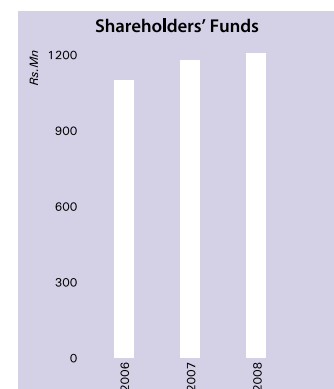
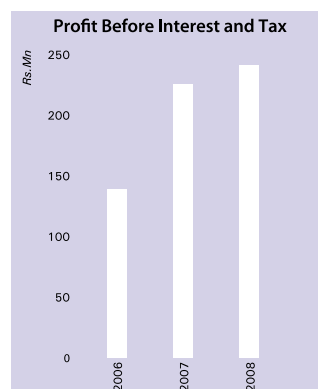
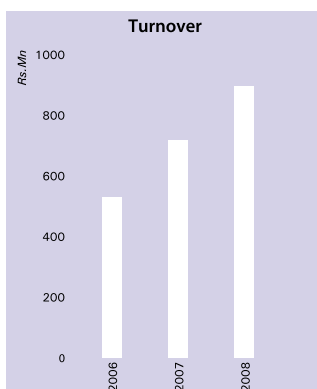


Financial Highlights



Brain Images from the 1.5 Tesla MRI Scanner

	2008 Rs. '000	2007 Rs. '000	% Change
Operating Results			
Revenue	896,373	718,972	25%
Gross Profit	456,050	384,042	19%
Profit before Interest and Tax	241,168	225,511	7%
Profit after Tax	110,283	220,697	(50%)
Balance Sheet Highlights			
Total Assets	2,426,474	1,331,852	82%
Total Shareholder's Funds	1,204,511	1,179,196	2%
Debt to Equity	48%	3%	
Shareholders' Information			
Return on Total Equity	9%	19%	(53%)
Earnings per Share	0.18	0.35	(49%)
Net Assets per Share	2.12	2.06	3%
Price Earnings Ratio	41.67	31.43	33%
Market Price as at 31st March	7.50	11.00	(32%)



Contents

Corporate Information	3
Board of Directors	4
Senior Management Team	6
Chairman's Review	9
Directors Profile	12
Corporate Governance	13
Audit Committee Report	16
Report of the Directors	17
Statement of Directors' Responsibilities	20
Independent Auditors Report	21
Balance Sheet	22
Income Statement	23
Statement Of Changes In Equity	24
Cash Flow Statement	25
Notes To The Financial Statements	26
Shareholder Information	43
Five Year Summary	45
Notice of Meeting	46
Form of Proxy	47

Corporate Information

Name of the Company

Asiri Surgical Hospital PLC

REGISTERED OFFICE

181, Kirula Road, Colombo 05, Sri Lanka.

LEGAL FORM

A Quoted Public Company incorporated in Sri Lanka, under the Companies Act No. 17 of 1982 with limited liability. An undertaking approval by the Board of Investment of Sri Lanka (BOI) under the Board of Investment of Sri Lanka Law No. 4 of 1978. An application for reregistration under the Companies Act:07 of 2007 has already been submitted.

STOCK EXCHANGE LISTING

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

COMPANY REGISTRATION NUMBER

N (PVS) 25650

DATE OF INCORPORATION

2nd March 2000.

DIRECTORS

Mr. A. K. Pathirage *Chairman/Managing Director*

Dr. S. Selliah *Deputy Chairman*

Dr. K. M. P. Karunaratne *Director (Medical)/
Chief Operating Officer*

Mrs. D. Wimalasundera *Director Administration*

Mrs. S. D. Nimalasuria *Director Finance*

Dr. D. S. Rajapaksa

Mr. H. N. Jayasinghe

Mr. C. D. Weerasinghe

Mr. G. L. H. Premaratne

Mr. S. A. B. Rajapaksa

AUDITORS

Messrs Ernst & Young
(Chartered Accountants)
201, De Saram Place,
Colombo 10.



HOSPITAL COMPLEX & ADMINISTRATIVE OFFICE

Asiri Surgical Hospital PLC,
#21, Kirimandala Mawatha,
Colombo 05, Sri Lanka.

Telephone: 4524400

Email: info@asiri.lk

LEGAL ADVISERS

Messrs Julius & Creasy,
41, Janadhipathi Mawatha,
Colombo 01.

SECRETARIES

Messrs Secretaries & Registrars (Pvt) Limited,
32 A, 1st Floor,
Sir Mohamed Macan Marker Mawatha,
Colombo 03.

Board of Directors



Left To Right:

Mr. A.K. Pathirage, Chairman/Managing Director

Dr. S. Selliah, Deputy Chairman

Dr. K. M. P. Karunaratne, Director (Medical)/Chief Operating Officer

Mrs. D. Wimalasundera

Mrs. S.D. Nimalasuria



Left To Right:

Dr. D. S. Rajapaksa
Mr. H. N. Jayasinghe
Mr. C. D. Weerasinghe
Mr. G. L. H. Premaratne
Mr. S. A. B. Rajapaksa

Senior Management Team



Dr. Tissa Wickramasuriya
Medical Director



Prof. R. G. P. Panabokke
Consultant Pathologist



Dr. Anil Perera
Head Dept. of Anaesthesiology



Dr. (Mrs) Shantha Hettiarachchi
Head Dept. of Radiology



Dr. Gamini Jayaweera
Head, Dept. of Transfusion Medicine



Mr. N. P. John
Director Laboratory Services



Dr. (Mrs) Shanika Algama
Chief Medical Officer



Mrs. N. S. Deegala
Chief Nursing Officer



Mr. Priyal De Silva
Group Financial Controller



Mr. L. P. J. Silva
Group Maintenance Engineer



Mr. N.P. Pasqual
Group Human Resources Manager



Mr. K.S.L. Hewage
Group Pharmacy Manager



Mr. A. H. Weerasuriya
Manager Welfare



Mr. Dasarth Hettiarachchi
Marketing Manager



Mr. D. Gamage
Group Senior
Accountant



Mr. S. Sivalingham
Chief Radiographer



Mr. D.R. Hettige
Group Stores
Manager



**Mrs. K. V. D.
Hemanthi**
Group Purchasing and
Shipping Manageress



**Mr. S. C.
Manchanayake**
Group Project
Manager



**Mr. Samitha Maheel
Premaratne**
Group IT Manager



**Mr. Kasun
Manura Rupasinghe**
Group Internal Auditor



Mr. R. M. Fernando
Group Manageress
- Kitchens



**Ms. Chathuranga
Abyratne**
Legal Officer



**Mr. Wasanth
Padmakumara**
Asst. Marketing
Manager



**Mr. Mario
Jayathilake**
Executive Chef



Mr. D. R. Wijeratne
Maintenance
Engineer



**Ms. Chamila
Thuykontha**
Manageress
House-keeping



Expertise



Taking Care



The Latest Medical Technology

Chairman's Review

One of our best years since inception, Asiri Surgical Hospital PLC has proven undoubtedly that our astute and pragmatic strategies in providing modern healthcare on a platform of innovation, technology and specialist care has created the foundation for a sustainable organization. The flagship hospital under the Asiri Group of Hospitals, Asiri Surgical, despite macro economic challenges, forged ahead to conquer new frontiers and envision new horizons. I am indeed proud to present this annual report to our stakeholders, detailing our successes, performance and also exciting plans for the future.

The alarming inflation experienced over the year coupled with an upward spiral of interest rates as well as high energy costs and an instable political environment continued to be formidable challenges the country had to deal with in a macro sense, which naturally permeated the entirety of performance in all business areas. However, Sri Lanka continued to display her legendary resilience, showcasing a GDP of 6.8%, almost meeting the targeted figure for 2007, despite the costs of economic, industrial and logistics activities cascading to very high inclines in cost of living.

The services sector including healthcare contributed an impressive 62% of the GDP with the healthcare industry in a larger sense driving the impetus for better growth and development in the country. Sri Lanka continued to post the best healthcare statistics in the South Asian region, some of which are impressively on par with developed economies. For example, the country's life expectancy has increased remarkably, with females at 77 and males at 72, while the infant mortality rate is 12 per 1,000 live births, a significant achievement for an emerging economy.

The continued emphasis in providing good healthcare by both the private and public sector where the Sri Lankan government has mooted the Health Sector Master Plan until 2016 ensures a framework for a highly developed healthcare system in the country. Public-private partnerships in healthcare have also been buoyed through strategic decisions, signaling state of the art healthcare to be introduced into Sri Lanka. This pattern has also seen the growing demand for quality healthcare filliped by an efficient use of resources, innovation, excellent utilization of specialized experts and forging of long term partnerships with global healthcare networks.

Performance

While our turnover did show significant increase during the year, from Rs.719 million to Rs.896 million, showcasing a 25.% increase, the high finance costs we had to grapple with naturally cut into our profitability figures, which unfortunately took its toll on our bottom line. Finance costs for the year jumped from Rs.4.2 million last year to Rs.126.8 million this year. The additional interest cost is due to the acquiring of a 32.71% stake in Asiri Central Hospital which was funded by loans amounting to Rs.727 million. While the spiraling interest rates are beyond our control as it reflects the macro economic environment we have to work within, it is also pertinent to mention, that Asiri Surgical is now in it's second phase of development due to be completed end of 2008, wherein a fully fledged Heart Center is in the pipeline in addition to further improvements detailed below.

However, it must be noted that given the sizeable investment in Asiri Surgical and the fact that the hospital continues to perform above par ever since inception, notching an average of 100% occupancy throughout the year, profitability in isolation does not reflect the true picture. We do believe strongly that our fundamentals and strategies reflect solid growth and therefore remain extremely confident that the hospital will continue its upward performance levels, managing costs efficiently and giving returns to shareholders very soon. In this milieu, profit before tax stood at Rs.114.4 million, compared to Rs.221 million last year, while profit after tax is Rs.110.3 million this year. Earnings per Share too saw a decrease in this scenario, standing at Rs 0.18. Being a BOI venture and given the success achieved thus far, we remain extremely confident that Asiri Surgical will within the next few years begin showcasing the required returns.

