refundable Deposits	35,869,645	33,717,645	28,462,971	26,425,971
Deposits in Financial Institutions	529,149,712	338,036,493	81,297,055	99,668,570
<b>Total Loans and Receivables</b>	<b>565,019,357</b>	<b>371,754,137</b>	<b>109,760,025</b>	<b>126,094,540</b>

##### Available for-Sale-Investments

Equity Shares in Listed Companies	7,336,409	7,751,344	1,160,000	1,300,000
<b>Total Available-for-Sale Investments</b>	<b>7,336,409</b>	<b>7,751,344</b>	<b>1,160,000</b>	<b>1,300,000</b>
<b>Total Other Financial Assets</b>	<b>572,355,766</b>	<b>379,505,481</b>	<b>110,920,025</b>	<b>127,394,540</b>

<b>Total Current Financial Assets</b>	<b>529,149,712</b>	<b>338,036,493</b>	<b>81,297,055</b>	<b>99,668,570</b>
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<b>Total Non-Current Financial Assets</b>	<b>43,206,054</b>	<b>41,468,988</b>	<b>29,622,971</b>	<b>27,725,971</b>
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### Loans and Receivables - Refundable Deposits and Fixed Deposits in Financial Institutions

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

### Available-for-Sale Investment - Quoted Equity Shares

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

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

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

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 20.2 Other Financial Liabilities

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

Redeemable Debentures	8,562,550	38,562,550	8,562,550	38,562,550
<b>Total Financial Liabilities at Fair Value through Profit or Loss</b>	<b>8,562,550</b>	<b>38,562,550</b>	<b>8,562,550</b>	<b>38,562,550</b>
Total Current Liabilities	8,562,550	30,000,000	8,562,550	30,000,000
Total Non-Current Liabilities	-	8,562,550	-	8,562,550

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

In 2007, the Company issued Rs.100 Mn redeemable debentures to Lanka Venture PLC ("LVL") and pays 12% interest on the debentures. Of these debentures, Rs. 68.75 Mn will be settled in 5 equal annual installments from June 2013 to June 2017 with the Company having the option to prematurely settle.

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

As DMSH does not have any intention to list its shares in the Colombo Stock Exchange ("CSE") to date, it has been agreed with LVL by letter dated 04th December 2014 that the 3,125,000 debentures remaining unexchanged for shares as per clause 4.3.1. to the original Debenture Agreement shall be redeemed in two (2) instalments of 1,500,000 Debentures and 1,625,000 Debentures on 30th September 2015 and 30th September 2016 respectively and that continued return of Rs. 1.20 per Debenture shall be paid for the said 3,125,000 Debentures until they are redeemed in full.

## Notes to the Financial Statements

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

#### 20.3 Interest Bearing Loans & Borrowings

	Note	Re-payable within One Year Rs.	Re-payable after One Year Rs.	Total as at 31st March 2017 Rs.	Total as at 31st March 2016 Rs.
<b>Group</b>					
Bank Loans	20.3.1	418,964,936	435,049,249	854,014,187	836,986,973
Lease Creditors	20.3.2	739,889	615,341	1,355,230	2,011,361
		419,704,825	435,664,591	855,369,417	838,998,334
<b>Company</b>					
Bank Loans	20.3.1	357,299,068	403,633,530	760,932,599	646,066,821
Lease Creditors	20.3.2	739,889	615,341	1,355,230	2,011,361
		358,038,957	404,248,872	762,287,829	648,078,182

##### 20.3.1 Bank Loans - Group

Lender	Within One Year Rs.	After One Year Rs.	Total Rs.	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>DFCC Bank</b>							
- 500 Mn Loan	71,428,572	5,952,377	77,380,949	4-week AWDR + 3.5%	09th March 2010	(A)	(i) An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B. Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent 0A-3R-30.24P, together with the buildings standing thereon owned by the Company.  (ii) A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the Company as equity investment.
- 100 Mn Loan	14,285,712	4,761,919	19,047,631	80% of loan 3-month AWDR + 4.75% and 20% of loan 12-week AWPLR + 1%	09th March 2010	(B)	Primary mortgage over equipment financed by the loan together with a Promissory Note.
- 150 Mn Loan	30,000,000	32,500,000	62,500,000	4-week AWPLR + 2%	24th October 2013	(C)	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
- 50 Mn Loan	12,500,000	16,666,660	29,166,660	AWDR + 5.5%	16th January 2015	(D)	Mortgage over equipment financed by the loan
- 150 Mn Loan	8,862,052	-	8,862,052	AWPR + 1.6%	01st September 2016	(E)	Corporate guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 150 Mn
- 125 Mn Loan	41,666,667	64,344,793	106,011,460	AWPR + 1.6%	01st September 2016	(F)	Loan agreement for Rs. 125 Mn



### 20.3.1 Bank Loans - Group

Lender	Within One Year Rs	After One Year Rs	Total Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>Nations Trust Bank</b>							
- 50 Mn Loan	11,124,000	3,650,009	14,774,009	AWPR + 2.5% subject to 13.5% floor rate	05th July 2013	(G)	Loan agreement for Rs. 50 Mn
<b>National Development Bank</b>							
- 30 Mn Loan	30,000,000	-	30,000,000	Money Market Interest Rate	05th April 2013	(H)	Loan agreement for Rs. 30 Mn
<b>Hatton National Bank</b>							
- 50 Mn Loan	50,000,000	-	50,000,000	Money Market Interest Rate	03rd November 2014	(I)	Company guarantee through Board resolution and duly signed loan agreement.
<b>Union Bank</b>							
- 15 Mn Loan	15,000,000	-	15,000,000	Money Market Interest Rate	05th December 2014	(J)	Primary floating Mortgage Bond over drugs stock and assignment over book debts
<b>Amana Bank</b>							
- 140 Mn Loan	8,689,210	-	8,689,210	6-month AWDR + 2%	11th August 2010	(K)	Primary mortgage over MRI Scanner
- 175 Mn Loan	3,281,274	-	3,281,274	6-month AWDR + 2%	24th December 2009	(L)	Primary mortgage over medical equipment purchased
<b>Seylan Bank</b>							
- 475 Mn Loan	65,000,000	261,966,792	326,966,792	AWDR + 3%	05th October 2015	(M) (N) (O)	(i) Corporate Guarantee from Durdans Heart Centre (Pvt) Ltd for Rs. 125 Mn (ii) Loan agreement for Rs.125 Mn (iii) Corporate guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 350 Mn (iv) Loan agreement for Rs. 150 Mn (v) Loan agreement for Rs. 200 Mn
- 85 Mn Loan	28,794,118	21,595,588	50,389,706	AWDR + 3%	16th December 2016	(P)	Loan agreement for Rs. 85 Mn
- 85 Mn Loan	28,333,333	23,611,111	51,944,444	AWDR + 3%	04th January 2016	(Q)	Loan agreement for Rs. 85 Mn
<b>Total</b>	<b>418,964,936</b>	<b>435,049,249</b>	<b>854,014,187</b>				