Operational Perspective

We are indeed extremely proud to be a significant contributor to the country's burgeoning healthcare industry, which is now seeing a positive evolution of more public private sector partnerships. The fact that private healthcare is now in the forefront of pioneering world renowned healthcare initiatives with Asiri Surgical a leader among them, is indeed exciting. We are now tasked with ensuring that healthcare in Sri Lanka continues to develop, presenting the people of Sri Lanka with better quality



Deep brain surgery using Neuro-Navigation



Caring medical attention



The only 64 Slice CT Scanner in the country

Chairman's Review

world class options, processes and specialist care, so that good health becomes an imperative for nation building.

As mentioned earlier, Asiri Surgical continued its 100% occupancy rate throughout the year with all our services being utilized to the maximum. Demand continues to out pace supply and as a result, we find that our expansion and development plans are astute and timely. We also aim to increase the Asiri Surgical Hospital bed capacity by 50 and also include four new operating theatres as well as a modern state of the art Cardiac Center in our second phase of development, some of which are due for completion by the latter part of 2008.

The competencies currently in operation within the hospital include Imaging Services wherein a 1.5 Tesla MRI system and 64 slice/ CT system are in operation with a collaborative clinical MRI research initiative with Jack Welsh Research and Technical Center, Bangalore. Our specialty in this field has been recognized worldwide with our research papers presented at numerous medical congresses in the past including Chicago, Seattle, Brazil, Basle, Poland and the UK and this year at the ISMRM Berlin, IRIA Mumbai and a research paper on MRI using special sequences at the Chinese Fetal MRI Congress in Beijing. Our specialized Neurosciences Department has been instrumental in improving the entire facet of neurosciences in Sri Lanka, housing an extensive portfolio of services and supporting imaging services, aided by a Rehabilitation Unit which services extend to Home Rehabilitation Services as well. Now positioned as the premier neurosciences center in Sri Lanka, this department has benchmarked itself with many milestones, having also successfully treated Parkinson's patients using deep brain stimulations and performed surgery for epilepsy.

Another area that Asiri Surgical has excelled in over the year is in fetal studies to become the norm for birth defect detection and management of high risk pregnancies. More achievements were notched over the past year when Asiri Surgical revolutionized Genomic medicine, pioneering numerous 'firsts' into its state of the art Genetic laboratory. The automated karyotyping system with metaphase scanning features is a first for South Asia, while the ABI 3130 DNA sequencer is a first for Sri Lanka. We were also the first to introduce pre-natal genetic screening using MLPA technology to Sri Lanka

and probably the first time to South Asia. We also possess the only equipment in Sri Lanka for the non-invasive procedure of crushing kidney stones, while all equipment including the support diagnostic capabilities and total care facilities to conduct laser prostatectomy is also only available with us. Having performed our first ever renal transplant procedure successfully last year, we are in the process of introducing stem cell transplantation this year into Sri Lanka, enabling patients to obtain this care in Sri Lanka rather than travel overseas.

Heart Center for the future

Probably our most ambitious venture under the Asiri Surgical umbrella thus far is the Asiri Heart Centre due for completion in September 2008. This state of the art heart center is due to herald a new phase in cardiac care in Sri Lanka as is billed to be the foremost cardiac care center in the country, offering the most modern innovations, technology, procedures and specialist care. The Asiri Heart Center will have a fully equipped dedicated Coronary Care Unit with ten beds in addition to forty rooms and a surgical ICU with advanced monitoring systems including telemetry. A fully fledged cardiac investigation unit and facilities for cardiac surgery up to available international standards will also see the latest in cardiac diagnostics such as a flat panel cardiac catheterization laboratory for angiography and angioplasty procedures.

Appreciation

My heartfelt appreciation for the support and guidance extended to me by the Board of Directors as we are now poised on the threshold of a new phase in healthcare not only for Sri Lanka but also for this region. To the management and team of Asiri Surgical, you have displayed immense passion and drive to ensure that our vision for the hospital becomes a reality soon. Thank you for the hard work, dedication and commitment. My thanks also to our shareholders and other stakeholders who have unwaveringly stood by us and believed that we can make a difference in the way healthcare is perceived, supporting us in our pioneering efforts of introducing better levels of healthcare via innovation, technology and our own unique brand of care.

Ashok Pathirage
Chairman

Directors Profile

MR. ASHOK PATHIRAGE **Chairman/Managing Director**

Was appointed Managing Director in 1st July 2006 and Chairman in March 2008. Mr. Pathirage, is the Chairman of the Softlogic Group which is a leading diversified corporate entity in the country and is also the Chairman of Uniwalkers and its subsidiaries. He is also the Chairman/Managing Director of Asiri Central Hospitals and Managing Director of Asiri Hospitals and Asiri Diagnostic Services (Pvt.) Ltd.

DR. S. SELLIAH, MBBS, M.Phil (Col) **Deputy Chairman**

Appointed to the board in 2005. Was appointed Deputy Chairman in 2007. He also serves on the Board of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He functions as a member of the Audit and Remuneration Committees of all three hospitals. Dr.Selliah is the Deputy Chairman of Lanka Walltile PLC and Lanka Tiles PLC. He is also a Director of Parquet (Ceylon) Ltd and Dutch Lanka Trailer Manufacturers Ltd.

DR. MANJULA KARUNARATNE, MBBS, **M.Sc (Dublin), MSOrthMed (UK)** **Director (Medical) / Chief Operating Officer**

Appointed to the board in June 2006. Had previously held the post of Medical Director of Asiri Hospitals. An Orthopedic Physician he holds a Masters degree in Sports Medicine from Trinity College, University of Dublin and is a prize winner in Orthopedic Medicine from the UK. He also serves on the boards of Asiri Hospitals PLC, Asiri Central Hospitals PLC and Asiri Diagnostic Services (Pvt.) Ltd.

MRS. D. WIMALASUNDERA **Director - Administration**

Mrs. Wimalasundera a senior board member, has been functioning as an executive director for over 15 years. She is also a Director of Asiri Hospitals PLC, Asiri Central Hospitals PLC, and Asiri Diagnostic Services (Pvt) Ltd.

MS. SHARMINI D. NIMALASURIA, FCMA **Group Finance Director**

Was appointed to the board in November 2007. Ms. Sharmini Nimalasuria counts nearly 25 years of experience in the field of Management Accounting in the Manufacturing, Trading and Service sectors. She is a fellow member of the Chartered Institute of Management Accountants (UK). She is also a director of Asiri Hospitals PLC and Asiri Central Hospitals PLC.

DR. D. S. RAJAPAKSE, MS, FRCOG (UK)

Dr. Rajapakse, A Fellow of the Royal College of Obstetricians and Gynaecologists, is currently a consultant in private practice. He was one of the founder directors of Asiri Hospitals PLC and is also a member of the Asiri Central Hospitals Board. Dr. Rajapakse has over 15 years experience as a Company Director and is also the Chairman of DSI Samson Group of Companies. He serves on the Remuneration Committees of all three companies.

MR. H. N. JAYASINGHE

Mr. Jayasinghe is a senior board member with well over 45 years experience as a businessman. He was the former Chairman of Ruhunu Cables Ltd. He is also a Director of Asiri Hospitals PLC and Asiri Diagnostic Services (Pvt.) Ltd

MR. C. D. WEERASINGHE

Mr. Weerasinghe, an experienced businessman was appointed to the board in 2007. He is also a director of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He runs several companies with interests in construction and real estate.

MR. G. L. H. PREMARATNE

Was appointed to the board in March 2008 after 40 years of banking experience with Commercial Bank. Mr. Premaratne is specialized in Corporate Banking, and is an Associate of the Institute of Bankers of London. He also serves on the board of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He functions as the Chairman of the Remuneration Committee and also a member of the Audit Committee of all three Hospitals.

MR. S. A. B. RAJAPAKSA, MBA, FCA, FCMA, MCIM

Mr. Samantha Rajapaksa has more than twenty years of both local and international experience in, finance, venture capital, information technology, consulting and communication sectors. He was appointed to the board in March 2008 and he also serves on the board of Asiri Hospitals PLC and Asiri Central Hospitals PLC. He functions as the Chairman of the Audit Committee of all three Hospitals. He currently holds the position of Director/Chief Executive Officer of Softlogic Communications (Pvt.) Ltd.

Mr. Rajapaksa is a Fellow of the Institute of Chartered Accountants of Sri Lanka and of the Chartered Institute of Management Accountants of UK. He is also a Member of the Chartered Institute of Marketing – UK and holds a MBA from the Post Graduate Institute of Management of the University of Sri Jayawardapura.

Corporate Governance

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

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

Board of Directors

The Board establishes broad corporate policies, sets strategic direction and oversees management, which is responsible for Company's day-to-day operations. The Board comprises of four executive Directors and six non-executive Directors. Their profiles appear on page 12 of the Annual Report.

The Chairman of the Board

The Board generally believes that the Managing Director should also serve as the Chairman of the Board. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities.

Board Meetings and Attendance

The Board typically meets twelve times a year. Special Board Meetings are also held as and when needed. To facilitate active and informed discussion at Board and committee meetings, directors receive background materials in advance and are expected to prepare themselves for and to attend all Board meetings, shareholders meetings and all meetings of the committees on which they serve, unless there are exceptional circumstances that prevent them from doing so.

Over the past year the Board held 14 meetings and the attendance is given below.

Mr A K Pathirage	ED	(Chairman / Managing Director)	14/14
Dr S Selliah	I	(Deputy Chairman)	12/14
Dr D S Rajapakse	I		14/14
Mr H N Jayasinghe	I		14/14
Mrs D Wimalasundera	ED		14/14
Dr K M P Karunaratne	ED		14/14
Mrs S D Nimalasuria	ED	Appointed w.e.f. 3/12/2007	3/4
Mr C D Weerasinghe	NED	Appointed w.e.f. 3/12/2007	4/4

Mr. G L H Premaratne	NED	Appointed w.e.f. 10/3/2008	1/1
Mr. S A B Rajapaksa	NED	Appointed w.e.f. 10/3/2008	1/1
Mr G H A Wimalasena		(Resigned w.e.f. 30/08/2007)	5/6
Mr T Weerasinghe		Ceased to be a Director w.e.f. 18/02/2008	10/12
Mr P Pitipana Arachchi		Ceased to be a Director w.e.f. 08/08/2007	0/4

Key

- ED – Executive Director
- I – Independent Non-executive Director
- NED – Non-executive Director

Appraisal of the Managing Director

The performance of the Managing Director is reviewed every year by the Board. The Managing Director is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring that corporate goals are achieved making the optimum use of resources available.

Time commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board meetings, they attend sub-committee meetings and make decisions via circular resolutions.

Appointment to the Board

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

Re-election of Directors

As per the Articles of Association of the Company one third of the directors shall retire from office at each Annual General Meeting (AGM) and offer themselves for re-election. The Board may select directors to fill vacancies in existing or new director positions. Such directors serve until the next Annual General Meeting and seek re-election. The executive Directors are not subject to retirement by rotation. Mr. H N Jayasinghe who has reached the age of 70 seeks re-election annually in terms of Section 210 of the Companies Act No. 7 of 2007.

Independence of the Directors

Three of the Directors meet the Colombo Stock Exchange Listing requirements of "independence".

Corporate Governance

Access to independent professional advice

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

Remuneration of the Directors

The remuneration of the Directors is determined by the Board and disclosed on page 38 of the Annual Report.

Company Secretary

Secretaries & Registrars (Private) Limited, Secretaries acts as the Company Secretary. The role of the secretary is dealing with directors at board meetings and with shareholders.

The company secretary attends Board meetings and ensures that minutes are kept of all proceedings at the Board meetings. The company secretary advises the Board and ensures that proper procedures and applicable rules and regulations are followed by the Board.

Board Committees

The Board may establish committees from time to time to discharge their duties effectively. There are currently two Board committees.

The Audit and the Remuneration Committee of the parent company (i.e. Asiri Hospitals PLC) act as the Audit and the Remuneration Committee of the Company.

Audit Committee

Mr S Rajapaksa – Chairman
Dr S Selliah
Mr H Premaratne

The Audit Committee meets at least four times a year with the Finance Director and the external/internal auditors to monitor the Company's financial reporting processes and systems of internal accounting control, the independence and the performance of the independent auditors and the performance of the internal auditors. Periodically, it also approves and reviews the appointment and retirement of external Auditors, as well as their relationship with the Company.

Remuneration Committee

Mr H Premaratne – Chairman
Dr D S Rajapaksa
Dr S Selliah

The Remuneration Committee regularly takes advice from external consultants acknowledged as experts in their fields. The Remuneration Committee usually meets at least two times a year. Its role is to make recommendations to the Board on the following.

- Remuneration policy for executive Directors

- Remuneration policy and specific packages for certain senior executives
- Employee benefits and long terms incentive schemes

The Committee is not responsible for setting the level of remuneration of non-executive Directors, which is determined by the Board.

Responsibilities

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

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of board appointments
- Determine the Company's purpose and values, strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant law, regulations and codes of best practice
- Communicate with shareholders effectively and serve the legitimate interest of the shareholders
- Periodic and timely reporting to shareholders of the progress and performance of the Company
- Review processes and procedures regularly and ensure that internal control is effective
- Identify key risk areas and ensuring that these risks are addressed and managed effectively
- Appointing and evaluating the performance of the Managing Director
- Approving the Annual Budget
- Ensure the continuation of the Company as a going concern

Investor relations

The Annual General Meeting, Annual Report of the Company and Quarterly Reports are the principal means of communication with the shareholders.

Corporate Governance

Asiri Surgical Hospital

Section	Criteria	Has the Company met the Criteria
6.1a	Number of non-executive directors should be 1/3 of the total number of directors or two whichever is higher	Complied. Out of 10 directors 6 are non-executive directors
6.1b	Total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding the AGM	Complied.
6.1c	Any change occurring to this ratio shall be rectified within 90 days from the date of change	Complied.
6.2a	Number of independent directors should be 1/3 of the total number of directors or two whichever is higher	Complied. Out of 6 non-executive directors 3 are independent.
6.2b	Each non-executive director to submit signed and dated declaration annually	Complied
6.3a	Board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the Board and shall set out in the annual report the name of directors determined to be 'independent'	Board determined the following Directors as independent. Dr. S Selliah Dr. D S Rajapaksha Mr. H N Jayasinghe
6.3c	The Board shall publish in its annual report a brief resume of each director on its board, which includes information on the nature of his/her expertise in relevant functional areas in addition to disclosures relating to the independence of a director.	Complied.
6.3d	Upon appointment of a new director to its board, the company shall forthwith provide to the Exchange a brief resume of such director.	Complied.
6.4	Criteria for independence	Rule No. 6.4 was taken as the criteria for independence.
6.5a	The remuneration committee shall comprise a minimum of; <ul style="list-style-type: none"> Two independent non-executive directors (in instances where a company has only two directors on its board); or Non-executive directors a majority of whom shall be independent One non-executive director shall be appointed as the chairman of the committee by the Board of Directors 	The remuneration committee comprises one independent director and 2 non-executive directors The remuneration committee of Asiri Hospitals PLC (parent company) acts as the remuneration committee of Asiri Surgical Hospitals PLC.
6.5b	The remuneration committee shall recommend the remuneration payable and/or equivalent position thereof, to the board of the listed company, which will make the final determination.	Complied.
6.5c	The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied. The names of the members of the committee are given in the Annual Report on page 14.
6.6a	The audit committee shall comprise a minimum of; <ul style="list-style-type: none"> Two independent non-executive directors (in instances where a company has only two directors on its board); or Non-executive directors a majority of whom shall be independent One non-executive director shall be appointed as chairman of the committee by the board of directors Unless otherwise determined by the audit committee the chief executive officer and the chief financial officer of the listed company shall attend audit committee meetings. 	The audit committee comprises one independent director and 2 non-executive directors. The audit committee of Asiri Hospitals PLC (parent company) acts as the audit committee of Asiri Surgical Hospitals PLC. Complied. Group Finance Director attends all the meetings.

Compliance with the Corporate Governance Rules of the Colombo Stock Exchange.

Audit Committee Report

The Audit Committee, which has been formally constituted as a Sub Committee of the Board, comprises of three Non-Executive Directors. The names of the Committee members are stated in the Corporate Governance Report on page 14. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Company's process for monitoring compliance with laws and regulations.

The Current Audit Committee was appointed on 1st April 2008. The main activities of the Committee are summarised below –

- Reviewed the annual and quarterly financial statements, and to consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- The Committee discussed the effectiveness of the Company's internal control system.
- Reviewed the effectiveness of the internal audit function of the Company.
- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-up. A paper on statutory compliance is submitted to the Board monthly.
- Having reviewed the performance of the external auditors the Committee has decided to recommend re-appointment of the auditors – Messrs. Ernst & Young subject to the approval of the shareholders at the Annual General Meeting to be held on 15th October 2008.

Samantha Rajapaksa
Chairman- Audit Committee

25th August 2008

Report of the Directors

The Directors of Asiri Surgical Hospital PLC have pleasure in presenting to the members their report together with the audited Financial Statements of the Company for the year ended 31st March 2008.

Principle Activities and Nature

The principle activity of the Company continues to be carrying out Health Care and Hospital Services.

There has been no significant change in the nature of the Company's principle activities during the year.

Review of Operations

A review of the operations of the Company and its performance during the year is contained in the Chairman's Review on pages 09 to 11 of the Annual Report. This review together with the Financial Statements reflects the state of affairs of the Company. These reports form an integral part of the Directors' Report.

Auditors' Report

The Auditors' Report on the Financial Statements is given on page 21.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 26 to 30. There was no change in the accounting policies adopted.

Internal Control

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

Directorate

The following Directors held Office during the year under review.

Mr. A K Pathirage (Chairman / Managing Director)
Dr. S Selliah (Deputy Chairman)
Dr. K M P Karunaratne
Mrs. D Wimalasundera
Mrs. S D Nimalasuriya
Dr. D S Rajapaksa
Mr. H N Jayasinghe
Mr. C D Weerasinghe
Mr. G L H Premaratne
Mr. S A B Rajapaksa
Mr. P Pitipana Arachchi (ceased to be a Director)
Mr. G H A Wimalasena (resigned)
Mr. T Weerasinghe (ceased to be a Director)

It is with a deep sense of regret that the Directors wish to inform the shareholders of the sudden demise of Mr. Tissa Weerasinghe, Chairman of the Company on 18th February 2008.

Mr. A K Pathirage, Managing Director was appointed as the Chairman during the year.

Mr. G H A Wimalasena resigned from the Board with effect from 30th August 2007.

Mr. P Pitipana Arachchi who retired in terms of Article 109 of the Articles of Association of the Company was not re-elected at the Annual General Meeting and hence ceased to be a Director of the Company with effect from 8th August 2008.

In terms of Article 109 of the Articles of Association of the Company, Dr. D S Rajapaksa retire by rotation and being eligible offer himself for re-election with the unanimous support of the Board.

In terms of Article 115 of the Articles of Association of the Company, Mrs. S D Nimalasuriya, Mr. C D Weerasinghe, Mr. G L H Premaratne and Mr. S A B Rajapaksa retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Mr. H N Jayasinghe retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 7 of 2007 of his intention to propose the re-election, with the unanimous support of the Board.

Report of the Directors

Directors' Interests

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

Company	Particulars of Transaction	Name of Director Received	Nature of Interest Received	Amounts (paid)
Asiri Hospitals PLC	Repayment of Finances Obtained	Note 01	Common Directors	(414,183,431)
	Temporary Finance Obtained			504,443,848
	Channeling Fees Collected			17,421,564
	Reimbursement of Expenses			3,601,161
	Sales of Goods			2,099,696
Asiri Matara Hospital (Pvt) Ltd	Repayment Of Obtained	Note 02	Common Directors	(76,604,410)
	Temporary Finance Obtained			76,904,974
	Sales of Goods			191,917
Asiri Diagnostic Servises (Pvt) Ltd	Temporary Loans Obtained	Note 03	Common Directors	(5,000,000)
	Repayment of Temporary Loans			17,000,000
	Interest Paid			1,075,890
Asiri Central Hospitals PLC	Repayment of Temporary Finance Obtained	Note 04	Common Directors	(867,740)
	Temporary Finance Obtained			44,770,804
	Sales of Goods			1,226,970
Softlogic Holdings Ltd & Subsidiaries	Purchase of computers & Accessories	Note 05	Common Directors	(6,000,738)
	Software Maintenance			(1,380,000)
Uniwalkers Ltd	Purchase of Electronic Equipment	Note 05	Common Directors	(1,315,770)
D Samson & Sons (Pvt) LTD	Shoes Suppliers	Dr. D S Rajapaksa	Director	(616,516)
SRG Holdings (Pvt) LTD	Drinking Water	Dr. D S Rajapaksa	Director	(557,391)
Udayagiri Stores	Food supplies	Mr H N Jayasinghe	Partner	(5,545,067)

Common Directors:

Note 1: Messrs. Mr A K Pathirage, Dr D S Rajapaksa, Mrs. S D Nimalasuria, Dr S Selliah, Dr K M P Karunarathne, Mrs D Wimalasundera, Mr H N Jayasinghe, Mr G L H Premarathna, Mr C D Weerasinghe, Mr S A B Rajapaksha,

Note 2 : Messrs. Mr A K Pathirage, Dr D S Rajapaksa, Dr S Selliah, Dr K M P Karunarathne, Mrs D Wimalasundera, Mr H N Jayasinghe.