## Notes to the Financial Statements

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

#### 20.3.2 Bank Loans - Company

Lender	Within One Year Rs	After One Year Rs	Total Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
DFCC Bank							
- 500 Mn Loan	71,428,572	5,952,377	77,380,949	4 week AWDR + 3.5%	09th March 2010	(A)	(i) An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B. Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent of 0A-3R-30.24P, together with the buildings standing thereon owned by the company.  (ii) A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the company as equity investment.
- 100 Mn Loan	14,285,712	4,761,919	19,047,631	80% of loan 3-month AWDR + 4.75% and 20% of loan 12-week AWPLR + 1%	09th March 2010	(B)	Primary Mortgage over equipment financed by the loan together with a Promissory Note.
- 150 Mn Loan	30,000,000	32,500,000	62,500,000	4-week AWPLR + 2% p.a.	24th October 2013	(C)	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
- 150 Mn Loan	-	8,862,052	8,862,052	AWPR + 1.6%	01st September 2016	(E)	Corporate guarantee from Durdans Medical & Surgical Hospital (Pvt) Ltd for Rs. 150 Mn
- 125 Mn Loan	41,666,667	64,344,793	106,011,460	AWPR + 1.6%	01st September 2016	(F)	Loan Agreement for Rs. 125 Mn

Lender	Within One Year Rs	After One Year Rs	Total Rs	Interest Rate %	Date Obtained	Repayment Terms	Security
<b>Nations Trust Bank</b>							
- 50 Mn Loan	11,124,000	3,650,009	14,774,009	AWPR +2.5% subject to 13.5% floor rate	02nd July 2013	(G)	Loan agreement for Rs. 50 Mn
<b>National Development Bank</b>							
- 30 Mn Loan - Revolving	30,000,000	-	30,000,000	Money Market Interest Rate	05th April 2013	(H)	Loan agreement for Rs. 30 Mn.
<b>Hatton National Bank</b>							
- 50 Mn Loan	50,000,000	-	50,000,000	Money Market Interest Rate	03rd November 2014	(I)	Company guarantee through board resolution and duly signed loan agreement.
<b>Union Bank</b>							
- 15 Mn Loan	15,000,000	-	15,000,000	Money Market Interest Rate	05th December 2014	(J)	Primary floating Mortgage Bond over drugs stock and assignment over book debts
<b>Seylan Bank</b>							
- 475 Mn Loan	65,000,000	261,966,792	326,966,792	AWDR + 3%	05th October 2015	(M) (N) (O)	(i) Corporate Guarantee from Durdans Heart Centre (Pvt) Ltd for Rs. 125 Mn (ii) Loan agreement form for Rs. 125 Mn (iii) Corporate guarantee from Durdans Medical and Surgical Hospital (Pvt) Ltd for Rs. 350 Mn (iv) Loan agreement form for Rs. 150 Mn (v) Loan agreement form for Rs. 200 Mn
- 85 Mn Loan	28,794,118	21,595,588	50,389,706	AWPR + 3%	16th December 2015	(P)	Loan agreement for Rs. 85 Mn
<b>Total</b>	357,299,068	403,633,530	760,932,599				

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

Name of Lease Creditor and Description of Asset on Finance Lease	Balance As At 01st April 2016 Rs.	New Leases Obtained Rs.	Repayments Rs.	Balance As At 31st March 2017 Rs.
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### 20.3.2 Lease Creditors - Group

#### Gross Liability

##### NDB Bank

- Toyota Motor Car	2,400,560	-	(879,833)	1,520,727
	2,400,560	-	(879,833)	1,520,727

#### Finance Charges Allocated to Future Years

##### NDB Bank

- Toyota Motor Car	389,199	-	(223,702)	165,497
	389,199	-	(223,702)	165,497

Present Value of Lease Creditors	2,011,361			1,355,230
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### 20.3.3 Lease Creditors - Company

#### Gross Liability

##### NDB Bank

- Toyota Motor Car	2,400,560	-	(879,833)	1,520,727
	2,400,560	-	(879,833)	1,520,727

#### Finance Charges Allocated to Future Years

##### NDB Bank

- Toyota Motor Car	389,199	-	(223,702)	165,497
	389,199	-	(223,702)	165,497

Present Value of Lease Creditors	2,011,361			1,355,230
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- .....
- (A) In 84 equal monthly installments of Rs. 5,952,380 with a grace period of 12 months.
  - (B) In 84 equal monthly installments of Rs. 1,190,476 with a grace period of 12 months.
  - (C) In 60 equal monthly installments of Rs. 2,500,000 with a grace period of 10 months.
  - (D) In 48 equal monthly installments of Rs. 1,041,667 commencing after a grace period of 12 months.
  - (E) In 48 equal monthly installments of Rs. 3,125,000 commencing after a grace period of 12 months from the date of first disbursement.
  - (F) In 36 equal monthly installments of Rs. 3,472,222 commencing after a grace period of 12 months from the date of first disbursement.
  - (G) In 53 equal monthly installments of Rs. 927,000 and a final installment of Rs. 869,000.
  - (H) Repayable on demand.
  - (I) Settlement in a maximum of 90 days.
  - (J) In 1-30 days with the option to rollover up to a maximum of 90 days.
  - (K) In 72 monthly installments as per the schedule given by the lender, commencing after a grace period of 12 months.
  - (L) In 84 monthly installments as per the schedule given by the lender, commencing after a grace period of 12 months.
  - (M) Rs. 125 Mn bullet payment on the 24th month.
  - (N) In 24 equal monthly instalments of Rs. 2,500,000 and 24 equal monthly installments of Rs. 3,750,000 after a grace period of 12 months.
  - (O) In 24 equal monthly instalments of Rs. 3,500,000, 12 equal monthly installments of Rs. 4,750,000, 12 equal monthly installments of Rs. 4,800,000 and one installment of Rs. 6,200,000 after a grace period of 12 months.
  - (P) In 35 monthly installment of Rs. 2,361,200 and one installment of Rs. 2,358,000.
  - (Q) In 35 equal monthly installments of Rs. 2,361,200 and final installment of Rs. 2,358,000.
- .....