Note 3 : Messrs. Mr A K Pathirage, Dr K M P Karunarathne, Mrs D Wimalasundera, Mr H N Jayasinghe,

Note 4 : Messrs. Mr A K Pathirage, Dr D S Rajapakse, Mrs S D Nimalasuria, Dr S Selliah, Dr K M P Karunarathne, Mrs D Wimalasundera. Mr G L H Premarathna, Mr C D Weerasinghe, Mr S A B Rajapakshe,

Note 5: Messrs. Mr. A.K Pathirage, Mr G L H Premarathne & Mr S A B Rajapakshe are Directors of Softlogic Group of Companies.

Directors' Shareholding

Directors' interest in shares of the Company as at 31st March 2008 were as follows.

	No. of shares as at 31/03/2008	No. of shares as at 31/03/2007
Mr. A K Pathirage	878,600	555,000
Dr. S Selliah	—	—
Dr. K M P Karunaratne	133	100
Mrs. D Wimalasundera	1,066,679	700,010
Mrs. S D Nimalasuria	—	—
Dr. D S Rajapaksa	133,346	100,010
Mr. H N Jayasinghe	13	10
Mr. C D Weerasinghe	6,666,666	5,000,000
Mr. G L H Premaratne	—	—
Mr. S A B Rajapaksa	—	—

Report of the Directors

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year 2007/2008 are given in note 15 to the Financial Statements on page 38.

Donations

The donations made by the Company during the year amounted to Rs. 213,000/-. (2006/2007 Rs. 64,421/-).

Auditors

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

The following payments were made to them during the year.

	Rs.
Audit Fees	528,750
Fees for other Services	174,650

Other services consisted of tax related work.

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

Financial Statements

The Financial Statements which include the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the Financial Statements are given on pages 22 to 42.

Capital Expenditure

The capital expenditure of the Company during the year amounted to Rs. 290,740,732/- (2006/2007 – Rs. 71,058,715/-) details of which are given in note 3 to the Financial Statements.

Property, Plant & Equipment

The movement in property, plant and equipment during the year under review is set out in note 3 to the Financial Statements.

Dividends

The Directors recommend to the shareholders that the Interim Dividend of Rs. 0/075 per share paid on 6th May 2008 be considered as the Final Dividend for the year ended 31st March 2008. This dividend together with the interim dividend of Rs. 0/125 per share paid on 20th July 2007, amounts to a total dividend of Rs. 0/20 per share for the year.

Stated Capital & Reserves

The stated capital of the Company as at 31st March

2008 was Rs. 982,305,030/- after the Bonus Issue of 1:3 as approved at an Extraordinary General Meeting.

Reserves

The total reserves of the Company as at 31st March 2008 amounted to Rs. 222,206,203/- The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Shareholders' Information

The twenty largest shareholders of the Company as at 31/03/2008 are given on page 44 together with an analysis of the shareholding. There were 2,353 registered shareholders as at 31st March 2008.

Share Information

Information on share trading is given on page 44 of the Annual Report.

Post Balance Sheet Event

No circumstances have arisen and no material events have occurred since the Balance Sheet date, which would require adjustments to, or disclosure in the accounts other than those disclosed in the note 22 of the Financial Statements and this Report.

Statutory Payments

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

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the Directors have adopted the going-concern basis in preparing the accounts.

Annual General Meeting

The Eighth Annual general Meeting of the Company will be held at Hotel Janaki, No. Fife Road, Colombo 05, on Wednesday the 15th day of October 2008 at 2.00 p.m. The Notice of the 8th Annual General Meeting is on page 46 of the Annual Report.

BY ORDER OF THE BOARD OF
ASIRI SURGICAL HOSPITAL PLC

(Sgd.)

SECRETARIES & REGISTRARS (PVT.) LIMITED
SECRETARIES
Colombo

27th August 2008

Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the report of the Auditors on page 21.

As per the provisions of the Companies Act No. 7 of 2007, the Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the results of its operation for the financial year.

The Directors consider that, in preparing these Financial Statements as set out on pages 22 to 42 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position

of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act No. 7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in this statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where relevant provided for.

BY ORDER OF THE BOARD OF
ASIRI SURGICAL HOSPITAL PLC

(Sgd.)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

27th August 2008

Independent Auditors' Report

TO THE SHAREHOLDERS OF ASIRI SURGICAL HOSPITAL PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of **Asiri Surgical Hospital PLC** ("Company"), which comprise the Balance Sheet as at 31 March 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2008 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

(Sgd.)

Ernest & Young

Colombo.

27th August 2008

Balance Sheet

AS AT 31 MARCH 2008

	Note	2008	2007
ASSETS		Rs.	Rs.
Non-Current Assets			
Property, Plant & Equipment - At Cost	3	1,321,292,627	1,130,007,762
Leasehold Property	4	94,533,776	95,570,709
Investment in Associate	5	643,771,929	-
		2,059,598,332	1,225,578,472
Current Assets			
Inventories	6	61,545,465	55,240,462
Trade and Other Receivables	7	291,730,481	41,927,469
Tax Recoverable		2,994,107	2,380,238
Cash and Bank Balances	19.1	10,605,843	6,725,321
		366,875,896	106,273,490
Total Assets		2,426,474,228	1,331,851,962
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital / Share Capital	8	982,305,030	562,305,030
Share Premium	8.2	-	420,000,000
Retained Earnings		222,206,203	196,890,472
Total Equity		1,204,511,233	1,179,195,502
Non-Current Liabilities			
Non Interest Bearing Loans and Borrowings	9	64,248,420	69,565,299
Interest Bearing Loans and Borrowings	10	398,023,945	-
Deferred Liabilities	11	3,782,931	1,953,175
		466,055,297	71,518,474
CURRENT LIABILITIES			
Trade and Other Payables	12	57,655,623	34,819,115
Non Interest Bearing Loans and Borrowings	9	5,316,877	5,316,877
Interest Bearing Loans and Borrowings	10	692,935,198	41,001,994
		755,907,698	81,137,986
Total Equity and Liabilities		2,426,474,228	1,331,851,962

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

(Sgd)
Priyal De Silva
 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board by;

(Sgd)
Ashok Pathirage
 Managing Director

(Sgd)
Sharmini Nimalasuria
 Finance Director

The Accounting Policies and Notes on pages 26 through 42 form an integral part of these Financial Statements.

Colombo,
 27th August 2008

Income Statement

YEAR ENDED 31 MARCH 2008

	Note	2008 Rs.	2007 Rs.
Revenue		896,373,031	718,972,175
Cost of Services		(440,323,355)	(334,929,725)
Gross Profit		456,049,676	384,042,450
Other Income and Gains	13	4,808,019	3,736,118
Administrative Expenses		(206,281,018)	(159,900,440)
Distribution Expenses		(5,978,091)	(2,367,461)
Finance Cost	14	(126,776,978)	(4,247,880)
Share of Loss of an Associate Before Tax	5.2	(7,430,986)	–
Profit Before Tax	15	114,390,622	221,262,787
Income Tax Expense	16	(4,107,549)	(566,022)
Profit for the Year		110,283,073	220,696,765
Earnings Per Share-Basic	17	0.18	0.35
Dividend Per Share – Ordinary Shares	18.1	0.12	0.25
– Preference Shares	18.2	0.12	0.25

The Accounting Policies and Notes on pages 26 through 42 form an integral part of these Financial Statements.

Colombo,
27th August 2008

Statement Of Changes In Equity

YEAR ENDED 31 MARCH 2008

	Note	Stated Capital Rs.	Share Capital Rs.	Share Premium Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31 March 2006		–	562,305,030	420,000,000	116,769,965	1,099,074,995
Profit for the Year		–	–	–	220,696,765	220,696,765
Dividend Paid						
– Ordinary Shares		–	–	–	(88,076,258)	(88,076,258)
– Preference Shares		–	–	–	(52,500,000)	(52,500,000)
Balance as at 31 March 2007		–	562,305,030	420,000,000	196,890,472	1,179,195,502
Bonus Issue of Shares	8.3		117,435,010	(117,435,010)	–	–
Transferred to Stated Capital	8	982,305,030	(679,740,040)	(302,564,990)	–	–
Profit for the Year		–	–	–	110,283,073	110,283,073
Dividend Paid						
– Ordinary Shares	18.1	–	–	–	(58,717,342)	(58,717,342)
– Preference Shares	18.2	–	–	–	(26,250,000)	(26,250,000)
Balance as at 31 March 2008		982,305,030	–	–	222,206,203	1,204,511,233

The Accounting Policies and Notes on pages 26 through 42 form an integral part of these Financial Statements.

Colombo,
27th August 2008

Cash Flow Statement

YEAR ENDED 31 MARCH 2008

	Note	2008	2007
Cash Flows From Operating Activities		Rs.	Rs.
Profit Before Income Tax Expense		114,390,622	221,262,787
Adjustments for			
Amortisation of Leasehold Land	4	1,036,933	1,036,933
Depreciation	3	89,403,159	72,618,891
Income from Investment		7,430,986	-
Finance Costs	14	126,776,978	4,247,880
Gratuity	11	1,829,756	1,020,584
Operating Profit/(Loss) Before Working Capital Changes		340,868,434	300,187,075
(Increase)/Decrease in Inventories		(4,339,430)	(2,140,763)
(Increase)/Decrease in Trade and Other Receivables		(249,803,013)	(26,276,153)
Increase/(Decrease) in Trade and Other Payables		22,836,511	(75,370,251)
Cash Generated From/(Used in) Operations		109,562,502	196,399,908
ESC/Income Tax paid		(2,313,504)	(2,031,197)
Finance Costs paid		(126,776,978)	(4,123,606)
Net Cash From/(Used in) Operating Activities		(19,527,980)	190,245,105
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	3	(282,653,598)	(63,582,941)
Acquisition of Investments	5	(655,584,223)	-
Dividend Received		1,973,394	-
Net Cash Flows Used in Investing Activities		(936,264,427)	(63,582,941)
Cash Flows from /(Used in) Financing Activities			
Proceeds From Interest Bearing Loans & Borrowings	10.1	1,250,000,000	-
Repayment of Non-Interest Bearing Loans & Borrowings		(5,316,879)	(7,399,430)
Repayment of Interest Bearing Loans & Borrowings	10.1	(377,376,055)	-
Repayments of Related Party Loan	10.2	(12,000,000)	12,000,000
Dividend Paid		(84,967,342)	(140,576,258)
Net Cash Flows from Financing Activities		770,339,724	(135,975,688)
Net Increase/(Decrease) in Cash and Cash Equivalents		(185,452,682)	(9,313,524)
Cash and Cash Equivalents at the beginning of the year	19	(22,276,673)	(12,963,149)
Cash and Cash Equivalents at the end of the year	19	(207,729,355)	(22,276,673)

The Accounting Policies and Notes on pages 26 through 42 form an integral part of these Financial Statements.

Colombo,
27th August 2008

Notes To The Financial Statements

YEAR ENDED 31 MARCH 2008

1. CORPORATE INFORMATION

1.1 General

Asiri Surgical Hospital PLC ("Company") is a public limited liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 181, Kirula Road, Colombo 5 and the principal place of business is situated at No. 21, Kirimandala Mawatha, Colombo 5.

1.2 Principal Activities and Nature of Operations

During the year, principal activities of the Company were to operate a two tier hospital and provide healthcare services.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Asiri Hospitals PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is also Asiri Hospitals PLC, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of Asiri Surgical Hospital PLC for the year ended 31st March 2008 were authorized for issue in accordance with a resolution of the Board of Directors on 27th August 2008.

2.1 BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No.07 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of Asiri Surgical Hospital PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Comparative Information

The accounting policies adopted by the Company are unless otherwise stated consistent with those used in the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and Assumptions

Investment in Associate

The Company assess whether there are any indicators of impairment for its investment in associate of each reporting date. Such assessment is made as described under accounting policy no 2.3.10 to these Financial Statements. In this regard, the fair value measurement included the Company's ability to benefit from synergies and other tangible/intangible assets that arise from its holding.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of

Notes To The Financial Statements

the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.2.2 Taxation

a) Income Tax

Pursuant to agreement dated 29th March 2000 entered into with the Board of Investment under section 17 of the Board of Investment Law, the Company is exempt from the business of operating a two tier hospital and providing healthcare services, for a period of 10 years commencing from 31st March 2004. This exemption expires on 31st March 2014.

The Company is liable to pay tax on other income earned at the current effective tax rate of 35%.

b) Economic Service Charge

As per the provisions of the Economic Service Charge Act No.13 of 2006, Economic Service Charge (ESC) is payable on relevant turnover applicable to any relevant quarter for the year. The rate of ESC relating to the revenue referred to in the BOI agreement where the corresponding profit is exempt from income tax is 0.25% and the rate relating to other income is 1%. ESC paid is deductible from the Company's income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable for a further four years.

c) Value Added Tax (VAT)

As per section 8 of the Value Added Tax Act No. 14 of 2002 and subsequent amendments the supply of health care services provided by medical institutions is exempt whilst other revenue would be liable at the rate of 15%.

d) Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No. 5 of 2005 and subsequent amendments thereto, the Company is liable to pay SRL at the rate of 1% on all taxes and levies chargeable as specified in the first schedule of the Act.

e) Deferred Taxation

No deferred taxation has been provided for in these financial statements, since the Company is in its tax holiday period.

2.2.2 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.4 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted for using the following cost formula:-

Pharmaceuticals	- At actual cost on first-in first-out basis
Surgical and Other Consumables	- At actual cost on first-in first-out basis

Notes To The Financial Statements

2.3.5 Trade and Other Receivables

Trade and other receivables are stated at the amounts they are estimated to realise. Other receivables and dues from related parties are recognised at cost.

2.3.6 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as Cash in hand, Demand Deposits and short-term highly liquid Investments, readily convertible to known amounts of Cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, Cash and Cash Equivalents consist of Cash in hand and Deposits in Banks net of outstanding Bank Overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Property, Plant and Equipment

All items of property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets.

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.3.8 Leasehold Property

Leasehold property comprising of land use rights is amortized on a straight line basis over the period of the lease. Leasehold property is tested for impairment and is written down where applicable. The impairment loss if any is recognized in the income statement.

2.3.9 Investment in Associate

The Company's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Notes To The Financial Statements

2.3.10 Impairment of Assets

The carrying amounts of the Company's non financial assets and investment in associate are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 exceeds its recoverable amount the asset is considered as impaired and is written down to its recoverable amount.

2.3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

However, as per the payment of Gratuity Act No .12 of 1983, this liability arises only upon the completion of five years of continued service with the Company.

The gratuity liability is not externally funded nor actuarially valued. This item is grouped under Deferred Liabilities in the Balance Sheet.

b) Defined Contribution Plan- Employees Provident Fund & Employees Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.13 Income Statement

Revenue Recognition

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

a) Rendering of Services

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

b) Interest

Interest income is recognised as the interest accrues unless recoverability is in doubt.

c) Others

Other income is recognised on an accrual basis.

Notes To The Financial Statements

2.4 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards Issued but not yet Effective:

Sri Lanka Accounting Standard 16 (Revised) Employee Benefits

- a) A revised SLAS 16 was issued in 2007, and becomes effective for financial years beginning or after 1 July 2007. Accordingly, the financial statements for year ending 31 March 2009 will adopt the revised SLAS 16.

As a result of the revision all short term employee benefits of the Company will required to be recognized when an employee has rendered service in exchange for those benefits. For post-employment benefits, the Company will be required to involve a qualified actuary in their measurement. Pending a full study of this revised standard, the financial impact is not yet known and reasonably estimable.

2.5 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements. Please refer page 20 for the Statement of the Directors' Responsibility for Financial Reporting.

Notes To The Financial Statements

3. PROPERTY, PLANT & EQUIPMENT

3.1 Gross Carrying Amounts

At Cost	Balance As At 01.04.2007	Additions/ Transfers	Disposals/ Transfers	Balance As At 31.03.2008
	Rs.	Rs.	Rs.	Rs.
Building on Leasehold Land	643,623,922	49,408,233	–	693,032,155
Medical Equipment	320,118,513	140,797,607	–	460,916,120
Office Equipment	24,937,949	5,027,730	–	29,965,679
Furniture & Fittings	52,460,458	8,283,806	–	60,744,264
Kitchen Equipment	10,364,200	160,296	–	10,524,496
Generator	9,566,544	–	–	9,566,544
Air Conditioners	45,200,875	4,482,649	–	49,683,524
Housekeeping Equipment	4,090,571	635,901	(2,556,007)	2,170,465
Laundry Equipment	8,387,030	–	–	8,387,030
Motor Vehicle	2,687,610	–	–	2,687,610
Tools & Equipment	32,458,741	184,135	–	32,642,876
Fixtures & Fittings	106,312,145	1,482,055	–	107,794,200
Elevators	19,775,063	8,776,334	–	28,551,397
Total Value of Depreciable Assets	1,279,983,621	219,238,746	(2,556,007)	1,496,666,361

3.2 In the Course of Construction

	Balance As At 01.04.2007	Incurred During the Year	Disposals/ Transfers	Balance As At 31.03.2008
	Rs.	Rs.	Rs.	Rs.
Building Work in Progress	8,087,135	71,501,986	(8,087,135)	71,501,986
Total Gross Carrying Amount	1,288,070,756	290,740,732	(10,643,142)	1,568,168,347

3.3 Depreciation

	Balance As At 01.04.2007	Charge for the year	Disposals/ Transfers	Balance As At 31.03.2008
	Rs.	Rs.	Rs.	Rs.
Building on Leasehold Land	25,550,023	13,503,606	–	39,053,629
Medical Equipment	53,149,619	41,012,647	–	94,162,266
Office Equipment	4,263,206	4,697,442	–	8,960,648
Furniture & Fittings	13,552,744	5,706,400	–	19,259,145
Kitchen Equipment	2,696,119	1,043,974	–	3,740,092
Generator	2,827,936	956,654	–	3,784,591
Air Conditioners	12,394,574	4,756,758	–	17,151,332
Housekeeping Equipment	853,879	446,429	(590,434)	709,874
Laundry Equipment	2,473,709	838,703	–	3,312,412
Motor Vehicle	537,522	430,018	–	967,540
Tools & Equipment	8,558,733	3,251,656	–	11,810,389
Fixtures & Fittings	29,126,280	10,713,629	–	39,839,909
Elevators	2,078,651	2,045,243	–	4,123,893
Total Depreciation	158,062,994	89,403,159	(590,434)	246,875,720

Notes To The Financial Statements

3.4 Net Book Values

	2008	2007
	Rs.	Rs.
Building on Leasehold Land	653,978,526	618,073,899
Medical Equipment	366,753,854	266,968,894
Office Equipment	21,005,031	20,674,743
Furniture & Fittings	41,485,119	38,907,714
Kitchen Equipment	6,784,403	7,668,081
Generator	5,781,953	6,738,608
Air Conditioners	32,532,191	32,806,301
Housekeeping Equipment	1,460,592	3,236,692
Laundry Equipment	5,074,618	5,913,321
Motor Vehicle	1,720,070	2,150,088
Tools & Equipment	20,832,487	23,900,008
Fixtures & Fittings	67,954,291	77,185,865
Elevators	24,427,504	17,696,413
	1,249,790,641	1,121,920,627
In the Course of Construction Building Work in Progress	71,501,986	8,087,135
Total Carrying Amount of Property, Plant & Equipment	1,321,292,627	1,130,007,762

- 3.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 290,740,732/- (2007 – Rs.63,582,941/-). Cash payments amounting to Rs. 282,657,598/- (2007–Rs. 63,582,941/-) were made during the year for purchase of Property, Plant & Equipment.
- 3.6 The Company has received the leasehold right to the land, for a period of 99 years from the BOI and the leasehold right of the property vested with the Company along with the building valued for Rs. 700 Million have been mortgaged to Hatton National Bank PLC as security for the loan facility of Rs. 200 Million obtained by Asiri Hospitals PLC on July 09, 2004 with the approval of the BOI.
- 3.7 Secondary mortgage of the land and building referred to above 3.6 have been given in favour of Commercial Bank of Ceylon PLC and Hatton National Bank PLC for a syndicated loan of Rs 350 Mn.
- 3.8 The useful life of Office Equipment and Motor Vehicles were reviewed and changed by the directors as 5 years against the previous estimation of 10 years. Due to these changes in estimation the following additional charges have resulted in the current year, in comparison to the depreciation charge based on previous estimation. These differences will arise in the future periods for the Property, Plant and Equipment existing as at 31st March 2008 unless they are disposed in the future.