## Notes to the Financial Statements

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

#### 20.4 Fair Values - Group

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

As at 31st March,	Carrying Amount		Fair Value	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Financial Assets</b>				
Trade & Other Receivables	324,255,064	147,008,310	324,255,064	147,008,310
Other Financial Assets				
- Loans and Other Receivables	565,019,357	371,754,137	565,019,357	371,754,137
- Available-for-Sale Financial Investments	7,336,409	7,751,344	7,336,409	7,751,344
Cash and Short-Term Deposits	138,134,398	165,675,305	138,134,398	165,675,305
<b>Total</b>	<b>1,034,745,228</b>	<b>692,189,096</b>	<b>1,034,745,228</b>	<b>692,189,096</b>
<b>Financial Liabilities</b>				
Interest Bearing Loans & Borrowings	854,014,186	836,986,973	854,014,186	836,986,973
Obligations under Finance Leases	1,355,230	2,011,361	1,355,230	2,011,361
Trade and Other Payables	578,242,365	409,156,026	578,242,365	409,156,026
Bank Overdrafts	369,975,743	285,759,872	369,975,743	285,759,872
Financial Liabilities at Fair Value through Profit or Loss	8,562,550	38,562,550	8,562,550	38,562,550
<b>Total</b>	<b>1,812,150,074</b>	<b>1,572,476,782</b>	<b>1,812,150,074</b>	<b>1,572,476,782</b>

#### 20.4 Fair Values - Company

As at 31st March,	Carrying Amount		Fair Value	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Financial Assets</b>				
Trade & Other Receivables	173,353,083	88,876,642	173,353,083	88,876,642
Other Financial Assets				
- Loans and Other Receivables	109,760,025	126,094,540	109,760,025	126,094,540
- Available-for-Sale Financial Investments	1,160,000	1,300,000	1,160,000	1,300,000
Cash and Short-Term Deposits	81,258,010	94,185,582	81,258,010	94,185,582
<b>Total</b>	<b>365,531,118</b>	<b>310,456,764</b>	<b>365,531,118</b>	<b>310,456,764</b>
<b>Financial Liabilities</b>				
Interest Bearing Loans & Borrowings	760,932,599	646,066,821	760,932,599	646,066,821
Obligations under Finance Leases	1,355,230	2,011,361	1,355,230	2,011,361
Trade and Other Payables	316,040,091	262,987,402	316,040,091	262,987,402
Bank Overdrafts	307,126,818	241,543,734	307,126,818	241,543,734
Financial Liabilities at Fair Value through Profit or Loss	8,562,550	38,562,550	8,562,550	38,562,550
<b>Total</b>	<b>1,394,017,288</b>	<b>1,191,171,868</b>	<b>1,394,017,288</b>	<b>1,191,171,868</b>



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

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

## 20.5 Fair Value Hierarchy

As at 31st March 2017, the Group / Company held the following financial instruments carried at fair value on the statement of financial position:

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

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

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

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

As at 31st March 2017	Group				Company			
	Total	Level 01	Level 02	Level 03	Total	Level 01	Level 02	Level 03
<b>Assets Measured at Fair Value</b>								
<b>Available-for Sale Financial Assets</b>								
Quoted Equity Shares	7,336,409	7,336,409	-	-	1,160,000	1,160,000	-	-
Non-Quoted Equity Shares	-	-	-	-	-	-	-	-
<b>Loans and Receivables</b>								
Refundable Deposits & Short-Term Deposits	565,019,357		35,869,645	529,149,712	109,760,025	-	28,462,971	81,297,055
Trade & Other Receivables	324,225,064	-	324,225,064	-	173,353,083	-	173,353,083	-
<b>Liabilities Measured at Fair Value</b>								
Other Financial Liabilities	8,562,550	-	8,562,550	-	8,562,550	-	8,562,550	-

As at 31st March 2016, the Group / Company held the following financial instruments measured at fair value:

As at 31st March 2016	Group				Company			
	Total	Level 01	Level 02	Level 03	Total	Level 01	Level 02	Level 03
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets Measured at Fair Value</b>								
<b>Available-for Sale Financial Assets</b>								
Quoted Equity Shares	7,751,344	7,751,344	-	-	1,300,000	1,300,000	-	-
Non-Quoted Equity Shares	-	-	-	-	-	-	-	-
<b>Loans and Receivables</b>								
Refundable Deposits & Short-Term Deposits	371,754,137		33,717,645	338,036,493	126,094,540	-	26,425,971	99,668,570
Trade & Other Receivables	147,008,310	-	147,008,310	-	88,876,642	-	88,876,642	-
<b>Liabilities Measured at Fair Value</b>								
Other Financial Liabilities	38,562,550	-	38,562,550	-	38,562,550	-	38,562,550	-

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

### 21. DEFERRED REVENUE

Balance at the beginning of the Year	-	-	26,004,600	27,344,600
Transfer of Deferred Revenue			15,760,000	
Less:				
Amortised during the Year	-	-	(1,677,714)	(1,340,000)
Balance at the end of the Year	-	-	40,086,886	26,004,600

### 22. PROVISIONS & OTHER LIABILITIES

#### Gratuity

Balance at the beginning of the Year	159,870,988	118,870,297	136,505,745	100,569,734
Provision for the Year	30,284,685	57,523,126	30,038,065	50,125,861
	190,155,673	176,393,423	166,543,810	150,695,595
Payments made during the Year	(23,590,742)	(16,522,435)	(18,947,734)	(14,189,850)
Balance at the end of the Year	166,564,931	159,870,988	147,596,076	136,505,745

#### Note:

As at 31st March 2017 the gratuity liability was actuarially valued under the projected unit credit method by Mr. M. Poopalanathan of Actuarial and Management Consultant (Pvt) Ltd. The liability is not externally funded. The Actuarial valuation is performed annually.

Actuarial Assumptions Used	Group	
	2017 % per annum	2016 % per annum

(a) Discount Rate	12%	10%
(b) Incidence of Withdrawal	21%	18%
(c) Salary Increased	9%	8%
(d) Retirement Age	55 years	55 years

Expense recognised in the Statement of Profit or Loss and Other Comprehensive Income

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

#### Expense Recognised in Profit for the Year

Current Service Cost	18,152,500	17,677,502	15,147,966	14,665,633
Interest Cost	15,987,100	11,221,909	13,650,575	9,051,276

#### Expense Recognised in Other Comprehensive Income

Actuarial (Gain) / Loss	(3,854,916)	28,623,715	1,239,524	26,408,952
	30,284,684	57,523,126	30,038,065	50,125,861

## 22.1 Sensitivity Analysis

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

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

	Increase	Decrease
Discount Rate (1% movement)	(3,968,136)	4,251,363
Salary Increments (1% movement)	5,024,352	(4,768,235)

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 23. DEFERRED TAXATION

Balance at the beginning of the Year	123,731,899	108,549,276	64,537,719	57,736,399
Provision for the Year	76,803,364	15,182,623	(7,572,865)	6,801,320
Balance at the end of the Year	200,535,263	123,731,899	56,964,854	64,537,719

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

Deferred Tax Provision from:

Temporary Difference of Property, Plant & Equipment	146,170,421	142,916,419	70,437,888	69,804,767
Temporary difference of Retirement Benefit Obligation	(18,831,796)	(19,184,519)	(17,711,529)	(12,068,368)
Temporary Difference of Revaluation of Property, Plant & Equipment	73,196,638	-	4,238,495	-
	200,535,263	123,731,900	56,964,854	57,736,399

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

The income tax rate was proposed to be amended from 12% to 28% w.e.f 01st April 2017 by the Budget presented to the Parliament in November 2016. However as the budget proposal has not been legalised as at the date of reporting, 31st March 2017, Company continued to apply the existing income tax rate of 12% for the computation of deferred tax liability in the financial statement for the year ended 31st March 2017.

In the event the tax rate increases to 28%, the deferred tax provision will increase from Rs. 196,421,071 and Rs. 80,191,633 for the Group and the Company respectively.

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 24. TRADE & OTHER PAYABLES

Trade Creditors	266,383,520	221,441,239	162,702,747	143,328,588
Accrued Expenses & Sundry Payables	311,858,845	187,714,787	153,337,343	119,658,815
	578,242,365	409,156,026	316,040,090	262,987,403

## Notes to the Financial Statements

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

### 25. TAXATION PAYABLE

Balance at the beginning of the Year	13,126,141	4,571,127	14,022,372	5,541,532
Provision for the Year	72,951,441	34,336,859	18,472,235	25,649,440
Payments during the Year	(39,367,377)	(21,251,701)	(28,327,455)	(16,428,227)
Tax Credits for				
- ESC Paid	(11,264,159)	(2,059,567)	(11,264,159)	-
- WHT Deducted	(2,519,100)	(2,470,577)	(769,040)	(740,373)
Balance at the end of the Year	32,926,946	13,126,141	(7,866,048)	14,022,372

### 26. CAPITAL COMMITMENTS

During 2014/15, the Company entered into a put option agreement with Lanka Ventures PLC ("LVL"). This commitment is pursuant to a shareholder agreement dated 22nd April 2008, in which LVL is the holder of 2,122,449 ordinary shares of Durdans Medical and Surgical Hospital (Pvt) Ltd ("DMSH"). As DMSH has not obtained a listing for its shares to date, the Company granted LVL the right to cause the Company to purchase the said shares during the period commencing 01st January 2015 and ending on 31st December 2018 at a price based on a valuation made by independent firm of valuers.

During 2015/16, the Company entered into an agreement with Tudawe Brothers (Pvt) Ltd to construct car park for a total contract price of Rs. 484,891,384. As at the reporting date, the Company has paid a sum of Rs. 297,606,413 representing 61% of total contract price.

Payments are done to the contractor on a progressive basis based on a certificate of work done collectively issued by the designated Chartered Architect and Chief Quality Surveyor to the project.

### 27. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st March 2017 that requires adjustment to or disclosure in the financial statements.

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

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

### 29. EMPLOYEE AND INDUSTRIAL RELATIONS

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

### 30. DIVIDENDS

This represents the first and final dividend paid at the rate of Rs. 3.60 per share for the year 2015/16.

## 31. RELATED PARTY DISCLOSURE

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

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

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

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

The company's immediate parent company is Durdans Management Services Ltd, which holds 68.64% of the issued ordinary shares of the company as at reporting date.

### 31.3 Key Management Personnel Information

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

# Notes to the Financial Statements

## 31. RELATED PARTY DISCLOSURE CONTD.

### 31.4 Related Party Transactions

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

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

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

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

Name of Immediate Parent Company	Nature of Transaction	2017 Rs.	2016 Rs.
Durdans Management Services Ltd	Management fee	33,300,000	34,914,934

#### 31.4.2 a) Company

##### Transactions with Subsidiary Companies

Name of Related company	Nature of Transaction	2017 Rs.	2016 Rs.
Durdans Heart Centre (Pvt) Ltd	Sale of drugs and consumables	3,305,276	2,237,588
	Rendering of medical services	210,620,118	162,932,313
	Sharing utilities and other cost	94,371,883	39,203,032
	Cathlab hiring charges	1,800,000	1,800,000
		310,097,277	206,172,933
Durdans Medical and Surgical Hospital (Pvt) Ltd	Sale of drugs and consumables	24,070,869	26,093,865
	Rendering of medical services	151,090,924	131,657,297
	Sharing utilities and other cost	405,050,290	244,155,222
		580,212,083	401,906,384

#### Transactions with Equity Accounted Investee

Ceygen Biotech (Pvt) Ltd	General services	135,048	202,372
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#### Transactions with Other Related Companies

Commercial Marketing & Distributors (Pvt) Ltd	Supply of drugs	(42,806,071)	(22,479,060)
Tudawe Brothers (Pvt) Ltd	Diagnostic service	1,185,017	202,372
	Car park construction cost	(297,606,413)	(131,304,890)



### 31.4.2 b) Group

#### Transactions held between Related Companies

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

Name of Related company	Nature of Transaction	2017 Rs.	2016 Rs.
Durdans Heart Centre (Pvt) Ltd	Rendering of medical services	28,990,510	15,375,311

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

Name of Related company	Nature of Transaction	2017 Rs.	2016 Rs.
Durdans Medical and Surgical Hospital (Pvt) Ltd	Rendering of medical services	45,642,783	21,278,027

### 31.5 Transactions held with Key Management Personnel of the Company or Parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as its related parties, directly or indirectly, including any director (whether executive or otherwise) of the Company.

As at 31st March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Short-Term Employee Benefits	34,241,123	28,446,324	30,226,523	25,287,054
Post-Employment Benefits	-	-	-	-
Other Long-Term Benefits	-	-	-	-
Terminal Benefits	-	-	-	-
Share Based Payments	-	-	-	-
	34,241,123	28,446,324	30,226,523	25,287,054

#### 31.5.1 Loans to Directors

##### a) Group / Company

No loans have been given to Directors of the company and its parent company.