	Previous Estimate of Depreciation Useful life	Adjusted Depreciation Useful life	Increase in Depreciation Charge	Comparative Depreciation Charge based on Previous Estimate
			2008	2008
Class of Asset			Rs.	Rs.
Office Equipment	10 Years	5 Years	4,697,442	2,348,721
Motor Vehicle	10 Years	5 Years	430,018	215,009

Notes To The Financial Statements

3.9 Depreciation

The provision for depreciation is calculated by using a straight line method on the cost of all Property, Plant and Equipment in order to write off such amounts over the following estimated useful lives by equal installments.

Buildings on Leasehold Land	Over 50 Years
Medical Equipment	Over 10 Years
Office Equipment	Over 5 Years
Furniture & Fittings	Over 10 Years
Kitchen Equipment	Over 10 Years
Generator	Over 10 Years
Air Conditioners	Over 10 Years
Housekeeping Equipment	Over 10 Years
Laundry Equipment	Over 10 Years
Motor Vehicle	Over 5 Years
Tools & Equipment	Over 10 Years
Fixtures & Fittings	Over 10 Years
Elevators	Over 10 Years

4 LEASEHOLD PROPERTY

	2008	2007
	Rs.	Rs.
Balanace as at the begining of the year	95,570,709	96,607,642
Amortization for the year	(1,036,933)	(1,036,933)
Balance as at the end of the Year	94,533,776	95,570,709

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

Refer Note 3.6 to these Financial Statements.

5. INVESTMENT IN ASSOCIATE

The Company has acquired 29.45% interest in Asiri Central Hospital PLC which is involved in the hospital and healthcare service industry. The cost of Investment is Rs. 655,584,223/-.

5.1 Carrying Value of Investment

	Number of Shares	2008 Rs.	2007 Rs.
The Cost of Acquisition	6,577,981	655,584,223	-
Post Acquisition loss after tax		(9,838,900)	-
Dividend Received		(1,973,394)	-
Carrying value of Investment		643,771,929	-

Further, Company has acquired 3.35% interest (725,275 number of ordinary shares of Asiri Central Hospital PLC) under the mandatory offer which has been concluded on 26 August 2008. As such the amount invested as at the Balance Sheet date amounting to Rs. 71,979,054/- has been reflected under Trade and Other Receivables. (Note 7).

Notes To The Financial Statements

5.2 Share of Associate Balance Sheet

Current Assets	110,216,126	–
Non- Current Assets	523,746,346	–
Current Liabilities	(54,641,472)	–
Non- Current Liabilities	(309,127,844)	–
Net Assets	270,193,156	–
Revaluation and other adjustments on acquisition	373,578,773	–
Carrying amount of the Investment	643,771,929	–
Share of the Associate's Revenue, Profits and Dividend		
Revenue	105,464,115	–
Profits before Income Tax	(7,430,986)	–
Income Tax	(2,407,914)	–
Dividend Received from Pre Acquisition Reserves	1,973,394	–

6. INVENTORIES

	2008	2007
	Rs.	Rs.
Pharmaceuticals	7,696,630	9,045,463
Surgical	44,727,551	37,658,453
X-Ray & Radiology Consumables	1,196,936	2,067,356
Kitchen/ Canteen	588,585	458,662
House Keeping Consumables	705,083	1,484,391
Laundry Equipment	–	31,957
Stationery	2,939,991	2,143,474
Others	3,690,689	2,350,707
	61,545,465	55,240,462

7. TRADE AND OTHER RECEIVABLES

	2008	2007
	Rs.	Rs.
Trade Debtors	30,143,973	26,933,397
Other Receivables – Related Parties (7.1)	162,901,698	11,242,460
Advances	138,427	118,142
Deposits and Prepayments	26,567,329	3,633,470
Amount placed for shares under mandatory offer of Asiri Central Hospitals PLC	71,979,054	–
	291,730,481	41,927,469

7.1 Amount Due From Related Parties

	Relationship		
Asiri Hospitals PLC	Parent Company	116,303,146	10,266,424
Asiri Matara Hospital (Pvt) Ltd	Common Parent Company	1,468,518	976,036
Asiri Central Hospitals PLC	Associate Company	45,130,034	–
		162,901,698	11,242,460

Notes To The Financial Statements

8. STATED CAPITAL / SHARE CAPITAL

	Note	Stated Capital		Share Capital	
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
Issued and Fully paid					
At the beginning of the year					
Ordinary Shares		–	–	352,305,030	352,305,030
Cumulative Non Redeemable Preference Shares		–	–	210,000,000	210,000,000
Transferred to Stated Capital From Share Capital					
Ordinary Shares		352,305,030	–	(352,305,030)	–
Cumulative Non Redeemable Preference Shares		210,000,000	–	(210,000,000)	–
Transferred to Stated Capital From Share Premium					
Bonus Issue of shares	8.2	117,435,010	–	–	–
At the end of the year		982,305,030	–	–	562,305,030

The Authorised Capital and Par Value concept in relation to share capital were abolished by the Companies Act No 07 of 2007. The total amount received by the Company or due and payable to Company in respect of the issue of the shares of 352,305,030 of Ordinary Shares and 210,000,000 of Preference Shares are referred to as Stated Capital.

8.1 Number of Shares

	2008	2007
	Number	Number
Ordinary Shares	352,305,030	352,305,030
Bonus Issue of Ordinary Shares	117,435,010	–
Cumulative Non Redeemable Preference Shares	210,000,000	210,000,000
	679,740,040	562,305,030

8.2 Share Premium

	2008	2007
	Rs.	Rs.
Balance at the beginning of the year	420,000,000	420,000,000
Bonus Issue of shares	(117,435,010)	–
Transferred to Stated Capital From Share Premium	(302,564,990)	–
Balance at the end of the year	–	420,000,000

8.3 During the year Company has issued 1:3 bonus shares for Ordinary Shareholders by utilising the share premium amounting Rs.117,435,010/-. The said bonus issue has been approved by the Securities and Exchange Commission.

Notes To The Financial Statements

9. NON INTEREST BEARING LOANS AND BORROWINGS

	2008 Amount Repayable Within 1 Year	2008 Amount Repayable Within 2–5 Years	2008 Amount Repayable After 5 Years	2008 Total	2007 Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Payable to the Board of Investment of Sri Lanka					
On Leasehold Land	4,275,600	17,957,520	44,208,346	66,441,466	70,717,067
On re-location	1,041,277	2,082,554	–	3,123,831	4,165,109
	5,316,877	20,040,074	44,208,346	69,565,297	74,882,176

9.1 Terms of Repayment – Board of Investment of Sri Lanka

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

9.1.2 The lesser reserves the right to revise the annual lease rent every 05 years on the basis of an annual increase not greater than the Average Weighted Deposit Rate prevailing at the end of each year as determined by the Central Bank of Sri Lanka or 10%, per annum which ever is lower.

If the lesser exercises such right, at the end of 5 years and every 5 years thereafter at the maximum allowed rate of 10% the Company would have to incur a gross liability of Rs.117,956,474/- including future finance costs of Rs. 16,156,474/-.

Due to the uncertainty of exercising such right, the Company has not accounted for future finance costs pertaining to the above lease which would amount to approximately Rs.897,582/- for the current year.

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

9.1.3 An amount of Rs. 7,288,940/- is payable in seven equal annual installments on account of re-location fees commencing from the financial year 2004/2005.

10. INTEREST BEARING LOANS AND BORROWINGS

	2008 Amount Repayable Within 1 Year	2008 Amount Repayable After 1 Year	2008 Total	2007 Total
	Rs.	Rs.	Rs.	Rs.
Bank Loans (10.1)	474,600,000	398,023,945	872,623,945	–
Loans from Related Parties (10.2)	–	–	–	12,000,000
Bank Overdraft	218,335,198	–	218,335,198	29,001,994
	692,935,198	398,023,945	1,090,959,143	41,001,994

10.1 Bank Loans

	As at 01.04.2007	Loans Obtained	Repayments	As at 31.03.2008
	Rs.	Rs.	Rs.	Rs.
Commercial Bank of Ceylon PLC	–	1,100,000,000	377,376,055	722,623,945
Hatton National Bank PLC	–	150,000,000	–	150,000,000
	–	1,250,000,000	377,376,055	872,623,945

Notes To The Financial Statements

Interest Rates and Terms of Repayment

Commercial Bank of Ceylon PLC Rs. 300Mn – Interest rate is Prime Lending Rate + 1% p.a payable monthly and loan is repayable in 60 equal monthly instalments of Rs.5Mn each with 1 year grace.

Commercial Bank of Ceylon PLC Rs.650Mn – Interest rate is Prime Lending Rate +3% p.a. with a minimum of 24% p.a. and loan is repayable in 59 equal monthly instalments of Rs.10.8Mn and final instalment of Rs.12.8 Mn.