##### b) Compensations to Key Management Personnel of the Company and its parent company.

###### i. Company

Emoluments to the Directors' of the Company are disclosed in Note 7 to the Financial Statements.

###### ii. Group

Emoluments to the Directors' of the Group are disclosed in Note 7 to the Financial Statements.

Other than those disclosed above, there are no material transactions held with the Key Management Personnel of the company and its parent company.

**31.6** Amounts receivable from and payable to related parties are set out in Note 14 to the financial statements. These receivables and payables are unsecured and have no fixed repayment terms.

## Notes to the Financial Statements

### 32. ASSETS PLEDGED AS COLLATERALS

#### 32.1 Assets Pledged as Collaterals by the Group of Companies

The following assets of the Group have been pledged as collaterals for overdraft facilities and loans obtained by the Group to the respective financial institutions concerned.

##### 32.1.1 Assets Pledged by Ceylon Hospitals PLC

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31st March 2017 (Rs.)	Securities Pledged
DFCC Bank	Term Loan	500 Mn	77,380,949	(i) An agreement to mortgage over allotments of land marked as Lot 01 depicted in Plan No. 7187 dated 10th June 2008 made by Gamini B. Dodanwela, Licensed Surveyor of the land bearing assessment No. 03, Alfred Place situated at Kolpetty within the Municipality Council limits of Colombo containing in extent of 0A-3R-30.24P, together with the buildings standing thereon owned by the Company.
				(ii) A tripartite agreement assigning 86,000,001 ordinary shares of the Durdans Medical and Surgical Hospital (Pvt) Ltd held by the Company as equity investment.
	Term Loan	100 Mn	19,047,631	Primary mortgage over equipment financed by the loan together with a Promissory Note.
	Term Loan	150 Mn	62,500,000	Primary mortgage over movable machinery financed by the loan belonging to Ceylon Hospitals PLC
NDB Bank	Term Loan	150 Mn	14,774,009	Primary mortgage over the equipment financed by the loan
Commercial Bank	Bank Overdrafts	48.1 Mn	103,684,408	Mortgage of fixed deposits amount of Rs. 48,746,979 in the name of the company together with duly executed letter of authority and letter of set off.

##### 32.1.2 Assets Pledged by Durdans Medical and Surgical Hospital (Pvt) Ltd.

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31st March 2017 (Rs.)	Securities Pledged
Amana Bank	Import Loan	175 Mn	3,281,274	Primary mortgage over medical equipment purchased
	Import Loan	140 Mn	8,689,210	Primary mortgage over MRI scanner

### 32.1.2 Assets Pledged by Durdans Medical and Surgical Hospital (Pvt) Ltd

Name of Financial Institution	Nature of Facility	Facility Granted	Balance Outstanding as at 31st March 2017 (Rs.)	Securities Pledged
DFCC Bank	Term Loan	50 Mn	29,166,660	Mortgage over equipment financed
Commercial Bank	Bank Overdrafts	10 Mn	44,023,121	Over the company inventories and trade debtors balance

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade receivables, other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial acumen team that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance team provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31st March in 2017 and 2016.

## Notes to the Financial Statements

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument which will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of interest rate changes. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows. (There is only an immaterial impact on the Group's equity):

	Increase / decrease in Basis Points	Effect on Profit Before Tax
2017		Rs.
Loans & Borrowings	+1%	(11,986,142)
	-1%	11,986,142
2016		
Loans & Borrowings	+1%	(11,933,024)
	-1%	11,933,024

#### Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was Rs.7,336,409. A decrease of 10% on the CSE market index could have an impact of approximately Rs.733,641 on the equity attributable to the Group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is being exposed to the credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

#### Trade Receivables

Customer credit risk is managed by each business unit subject to the Group's established policies, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit evaluation format and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and obtaining the Letter of Guarantees from patients who are admitted to the hospital through corporate customers. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on the actual incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

### Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The Group assesses the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On Demand Rs.	Less than 03 Months Rs.	03 to 12 Months Rs.	01 to 05 Years Rs.	More than 05 Years Rs.	Total Rs.
<b>Year ended 31st March 2017</b>						
Interest Bearing Borrowings	-	156,998,515	258,841,422	435,049,249	-	850,889,187
Other Financial Liabilities	-	-	8,562,550	-	-	8,562,550
Trade & Other Payables	-	519,412,829	58,829,535	-	-	578,242,365
Amounts Due to Related Parties	-	-	-	-	-	-
Bank Overdrafts	369,975,743	-	-	-	-	369,975,743
	369,975,743	676,411,344	326,233,507	435,049,249	-	1,807,669,844
<b>Year ended 31st March 2016</b>						
Interest Bearing Borrowings	-	143,917,550	257,151,280	435,918,143	-	836,986,973
Other Financial Liabilities	-	-	30,000,000	8,562,550	-	38,562,550
Trade & Other Payables	-	369,151,750	40,004,276	-	-	409,156,027
Amounts Due to Related Parties	-	1,096,957	-	-	-	1,096,957
Bank Overdrafts	285,759,872	-	-	-	-	285,759,872
	285,759,872	514,166,258	327,155,556	444,480,693	-	1,571,562,379

## 34. CAPITAL MANAGEMENT

Capital includes ordinary shares and other equities attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March 2017 and 31st March 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 25% and 40%. The Group includes within net debt, interest bearing loans and borrowings, bank overdrafts redeemable debentures, trade and other payables, less cash and cash equivalents.

## Notes to the Financial Statements

As at 31st March,	Group	
	2017 Rs.	2016 Rs.
Interest Bearing Loans and Borrowings (Note 20.3)	854,014,186	836,986,973
Other Financial Liabilities (Note 20.2)	8,562,550	38,562,550
Trade & Other Payables	578,242,365	409,156,026
Bank Overdrafts	369,975,743	285,759,872
Less : Cash and Cash Equivalents	(138,134,398)	(165,675,305)
	1,672,660,446	1,404,790,115
Equity	5,198,088,655	3,087,392,207
Capital and Net Debt	6,870,749,101	4,492,182,322
Gearing Ratio	24%	31%



# Supplementary **Information**

# Value Added Statement

Value Added	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Turnover	5,289,462,423	4,728,334,594	3,211,900,279	2,988,760,106
Cost of Materials and Services Obtained	(2,844,337,630)	(2,525,458,705)	(1,685,128,374)	(1,581,943,037)
Other Income	33,787,043	38,059,961	13,407,331	16,374,089
	2,478,911,836	2,240,935,850	1,540,179,236	1,423,191,158

## Distribution of Value Added

### To Employees

Salaries and Others	61%	1,506,990,626	57%	1,286,591,914	68%	1,047,768,341	66%	940,678,763
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### To Government

Income Tax	5%	136,250,982	3%	56,694,578	1%	18,954,245	3%	39,625,855
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### To Capital Providers

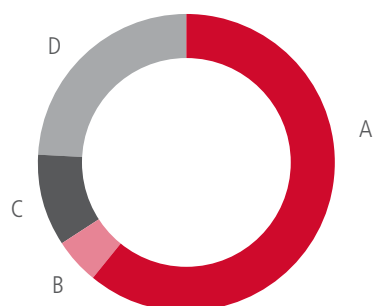
Interest on Loans	4%	95,704,475	4%	86,370,257	5%	81,522,831	5%	66,908,960
Shareholders	6%	156,962,071	5%	113,526,400	8%	121,941,814	6%	91,456,360

### To Expansion and Growth

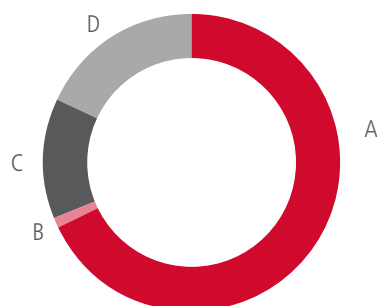
Depreciation	14%	350,994,111	14%	311,233,112	12%	180,118,591	11%	158,822,327
Retained Profit	9%	232,009,573	17%	386,519,590	6%	89,873,415	9%	125,698,893
	100%	2,478,911,836	100%	2,240,935,850	100%	1,540,179,236	100%	1,423,191,158

	Group	Company
A - To Employees	61%	68%
B - To Government	5%	1%
C - To Capital Providers	10%	13%
D - To Expansion and Growth	24%	18%

Group



Company



# Ten Year Summary

	Group 2016/17 Rs.'000	Group 2015/16 Rs.'000	Group 2014/15 Rs.'000	Group 2013/14 Rs.'000	Group 2012/13 Rs.'000	Group 2011/12 Rs.'000	Group 2010/11 Rs.'000	Group 2009/10 Rs.'000	Group 2008/09 Rs.'000	Group 2007/08 Rs.'000
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## Operating Results

Total Income	5,289,462	4,728,335	4,083,367	3,961,268	3,830,369	3,546,523	3,054,399	2,451,031	2,171,229	1,879,645
Other Income	33,787	38,060	51,247	53,492	34,335	22,155	23,728	21,354	28,462	27,282
Finance Cost	98,420	86,492	125,005	186,728	182,428	164,558	151,094	121,781	85,678	44,262
Profit Before Tax	525,223	556,741	266,100	261,167	308,040	347,462	240,042	164,894	198,125	169,555
Income Tax	136,251	56,695	42,312	32,093	30,334	61,210	81,659	54,893	29,595	38,382
Profit After Tax	388,972	500,046	223,788	229,074	277,706	288,231	158,383	110,001	168,529	131,173
Dividend (Company)	121,942	91,456	67,745	-	135,491	50,809	42,341	38,812	38,812	38,812

## Balance Sheet

### Assets

Property, Plant & Equipment	6,077,397	4,127,603	4,107,470	4,158,468	4,239,622	4,310,489	4,000,023	2,331,038	1,938,135	1,887,441
WIP - Building in Construction	368,081	158,282	-	-	-	6,543	8,498	1,170,783	824,703	228,087
Other Financial Assets	572,356	379,505	266,353	241,568	169,884	193,682	95,102	102,541	158,357	70,585
Investment in an Equity Accounted Investee	3,983	3,030	2,679	2,038	877	-	-	-	-	-
Inventories	319,092	256,094	229,775	254,095	214,699	215,965	166,722	146,229	116,901	108,360
Receivables	458,043	275,154	244,212	193,696	185,481	185,481	178,959	169,632	135,122	130,846
Deferred Revenue	1,800	460	600	660	760	860	2,400	2,500	2,600	1,260
Goodwill	-	-	-	-	-	-	-	1,341	1,341	1,341
Cash & Cash Equivalents	138,134	165,675	80,807	48,456	96,959	21,279	71,062	66,370	22,520	29,443
	7,938,886	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679	2,457,363

### Equity & Liabilities

Stated Capital	916,366	916,366	916,366	916,366	916,366	916,366	916,366	513,821	395,389	395,389
Reserves	4,281,723	2,171,026	1,861,307	1,737,356	1,617,374	1,512,620	1,125,265	1,447,696	1,387,373	1,202,786
Non Controlling Interest	529,101	408,109	361,829	348,633	494,335	488,029	400,145	393,603	401,711	44,623
Interest-bearing Borrowings	855,369	877,561	907,846	1,072,360	1,086,439	1,352,120	1,359,039	1,051,634	621,299	390,887
Provisions and Other Liabilities	986,352	706,982	569,110	489,453	544,009	518,301	504,601	361,051	289,760	314,819
Overdrafts	369,976	285,760	315,438	334,811	249,759	146,862	217,350	222,629	104,147	108,859
	7,938,886	5,365,804	4,931,896	4,898,979	4,908,282	4,934,298	4,522,766	3,990,434	3,199,679	2,457,363

Shareholder Information	Company 2016/17	Company 2015/16	Company 2014/15	Company 2013/14	Company 2012/13	Company 2011/12	Company 2010/11	Company 2009/10	Company 2008/09	Company 2007/08
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Earnings per Share (Rs.)	6.25	6.41	4.52	5.49	6.23	6.20	3.12	3.87	5.50	7.16
Dividend per Share (Rs.)	3.6	3.6	2.7	2.0	-	2.0	1.5	1.5	1.5	1.5
Dividend Payout Ratio	58%	56%	60%	36%	-	32%	48%	39%	27%	21%
Net Asset per Share (Rs.)	125.97	81.16	78.24	75.92	71.49	69.26	59.01	72.75	67.85	63.84

# Share Information

## Distribution of Shareholders

### Voting Shares

Shareholding		Resident			Non-Resident		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	- 1,000	1,938	475,100	1.86	16	4,225	0.02
1,001	- 10,000	301	868,260	3.40	12	47,026	0.18
10,001	- 100,000	53	1,612,587	6.32	3	104,043	0.41
100,001	- 1,000,000	13	4,311,414	16.89	-	-	-
Over 1,000,000		2	18,104,617	70.92	-	-	-
Total		2,307	25,371,978	99.39	31	155,294	0.61

## Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	2,242	4,900,688
Institutional	96	20,626,584
	2,338	25,527,272