Commercial Bank of Ceylon PLC Rs.150Mn – Interest is payable monthly at a rate of 1.5% over Prime Lending Rate and loan is repayable in one bullet payment after 06 months from first disbursement or from proceeds of Rights issue, whichever is earlier.

Hatton National Bank PLC Rs 150 Mn – Interest rate is AWPLR + 1.5% and loan is repayable in one bullet payment in 06 months or proceeds of Rights issue whichever is earlier.

10.2 Loans from Related Parties

		As at	Loans		As at
		01.04.2007	Obtained	Repayment	31.03.2008
	Relationship	Rs.	Rs.	Rs.	Rs.
Asiri Diagnostic Services (Pvt) Ltd	Common Parent Company	12,000,000	5,000,000	(17,000,000)	–

(Applicable Interest Rate–14% per annum)

11. DEFERRED LIABILITIES

11.1 Retirement Benefit Obligations – Gratuity

	2008	2007
	Rs.	Rs.
Balance as at the beginning of the year	1,953,175	932,591
Provision for the Year	1,829,756	1,020,584
Balance as at the end of the year	3,782,931	1,953,175

12. TRADE AND OTHER PAYABLES

	2008	2007
	Rs.	Rs.
Trade Payables	33,031,232	21,385,345
Contract Retention	849,608	11,567
Sundry Creditors including Accrued Expenses	23,774,783	13,422,203
	57,655,623	34,819,115

13. OTHER OPERATING INCOME

	2008	2007
	Rs.	Rs.
Car Park Rental	1,950,000	1,520,000
Dialog Antenna Rental	1,800,000	1,800,000
Restaurant Rental	672,000	240,000
Hostel Fees	251,085	82,404
Sundry Income	134,934	93,714
	4,808,019	3,736,118

Notes To The Financial Statements

14. FINANCE COST

	2008	2007
	Rs.	Rs.
Interest Expense on Overdrafts	14,567,984	4,077,578
Interest Expense on Loans & Borrowings Payable to – Banks	111,133,104	–
Interest Expense on Loans & Borrowings Payable to – Related Parties	1,075,890	170,302
	126,776,978	4,247,880

15. PROFIT BEFORE TAX

Stated after charging/(Crediting)	2008	2007
	Rs.	Rs.
Directors' Fees	840,000	614,000
Directors' Remuneration	4,962,650	1,435,650
Directors' Retirement Benefits	630,430	625,765
Amortisation of Leasehold Property	1,036,933	1,036,933
Staff Costs includes		
– Defined Benefit Plan Costs –Gratuity	1,829,756	1,020,584
– Defined Contribution Plan Costs – EPF & ETF	8,287,982	5,529,830
Depreciation	89,403,159	72,618,891
Donations	213,000	64,421
Legal Fees	1,958,065	595,710

16. INCOME TAX EXPENSES

	2008	2007
	Rs.	Rs.
Income Tax on Other Income	1,699,635	566,022
Share of Associate Company Tax	2,407,914	–
	4,107,549	566,022

17. EARNINGS PER SHARE

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

Notes To The Financial Statements

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

	2008	2007
	Rs.	Rs.
Profit for the Year	110,283,013	220,696,765
Dividend on Preference Shares	(26,250,000)	(52,500,000)
Net Profit Attributable to Ordinary Shareholders for		
Basic Earnings Per Share	84,033,013	168,196,765
Number of Ordinary Shares used as the Denominator	2008	2007
	Number	Number
Ordinary Shares at the beginning of the year	352,305,030	352,305,030
Bonus Shares	117,435,010	117,435,010
Bonus element of Rights Issue	8,043,494	8,043,494
Adjusted Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	477,783,534	477,783,534

The weighted average number of shares in issue have been diluted for the bonus element in the subsequent Rights issue of shares.

18. DIVIDENDS PAID AND PROPOSED

	2008	2007
	Rs.	Rs.
Declared and paid during the year		
18.1 Equity dividends on ordinary shares:		
Interim dividend for 2008: Rs. 0.12 – per share (2007: Rs. 0.25 per share)	58,717,342	88,076,258
18.2 Dividends on Preference shares:		
Interim dividend for 2008: Rs. 0.12 – per share (2007: Rs. 0.25 per share)	26,250,000	52,500,000
	84,967,342	140,576,258

19. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	2008	2007
	Rs.	Rs.
19.1 Favourable Cash and Cash Equivalents Balance		
Cash & Bank Balances	10,605,843	6,725,321
	10,605,843	6,725,321
19.2 Unfavourable Cash & Cash Equivalents Balance		
Bank Overdraft	(218,335,198)	(29,001,994)
Total Cash and Cash Equivalents for the Purposes of the Cash Flow Statement	(207,729,355)	(22,276,673)

Notes To The Financial Statements

20. COMMITMENTS AND CONTINGENCIES

20.1 Capital Expenditure Commitments

The Company has purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary cause of business as at 31st March 2008 as follows.

	2008	2007
	Rs.	Rs.
Contracted but not provided for	161,100,467	–

20.2 Contingent Liabilities

(a) Legal Claims

- A patient has filed a case against the Company claiming Rs. 1,500,000/- for damages caused due to improper medical treatment.

The Directors, based on the information currently available are of the view that the ultimate resolution of such legal claim is unlikely to have a material adverse effect on the result of the operations, financial position or liquidity of the Company.

(b) Guarantees

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

	2008	2007
	Rs. Mn.	Rs. Mn.
Sampath Bank PLC.	175	175
Seylan Bank Ltd.	10	–
Hongkong & Shanghai Banking Corporation Ltd.	150	150
Nation Trust Bank PLC.	180	180
Hatton National Bank PLC.	180	180
Commercial Bank of Ceylon PLC	250	250
Bank of Ceylon	180	180
	1,125	1,115

- (c) As per Note 9.1.2 to these Financial Statements there exists an uncertainty in respect of future finance costs relating to lease rent.

21. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of liability	Carrying Amount Pledged		Included under
		2008	2007	
		Rs.	Rs.	
Investment	Primary Mortgage Bond for loans and borrowings	643,771,929	–	Investemnt in Associate
Leased Assets	Secondary Mortgage Bond for loans and borrowings Charged over trade finance facilities (Refer Note 3.6 to these Financial Statements)	94,533,776	95,570,709	Leasehold Property
		738,305,705	95,570,709	

Notes To The Financial Statements

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- 22.1 The Company announce a Right Issue of Shares of 1:8 and the issue was successfully concluded in April 2008. Total of 58,717,505 number of ordinary shares of the Company were issued. Total proceeds of the Right Issue amounted to Rs 411,022,535/-.
- 22.2 As required by Section 56(2) of the Companies Act No7of 2007, the Board of Directors have confirmed that the Company satisfies the Solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and declared and paid on 5th May 2008 an interim dividend of Rs.0.075 per share for the financial year 2007/2008.

23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

23.1 Transactions with Parent and Related Entities

Nature of Transaction	Asiri Hospital PLC		Transactions with		Total	
	Parent Company		Affiliate Companies*		2008	2007
	2008	2007	2008	2007		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
As at 1 April	10,266,424	(81,781,480)	(11,023,964)	-	(757,540)	(81,781,480)
Repayment of Temporary Finance Obtained and fund transfers	504,443,848	400,006,928	138,675,778	-	643,119,626	388,982,964
Temporary Finance Obtained	(414,183,431)	(385,255,546)	(82,472,150)	(11,023,964)	(496,655,582)	(385,255,546)
Sale of goods/services	2,099,696	-	1,418,887	-	3,518,584	-
Chanelling fee collected on behalf Related Party	17,421,564	5,241,552	-	-	17,421,564	5,241,552
Expenses Reimbursed to Related Party	3,601,161	7,818,249	-	-	3,601,161	7,818,249
Staff Related Expenses	(7,346,115)	-	-	-	(7,346,115)	-
Other fund transfers	-	64,236,721	-	-	-	64,236,721
As at 31 March	116,303,147	10,266,424	46,598,551	(11,023,964)	162,901,699	(757,540)

* Affiliate Companies include Asiri Matara Hospital (Pvt) Ltd, Asiri Central Hospital PLC, Asiri Diagonstics Services (Pvt) Limited. Above balances are included in Trade and Other receivables and Interest Bearing Loans and Borrowings.

23.2 Off Balance Sheet Items

Guarantees made on behalf of Asiri Hospital PLC, has been given in Note 20.2.(b) to these Financial Statements. Asiri Hospital PLC has signed a Corporate Guarantee Band with Hongkong & Shanghai Banking Corporation Limited and Commercial Bank of Ceylon PLC to secure the banking facilities obtained by Asiri Surgical Hospital PLC, for the value of Rs. 150 million and Rs.300 million respectively.

Notes To The Financial Statements

23.3 Transactions with Key Management Personnel of the Company or its parent

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

a) Key Management Personnel Compensation

	2008	2007
	Rs.	Rs.
Short Term Employment Benefits	5,802,650	2,049,650
Post Employment Benefits	630,430	625,765
Total Compensation Paid to Key Management Personnel	6,433,080	2,675,415

b) Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel

Name of the Related Party	Details	Amount (Paid)/	Amount (Paid)/
		Received	Received
		2008	2007
		Rs.	Rs.
Softlogic Trading (Pvt) Ltd	Purchase of Computers and Accessories	(4,547,243)	(3,385,010)
Softlogic Computers (Pvt) Ltd	Purchase of Computers and Accessories	(1,011,741)	–
Softlogic Information Systems (Pvt) Ltd	Software Maintenance	(1,380,000)	(460,000)
Softlogic Communications (Pvt) Ltd	Purchase of Mobile Phones	(441,750)	(24,400)
Uniwalkers Ltd	Purchase of Electronic Equipment	1,315,770	(457,370)
DSI Samson & Co. Limited	Drinking Water and Other supplies	(580,924)	(557,604)
Udayagiri Stores	Food Supplies	(5,545,067)	(4,680,516)

23.4 Other Transactions

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

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

Shareholder Information

The ordinary shares of the Company are listed in the Colombo Stock Exchange of Sri Lanka. The Audited Financial Statements of the Company for the year ended March 31, 2008 and copies of this annual report have been submitted to The Colombo Stock Exchange.