## Non-Voting Shares

Shareholding		Resident			Non-Resident		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	- 1,000	918	242,235	2.90	5	740	0.01
1,001	- 10,000	407	1,234,172	14.79	15	73,761	0.88
10,001	- 100,000	83	2,372,636	28.43	3	134,223	1.61
100,001	- 1,000,000	10	3,133,316	37.55	-	-	-
Over 1,000,000		1	1,154,371	13.83	-	-	-
Total		1,419	8,136,730	97.50	23	208,724	2.50

## Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	1,364	3,416,190
Institutional	78	4,929,264
	1,442	8,345,454

## Public Shareholding

	2016/17		2015/16	
	Voting	Non-Voting	Voting	Non-Voting
Number of Shares	2,313	1,429	2,334	1,453
Percentage	23.13%	95.20%	23.20%	95.22%

## Investor Ratios

	2016/17 Rs.	2015/16 Rs.
Earnings per Share	6.25	6.41
Dividend per Share	3.60	3.60
Net Asset Value per Share	125.97	81.16
Dividend Payout Ratio	58%	56%

## Market Activities

### Market Value per Share

	2016/17			2015/16		
	Highest Traded Price Rs.	Lowest Traded Price Rs.	Last Traded Price Rs.	Highest Traded Price Rs.	Lowest Traded Price Rs.	Last Traded Price Rs.
Voting	110.00 07th June 2016	75.00 24th March 2017	90.00 31st March 2017	124.90 09th October 2015	85.00 08th June 2015	90.00 31st March 2016
Non-Voting	86.50 19th May 2016	60.20 17th November 2016	71.90 31st March 2017	87.50 18th August 2015	62.00 10th March 2016	73.60 31st March 2016

## Share Trading Information

	2016/17		2015/16	
	Shares Traded Number	Turnover Rs.	Shares Traded Number	Turnover Rs.
Voting	1,572,288	153,051,838	156,267	16,956,458
Non-Voting	342,946	26,936,817	252,616	20,182,423

## Share Information

### Top 20 Shareholders Listed As At 31st March 2017

#### Voting Shareholders

Name of the Shareholder	Country of Residence	As at 31st March 2017		As at 31st March 2016	
		Number of Shares	Holding %	Number of Shares	Holding %
Durdans Management Services Ltd	Sri Lanka	17,027,632	66.70	17,027,632	66.70
Employees' Provident Fund - Citi Bank, Colombo 7	do	1,076,985	4.22	-	-
Deutsche Bank AG - National Equity Fund	do	997,019	3.91	997,019	3.91
Lawrance Tudawe Management Services (Pvt) Ltd	do	598,982	2.35	598,982	2.35
Mr. Y. N. R. Piyasena	do	553,134	2.17	553,134	2.17
The Ceylon Guardian Investment Trust PLC A/C no. 02	do	-	-	518,371	2.03
Mr. S. P. Tudawe	do	307,936	1.21	307,936	1.21
Cargo Boat Development Company PLC	do	305,485	1.20	305,485	1.20
M. J. F. Holdings Ltd	do	270,981	1.06	270,981	1.06
Mr. Merrill J Fernando	do	260,000	1.02	-	-
Ceylon Investments PLC A/C no. 01	do	-	-	256,915	1.01
Deutsche Bank AG as Trustee to Candor Sharia Fund	do	-	-	215,703	0.84
Mr. A. E. Tudawe	do	205,052	0.80	205,052	0.80
Mr. A. D. P. A. Wijegoonewardena	do	199,462	0.78	199,462	0.78
Mr. W. N. Tudawe	do	180,000	0.71	-	-
Mr. U. D. Tudawe	do	170,616	0.67	170,616	0.67
Mr. A. D. Tudawe	do	161,984	0.63	161,984	0.63
Commercial Bank of Ceylon PLC / Mr. W. N. Tudawe	do	-	-	160,000	0.63
Deutsche Bank AG as Trustee to Candor Growth Fund	do	-	-	130,200	0.51
Mr. R. R. Tudawe	do	-	-	118,262	0.46
Deutsche Bank AG Namal Growth Fund	do	100,763	0.39	100,763	0.39
DFCC Bank A/C 01	do	100,000	0.39	100,000	0.39
Mr. R. R. Tudawe	do	100,000	0.39	-	-
Commercial Bank of Ceylon PLC - A/C No.4	do	83,000	0.33	-	-
Merill J Fernando & Sons (Pvt) Ltd	do	80,115	0.31	-	-
E W Balasuriya & Co. (Pvt) Ltd	do	70,830	0.28	-	-
The Sri Lanka Fund	do	-	-	90,000	0.35
<b>Total</b>		<b>22,849,976</b>	<b>89.52</b>	<b>22,488,497</b>	<b>88.09</b>



## Non-Voting Shareholders

Name of the Shareholder	Country of Residence	As at 31st March 2017		As at 31st March 2016	
		Number of Shares	Holding %	Number of Shares	Holding %
Employees' Provident Fund	Sri Lanka	1,154,371	13.83	1,154,371	13.83
Deutsche Bank AG as Trustee for Namal Acuity Value Fund	do	800,000	9.59	800,000	9.59
M J F Holdings Ltd	do	598,646	7.17	598,646	7.17
Deutsche Bank AG National Equity Fund	do	481,000	5.76	481,000	5.76
E W Balasuriya & Co. (Pvt) Ltd	do	330,619	3.96	330,619	3.96
DFCC Bank PLC A/C 01	do	240,000	2.88	240,000	2.88
Durdans Management Services Ltd	do	161,985	1.94	161,985	1.94
Mr. D. Ratnayake	do	146,866	1.76	146,866	1.76
Mr. A. H. Munasinghe	do	142,314	1.71	127,214	1.52
A Z Holdings (Pvt) Ltd	do	127,440	1.53	127,440	1.53
Waldock Mackenzie Ltd / Mr. K. Omprasadham	do	104,446	1.25	104,446	1.25
Tudawe Engineering Services (Pvt) Ltd	do	91,986	1.10	91,986	1.10
Distilleries Company of Sri Lanka PLC A/C No. 02	do	-	-	95,869	1.15
Mr. D. A. Cabraal	do	82,500	0.99	82,500	0.99
Mr. S. S. Sithambaranathan	do	70,906	0.85	74,250	0.89
Waldock Mackenzie Ltd / Mr. P. S. De Mel	do	70,702	0.85	70,702	0.85
Motor Service Station (Pvt) Ltd	do	70,028	0.84	-	-
Mr. U. D. Wickremesooriya Jt. Mrs. S. F. Wickremesooriya	do	69,272	0.83	69,272	0.83
Mr. A. D. Tudawe	do	68,151	0.82	66,151	0.79
Mr. P. A. I. S. Perera	do	65,454	0.78	65,454	0.78
Mr. Maniku Ahmed Ismail	do	63,600	0.76	-	-
Fergasam Garment Industries (Pvt) Ltd	do	-	-	65,454	0.78
<b>Total</b>		<b>4,940,286</b>	<b>59.20</b>	<b>4,954,225</b>	<b>59.35</b>

# Notice of Meeting

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Notice is hereby given that the 71st Annual General Meeting of the Shareholders of Ceylon Hospitals PLC will be held on 29th June 2017 at the Durdans Auditorium (11th floor) at 9.00 a.m.