Distribution of Shareholders

Shareholdings	31st March 2008			31st March 2007		
	No of Shareholders	Total Holding	Total Holding %	No of Shareholders	Total Holding	Total Holding %
1 to 1000 shares	880	333,441	0.07	517	290,391	0.08
1001 to 5,000 shares	553	1,341,816	0.29	329	1,042,059	0.30
500,1 to 10,000 shares	191	1,479,708	0.32	298	2,831,500	0.80
10001 to 50,000 shares	493	10,439,879	2.22	289	8,254,000	2.34
50,001 to 100,000 shares	89	6,296,683	1.34	84	7,613,240	2.16
100001 to 500,000 shares	106	21,434,868	4.56	59	15,875,810	4.51
500,001 to 1,000,000 shares	12	8,549,061	1.82	13	10,525,160	2.99
Over 1,000,001 shares	29	419,864,584	89.38	21	305,872,870	86.82
Total	2,353	469,740,040	100.00	1,610	352,305,030	100.00

Composition of Shareholders

Individual	2,286	201,641,861	42.93	1,556	151,914,840	43.12
Institutional	67	268,098,179	57.07	54	200,390,190	56.88
Total	2,353	469,740,040	100.00	1,610	352,305,030	100.00
Residence	2,343	469,666,010	99.98	1,600	352,066,030	99.93
Non-Residence	10	74,030	0.02	10	239,000	0.07
Total	2,353	469,740,040	100.00	1,610	352,305,030	100.00

Shareholder Information

Major Shareholdings

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

		As at 31st March 2008	%	As at 31st March 2007	%
1	Asiri Hospitals Ltd.	134,915,120	28.72	101,186,340	28.72
2	Sri Lanka Insurance Corporation Ltd- General Fund	94,016,799	20.01	70,462,600	20.00
3	Mr. D K Subasinghe	72,837,099	15.51	54,201,010	15.38
4	Softlogic International (Pvt.) Ltd	20,337,133	4.33	14,701,300	4.17
5	Mr. P P Subasinghe	8,000,013	1.70	6,000,000	1.70
6	Mr. V Kailasapillai	7,068,000	1.50	5,300,000	1.50
7	Mrs. A Selliah	6,729,333	1.43	5,045,000	1.43
8	Mr. T Weerasinghe	6,666,680	1.42	5,000,010	1.42
9	Mrs. N Weerasinghe (Joint)	13,333,332	2.84	10,000,000	1.42
10	Mrs. N Weerasinghe	6,666,666	1.42	5,000,000	1.42
11	Ms. S Subramaniam	6,661,000	1.42	4,900,000	1.39
12	Mr. K Aravinthan	6,636,000	1.41	4,900,000	1.39
13	Softlogic Communications (Pvt.) Ltd	6,158,933	1.31	4,571,800	1.30
14	Mrs. A Kailasapillai	5,868,000	1.25	4,400,000	1.25
15	Softlogic Trading (Pvt.) Ltd	4,702,200	1.00	3,503,400	0.99
16	Mr. M R Weerasinghe	3,333,333	0.71	2,500,000	0.71
17	Mr D M Rajapakse.	2,307,200	0.49	2,060,400	0.58
17	Mr. M D N Jayarathne	1,999,999	0.43	1,000,000	0.28
18	Mr. T S De Silva	1,388,000	0.30		
18	Arundodhaya Ltd	1,336,000	0.28		
19	Arundodhaya Investments Ltd	1,336,000	0.28		
19	Arundodhaya Industries Ltd	1,336,000	0.28		
20	Dr C V Subasinghe	1,333,333	0.28	1,000,000	0.28
		414,966,173	88.32	305,731,860	85.33
	Shares held by the balance shareholdings	54,773,867	16.68	46,573,170	14.67
	Total Issue Shares	469,740,040	100.00	352,305,030	100.00
	Public Shareholding	159,225,585	33.90%	119,749,830	33.99%
	Share Trading	2007/08		2006/07	
	Market Price (Rs.)				
	Highest	13.75	(21.08.07)	3.90	(01.03.07)
	Lowest	6.50	(17.05.07)	2.50	(26.05.06)
	As at year end	7.50		3.00	
	No of Trades	8,602		10,302	
	No of Shares Traded	21,243,800		203,353,100	
	Value of the Shares Traded (Rs)	230,465,925		1,256,658,175	
	Earning per Share	0.18		0.35	
	Divdends per Share	0.12		0.25	
	Net Assets per Share	2.12		2.06	

Five Year Summary

Year ended 31st March	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000	2005 Rs.'000	2004 Rs.'000
Income Statements					
Revenue	896,373	718,972	530,533	344,038	58,355
Cost of Services	(440,323)	(334,930)	(261,938)	(173,248)	(18,994)
Gross Operating Profit	456,050	384,042	268,595	170,792	39,361
Other Income	4,808	3,736	318	76	6
Administration and Distribution Expenses	(212,259)	(162,267)	(129,473)	(102,320)	(19,327)
Profit Before Interest	241,168	225,511	139,440	68,548	20,040
Finance Cost	(126,777)	(4,248)	(245)	(7)	(2)
Profit before Tax	114,391	221,263	139,194	69,301	20,038
Income Tax Expense	(4,108)	(566)	(64)		
Net Profit for the year	110,283	220,697	139,130	69,301	20,038
Balance Sheet					
Non Current Assets	2,059,598	1,225,578	1,235,651	1,139,263	989,817
Inventories	61,545	55,240	53,100	25,351	8,718
Receivables	294,725	44,308	16,566	14,692	8,369
Cash and Bank balance	10,606	6,725	5,112	1,110	1,572
Total Assets	2,426,474	1,331,851	1,310,430	1,180,416	1,008,477
Stated Capital	982,305	982,305	982,305	352,305	352,305
Accumulated Profits	222,206	196,890	116,770	60,293	17,415
Dividend Proposed					
Share Holders' Funds	1,204,511	1,179,196	1,099,075	412,598	369,720
Non Interest Bearing Long Term Liabilities	64,248	69,565	75,086	83,253	83,253
Interest Bearing Long Term Liabilities	398,024				
Deferred Retirements Obligations	3,783	1,953	933	450	-
Trade Creditors	57,656	34,819	28,284	17,514	37,072
Other Payables		-	81,781	645,857	508,640
Non Interest Bearing Loans and Borrowings	5,317	5,317	7,196	7,173	7,173
Interest Bearing Short Term Borrowings	692,935	41,002	18,075	13,571	2,619
Total Equity and Liabilities	2,426,474	1,331,851	1,310,430	1,180,416	1,008,477
Ratio and Other Information					
PBIT / Turnover	27%	31%	26%	18%	34%
Gearing	48%	3%	2%	3%	1%

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Asiri Surgical Hospital PLC will be held at HOTEL JANAKI, Fife Road, Colombo 05 on Wednesday the 15th day of October 2008 at 2.00 p.m. for the following purposes:

- 1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance Sheet of the Company for the year ended 31st March 2008 together with the Report of the Auditors thereon.
- 2) To ratify the Interim Dividend of Rs. 0/075 per share paid on 6th May 2008 as the Final Dividend for the year ended 31st March 2008.
- 3) To re-elect Dr. D S Rajapaksa who retires by rotation in terms of Article 109 of the Articles of Association as a Director of the Company.
- 4) To re-elect Mrs. S D Nimalasuria who retires in terms of Article 115 of the Articles of Association of the Company, as a Director of the Company.
- 5) To re-elect Mr. C D Weerasinghe who retires in terms of Article 115 of the Articles of Association of the Company, as a Director of the Company.
- 6) To re-elect Mr. G L H Premaratne who retires in terms of Article 115 of the Articles of Association of the Company, as a Director of the Company.
- 7) To re-elect Mr. S A B Rajapaksa who retires in terms of Article 115 of the Articles of Association of the Company, as a Director of the Company.
- 8) To re-elect Mr. H N Jayasinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

“RESOLVED that Mr. H N Jayasinghe who has reached the age of 79 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 7 of 2007”.

- 9) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.

By Order of the Board

SECRETARIES & REGISTRARS (PVT.) LIMITED

(Sgd.)

SECRETARIES

Colombo

15th September 2008

Note:

A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

A form of Proxy is enclosed in this Report.

The completed form of Proxy should be deposited at the Registered Office of the Company, No. 181, Kirula Road, Colombo 05, not less than 48 hours before the time for holding the Meeting.

Form of Proxy

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

Mr. A K Pathirage of Colombo or failing him
Dr. S Selliah of Colombo or failing him
Dr. D S Rajapaksa of Colombo or failing him
Mr. H N Jayasinghe of Colombo or failing him
Mrs. D Wimalasundera of Colombo or failing him
Dr. K M P Karunaratne of Colombo or failing him
Mrs. S D Nimalasuriya of Colombo or failing him
Mr. C D Weerasinghe of Colombo or failing him
Mr. G L H Premaratne of Colombo or failing him
Mr. S A B Rajapaksa of Colombo

as *my/our Proxy to** vote for *me/us on *my/our behalf at the
8th ANNUAL GENERAL MEETING OF THE COMPANY to be held at HOTEL JANAKI, Fife Road, Colombo 05 at
2.00 p.m. on Wednesday the 15th day of October 2008 and at any adjournment thereof, and at every poll which
may be taken in consequence thereof.

	<i>FOR</i>	<i>AGAINST</i>
1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance sheet of the Company for the year ended 31st March 2008 together with Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To approve the interim dividend of Rs. 0/075 per share paid on 6th May 2008 as the final dividend.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Dr. D S Rajapakse who retires by rotation in terms of Article 109 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mrs. S D Nimalasuriya who retires in terms of Article 115 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. C D Weerasinghe who retires in terms of Article 115 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. G L H Premaratne who retires in terms of Article 115 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-elect Mr. S A B Rajapaksa who retires in terms of Article 115 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
8) To re-elect Mr. H N Jayasinghe, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
9) To re-appoint retiring Auditors Messrs Ernst & Young and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Eight.

.....
*Signature/s

Note:

- i. *Please delete the inappropriate words.
- ii. Instructions as to completion are noted on the reverse thereof.
- iii. If you wish your Proxy to speak at the meeting you should interpolate the words "speak and" in the place indicated with **and initial such interpolation.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. The Proxy may not speak at the Meeting unless expressly authorized by the instrument appointing him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 181, Kirula Road, Colombo 05, not less than forty eight (48) hours before the appointed time for the Meeting.