The business to be brought forward before the meeting will be:

1. To receive and consider the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon (Resolution 1)
2. To re-elect Mr. Su-ayid M. Ismail who retires by rotation in terms of Article No. 58 of the Articles of Association and being eligible offers himself for re-election. (Resolution 2)
3. To re-appoint Mr. A. S. Abeyewardene, Director who vacates office in terms of Section 210 of the Companies Act No. 07 of 2007 and for this purpose to pass the following resolution as an Ordinary Resolution.  
  
"Resolved that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. A. S. Abeyewardene who is 73 years, and that he be appointed a Director of the Board in terms of Section 211 of the Companies Act No. 07 of 2007". (Resolution 3)
4. To re-appoint Dr. A. D. P. A. Wijegoonewardene, Director who vacates office in terms of Section 210 of the Companies Act No. 07 of 2007 and for this purpose to pass the following resolution as an Ordinary Resolution.  
  
"Resolved that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. A. D. P. A. Wijegoonewardene who is 71 years and that he be appointed a Director of the Board in terms of Section 211 of the Companies Act No. 07 of 2007." (Resolution 4)
5. Declaration of Dividends  
The Company paid an interim dividend of Rs. 3.60 per share to all its shareholders for the year under review. No further dividends have been recommended by the Board.

6. To re-appoint Messrs. B. R. De Silva & Co. Chartered Accountants, the retiring Auditors who have expressed their willingness to continue in office as Company's Auditors for the Financial Year ending 31st March 2018 and to authorise the Board of Directors to determine their remuneration. (Resolution 5)

7. To authorise the Directors to determine donations for the year 2017/18. (Resolutions 6)

By Order of the Board

*Sgd.*

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

17th May 2017

1. A shareholder entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him / her.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this notice.

# Form of Attendance

---

I hereby record my presence at the 71st Annual General Meeting of Ceylon Hospitals PLC, held on 29th June 2017 at the Durdans Auditorium (11th Floor) of Ceylon Hospitals PLC No. 03, Alfred Place, Colombo 03 at 9.00 a.m.

Full name of shareholder .....

National Identity Card  
number of shareholder .....

Address of shareholder .....

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

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

Address of Proxy holder  
No of shares held .....

Share certificate number .....

Signature of shareholder .....

Date .....

## Note

Shareholders are requested to:

1. Bring the Form of Attendance when attending the Meeting and hand it over at the entrance to the meeting hall. Bring the National Identity Card or Passport.
2. Shareholders appointing persons (other than Directors of the Company) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the Form of Proxy and request the proxy holder to bring with them their National Identity Card or Passport.



# Form of Proxy - Voting Shareholders

I/We, Mr./Mrs./Miss .....

of ..... being a member  
of Ceylon Hospital PLC hereby appoint

Mr. A. E. Tudawe	or failing him
Mr. S. P. Tudawe	or failing him
Dr. A. D. P. A. Wijegoonewardene	or failing him
Mr. U. D. Tudawe	or failing him
Mr. Y. N. R. Piyasena	or failing him
Mr. A. S. Abeyewardene	or failing him
Mr. Su-ayid M. Ismail	or failing him
Mr. A. D. B. Talwatte	or failing him

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

..... as my/our proxy to attend (and vote for me/us) on my/our  
behalf at the 71st Annual General Meeting of the Company to be held on 29th June 2017 and at any adjournment thereof.

## Note

If the Proxy Form is signed by an Attorney, the relative power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.

## Resolutions

	For	Against
1. To adopt the Statement of Accounts for the year ended 31st March 2017.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Su-ayid M. Ismail	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. A. S. Abeyewardene	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Dr. A. D. P. A. Wijegoonewardene	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Auditors	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Board of Directors to determine donations	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this ..... day of ..... 2017

.....  
Signature



# Form of Proxy - Non-Voting Shareholders

I/We, .....

Mr./Mrs./Miss ..... of

.....being a member of Ceylon Hospital PLC hereby appoint

Mr. A. E. Tudawe	or failing him
Mr. S. P. Tudawe	or failing him
Dr. A. D. P. A. Wijegoonewardene	or failing him
Mr. U. D. Tudawe	or failing him
Mr. Y. N. R. Piyasena	or failing him
Mr. A. S. Abeyewardene	or failing him
Mr. Su-ayid M. Ismail	or failing him
Mr. A. D. B. Talwatte	or failing him

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

..... as my/our proxy to attend on my/our  
behalf at the 71st Annual General Meeting of the Company to be held on 29th June 2017 and at any adjournment thereof.

## Note

If the Proxy Form is signed by an Attorney, the relative power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.

Signed on this ..... day of ..... 2017

.....  
Signature



### **INSTRUCTIONS TO COMPLETE THE FORM OF PROXY**

1. Kindly perfect the Form of Proxy after filling legibly your full name and address, by signing in the space provided and dating same.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed form of proxy, if it has not already been registered with the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 03, Alfred Place, Colombo 03. (not less than 48 hours before the time appointed for the holding of the meeting).
4. A member is entitled to appoint a proxy to attend instead of himself and a proxy need not be a member of the Company.

# Corporate Information

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## Name of Company

Ceylon Hospitals PLC

## Brand Name

DURDANS

## Legal Form

A quoted public company with limited liability incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 and registered under the Companies Act No. 07 of 2007.

Company Registration Number  
PQ 113

## Stocks Exchange Listing

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

## Registered Office

No. 03, Alfred Place, Colombo 03.

## Bankers

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

## Auditors

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

## Lawyers

Mr. D. F. R. Jayamaha  
Hector Jayamaha Law Office,  
No.228, Thimbirigasyaya Road,  
Colombo 5.

## Secretaries

Nexia Corporate Consultants (Pvt) Ltd  
No.181, Nawala Road,  
Narahenpita,  
Colombo 05.

## Registrars

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

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